



NILFISK INTERIM REPORT

Q1 Interim Report 2020

Company Announcement No.6/2020

Financial highlights

- As mentioned in connection with suspension of outlook for 2020 in company announcement no 5/2020 on March 19, performance up until mid-March was in line with expectations. During the latter part of March, however, the ongoing COVID-19 outbreak had a significant negative impact on demand across most markets negatively impacting revenue
- Nilfisk posted revenue of 185.8 mEUR for the branded professional business in Q1 2020 corresponding to an organic growth of -10.4%, which is lower than expected due to the significant impact from the COVID-19 outbreak. Across all markets, we have experienced a high degree of correlation between restrictions imposed on societies in response to COVID-19 and negative performance in our business
- In EMEA, Q1 2020 organic growth of -6.8% was to a large extent negatively impacted by the South European region, where France, Italy and Spain in particular experienced very low demand during March. In Americas, organic growth of -12.3% was in particular impacted by declining demand in the US during late March. APAC posted -25.0% organic growth mainly due to very low activity in China during most of the quarter
- The Consumer business performed above expectations during the quarter and posted organic growth of -0.7%, whereas organic growth in Private Label of -21.8% was in line with expectations
- For the business in total, revenues in Q1 2020 amounted to 219.1 mEUR (246.6 mEUR) corresponding to organic growth of -10.3%
- The gross margin was at the same level as Q1 2019 at 42.8% (42.9%) and was positively impacted by product mix effects following the exit of the Consumer business from the Pacific region in 2019 and lower raw material prices that off-set the negative impact from US imposed tariffs and lower capacity utilization
- Overhead costs came to 85.6 mEUR, which is a reduction of 3.4 mEUR compared to Q1 2019 due to prudent cost control. The overhead cost ratio, however, increased by 3.0 percentage points to 39.1% as a result of the decline in revenue
- EBITDA before special items was 7.8 mEUR lower than last year at 24.9 mEUR and the EBITDA margin before special items was 11.4%, which is 1.9 percentage points lower than in Q1 2019 as a result of lower revenue
- Free cash flow for Q1 2020 improved by 25.6 mEUR due to lower working capital, lower CAPEX and lower special items compared to Q1 2019
- To mitigate the expected negative effects of the COVID-19 outbreak, since March, we have implemented several measures to scale down production capacity and minimize costs in general. We remain focused on adapting capacity and costs to the level of demand and to protect the cash flow and maintain a healthy balance sheet. We continuously monitor the development in order to be able to adapt to the circumstances

219 mEUR

Revenue

Down 28 mEUR from Q1 2019 significantly impacted by the COVID-19 outbreak

-10.4%

Organic growth in the branded professional business

In particular due to lower revenue in APAC and Americas

-10.3%

Organic growth total business

Positively impacted by good performance in the Consumer business in Q1

42.8%

Gross margin

In line with Q1 2019 at 42.9%

11.4%

EBITDA margin before special items

Down 1.9 percentage points compared to Q1 2019

7.5%

RoCE

Down 7.8 percentage points from Q1 2019



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Financial highlights for the Group

EUR million	Q1 2020	Q1 2019	Year 2019
Income statement			
Revenue	219.1	246.6	966.5
EBITDA before special items	24.9	32.7	121.4
EBITDA	24.3	25.5	98.7
Operating profit before special items	8.2	16.9	53.5
Operating profit	7.6	9.5	29.6
Special items, net	-0.6	-7.4	-23.9
Financial items, net	-5.0	-1.3	-14.0
Profit for the period	1.9	6.2	8.7
Cash flow statement			
Cash flow from operating activities	7.7	-11.1	76.1
Cash flow from investing activities	-5.5	-12.3	-40.8
– hereof investments in property, plant and equipment	-1.2	-3.8	-10.4
Free cash flow excluding acquisitions and divestments	2.2	-23.4	35.3
Statement of financial position			
Total assets	832.2	901.1	840.1
Group equity	159.7	158.2	158.0
Working capital	172.9	205.9	157.9
Net interest-bearing debt	425.3	465.8	414.1
Capital employed	584.5	623.7	572.1
Financial ratios and employees			
Organic growth	-10.3%	1.0%	-4.1%
Organic growth Nilfisk branded professional business	-10.4%	2.8%	-2.6%
Gross margin	42.8%	42.9%	42.3%
EBITDA margin before special items	11.4%	13.3%	12.6%
EBITDA margin	11.1%	10.3%	10.2%
Operating profit before special items margin	3.7%	6.9%	5.5%
Operating profit margin	3.5%	3.9%	3.1%
Financial gearing	3.7	3.6	3.4
Financial gearing excluding IFRS 16 impact	4.2	3.3	3.8
Overhead costs ratio	39.1%	36.1%	36.2%
Working capital ratio	20.9%	19.1%	20.6%
Return on Capital Employed (RoCE)	7.5%	15.3%	9.2%
Basic earnings per share (EUR)	0.07	0.23	0.32
Diluted earnings per share (EUR)	0.07	0.23	0.32
Number of full-time employees, end of period	4,774	5,319	4,886

Business update

During the first quarter of 2020, the COVID-19 outbreak impacted demand and sales activity in all markets and introduced challenges across the Nilfisk production and supply chain. Initially, the development impacted mainly production and sales in China, whereas the remaining APAC region as well as the EMEA and Americas regions were affected most noticeably towards the end of the quarter.

Impact in China early in the quarter

As the COVID-19 outbreak escalated in China in late January, our production site located in the Guangdong province and our main supplier of Consumer products, both located in China, had to temporarily close their operations following guidelines from the authorities. In addition, our sales company located in Shanghai saw reduced activity as most businesses and institutions closed across the country leading to very low demand. During this period, several precautionary measures were put in place across our value chain to minimize contagion risk. These measures included the use of temperature screenings, visitor restrictions, mandatory use of safety equipment, rigorous health and hygiene training for all employees etc. Combined with solid contingency plans, these measures enabled Nilfisk to be among the first companies permitted to resume operations by local authorities in the Guangdong province. Consequently, the supply of professional products out of China were not significantly impacted in Q1, whereas some delays were seen for Consumer products. Demand in China remained at a very low level during second half of the quarter.

Customer demand declined end of Q1

As of mid-March, as the COVID-19 outbreak spread across Europe, North and South America, most markets were impacted to various degrees. All production and distribution sites, with few exceptions, continued to be fully operational during the quarter, even in countries heavily impacted by the crisis. The most significant impact was on sales generation and customer demand. As most countries as well as several

US states implemented lock-downs, many customers had to scale down or even close their operations, which led to lower activity levels in most of Nilfisk's customer segments. At the same time the conditions for the sales force and service technicians became increasingly challenged as the 'shelter in place' guidelines made it difficult to conduct customer meetings, product demonstrations, and service visits.

The commercial response to the crisis

Despite the decline in demand, the activity level in some customer segments continued and even increased during the quarter. This was especially the case for healthcare, retail and agriculture as well as food and pharma manufacturing, all part of critical infrastructure. For these customer segments, having clean and hygienic facilities is more important than ever. As a supplier of cleaning equipment to these critical infrastructure businesses and institutions, Nilfisk was granted status as an essential business in most countries in Q1, which enabled us to continue sales and service throughout the quarter.

Adjusting capacity and cost

As demand diminished across many markets during March, we began to scale down capacity at production and distribution sites. Many employees were sent on leave or furlough with support from government relief packages, where this was possible. In addition, given the low visibility and high degree of uncertainty that still persists, strategic projects have been prioritised and several postponed, in part to minimize cash requiring capital expenditure to the greatest extent possible, and in part to fully focus on managing the business during the current crisis.

Uncertainty about potential operational and financial impact remains high, and we continuously monitor the development and remain focused on adapting capacity and costs to the level of demand and to protect the cash flow and maintain a healthy balance sheet.

Depending on the escalation of COVID-19 in the future and thereby the long-term impact for Nilfisk, there is an inherent risk that the estimates and judgements made in Q1 2020 could change. Future changes in estimates and judgement may have an impact on the Group's result and financial position.



Organic revenue growth of -10.3% for the total business negatively impacted by the COVID-19 outbreak

Revenue

In the first quarter of 2020, revenue for the branded professional business came to 185.8 mEUR (206.2 mEUR) corresponding to organic growth of -10.3%. The result was in particular impacted by the COVID-19 outbreak, which affected demand across most world markets to a varying degree during late March.

Revenue was in line with expectations, with the exception of China, until lock-downs were implemented in many markets around mid-March in a response to the escalating virus outbreak, which subsequently had a significant negative impact on revenue. As such, across all markets, we have experienced a high degree of correlation between restrictions imposed on societies and negative performance in our business.

EUR million	Q1 2020	Q1 2019	FY 2019
EMEA	-6.8%	3.6%	-2.2%
Americas	-12.3%	3.2%	-2.8%
APAC	-25.0%	-2.9%	-4.3%
Nilfisk branded professional business	-10.4%	2.8%	-2.6%
Consumer	-0.7%	-7.2%	-11.8%
Private label and other	-21.8%	-6.7%	-14.4%
Total	-10.3%	1.0%	-4.1%

Revenue Growth	Q1 2020
Organic	-10.3%
Acquisitions/divestments	-1.3%
Foreign exchange rates	0.4%
Total growth	-11.2%

In EMEA, the organic growth of -6.8% in Q1 2020 was to a large extent dragged down by the South European region, where France, Italy and Spain in particular experienced very low demand during

March as the COVID-19 outbreak escalated. Several EMEA markets, however, reported negative organic growth to some extent, in particular in March.

In Americas organic growth in Q1 2020 was -12.3% mainly due to the performance in the US, where revenue from strategic accounts in particular was lower than Q1 2019. In addition, throughout the market, demand in March was significantly lower compared to Q1 2019. Canada reported solid positive organic revenue growth despite experiencing significantly lower demand in March. In Latin Americas organic growth was also negative, most notably in March.

In APAC organic growth was -25.0%, which to a large extent was due to significantly lower activity and demand in China as a result of travel restrictions and lock-downs across the country. Other APAC markets also experienced negative impact from the COVID-19 outbreak, but mostly towards the end of Q1 2020 with variations from market to market.

In the remaining business, performance was better than expected, in particular in the Consumer business, which posted organic growth of -0.7%. In the Private Label business, organic growth was -21.8%.

For the total business, revenue in Q1 2020 came to 219.1 mEUR (246.6 mEUR), which corresponds to organic growth of -10.3%. In Q1 2020, the exit of the Consumer business from the Pacific region in 2019 had a negative impact on reported growth for the total business of -1.3% while foreign exchange rates (primarily USD related) had a slightly positive impact of 0.4% on total reported growth. As a result, total reported growth in Q1 2020 was -11.2%.

Gross margin

The gross margin was 42.8% which is at the same level as last year at 42.9%. As a result of the exit of the Consumer business from the

Pacific region in 2019, reduced sales of Consumer products with lower margins had a positive effect on the overall gross margin. Lower raw material prices in general and a higher gross margin in Private Label mainly due to improved customer mix also contributed positively. On the other hand, lower capacity utilization in our production sites and tariffs imposed in the US during Q2 2019 both had a negative impact on the margin.

In addition to lower capacity utilization across the branded professional business, EMEA was negatively impacted by mix effects coming from lower revenue in the high-margin businesses IVS and Food and in Americas. US imposed tariffs also had a negative impact.

Overhead costs and ratio

Overhead costs were reduced by 3.4 mEUR compared to Q1 2019 and came to 85.6 mEUR. The reduction was driven mainly by lower personnel costs and lower external costs such as consultants and distribution expenses. The overhead cost ratio was 39.1% compared to 36.1% in Q1 2019.

Total R&D spend decreased by 4.0 mEUR compared to last year and amounted to 6.4 mEUR, equivalent to 2.9% of revenue compared to 4.2% during Q1 last year. Capitalization of development projects was 4.3 mEUR lower than Q1 last year at 2.4 mEUR, whereas amortization in Q1 2020 was slightly higher at 3.7 mEUR (3.6 mEUR). Total reported R&D expenses therefore amounted to 7.7 mEUR compared to 7.3 mEUR last year.

Research and development costs	Q1 2020	Q1 2019
Total expenses (incl. Amortization)	7.7	7.3
Capitalized	2.4	6.7
Amortization	-3.7	-3.6
Total	6.4	10.4
R&D ratio (% of revenue)	2.9%	4.2%

The majority of the 2.4 mEUR in capitalized R&D costs relates to autonomous platforms under development.

Sales and distribution costs were reduced by 2.7 mEUR and came to 59.7 mEUR. The reduction was driven by lower salary expenses and lower distribution costs.

Administration costs amounted to 18.4 mEUR, which is 2.0 mEUR lower than Q1 2019 as a result of cost saving initiatives and general prudence across functions.

Other net operating income and expenses increased by 0.9 mEUR compared to Q1 2019 mainly as a result of a higher bad debt provision.

EBITDA and EBITDA margin

EBITDA before special items amounted to 24.9 mEUR, which is 7.8 mEUR lower than Q1 2019. This corresponds to an EBITDA margin before special items of 11.4% compared to 13.3% Q1 2019, which is attributable to the decline in revenue in the period.

EBITDA amounted to 24.3 mEUR, which is 1.2 mEUR lower than Q1 2019 due to lower special items as described below. As a result, the EBITDA margin improved by 0.8 percentage point to 11.1% in Q1 2020.

Operating profit before special items and operating profit

In Q1 2020 operating profit before special items amounted to 8.2 mEUR compared to 16.9 mEUR Q1 2019. This corresponds to an operating profit before special items margin of 3.7% compared to 6.9% Q1 2019.

Operating profit decreased by 1.9 mEUR compared to Q1 2019 and totaled 7.6 mEUR. The operating profit margin was 0.4 percentage point lower than Q1 2019 at 3.5%.

Special items

Special items in Q1 2020 amounted to 0.6 mEUR, which, as expected was 6.8 mEUR lower than last year. The special items related to redundancy costs that were part of a business restructuring and a transition fee for the on-going cost saving program.

Details on special items are described in Note 6.

Financial items

Net financial items amounted to -5.0 mEUR, which is 3.7 mEUR lower than Q1 2019. The decrease was mainly driven by higher losses on foreign exchange, primarily the MXN, CHN and GBP as expected according to the hedge policy.

Profit for the period

Profit for the period amounted to 1.9 mEUR compared to 6.2 mEUR in Q1 2019. Lower operating profit and higher net financial expenses led to a lower net profit for the period compared to Q1 2019.

Working capital

As of March 31, 2020, working capital was 172.9 mEUR, down by 33.0 mEUR compared to Q1 2019 and up 15.0 mEUR compared to year end 2019. Compared to Q1 2019 the decrease was driven by lower trade receivables totaling 38.9 mEUR. The drop was primarily in EMEA and Americas driven by a decline in organic revenue growth. Inventories declined by 12.4 mEUR, a development related to divestments, the exit from the consumer business in APAC in 2019, and a general lower inventory level. Trade payables declined by 6.5 mEUR while other current liabilities declined 20.5 mEUR primarily related to divestments.

The working capital ratio measured on a 12-month average increased by 0.3 percentage point to 20.9% at the end of Q1 2020 compared to the end of 2019 and decreased by 1.8 percent point compared to Q1 2019.

Capital employed and RoCE

As of March 31, 2020, capital employed amounted to 584.5 mEUR, down by 39.2 mEUR compared to Q1 2019 and up by 12.4 mEUR compared to 572.1 mEUR at the end of 2019. The development in capital employed since Q1 2019 was largely driven by the above-mentioned decline in net working capital.

Nilfisk's return on capital employed (RoCE) was 7.5% and down 7.8 percentage points from Q1 2019 and down 1.7 percentage points compared to end of 2019 driven by the above.

Cash flows

Cash flow from operating activities for Q1 2020 amounted to 7.7 mEUR compared to -11.1 mEUR in Q1 2019. The positive development compared to Q1 last year was mainly a result of lower working capital investments during Q1 2020.

Cash flow from investing activities for Q1 2020 amounted to -5.5 mEUR compared to -12.3 mEUR in 2019. The lower cash outflow compared to Q1 last year was mainly a result of lower investments in development projects in research and development.

As a result, free cash flow for Q1 2020 amounted to 2.2 mEUR compared to -23.4 mEUR in Q1 2019.

Equity

Equity was 159.7 mEUR at the end of Q1 2020 against 158.0 mEUR at the end of 2019. The increase was related to the result for the first three months of 2020, foreign exchange rate adjustments and value adjustments of hedging instruments.

Net interest-bearing debt

At the end of Q1 2020, total net interest-bearing debt was 425.3 mEUR, up by 11.2 mEUR against end of 2019 due to higher working capital. Compared to the end of Q1 2019, net interest-bearing debt was down by 40.5 mEUR primarily due a decline in cash tied up in working capital.

The financial gearing excluding the effect of IFRS 16 at the end of Q1 2020 was 4.2 versus 3.8 at the end of 2019 and 3.3 at the end of Q1 2019.

Subsequent events

Nilfisk is preparing a restructuring plan to adjust and structurally lower its cost base. Measures will include a reduction in the workforce by an estimated 250 full-time positions globally, across functions and regions.

Other than as set out above or elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to March 31, 2020, that are expected to have a material impact on the Group's financial position.

Outlook

The escalation of the global COVID-19 outbreak has a significant negative impact on the global economy and is therefore also expected to have a negative impact on both the market demand and on our operations.

As a consequence of the low visibility and high degree of uncertainty caused by the escalation of the COVID-19 outbreak worldwide, Nilfisk suspended the financial guidance for 2020 on March 19.

The visibility remains low and we are therefore still unable to accurately assess the potential negative impact of the COVID-19 outbreak on our business. For this reason, the financial guidance for 2020 remains suspended.



Condensed income statement

For the period ended March 31

EUR million	Note	Q1 2020	Q1 2019
Revenue	4, 5	219.1	246.6
Cost of sales	8	-125.3	-140.7
Gross profit	8	93.8	105.9
Research and development costs	8	-7.7	-7.3
Sales and distribution costs	8	-59.7	-62.4
Administrative costs	8	-18.4	-20.4
Other operating income		1.2	1.4
Other operating expenses		-1.0	-0.3
Operating profit before special items		8.2	16.9
Special items, net	6	-0.6	-7.4
Operating profit		7.6	9.5
Financial income		5.3	5.1
Financial expenses		-10.3	-6.4
Profit before income taxes		2.6	8.2
Tax on profit for the period		-0.7	-2.0
Profit for the period		1.9	6.2
<i>To be distributed as follows:</i>			
Profit attributable to shareholders of Nilfisk Holding A/S		1.9	6.2
Total		1.9	6.2
Earnings per share (based on 27,126,369 shares issued)			
Basic earnings per share (EUR)		0.07	0.23
Diluted earnings per share (EUR)		0.07	0.23

Condensed statement of comprehensive income

For the period ended March 31

EUR million	Note	Q1 2020	Q1 2019
Profit for the period		1.9	6.2
Other comprehensive income			
<i>Items that may be reclassified to the income statement:</i>			
Exchange rate adjustments of subsidiaries		-2.4	5.5
<i>Value adjustment of hedging instruments:</i>			
Value adjustment for the period		3.6	1.8
Transferred to cost of sales		0.2	-0.7
Transferred to staff costs		-	-0.2
Transferred to financial income and expenses		-0.6	-0.3
Tax on value adjustment of hedging instruments		-0.9	-0.3
<i>Items that may not be reclassified to income statement:</i>			
Value adjustment of hedging instruments transferred to inventory		-0.2	0.2
Comprehensive income for the period		1.6	12.2
<i>To be distributed as follows:</i>			
Comprehensive income attributable to shareholders of Nilfisk Holding A/S		1.6	12.2
Total		1.6	12.2

Condensed statement of financial position

EUR million	Note	March 31 2020	March 31 2019	December 31 2019
Assets				
Goodwill		169.1	168.8	168.5
Trademarks		9.3	10.7	9.6
Customer related assets		8.3	9.9	8.5
Development projects completed		40.1	44.8	39.1
Software, know-how, patents and competition clauses		33.2	23.0	27.4
Development projects and software in progress		24.9	28.2	34.0
Total intangible assets		284.9	285.4	287.1
Land and buildings		8.4	10.4	8.5
Plant and machinery		4.1	4.9	4.0
Tools and equipment		33.2	35.9	35.0
Assets under construction incl. prepayments		3.3	3.8	3.7
Right-of-use assets		57.5	66.0	54.5
Total property, plant and equipment		106.5	121.0	105.7
Investments in associates		22.4	20.1	21.5
Other investments and receivables		3.3	2.9	2.8
Deferred tax		25.1	20.9	25.1
Total other non-current assets		50.8	43.9	49.4
Total non-current assets		442.2	450.3	442.2
Inventories		169.4	181.8	172.7
Trade receivables		172.6	211.5	175.0
Interest-bearing receivables		4.4	5.8	4.7
Income tax receivable		5.2	4.9	5.1
Other receivables	7	21.8	30.5	21.1
Cash at bank and in hand		16.6	16.3	19.3
Total current assets		390.0	450.8	397.9
Total assets		832.2	901.1	840.1

EUR million	Note	March 31 2020	March 31 2019	December 31 2019
Equity and liabilities				
Share capital		72.9	72.9	72.9
Reserves		3.6	5.6	3.9
Retained earnings		83.2	79.7	81.2
Total equity		159.7	158.2	158.0
Deferred tax		9.0	9.8	7.0
Pension liabilities		6.1	4.4	5.9
Provisions		1.5	2.6	1.3
Interest-bearing loans and borrowings		383.1	411.7	376.9
Lease liabilities		37.1	42.2	32.2
Other liabilities		1.0	0.5	2.6
Total non-current liabilities		437.8	471.2	425.9
Interest-bearing loans and borrowings		4.3	9.1	5.0
Lease liabilities		21.9	24.9	24.0
Trade payables		107.7	114.2	111.9
Income tax payable		1.7	1.5	5.0
Other liabilities	7	85.8	106.3	96.5
Provisions		13.3	15.7	13.8
Total current liabilities		234.7	271.7	256.2
Total liabilities		672.5	742.9	682.1
Total equity and liabilities		832.2	901.1	840.1



Condensed cash flow statement

For the period ended March 31

EUR million	Note	Q1 2020	Q1 2019
Operating profit		7.6	9.5
Depreciation, amortization and impairment	8	16.7	16.0
Other non-cash adjustments		0.8	-2.0
Changes in working capital		-11.8	-27.2
Cash flow from operations before financial items and income taxes		13.3	-3.7
Financial income received		3.4	2.7
Financial expenses paid		-6.7	-4.9
Income tax paid		-2.3	-5.2
Cash flow from operating activities		7.7	-11.1
Purchase of property, plant and equipment		-1.2	-3.8
Sale/disposal of property, plant and equipment		-	0.3
Purchase of intangible assets		-3.8	-8.8
Purchase of financial assets		-0.5	-
Cash flow from investing activities		-5.5	-12.3
Changes in current interest-bearing receivables		0.3	0.5
Changes in current interest-bearing loans and borrowings		-3.2	1.0
Changes in non-current interest-bearing loans and borrowings		5.8	27.1
Payment of lease liabilities		-6.5	-5.6
Cash flow from financing activities		-3.6	23.0
Net cash flow for the period		-1.4	-0.4
Cash at bank and in hand, at the beginning of the period		19.3	16.4
Currency adjustments		-1.3	0.3
Net cash flow for the period		-1.4	-0.4
Cash at bank and in hand, March 31		16.6	16.3

Statement of changes in equity

For the period ended March 31, 2020

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Retained earnings	Total equity
January 1, 2020	72.9	4.3	-0.4	81.2	158.0
<i>Other comprehensive income:</i>					
Foreign exchange translation adjustments	-	-2.4	-	-	-2.4
<i>Value adjustment of hedging instruments:</i>					
Value adjustment for the period	-	-	3.6	-	3.6
Transferred to cost of sales	-	-	0.2	-	0.2
Transferred to staff costs	-	-	-	-	-
Transferred to financial income and expenses	-	-	-0.6	-	-0.6
Transferred to inventory	-	-	-0.2	-	-0.2
Tax on other comprehensive income	-	-	-0.9	-	-0.9
Total other comprehensive income	-	-2.4	2.1	-	-0.3
Profit for the period	-	-	-	1.9	1.9
Comprehensive income for the period	-	-2.4	2.1	1.9	1.6
Share option program	-	-	-	0.1	0.1
Tax on share option program	-	-	-	-	-
Total changes in equity in 2020	-	-2.4	2.1	2.0	1.7
Equity, end of period	72.9	1.9	1.7	83.2	159.7

For the period ended March 31, 2019

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Retained earnings	Total equity
January 1, 2019	72.9	-1.1	0.7	75.0	147.5
<i>Other comprehensive income:</i>					
Foreign exchange translation adjustments	-	5.5	-	-	5.5
<i>Value adjustment of hedging instruments:</i>					
Value adjustment for the period	-	-	1.8	-	1.8
Transferred to cost of sales	-	-	-0.7	-	-0.7
Transferred to staff costs	-	-	-0.2	-	-0.2
Transferred to financial income and expenses	-	-	-0.3	-	-0.3
Transferred to inventory	-	-	0.2	-	0.2
Tax on other comprehensive income	-	-	-0.3	-	-0.3
Total other comprehensive income	-	5.5	0.5	-	6.0
Profit for the period	-	-	-	6.2	6.2
Comprehensive income for the period	-	5.5	0.5	6.2	12.2
Share option program	-	-	-	-1.9	-1.9
Tax on share option program	-	-	-	0.4	0.4
Total changes in equity in 2019	-	5.5	0.5	4.7	10.7
Equity, end of period	72.9	4.4	1.2	79.7	158.2

Note 1

Significant accounting policies

This Interim Report has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for listed companies. The interim report contains condensed financial statements for the group. No interim report has been prepared for the parent company.

Except for below, the interim report follows the same accounting policies as the consolidated financial statements for 2019, which provide a full description of the significant accounting policies.

From Q1 2020 amortization/impairment of acquisition-related intangibles is no longer presented in a separate line in the Income statement. Comparison figures are restated. Details are included in Note 8.

Financial statement figures are stated in million EUR. As a result, rounding discrepancies may occur because sum totals have been rounded off and the underlying decimals are not presented to financial statement users.

Amendments to accounting standards that are mandatorily effective for the current reporting period

The Nilfisk Group has adopted the following new and revised standards issued by IASB, which are effective for the current reporting period that starts on January 1, 2020:

Amendments to References to the Conceptual Framework
Amendments to IFRS 3 – definition of business combinations
Amendments to IAS 1 and IAS 8 – definition of materiality
Amendments to IFRS 9, IAS 39 and IFRS 7 – IBOR reform

The new and revised standards have not had a material impact on accounting policies or disclosures for the period and are not expected to have an impact on the Nilfisk Group.

Note 2

Significant accounting estimates and judgements

When preparing the financial statements, we are required to make several estimates and judgements. The accounting estimates and judgements can have a significant impact on the financial statements and are regularly assessed to adapt to the market conditions and changes in political and economic factors.

Regarding accounting estimates, please refer to Note 1 of the 2019 Annual Report. Regarding risks please refer to Note 6 of the 2019 Annual Report and the information contained in the section on risk management of the 2019 Annual Report.

Compared to what was disclosed in the Annual Report 2019 the COVID-19 outbreak encountered during Q1 2020 is considered to impose significant uncertainty to the interim financial statements. The financial impacts of COVID-19 requires significant judgement and are included in the estimates of the activity of the group, the valuation of our asset base and the liquidity situation.

As for any other significant uncertainties we will, given the evolving nature of the pandemic and the uncertainties involved, monitor the situation and implication on Nilfisk Group's financial position, activities and cash flows and seek the appropriate mitigating measures. As of March 31, 2020, we have included updated estimates to assess the recoverability of our asset base, including goodwill, development projects, deferred tax assets and trade receivables. We have made no specific impairments of assets and no additional obligations or liabilities have been recognized as a direct result of COVID-19.

Depending on the escalation of COVID-19 in the future and thereby the long-term impact for Nilfisk, there is an inherent risk that the estimates and judgements made in Q1 2020 could change. Future changes in estimates and judgement may have an impact on the Group's result and financial position.

Note 3

Seasonal fluctuations

Due to the composition of the Nilfisk business, some degree of seasonality in revenue should be expected. Factors which impact seasonality are among others; the market for consumer high pressure washers, holiday season, etc.

Normally, the quarterly Operating profit follows the seasonality in revenue.

Cash flow from operations is typically weaker in Q1 due to negative changes in working capital in Q1 and Q2 as inventories increase. Working capital normally improves during Q3 and Q4.

Note 4

Segment information

EUR million	EMEA	Americas	APAC	Non-allocated	Total branded professional	Consumer	Private label and other*	Group
Q1 – 2020								
Revenue	108.1	62.6	15.1	-	185.8	21.1	12.2	219.1
Gross profit	50.4	26.0	6.4	-	82.8	7.7	3.3	93.8
EBITDA before special items	28.0	9.7	0.5	-12.5	25.7	2.3	-3.1	24.9
<i>Reconciliation to profit before income taxes:</i>								
Special items								-0.6
Amortization, depreciation and impairment								-16.7
Financial income								7.3
Financial expenses								-12.3
Profit before income taxes								2.6
Gross margin	46.6%	41.5%	42.4%	-	44.6%	36.5%	27.0%	42.8%
EBITDA margin before special items	25.9%	15.5%	3.3%	-	13.8%	10.9%	-25.4%	11.4%
Q1 – 2019								
Revenue	116.2	69.8	20.2	-	206.2	24.8	15.6	246.6
Gross profit	55.9	29.9	8.4	-	94.2	8.7	3.0	105.9
EBITDA before special items	32.2	13.5	2.7	-13.7	34.7	1.3	-3.3	32.7
<i>Reconciliation to profit before income taxes:</i>								
Special items								-7.4
Amortization, depreciation and impairment								-15.8
Financial income								5.1
Financial expenses								-6.4
Profit before income taxes								8.2
Gross margin	48.1%	42.8%	41.6%	-	45.7%	34.9%	19.2%	42.9%
EBITDA margin before special items	27.7%	19.4%	13.1%	-	16.8%	5.3%	-21.2%	13.3%

*"Private label and other" includes non-allocated costs.

Note 5

Distribution of revenue

EUR million	Revenue Q1 2020	Revenue Q1 2019	Organic growth
Floorcare	62.4	73.5	-15.7%
Vacuum cleaners	48.3	52.5	-7.5%
High pressure washers	33.7	40.1	-12.7%
Aftermarket	74.7	80.5	-6.0%
Total	219.1	246.6	-10.3%

Aftermarket includes service as well as sale of parts, consumables and accessories. Depending on the type of contract, service revenue is recognized over time or at a point in time.

For information on revenue recognition, see accounting policy described in the 2019 Annual Report, Note 2.2.

Note 6

Special items, net

Special items represent income and expenses that have a non-recurring and special nature against normal operating income and costs.

Special items relating to the cost saving program represent restructuring costs relating to the 50 mEUR cost saving program running from 2016 to 2020. The program includes consultancy fees and supporting tools as well as alignment of facilities, transitioning costs relating to offshoring of functions, pruning of products and redundancy costs to staff where one-off related costs are paid out.

Special items in Q1 2020 mainly relates to transitioning costs in connection with the offshoring of back-office functions.

Business restructuring mainly includes redundancy cost associated with the blueprint restructuring project including consultancy fees related to strategic reviews of business areas.

For more information regarding special items, please refer to Note 2.4 in the 2019 Annual Report.

EUR million	Q1 2020	Special items	Q1 2020 adjusted	Q1 2019	Special items	Q1 2019 adjusted
Revenue	219.1	-	219.1	246.6	-	246.6
Cost of sales	-125.3	-	-125.3	-140.7	-4.6	-145.3
Gross profit	93.8	-	93.8	105.9	-4.6	101.3
Research and development costs	-7.7	-	-7.7	-7.3	0.1	-7.2
Sales and distribution costs	-59.7	-0.1	-59.8	-62.4	-0.5	-62.9
Administrative costs	-18.4	-0.5	-18.9	-20.4	-2.1	-22.5
Other operating income	1.2	-	1.2	1.4	-	1.4
Other operating expenses	-1.0	-	-1.0	-0.3	-0.3	-0.6
Special items, net	-0.6	0.6	-	-7.4	7.4	-
Operating profit	7.6	-	7.6	9.5	-	9.5

EUR million	Q1 2020	Q1 2019
Cost saving program	0.3	4.0
Business restructuring	0.2	3.2
Divestment	0.1	0.2
Total	0.6	7.4

Note 7

Financial instruments measured at fair value

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 have been categorized into level 2 as addressed in the Annual report 2019, Note 6.9. There have been no significant new items compared to December 31, 2019.

No transfers between the levels of fair value hierarchies has taken place in Q1 2020.

EUR million	Q1 2020	Q1 2019
Financial assets:		
Derivative financial instruments	4.4	4.7
Fair value through other comprehensive income	4.4	4.7
Derivative financial instruments	1.0	0.6
Fair value through profit and loss	1.0	0.6
Financial liabilities:		
Derivative financial instruments	1.5	3.2
Fair value through other comprehensive income	1.5	3.2
Derivative financial instruments	1.8	0.2
Fair value through profit and loss	1.8	0.2
Financial instruments, net	2.1	1.9

Note 8

Amortization, depreciation and impairment

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

EUR million	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Amortization, depreciation and impairment	Intangible assets		Property, plant and equipment		Total	
Cost of sales	0.5	0.4	4.4	4.5	4.9	4.9
Research and development costs	3.7	3.6	0.2	0.1	3.9	3.7
Sales and distribution costs	0.9	1.2	2.4	2.2	3.3	3.4
Administrative costs	1.8	1.0	2.8	2.8	4.6	3.8
Special items	-	-	-	0.2	-	0.2
Total	6.9	6.2	9.8	9.8	16.7	16.0

Amortization of aquisition-related intangibles were 1.2 mEUR in Q1 2020, hereof 0.4 mEUR included in Cost of sales and 0.8 mEUR included in Sales and distribution costs. In Q1 2019 amortization of aquisition-related intangibles were 1.3 mEUR, hereof 0.4 mEUR included in Cost of sales and 0.9 mEUR included in Sales and distribution costs.

No impairments were realized in Q1 2020 nor in Q1 2019. The 0.2 mEUR depreciations in special items in Q1 2019 relates to the divestment of the Outdoor business.

Note 9

Subsequent events

Nilfisk is preparing a restructuring plan to adjust and structurally lower its cost base. Measures will include a reduction in the workforce by an estimated 250 full-time positions globally, across functions and regions.

Other than as set out above or elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to March 31, 2020, which are expected to have a material impact on the Group's financial position.

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Q1 Interim Report of Nilfisk Holding A/S for the period January 1 - March 31, 2020.

The Interim consolidated financial statements, which have not been audited or reviewed by the Group's independent auditor, have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU. The Interim consolidated financial statements have been prepared in accordance with additional Danish requirements.

In our opinion, the Interim Report gives a true and fair view of the Group's assets, liabilities and financial position on March 31, 2020, and the results of the Group's activities and cash flow for the period January 1 - March 31, 2020.

We also believe that the Management's review provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, and the general financial position of the Group.

Brøndby, May 15, 2020

Executive Management Board

Hans Henrik Lund

President and CEO

Prisca Havranek-Kosicek

CFO

Board of Directors

Jens Peter Due Olsen

Chairman

Lars Sandahl Sørensen

Deputy Chairman

Jutta af Rosenborg

Anders Erik Runevad

René Svendsen-Tune


Thomas Schleicher

Richard Parker Bisson

Søren Giessing Kristensen

Yvonne Markussen

Gerner Raj Andersen

A worker in a blue uniform is cleaning a large industrial machine with a brush. The worker is wearing a blue t-shirt with the Nilfisk logo and blue work pants. The machine is dark grey and has a large brush attached to it. The worker is looking down at the brush. The background is a blurred industrial setting.

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

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

Nilfisk's Interim Report Q1 2020 was published on May 15, 2020. The report is also available at www.nilfisk.com.

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