NILFISK INTERIM REPORT

Q3 Interim Report 2020

Company Announcement No. 12/2020

Nilfisk Holding A/S
Company reg. no. 38 99 88 70
Kornmarksvej 1,
DK-2605 Brøndby, Denmark

Highlights

- Demand continued to pick up month-over-month across all key markets during Q3 with some markets recording positive growth rates at the end of the quarter. However, overall demand was at a lower level than usual due to negative impact from COVID-19 and its repercussions on macroeconomic conditions. This led to organic growth of -7.3% for the total business
- The branded professional business posted organic growth of -9.0%, particularly supported by a positive monthly sequential development in EMEA, which posted organic growth of -4.9%. In Americas, performance in the US continued the monthly positive trend from Q2 having a positive impact on the organic growth of -8.2% for the region. In APAC, the Pacific region showed good recovery, whereas China and the Southeast Asian markets were still significantly affected by low demand, leading to organic growth of -29.6%. Across regions, most customer segments showed positive signs of recovery except for the hospitality segment, which is hit hard by the pandemic. In the industrial segment, the macroeconomic repercussions of the pandemic had a negative impact on demand
- The Consumer business had another strong quarter posting organic growth of 32.6% driven by continued high demand for high-pressure washers and a focused sales approach leading to new customer wins
- The gross margin was 41.1%, which is in line with last year despite the negative impact of low capacity utilization at our production sites and higher logistics costs
- Overhead costs were reduced by 15.1 mEUR as a result of strict cost management and lower structural costs improving the cost ratio by 2.6 percentage points compared to last year. The restructuring program announced in Q2 was largely completed during Q3 with close to 250 positions impacted
- Despite lower revenue, EBITDA before special items improved by 3.2 mEUR compared to last year and came to 25.5 mEUR corresponding to an EBITDA margin of 12.6%, which is 2.8 percentage points higher than last year
- Focus on working capital - in particular on inventory management and credit collection - continued in Q3. Compared to Q3 last year, working capital was reduced by 32.1 mEUR and the working capital ratio was 19.9% (20.1% in Q3 2019)
- Free cash flow in Q3 amounted to 5.6 mEUR driven by a positive operating result, balanced working capital development, a low level of special items, and a low CAPEX level. In Q3 2019, free cash flow of 25.6 mEUR was positively impacted by working capital releases of 27.8 mEUR during the quarter
- Net interest-bearing debt was further reduced compared to end-Q2 and amounted to 402.3 mEUR (341.7 mEUR, excluding right-of-use liabilities) which is 29.3 mEUR lower than same time last year. The financial headroom excluding right-of-use-liabilities to the total available credit facility was 208 mEUR
- We maintain our current financial guidance but expect our full-year results for 2020 to materialize towards the top end of the range: Organic growth of -12% to -14% and an EBITDA margin of 10.5% to 11.5%.

202.5 mEUR

Revenue
Down 25.0 mEUR from Q3 2019 due to lower demand caused by COVID-19

-7.3 %

Organic growth total business
Positively impacted by strong performance in the Consumer business

-9.0 %

Organic growth in the branded professional business
Significant variations between markets and customer segments

41.1 %

Gross margin
In line with last year despite negatively impact from low capacity utilization as a result of low demand

12.6 %

EBITDA margin before special items
Up 2.8 percentage points compared to Q3 2019 due to tight cost control and structural changes

5.6 mEUR

Free cash flow
Down 20.0 mEUR compared to Q3 2019 despite higher operating profit due to working capital releases in Q3 last year

Contents

Management review

Condensed interim consolidated financial statements

Financial highlights for the Group

EUR million	Q3 2020	Q3 2019*	9M 2020	9M 2019*	Year 2019*
Income statement					
Revenue	202.5	227.5	612.7	732.7	966.5
EBITDA before special items	25.5	22.3	69.6	92.5	117.7
EBITDA	24.8	16.2	60.2	72.6	95.0
Operating profit before special items	9.8	5.5	20.8	42.6	49.8
Operating profit/loss	9.1	-0.2	10.8	21.7	25.9
Special items, net	-0.7	-5.7	-10.0	-20.9	-23.9
Financial items, net	-5.5	-4.5	-11.6	-11.5	-14.0
Profit (loss) for the period	2.5	-4.2	0.0	8.6	8.7
Cash flow statement					
Cash flow from operating activities	8.6	35.1	50.1	51.5	76.1
Cash flow from investing activities	-3.0	-9.5	-12.0	-33.0	-40.8
– hereof investments in property, plant and equipment	-1.1	-4.3	-3.3	-10.9	-10.4
Free cash flow excluding acquisitions and divestments	5.6	25.6	38.1	18.5	35.3
Statement of financial position					
Total assets			782.3	861.9	840.1
Group equity			145.3	161.7	158.0
Working capital			144.6	176.7	157.9
Net interest-bearing debt			402.3	431.6	414.1
Capital employed			547.6	593.0	572.1
Financial ratios and employees					
Organic growth	-7.3%	-6.8%	-14.6%	-3.4%	-4.1%
Organic growth Nilfisk branded professional business	-9.0%	-4.7%	-16.7%	-1.1%	-2.6%
Gross margin	41.1%	41.3%	41.4%	42.8%	42.1%
EBITDA margin before special items	12.6%	9.8%	11.4%	12.6%	12.2%
EBITDA margin	12.2%	7.2%	9.8%	9.9%	9.8%
Operating profit before special items margin	4.8%	2.4%	3.4%	5.8%	5.2%
Operating profit margin	4.5%	0.0%	1.8%	3.0%	3.1%
Financial gearing			4.2	3.4	3.5
Financial gearing excluding IFRS 16 impact			4.9	3.5	3.9
Overhead costs ratio	36.3%	38.9%	38.0%	37.0%	36.6%
Working capital ratio			19.9%	20.1%	20.6%
Return on Capital Employed (RoCE)			4.9%	11.7%	8.5%
Basic earnings per share (EUR)	0.09	-0.15	0.00	0.32	0.32
Diluted earnings per share (EUR)	0.09	-0.15	0.00	0.32	0.32
Number of full-time employees, end of period	4,407	5,095	4,407	5,095	4,886

Please find definitions in Note 8.6 of the 2019 Annual Report
* From Q3 2020 Share of profit from associates is presented in a separate line under Operating profit in the income statement. Financial highlights is restated respectively.

Business update

During the third quarter of 2020, we saw a positive development in demand month-over-month in all key markets, particularly in EMEA, where many markets reported positive growth rates in September, but also in the US. All production and distribution sites remained operational during the quarter operating at a lower capacity adjusted to the expected market demand. Across market regions, Nilfisk sales representatives and service technicians continued to support and service customers.

Pick-up in demand despite COVID-19 spikes
Across most markets, demand continued to pick up month by month in Q3, however, still at a lower level than usual due to continued negative impact from COVID-19 and its repercussions on macroeconomic conditions.

During the latter part of Q3, several countries and regions experienced spikes in confirmed COVID-19 cases causing local authorities to reintroduce restrictions. These restrictions impacted the hospitality segment in particular. Overall, Nilfisk has been able to continue sales and service activities throughout the quarter, even in areas with local spikes. This was partly due to the less severe nature of the new restrictions but also a result of the work done by most companies and institutions to adjust their operations to the new reality brought on by the pandemic. These adjustments have made it possible for Nilfisk to continue conducting customer visits, doing product demonstrations and carrying out service visits, either physically or digitally, even in areas with restrictions. As a result, we have not experienced the same correlation between lockdowns and declining demand as seen during the earlier stages of the pandemic.

Cost management on track
Nilfisk introduced strict management of cost and CAPEX early in the pandemic to mitigate the impact of the crisis. This continued and progressed as planned in Q3, where we have also maintained a low level of special items and investments based on continued prioritization of projects. In addition, we continued the execution of the restructuring plan announced in May 2020. The restructuring was aiming at lowering structural costs and has affected approximately 250 positions globally across functions. The larger part of the plan was executed during Q2 and by end of Q3, almost all of the planned terminations had been carried out.

The restructuring builds on the foundation created over the past years, in which Nilfisk has simplified and globalized its operating model, allowing us to take out costs and drive efficiencies in several functions. This has led to a lower structural cost base, which positively impacted earnings in Q3 2020, and will continue to have a positive impact in Q4 2020 as the full potential of the restructuring is reached.

Expanding the autonomous portfolio

In Q3, Nilfisk announced the launch of a high-performance addition to its portfolio of autonomous solutions. The Nilfisk Liberty SC60 is Nilfisk's first autonomous solution built on software developed by technology partner Brain Corp. It is equipped with the largest scrub deck in the autonomous ride-on category, making it ideal for cleaning large indoor spaces like hypermarkets, warehousing, logistic centers, and light-industry environments. To this end, the SC60 complements the capabilities of the other robotic floor scrubber in Nilfisk's portfolio, the Nilfisk Liberty SC50, which is developed for environments with tighter layouts that need more precision and agility.
The Nilfisk Liberty SC60 was introduced at an all-virtual launch event, where Nilfisk also launched a true industry innovation; a UV-module developed enhance the abilities of the Liberty SC50 machine to target viruses and other pathogens. The solution was designed by technology partner Carnegie Robotics during the peak of the COVID-19 pandemic and was refined, tested and launched in a matter of months.

Both solutions are expected to be commercially available to selected customers by end of year and mark a significant step towards Nilfisk's ambition of building a full portfolio of autonomous cleaning solutions and driving innovation in the market.

Further pick-up in demand but still negative impact from COVID-19. Organic growth of -7.3% for the total business

Revenue

Despite a continued negative impact from the COVID-19 pandemic and its macroeconomic repercussions, demand across most markets continued to improve month-over-month during the quarter. The trend was visible within both machines sales as well as the service business, the latter generally being less negatively impacted.

The EMEA region in particular experienced an improvement in market conditions, but in the US market conditions also improved. The APAC region, however, was still significantly affected by low demand, in particular China and the Southeast Asian markets. Compared to the situation in Q2, the COVID-19 restrictions across markets had a less negative impact on our ability to meet customers and conduct service visits.

In terms of customer segments, there were still significant variations in impact by the pandemic. In general, pharma and food manufacturers, retail, healthcare, warehousing, logistics and building and construction were less impacted by the crisis in Q3 compared to earlier in the year, and demand has been recovering in these segments, although with a longer-than-usual purchasing process. At the other end of the scale, the hospitality sector (hotels, restaurants, etc.) and airports continued to be severely impacted by the crisis and demand remained low. The industrial segment was also negatively impacted by the macroeconomic conditions in Q3 leading to lower than usual demand levels. Finally, as we saw in Q2, in the contract cleaner segment, the demand pattern was more varied depending on regional differences and on what type of end-user the respective contract cleaners are servicing.

Revenue for the branded professional business in Q3 2020 came to 175.8 mEUR (199.9 mEUR) corresponding to organic growth of -9.0%.

Organic growth	Q3 2020	Q3 2019	9M 2020	9M 2019	FY 2019
EMEA	-4.9%	-7.2%	-13.9%	-1.7%	-2.2%
Americas	-8.2%	-1.1%	-16.7%	0.7%	-2.8%
APAC	-29.6%	-5.1%	-30.6%	-3.6%	-4.3%
Nilfisk branded professional business	**-9.0%**	**-4.7%**	**-16.7%**	**-1.1%**	**-2.6%**
Consumer	32.6%	-9.2%	15.3%	-15.5%	-11.8%
Private label and other	-22.0%	-28.8%	-20.8%	-15.4%	-14.4%
Total	**-7.3%**	**-6.8%**	**-14.6%**	**-3.4%**	**-4.1%**

In EMEA, revenue in Q3 amounted to 96.0 mEUR (102.2 mEUR) corresponding to organic growth of -4.9%. In general, performance across all EMEA markets was better than in Q2 driven by higher demand levels and better customer access. In EMEA North, performance in the UK improved significantly compared to Q2 in concurrence with the re-opening of the economy. Demand also increased in all the Nordic countries, with the exception of Sweden, where the industrial sector is relatively larger. In the EMEA Central region, performance in Germany improved significantly month by month during Q3 coming from a low level in July. The market is, however, still heavily affected by the crisis especially in the industrial sector. In Switzerland and Austria, which in combination with Germany constitute 80% of revenue in the EMEA Central region, organic growth was positive in Q3. Other markets in the Central region also showed a pick-up in demand during Q3 leading to single digit negative organic growth in Q3. Finally, in EMEA South, the positive trend in demand seen in Q2 continued into Q3 to some extent driven by pent-up demand following severe lockdown restrictions in Q2. As a result, performance in France and Italy improved significantly during Q3 and both markets reported positive organic growth in Q3 2020. In other large markets in the region, organic growth improved month by month but was still negative compared to last year.

In Americas, revenue in Q3 amounted to 64.0 mEUR (74.4 mEUR) corresponding to organic growth of -8.2% compared to last year. In the US, performance continued to improve month by month during Q3, which positively impacted organic growth for the Americas region. In Canada and the Latin American markets, performance also improved compared to Q2, but the trend was less positive compared to the US with significant variations from market to market.

In APAC, revenue in Q3 amounted to 15.8 mEUR (23.3 mEUR) corresponding to organic growth of -29.6% compared to last year. While performance improved significantly in the Pacific region (Australia and New Zealand), posting flat organic growth compared to last year, the recovery in demand across China and other APAC markets progressed slower than in markets in other parts of the world.

For the first nine months of 2020, revenue in the branded professional business amounted to 517.4 mEUR (628.1 mEUR) corresponding to organic growth of -16.7%.

In the remaining business, the Consumer business continued the strong performance seen in Q2 and posted organic growth of 32.6% in Q3 2020. The COVID-19 outbreak had a notable positive impact on demand as consumers generally spent more time at home even during their vacation time, which in particular had a positive impact on sales of high-pressure washers during the quarter. The strong performance in Q3 was also driven by stronger focus on sales execution on the back of the organizational changes and re-focus in 2019, which so far has resulted in several new customer wins contributing to sales in Q3. Revenue in the Consumer business in Q3 amounted to 17.0 mEUR (15.2 mEUR). The exit from the Pacific region in Q4 2019 affected Q3 revenue negatively by approximately 2 mEUR. In the Private Label business revenue amounted to 9.7 mEUR (12.4 mEUR) corresponding to organic growth of -22.0%, which is in line with expectation due to the gradual outphasing of some customers.

For the total business, revenue in Q3 2020 came to 202.5 mEUR (227.5 mEUR) corresponding to organic growth of -7.3%. The exit of the Consumer business from the Pacific region in late 2019 had a negative impact on reported growth for the total business in Q3 2020 of -0.8% while foreign exchange rates had a negative impact of -2.8% on total reported growth mainly due to a lower USD rate compared to the same period last year. As a result, total reported growth in Q3 2020 was -11.0%.

Revenue Growth	Q3 2020	9M 2020
Organic	-7.3%	-14.6%
Acquisitions/divestments	-0.8%	-0.9%
Foreign exchange rates	-2.8%	-0.9%
Total growth	**-11.0%**	**-16.4%**

For the first nine months of 2020 revenue for the total business came to 612.7 mEUR (732.7 mEUR) corresponding to organic growth of -14.6%. Non-organic effects on reported growth were -1.8% in total of which the exit of the consumer business accounted for -0.9%. As a result, reported growth was -16.4%.

Gross margin

Gross profit came to 83.3 mEUR (94.1 mEUR) corresponding to a gross margin of 41.1%, which is in line with Q3 last year. The margin was negatively impacted by low capacity utilization due to lower revenue as well as higher logistics costs. The margin was positively affected by pricing and lower raw material costs and lower tariffs. In Q3 last year, the gross margin was negatively impacted by the exit of the Consumer business from the Pacific region resulting in sales at low margins.

For the first nine months of 2020 gross profit was 253.4 mEUR (313.5 mEUR) and the gross margin was 41.4%, down 1.4 percentage points compared to same period last year. The decline was mainly driven by the previously mentioned negative impact from lower capacity utilization as well as freight related accrual releases in Q2 last year.

Overhead costs and ratio

In Q3, we continued the tight cost management that was enforced across Nilfisk in Q2. All unnecessary variable spending was minimized, particularly travel, consultancy, and marketing. On top of this, the cost level was positively affected by the restructuring announced in May 2020 that has been almost fully executed by the end of Q3 2020 but did not have full run-rate impact in the quarter. Compared to Q3 last year, overhead costs were reduced by 15.1 mEUR and amounted to 73.5 mEUR. Lower salary expenses account for roughly half of this reduction, whereas the remaining reduction relates to lower activity related costs such as travel, marketing, consultancy, and outbound freight. Support from government COVID-19 programs in Q3 was approx. 1 mEUR reported under Other Operating Income. The overhead cost ratio was reduced by 2.6 percentage points compared to Q3 2019 and came to 36.3%.

Total R&D spending in Q3 decreased by 3.7 mEUR compared to last year and came to 5.0 mEUR, corresponding to 2.4% of revenue compared to 3.8% in Q3 last year. Although many projects that were put on hold in Q2 have been reinitiated during Q3, the activity level remained lower than in Q3 last year. The lower activity level also led to lower capitalization of development project costs, which amounted to 1.4 mEUR compared to 4.9 mEUR last year. Amortization of finalized projects was in line with last year at 3.6 mEUR (3.7 mEUR). Consequently, total R&D expenses were 7.2 mEUR compared to 7.5 mEUR in Q3 last year.

Research and development costs	Q3 2020	Q3 2019	9M 2020	9M 2019
Total R&D spend	5.0	8.7	17.4	28.6
Capitalized	1.4	4.9	5.8	17.8
Expensed in the P&L	3.6	3.8	11.6	10.8
R&D ratio (% of revenue)	2.4%	3.8%	2.8%	3.9%
Expensed R&D spend	3.6	3.8	11.6	10.8
Amortization	3.6	3.7	11.0	11.1
Total R&D expenses	**7.2**	**7.5**	**22.6**	**21.9**

Sales and distribution costs were reduced by 11.1 mEUR compared to last year and came to 49.8 mEUR. The reduction was to a large extent driven by lower activity-related costs such as travel, marketing, and distribution costs. However, roughly one third of the reduction was driven by lower salary expenses owing to the structural changes as executed during Q2 and Q3 2020.

Administration costs amounted to 16.6 mEUR, which is 2.6 mEUR lower than Q3 2019. The reduction is to a large extent the result of the previously mentioned restructuring as well as general prudency across functions, which resulted in lower salary expenses and fewer external costs such as travel and consultancy.

Other net operating income/expenses net was 0.1 mEUR, which is the net sum of bad debt and other provisions and government grants. In Q3 2019, other net operating income/expenses amounted to -1.0 mEUR mainly relating to bad debt, which continues to be at a lower than last year. As mentioned on page 8, Nilfisk's share of profit from associates is no longer recognized as part of Other operating income. Instead, the share of profit from associates is now recognized in a separate line below EBITDA.

For the first nine months of 2020, total overhead costs amounted to 232.6 mEUR, which is a reduction of 38.3 mEUR compared to the year before. The cost reduction is attributable to both lower structural costs and activity related costs as mentioned above.

EBITDA and EBITDA margin

Despite lower gross profit due to lower revenue, the reduction in overhead costs led to an improvement in EBITDA before special items of 3.2 mEUR compared to Q3 2019. EBITDA before special items in Q3 2020 came to 25.5 corresponding to an EBITDA margin before special items of 12.6% compared to 9.8% in Q3 2019.

EBITDA amounted to 24.8 mEUR compared to 16.2 mEUR in Q3 2019 and the EBITDA margin was 12.2% compared to 7.2% in Q3 2019.

For the first nine months of 2020, EBITDA before special items amounted to 69.6 mEUR compared to 92.5 mEUR in the first nine months of 2019. The result corresponds to an EBITDA margin before special items of 11.4%, which is 1.2 percentage points lower than same period last year, mainly attributable to the sharp decline in revenue in Q2. EBITDA for the first nine months of 2020 amounted to 60.2 mEUR (72.6 mEUR) corresponding to an EBITDA margin of 9.8% (9.9%).

Operating profit before special items and operating profit
Operating profit before special items amounted to 9.8 mEUR in Q3 compared to 5.5 mEUR in Q3 2019. This corresponds to an operating profit margin before special items of 4.8% compared to 2.4% Q3 2019. Depreciation and amortization were roughly in line with Q3 2019.

Operating profit was 9.1 mEUR compared to -0.2 mEUR in Q3 2019. The operating profit margin was 4.5% compared to 0.0% in Q3 2019.

For the first nine months of 2020 operating profit before special items amounted to 20.8 mEUR (42.6 mEUR) corresponding to an operating profit margin before special items of 3.4% (5.8%).

Operating profit amounted to 10.8 mEUR (21.7 mEUR) corresponding to an operating margin of 1.8% (3.0%).

Special items
Special items in Q3 2020 amounted to 0.7 mEUR, of which 0.4 mEUR related to the final phase of the restructuring program announced in May 2020 and pertain primarily to redundancy costs. The remaining special items mainly relate to ongoing cost saving projects and also primarily pertain to redundancy costs. For the first nine months of 2020 special items amounted to 10.0 mEUR, which is 10.9 mEUR lower than same period last year.

Details on special items are described in Note 6 on page 18.

Share of profit (loss) in associates
From Q3 2020, in addition to the part ownership of M2H in France and CFM Lombardia in Italy, associates in Nilfisk Group also include Thoro LLC, a newly established joint venture with Carnegie Robotics.

In Q3 Nilfisk carved out the IP rights for the autonomous robotics software developed in corporation with Carnegie Robotics to Thoro LLC. The technology has potential and is proven within cleaning. It is now at a maturity stage where it can be leveraged further through development in a separate technology company focused on commercial applications that can be offered to 3rd party customers. In connection with the carve-out, a fair value assesment has been carried out and no gain or loss has been recognized as a result of this.

Share of profit (loss) in associates for Q3 2020 amounted to -0.5 mEUR compared to 0.9 mEUR in Q3 2019.

For the first nine months of 2020, the share of profit from associates amounted to 1.3 mEUR compared to 2.8 mEUR for the same period in 2019.

Financial items
Net financial items amounted to -5.5 mEUR compared to -4.5 mEUR in Q3 2019. The change in net financials was mainly driven by higher interest expenses relating to Nilfisk's credit facilities.

For the first nine months of 2020, net financial items amounted to -11.6 mEUR, which is in line with last year at -11.5 mEUR.

Profit (loss) for the period
Result for the period amounted to 2.5 mEUR compared to -4.2 mEUR in Q3 2019. The improvement was driven by higher operating profit.

For the first nine months of 2020, the result for the period amounted to 0.0 mEUR compared to 8.6 mEUR in the first nine months of 2019.

Working capital
As of September 30, 2020, working capital was 144.6 mEUR, a reduction of 32.1 mEUR compared to Q3 2019 and down 13.3 mEUR compared to year-end 2019. Compared to Q3 2019 the decrease was due to a reduction in operating working capital - inventory and trade receivables - driven by lower demand due to COVID-19 and pro-active adjustment of inventories in response. The reduction in trade receivables of 29.6 mEUR was primarily in EMEA and Americas. Divestments and the exit of the consumer business from APAC in 2019 also contributed to lower inventories in comparison to last year. Trade payables declined by 28.2 mEUR and other current liabilities decreased 11.7 mEUR primarily related to lower bonuses in 2020 and divestments in 2019.

The working capital ratio measured on a 12-month average decreased by 0.2 percentage points compared to Q3 2019 and was 19.9%. Compared to end-2019, the working capital ratio has been reduced by 0.7 percentage points.

Capital employed and RoCE
As of September 30, 2020, capital employed amounted to 547.6 mEUR, down by 45.4 mEUR compared to Q3 2019 and by 24.5 mEUR compared to 572.1 mEUR at the end of 2019. The development in capital employed since Q3 2019 was largely driven by the above-mentioned decline in net working capital.

Nilfisk's return on capital employed (RoCE) was 4.9%. This was down 6.8 percentage points from Q3 2019 and down 3.6 percentage points compared to end of 2019.

Cash flow
Cash flow from operating activities for Q3 2020 amounted to 8.6 mEUR compared to 35.1 mEUR in Q3 2019. Whereas the cash flow for Q3 2020 was largely driven by operating profit, in Q3 last year, the positive cash flow was to a large extent driven by a release in working capital due to a reduction in trade receivables positively affecting cash flow from operations.

Cash flow from investing activities for Q3 2020 amounted to -3.0 mEUR compared to -9.5 mEUR in 2019. The lower cash outflow compared to Q3 last year was mainly a result of lower investment in research and development projects. As a result, free cash flow for Q3 2020 amounted to 5.6 mEUR compared to 25.6 mEUR in Q3 2019.

For the first nine months of 2020 cash flow from operating activities amounted to 50.1 mEUR corresponding to a decrease of 1.4 mEUR compared to the first nine months of 2019. Cash flow from investing activities amounted to -12.0 mEUR compared to -33.0 mEUR in the same period of 2019. For the first nine months of 2020 free cash flow was 38.1 mEUR compared to 18.5 mEUR for the same period of 2019.

Equity

Equity was 145.3 mEUR at the end of Q3 2020 against 158.0 mEUR at the end of 2019. The decrease was related to foreign exchange rate loss adjustments partly offset by value adjustments of hedging instruments.

Net interest-bearing debt

At the end of Q3 2020, total net interest-bearing debt was 402.3 mEUR, down by 11.8 mEUR against end of 2019. Compared to the end of Q3 2019, net interest-bearing debt was down by 29.3 mEUR. This was primarily due to lower investments.

The financial gearing excluding the effect of IFRS 16 at the end of Q3 2020 was 4.9 versus 3.9 at the end of 2019.

As mentioned in company announcement no. 7/2020, Nilfisk has increased its financial headroom by obtaining an additional loan of 100 mEUR with our main relationship banks. The maturity date of the additional facilities is May 22, 2021, with an extension option of one year. Total committed credit facilities available to Nilfisk are therefore 550 mEUR including adjusted covenants. Excluding total right-of-use liabilities of 60.6 mEUR as of September 30, the net interest-bearing debt was 341.7 mEUR, leaving 208.3 mEUR in headroom to total committed facilities. The facilities are available for general funding.

Subsequent events

Other than as set out above or elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to September 30, 2020, that are expected to have a material impact on the Group’s financial position.

Outlook for 2020

During the first part of Q4 we have seen a continued positive recovery trend in demand across all key markets, and, as a result, a continued positive development in our gross margin due to improved utilization of capacity.

In addition, our continued efforts to tightly manage cost combined with a lower structural cost base have a positive impact on our operational leverage positively impacting our earnings.

However, we have also noted an escalation in the pandemic with renewed lock down restrictions being introduced in many markets. While we have so far not experienced a material negative impact from this development, uncertainty remains at a higher level than usual.

Based on this, we therefore maintain our current financial guidance but expect our full-year results for 2020 to materialize towards the top end of the range:

- Organic growth of -12% to -14% (unchanged)
- EBITDA margin before special items of 10.5% to 11.5% (unchanged)

Modelling assumptions:
- The consumer business’ exit from the Pacific region will affect reported growth for the total business by approximately -1% (unchanged)
- Foreign exchange will affect reported growth for the total business by approximately -1.5% (based on latest FX rates, previously “approximately -1%”)
- Special items are expected at approximately 15 mEUR (previously “in the range of 15-20 mEUR”)
- The CAPEX ratio is expected at approximately 3% of full-year revenue (previously “3% to 4%”)

Condensed **income statement**

For the period ended September 30

EUR million	Note	Q3 2020	Q3 2019	9M 2020	9M 2019
Revenue	4, 5	202.5	227.5	612.7	732.7
Cost of sales	8	-119.2	-133.4	-359.3	-419.2
Gross profit	8	**83.3**	**94.1**	**253.4**	**313.5**
Research and development costs	8	-7.2	-7.5	-22.6	-21.9
Sales and distribution costs	8	-49.8	-60.9	-162.9	-186.7
Administrative costs	8	-16.6	-19.2	-49.0	-61.4
Other operating income*		1.1	0.3	4.5	0.9
Other operating expenses		-1.0	-1.3	-2.6	-1.8
Operating profit before special items		**9.8**	**5.5**	**20.8**	**42.6**
Special items, net	6	-0.7	-5.7	-10.0	-20.9
Operating profit (loss)		**9.1**	**-0.2**	**10.8**	**21.7**
Share of profit (loss) from associates		-0.5	0.9	1.3	2.8
Financial income		-	0.2	0.5	1.1
Financial expenses		-5.5	-4.7	-12.1	-12.6
Profit (loss) before income taxes		**3.1**	**-3.8**	**0.5**	**13.0**
Tax on profit (loss) for the period		-0.6	-0.4	-0.5	-4.4
Profit (loss) for the period		**2.5**	**-4.2**	**0.0**	**8.6**
To be distributed as follows:					
Profit (loss) attributable to shareholders of Nilfisk Holding A/S		2.5	-4.2	0.0	8.6
Total		**2.5**	**-4.2**	**0.0**	**8.6**
Earnings (loss) per share (based on 27,126,369 shares issued)					
Basic earnings (loss) per share (EUR)		0.09	-0.15	0.00	0.32
Diluted earnings (loss) per share (EUR)		0.09	-0.15	0.00	0.32

* Other operating income includes 1.0 mEUR in Q3 2020 and 4.0 mEUR in the first nine months of 2020 from government grants related to COVID-19 support

Condensed statement of **comprehensive income**

For the period ended September 30

EUR million	Note	Q3 2020	Q3 2019	9M 2020	9M 2019
Profit (loss) for the period		2.5	-4.2	-	8.6
Other comprehensive income (loss)					
Items that may be reclassified to the income statement:					
Exchange rate adjustments of subsidiaries		-7.4	5.8	-13.6	7.5
Value adjustment of hedging instruments:					
Value adjustment for the period		0.6	1.8	2.0	1.5
Transferred to cost of sales		-0.3	-0.9	-0.3	-2.6
Transferred to staff costs		-	-0.8	-	-0.4
Transferred to financial income and expenses		-	-0.8	-0.6	-
Tax on value adjustment of hedging instruments		-0.1	-0.2	-0.4	-
Items that may not be reclassified to income statement:					
Value adjustment of hedging instruments transferred to inventory		-	0.2	-	0.1
Actuarial gains (losses) on defined benefit plans		-	-	-	0.6
Tax on actuarial gains (losses)		-	-	-	-0.1
Comprehensive income (loss) for the period		**-4.7**	**0.9**	**-12.9**	**15.2**
To be distributed as follows:					
Comprehensive income (loss) attributable to shareholders of Nilfisk Holding A/S		-4.7	0.9	-12.9	15.2
Total		**-4.7**	**0.9**	**-12.9**	**15.2**

Condensed **statement of financial position**

EUR million	Note	September 30 2020	September 30 2019	December 31 2019
Assets				
Goodwill		167.2	169.2	168.5
Trademarks		8.3	10.0	9.6
Customer related assets		6.8	9.0	8.5
Development projects completed		26.9	41.3	39.1
Software, know-how, patents and competition clauses		30.6	24.9	27.4
Development projects and software in progress		24.2	34.9	34.0
Total intangible assets		**264.0**	**289.3**	**287.1**
Land and buildings		8.0	8.4	8.5
Plant and machinery		3.6	4.2	4.0
Tools and equipment		30.3	33.4	35.0
Assets under construction incl. prepayments		3.4	5.4	3.7
Right-of-use assets		58.7	58.0	54.5
Total property, plant and equipment		**104.0**	**109.4**	**105.7**
Investments in associates		32.5	20.6	21.5
Other investments and receivables		3.1	2.7	2.8
Deferred tax		31.6	22.5	25.1
Total other non-current assets		**67.2**	**45.8**	**49.4**
Total non-current assets		**435.2**	**444.5**	**442.2**
Inventories		147.4	182.5	172.7
Trade receivables		155.5	185.1	175.0
Interest-bearing receivables		5.2	4.9	4.7
Income tax receivable		4.4	4.9	5.1
Other receivables	7	21.5	24.4	21.1
Cash at bank and in hand		13.1	14.2	19.3
Assets classified as held for sale		-	1.4	-
Total current assets		**347.1**	**417.4**	**397.9**
Total assets		**782.3**	**861.9**	**840.1**

EUR million	Note	September 30 2020	September 30 2019	December 31 2019
Equity and liabilities				
Share capital		72.9	72.9	72.9
Reserves		-8.8	5.7	3.9
Retained earnings		81.2	83.1	81.2
Total equity		**145.3**	**161.7**	**158.0**
Deferred tax		8.1	8.8	7.0
Pension liabilities		5.9	4.2	5.9
Provisions		1.3	1.1	1.3
Interest-bearing loans and borrowings		244.3	386.7	376.9
Lease liabilities		40.7	36.7	32.2
Other liabilites		0.9	0.7	2.6
Total non-current liabilities		**301.2**	**438.2**	**425.9**
Interest-bearing loans and borrowings		115.5	4.0	5.0
Lease liabilities		19.9	23.1	24.0
Trade payables		87.0	115.2	111.9
Income tax payable		4.4	0.3	5.0
Other liabilities	7	92.1	103.8	96.5
Provisions		16.9	15.6	13.8
Total current liabilities		**335.8**	**262.0**	**256.2**
Total liabilities		**637.0**	**700.2**	**682.1**
Total equity and liabilities		**782.3**	**861.9**	**840.1**

Condensed **cash flow statement**

For the period ended September 30

EUR million	Note	Q3 2020	Q3 2019	9M 2020	9M 2019
Operating profit (loss)		9.1	-0.2	10.8	21.7
Depreciation, amortization and impairment	8	15.7	16.4	49.4	50.9
Other non-cash adjustments		-1.1	-2.5	7.3	-0.7
Share option program		-	-	-	-1.9
Changes in working capital		-6.2	27.8	0.9	5.3
Cash flow from operations before financial items and income taxes		17.5	41.5	68.4	75.3
Financial income received		0.3	0.3	0.9	3.2
Financial expenses paid		-6.6	-3.9	-13.2	-15.0
Income tax paid		-2.6	-2.8	-6.0	-12.0
Cash flow from operating activities		**8.6**	**35.1**	**50.1**	**51.5**
Dividends from associates		-	1.3	-	1.3
Purchase of property, plant and equipment		-1.1	-4.3	-3.3	-10.9
Sale/disposal of property, plant and equipment		-	-	0.3	1.5
Purchase of intangible assets		-2.0	-6.5	-8.6	-24.9
Purchase of financial assets		-0.5	-	-0.5	-
Sale/disposal of financial assets		0.6	-	0.1	-
Cash flow from investing activities		**-3.0**	**-9.5**	**-12.0**	**-33.0**
Changes in current interest-bearing receivables		0.4	-1.5	0.9	-1.1
Changes in current interest-bearing loans and borrowings		-3.1	-0.9	113.0	-3.4
Changes in non-current interest-bearing loans and borrowings		3.4	-20.1	-136.8	2.3
Payment of lease liabilities		-6.0	-5.3	-18.8	-18.3
Cash flow from financing activities		**-5.3**	**-27.8**	**-41.7**	**-20.5**
Net cash flow for the period		**0.3**	**-2.2**	**-3.6**	**-2.0**
Cash at bank and in hand, at the beginning of the period		13.9	16.3	19.3	16.4
Currency adjustments		0.3	-2.2	-3.6	-2.0
Net cash flow for the period		-1.1	0.1	-2.6	-0.2
Cash at bank and in hand, September 30		**13.1**	**14.2**	**13.1**	**14.2**

Condensed statement of **changes in equity**

For the period ended September 30, 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**
Other comprehensive income (loss):					
Foreign exchange translation adjustments	-	-13.6	-	-	-13.6
Value adjustment of hedging instruments:					
Value adjustment for the period	-	-	2.0	-	2.0
Transferred to cost of sales	-	-	-0.3	-	-0.3
Transferred to staff costs	-	-	-	-	-
Transferred to financial income and expenses	-	-	-0.6	-	-0.6
Transferred to inventory	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-	-	-	-	-
Tax on actuarial gains (losses)	-	-	-	-	-
Tax on other comprehensive income	-	-	-0.4	-	-0.4
Total other comprehensive income (loss)	**-**	**-13.6**	**0.7**	**-**	**-12.9**
Profit (loss) for the period	-	-	-	-	-
Comprehensive income (loss) for the period	-	**-13.6**	**0.7**	**-**	**-12.9**
Share option program	-	-	-	0.2	0.2
Tax on share option program	-	-	-	-	0.0
Total changes in equity in 2020	-	**-13.6**	**0.7**	**0.2**	**-12.7**
Equity, end of period	**72.9**	**-9.3**	**0.3**	**81.4**	**145.3**

For the period ended September 30, 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**
Other comprehensive income (loss):					
Foreign exchange translation adjustments	-	7.5	-	-	7.5
Value adjustment of hedging instruments:					
Value adjustment for the period	-	-	1.5	-	1.5
Transferred to cost of sales	-	-	-2.6	-	-2.6
Transferred to staff costs	-	-	-0.4	-	-0.4
Transferred to financial income and expenses	-	-	-	-	-
Transferred to inventory	-	-	0.1	-	0.1
Actuarial gains (losses) on defined benefit plans	-	-	-	0.6	0.6
Tax on actuarial gains (losses)	-	-	-	-0.1	-0.1
Tax on other comprehensive income	-	-	-	-	-
Total other comprehensive income (loss)	**-**	**7.5**	**-1.4**	**0.5**	**6.6**
Profit (loss) for the period	-	-	-	8.6	8.6
Comprehensive income (loss) for the period	-	**7.5**	**-1.4**	**9.1**	**15.2**
Share option program	-	-	-	-1.5	-1.5
Tax on share option program	-	-	-	0.5	0.5
Total changes in equity in 2019	-	**7.5**	**-1.4**	**8.1**	**14.2**
Equity, end of period	**72.9**	**6.4**	**-0.7**	**83.1**	**161.7**

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.

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.

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 as it is not considered material. Comparison figures are restated. Details are included in Note 8.

From Q2 2020 gains/losses from foreigns exchange rate is presented net instead of gross in financial items in the income statement. There is no impact on profit from the change. Comparison figures are restated.

From Q3 2020 Share of profit from associates is presented in a separate line under Operating profit in the income statement. Prior to Q3 share of profit from associates was included in Other operating income. The shares in associates are not considered core business, and Nilfisk is not in control of these investments. It has therefore been decided to change the presentation. Comparison figures are restated.

Government grants
Government grants comprises of grants for compensation for costs or losses already incurred and recognised. Government grants are recognised when there is reasonable assurance that the grants will be received.

Government grants for compensation for costs or losses incurred and recognised without resulting in further future costs or losses are recognised in profit and loss as Other operating income in the period where the compensation is granted.

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.

In summary the adjustments made to the relevant amounts presented in the income statement are illustrated in the table below.

EUR million	Previous presentation Q3 2020	Effect of change in presentation	New presentation Q3 2020	Previous presentation Q3 2019	Effect of change in presentation	New presentation Q3 2019	Previous presentation 9M 2020	Effect of change in presentation	New presentation 9M 2020	Previous presentation 9M 2019	Effect of change in presentation	New presentation 9M 2019
Gross profit*	83.5	-0.2	83.3	94.4	-0.3	94.1	254.4	-1.0	253.4	314.6	-1.1	313.5
Operating profit (loss)**	9.6	-0.5	9.1	2.4	-2.6	-0.2	15.7	-4.9	10.8	28.4	-6.7	21.7
Profit (loss) before income taxes	3.1	-	3.1	-3.4	-0.4	-3.8	0.5	-	0.5	13.0	-	13.0
Financial ratios												
Gross margin	41.2%	-0.1%	41.1%	41.5%	-0.2%	41.3%	41.5%	-0.1%	41.4%	42.9%	-0.1%	42.8%
EBITDA margin	12.5%	-0.3%	12.2%	8.3%	-1.1%	7.2%	10.6%	-0.8%	9.8%	10.8%	-0.9%	9.9%
Operating profit margin	4.7%	-0.2%	4.5%	1.1%	-1.1%	0.0%	2.6%	-0.8%	1.8%	3.9%	-0.9%	3.0%

* Adjustment related to change in presentation of amortisation/impairment of acquisition-related intangibles
** Adjustment related to change in presentation of amortisation/impairment of acquisition-related intangibles and share of profit from associates

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, escalating into Q2 and Q3, 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 September 30, 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 realized 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 Q3 2020 could change. Future changes in estimates and judgement may have an impact on the Group's result and financial position.

Fair value assessment of investment in associates

In Q3 Nilfisk carved out the IP rights for the autonomus robotics software developed in corporation with Carnegie Robotics to a newly established joint venture, Thoro LLC (US company). Nilfisk now has a 50/50% ownership of the joint venture with Carnegie Robotics.

In connection with the carve out, management has assessed that the carrying value of 9.7 mEUR is the best estimate for the fair value assessment of the assets transferred. Though significant uncertainties related to the fair value assessment, this is based on managements best estimate.

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 include the market for consumer high pressure washers in H1, holiday seasons, 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
Q3 – 2020								
Revenue	96.0	64.0	15.8	-	175.8	17.0	9.7	202.5
Gross profit	43.4	26.0	5.9	-	75.3	5.8	2.2	83.3
EBITDA before special items	24.4	13.7	0.7	-12.8	26.0	1.5	-2.0	25.5
Reconciliation to profit/loss before income taxes:								
Special items								-0.7
Amortization, depreciation and impairment								-15.7
Share of profit in associates								-0.4
Financial income								-
Financial expenses								-5.6
Profit/loss before income taxes								**3.1**
Gross margin	45.2%	40.6%	37.3%	-	42.8%	34.1%	22.7%	41.1%
EBITDA margin before special items	25.4%	21.4%	4.4%	-	14.7%	8.8%	-20.6%	12.6%
Q3 – 2019								
Revenue	102.2	74.4	23.3	-	199.9	15.2	12.4	227.5
Gross profit	46.8	30.0	9.1	-	85.9	5.4	2.8	94.1
EBITDA before special items	25.3	12.8	3.3	-14.6	26.8	-1.3	-3.3	22.3
Reconciliation to profit/loss before income taxes:								
Special items								-5.7
Amortization, depreciation and impairment								-16.7
Share of profit in associates								0.9
Financial income								0.2
Financial expenses								-4.7
Profit/loss before income taxes								**-3.8**
Gross margin	45.8%	40.3%	39.1%	-	43.0%	35.5%	22.6%	41.3%
EBITDA margin before special items	24.8%	17.2%	14.2%	-	13.4%	-8.6%	-26.6%	9.8%

*"Private label and other" includes non-allocated costs. Q3 2020 includes income of 1.0 mEUR from government grants related to COVID-19 support

As a consequense of a change in the internal reporting, the reportable segments have been changed in Q3 2020. MENA region is now included in APAC as to prior reported as part of EMEA. Impact on net sales and EBITDA within the reportable segments are 0.4 mEUR and -0.1 mEUR in Q3 2020 and 2.1 m EUR and -0.3 mEUR for the first nine months of 2020. Comparison figures are restated.

Note 4
Segment information – continued

EUR million	EMEA	Americas	APAC	Non-allocated	Total branded professional	Consumer	Private label and other*	Group
9M – 2020								
Revenue	284.9	184.9	47.6	-	517.4	62.6	32.7	612.7
Gross profit	130.9	74.7	18.2	-	223.8	21.7	7.9	253.4
EBITDA before special items	70.5	33.3	2.1	-38.8	67.1	7.7	-5.2	69.6
Reconciliation to profit/loss before income taxes:								
Special items								-10.0
Amortization, depreciation and impairment								-48.8
Share of profit in associates								1.3
Financial income								0.5
Financial expenses								-12.1
Profit/loss before income taxes								**0.5**
Gross margin	45.9%	40.4%	38.2%	-	43.3%	34.7%	24.2%	41.4%
EBITDA margin before special items	24.7%	18.0%	4.4%	-	13.0%	12.3%	-15.9%	11.4%
9M – 2019								
Revenue	333.3	224.9	69.9	-	628.1	63.4	41.2	732.7
Gross profit	160.9	94.5	27.5	-	282.9	21.9	8.7	313.5
EBITDA before special items	93.2	43.7	10.1	-44.4	102.6	0.6	-10.7	92.5
Reconciliation to profit/loss before income taxes:								
Special items								-20.9
Amortization, depreciation and impairment								-49.9
Share of profit in associates								2.8
Financial income								5.9
Financial expenses								-17.4
Profit/loss before income taxes								**13.0**
Gross margin	48.3%	42.0%	39.3%	-	45.0%	34.5%	21.1%	42.8%
EBITDA margin before special items	28.0%	19.4%	14.4%	-	16.3%	0.9%	-26.0%	12.6%

* "Private label and other" includes non-allocated costs. first nine months of 2020 includes income of 4.0 mEUR from government grants related to COVID-19 support

Note 5
Distribution of revenue

EUR million	Revenue 2020	Revenue 2019	Organic growth
Q3			
Floorcare	65.6	77.1	-11.3%
Vacuum cleaners	44.1	48.3	-6.1%
High pressure washers	29.0	29.7	4.8%
Aftermarket	63.8	72.4	-8.8%
Total	**202.5**	**227.5**	**-7.3%**
9M			
Floorcare	181.2	236.1	-22.1%
Vacuum cleaners	133.9	152.5	-10.7%
High pressure washers	96.2	115.3	-12.6%
Aftermarket	201.4	228.8	-10.2%
Total	**612.7**	**732.7**	**-14.6%**

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 expenses.

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 related to the above mentioned cost saving program in Q3 2020 included costs related to the move and start-up of the new DC warehouse in Ghent, Belgium, and one-off transition cost related to our continuing move of Customer Care to our shared service center.

Special items related to Business restructuring mainly include the restructuring plan announced on May 15, 2020 of which the majority was executed in Q2 whereas the remaining part was finalized in Q3 2020.

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

EUR million	Q3 2020	Q3 2019	9M 2020	9M 2019
Cost saving program	0.2	1.5	0.9	9.7
Business restructuring	0.4	4.0	7.1	9.8
Divestment	0.1	0.2	2.0	1.4
Total	**0.7**	**5.7**	**10.0**	**20.9**

EUR million	2020	Special items	2020 adjusted	2019	Special items	2019 adjusted
Q3						
Revenue	202.5	-	202.5	227.5	-	227.5
Cost of sales	-119.2	-0.1	-119.3	-133.4	1.1	-132.3
Gross profit	**83.3**	**-0.1**	**83.2**	**94.1**	**1.1**	**95.2**
Research and development costs	-7.2	0.2	-7.0	-7.5	-1.5	-9.0
Sales and distribution costs	-49.8	-0.8	-50.6	-60.9	-4.4	-65.3
Administrative costs	-16.6	-	-16.6	-19.2	-1.0	-20.2
Other operating income	1.1	-	1.1	0.3	0.1	0.4
Other operating expenses	-1.0	-	-1.0	-1.3	-	-1.3
Special items, net	-0.7	0.7	-	-5.7	5.7	-
Operating profit/loss	**9.1**	**-**	**9.1**	**-0.2**	**-**	**-0.2**
9M						
Revenue	612.7	-	612.7	732.7	-	732.7
Cost of sales	-359.3	-2.8	-362.1	-419.2	-3.6	-422.8
Gross profit	**253.4**	**-2.8**	**250.6**	**313.5**	**-3.6**	**309.9**
Research and development costs	-22.6	-1.4	-24.0	-21.9	-3.2	-25.1
Sales and distribution costs	-162.9	-3.6	-166.5	-186.7	-8.9	-195.6
Administrative costs	-49.0	-2.2	-51.2	-61.4	-5.0	-66.4
Other operating income	4.5	-	4.5	0.9	-	0.9
Other operating expenses	-2.6	-	-2.6	-1.8	-0.2	-2.0
Special items, net	-10.0	10.0	-	-20.9	20.9	-
Operating profit/loss	**10.8**	**-**	**10.8**	**21.7**	**-**	**21.7**

Note 7

Long-term incentive programs

In line with the remuneration policy approved by the Annual General Meeting in June 2020, the Nilfisk Leadership Team and selected key employees have been awarded performance shares with a three-year cliff vesting depending on performance measures on EBITDA, RoCE and Total Shareholder Return (TSR). In Q3 2020 a total of 29 employees were offered participation in the 2020 program with a total of 144,103 performance shares equal to 0.5% of the total number of shares in Nilfisk Holding A/S. The key employees outside the Nilfisk Leadership Team are offered participation in return for a reduction in the annual bonus. In the first nine months of 2020, Nilfisk has expensed 0.3 mEUR relating to the 2020 long-term incentive program.

For performance share programs awarded in 2018 and 2019 the number of outstanding shares was 51.372 at September 30, 2020. Based on the performance in the vesting period the awarded performance shares in 2018 have been partly reversed in Q3 2020. Nilfisk has expensed 0.0 mEUR in the first nine months of 2020 related to the awarded performance shares in 2018 and 2019.

In the period 2013 to 2016 a phantom share program granted several employees the right to a potential cash payment but no right to acquire shares. The program is an alternative to a part of the participants' bonus under the short-term bonus program. For the first nine months of 2020 56,052 phantom shares have been exercised. The number of outstanding phantom shares under this program is 52,896 at September 30, 2020.

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	2020	2019	2020	2019	2020	2019
Amortization, depreciation and impairment	**Intangible assets**		**Property, plant and equipment**		**Total**	
Q3						
Cost of sales	0.3	0.3	4.8	4.9	5.1	5.2
Research and development costs	3.6	3.6	0.2	-	3.8	3.6
Sales and distribution costs	0.8	1.3	2.5	2.5	3.3	3.8
Administrative costs	1.2	1.2	2.3	3.0	3.5	4.2
Special items	-	-	-	-0.4	-	-0.4
Total	**5.9**	**6.4**	**9.8**	**10.0**	**15.7**	**16.4**
9M						
Cost of sales	1.0	1.1	14.3	14.3	15.3	15.4
Research and development costs	11.0	10.9	0.5	0.2	11.5	11.1
Sales and distribution costs	2.7	3.6	6.7	7.1	9.4	10.7
Administrative costs	4.9	3.7	7.7	9.0	12.6	12.7
Special items	0.6	-	-	1.0	0.6	1.0
Total	**20.2**	**19.3**	**29.2**	**31.6**	**49.4**	**50.9**

Amortization of aqusition-related intangibles were 1.0 mEUR in Q3 2020, hereof 0.2 mEUR included in Cost of sales and 0.8. mEUR included in Sales and distribution costs. In Q3 2019 amortization of aqusition-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. For the first nine months of 2020 aqusition-related intangibles were 3.6 mEUR compared to 3.9 mEUR in the same period 2019.

In Q3 2020 0.0 mEUR was included as impairment costs. Total impairment costs for the first nine months of 2020 were 0.6 mEUR related to the closing of the Nilfisk Car Wash business in Germany.

In Q3 2019 the income of -0.4 mEUR was related to sales of already impaired fixed assets related to the close down of a production site in Sozhou, China. For the first 9 months of 2019 total net impairment cost were 1.0 mEUR.

Note 9
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 hierachies has taken place in the first nine months of 2020.

EUR million	September 30 2020	September 30 2019
Financial assets:		
Derivative financial instruments	1.1	1.5
Fair value through other comprehensive income	1.1	1.5
Derivative financial instruments	1.9	1.6
Fair value through profit and loss	1.9	1.6
Financial liabilities:		
Derivative financial instruments	1.1	1.8
Fair value through other comprehensive income	1.1	1.8
Derivative financial instruments	0.6	2.3
Fair value through profit and loss	0.6	2.3
Financial instruments, net	**1.3**	**-1.0**

Note 10
Subsequent events

Other than as set out above or elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to September 30, 2020, that 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 Q3 Interim Report of Nilfisk Holding A/S for the period January 1 - September 30, 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 September 30, 2020, and the results of the Group's activities and cash flow for the period January 1 - September 30, 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, November 24, 2020

Executive Management Board

Hans Henrik Lund
President and CEO

Prisca Havranek-Kosicek
CFO

Board of Directors

Jens Peter Due Olsen
Chairman

Anders Erik Runevad
Deputy Chairman

Jutta af Rosenborg

René Svendsen-Tune

Thomas Schleicher

Richard Parker Bisson

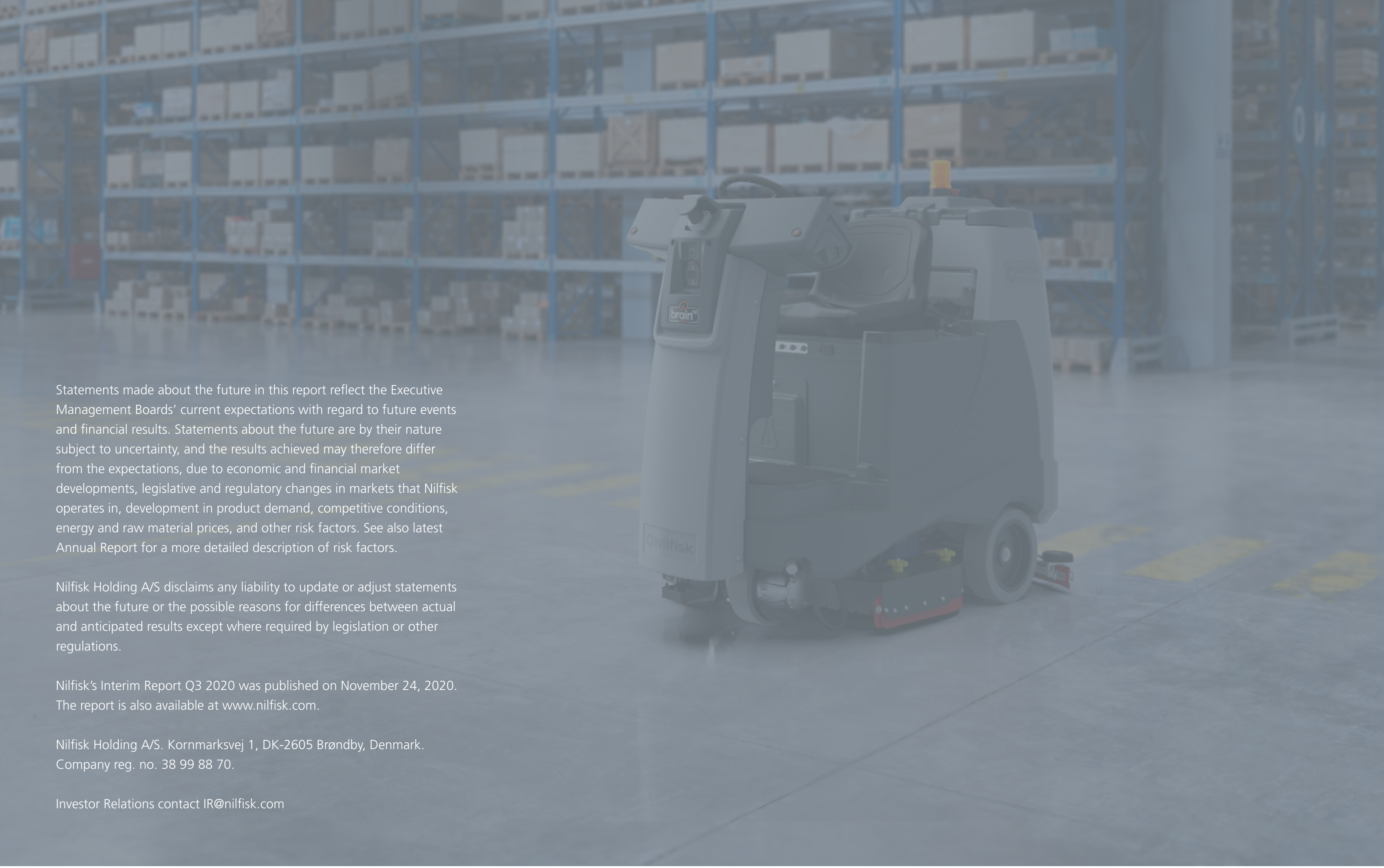
Are Dragesund

Franck Falezan

Søren Giessing Kristensen

Yvonne Markussen

Gerner Raj Andersen



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 Q3 2020 was published on November 24, 2020.
The report is also available at www.nilfisk.com.

Nilfisk Holding A/S. Kornmarksvej 1, DK-2605 Brøndby, Denmark.
Company reg. no. 38 99 88 70.

Investor Relations contact IR@nilfisk.com

Nilfisk