Demerger Statement

for NKT A/S

(a public limited company incorporated in Denmark registered under CVR no. 62725214)

This document (the **"Demerger Statement"**) relates to a partial, tax-exempt demerger (the **"Demerger"**) of NKT A/S (**"NKT"**). The Demerger Statement supplements the demerger plan (the **"Demerger Plan"**) adopted by the board of directors of NKT on 11 September 2017 and published via the Danish Business Authority on 11 September 2017.

In connection with the Demerger, NKT's holding of shares in Nilfisk A/S (**"Nilfisk"** and including its subsidiaries the **"Nilfisk Group"** or the **"Group"**) and certain other activities, assets and liabilities of NKT related to the Nilfisk business will be contributed to a newly incorporated Danish limited liability company to be named Nilfisk Holding A/S (the **"Company"** or **"Nilfisk Holding"**). The Nilfisk Group and the Group will at completion of the Demerger also include Nilfisk Holding. Upon completion of the Demerger, (i) the shares of Nilfisk Holding (the **"Shares"**) will, subject to the consent of Nasdaq Copenhagen A/S (**"Nasdaq Copenhagen"**), be admitted to trading and official listing on Nasdaq Copenhagen and (ii) the Shares will be distributed proportionally to the shareholders in NKT (the **"Receiving Shareholders"**). The Receiving Shareholders will be determined as the registered shareholders in NKT as of 13 October 2017 at 5:59 p.m. CET (the **"Record Date"**). The holding of one (1) share in NKT as of the Record Date will entitle the Receiving Shareholder to receive one (1) Share upon completion of the Demerger.

With the currently expected timetable, any trading in NKT's shares until and including 11 October 2017 at 5:00 p.m. CET (the **"Cut Off Date"**) will include the Nilfisk Group and will entail that the acquirer of such shares will become a Receiving Shareholder for the purpose of the Demerger, and will receive Shares in proportion to the holding of NKT shares as of the Record Date. Any trading in NKT shares after the Cut Off Date will be exclusive of the Nilfisk Group and will not entail any right for the acquirer to receive Shares in the Demerger.

Completion of the Demerger is subject to approval by a general meeting of NKT (the **"General Meeting"**). NKT will convene the General Meeting anticipated to be held on 10 October 2017, 10:30 a.m. CET at Tivoli Hotel & Congress Center, Arni Magnussons Gade 2, DK-1577 Copenhagen V, Denmark. Reference is made to section 4, "*Description of the Demerger*", of this Demerger Statement and to www.nkt.dk where the agenda for the General Meeting, proxies and other relevant documents and information related to the Demerger and the General Meeting can be found and downloaded, when the General Meeting has been convened.

Prior to the completion of the Demerger, there has been no public market for the Shares. Application has been made for the Shares to be admitted to trading and official listing on Nasdaq Copenhagen under the symbol "NLFSK". The Shares will be registered in the permanent ISIN DK0060907293. The first day of trading in, and official listing of, the Shares on Nasdaq Copenhagen is expected to be on 12 October 2017, subject to approval of the Demerger at the General Meeting.

The Shares are expected to be delivered in book-entry form to Receiving Shareholders' accounts with VP Securities A/S (**''VP Securities''**) and through the facilities of Euroclear Bank S.A./N.A. (''**Euroclear**''), as operator of the Euroclear System and Clearstream Banking, S.A. (**''Clearstream''**), starting on or around 16 October 2017.

The timetable for the Demerger, including the Record Date, the Cut Off Date, the first day of trading in, and official listing of, the Shares on Nasdaq Copenhagen and settlement is subject to change. Any such change will be announced via Nasdaq Copenhagen.

The Receiving Shareholders and prospective future investors in the Shares are advised to examine all risks and legal requirements described in this Demerger Statement and in the Demerger Plan that might be relevant in connection with the Demerger or an investment in the Shares. Investing in the Shares involves a high degree of risk. See section 1, "*Risk Factors*", for a discussion of certain risks that the Receiving Shareholders and future prospective investors should consider before deciding on the Demerger and/or investing in the Shares, as the case may be.

This Demerger Statement has been prepared under Danish law in compliance with the requirements set out in Consolidated Act no. 1089 of 14 September 2015 on public and private limited companies, as amended (the "Danish Companies Act"), Consolidated Act no. 251 of 21 March 2017 on Securities Trading, as amended (the "Danish Securities Trading Act"), the Executive Order no. 1257 of 6 November 2015, as amended, on prospectuses for securities admitted to trading in a regulated market and for offering to the public of securities of at least EUR 5,000,000 (the "Danish Executive Order on Prospectuses") as well as Commission Regulation (EC) no. 809/2004 of 29 April, 2004, as amended (the "Prospectus Regulation"). This Demerger Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer in such jurisdiction.

The Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the Securities Act or an exemption therefrom. A Receiving Shareholder who is an affiliate of NKT or Nilfisk as of the date and time at which the Demerger becomes effective will be subject to certain U.S. transfer restrictions relating to the Shares received pursuant to the Demerger. For certain restrictions on transfer of the Shares, see section 29.13 "*Jurisdictions in which the Demerger will be announced and restrictions applicable to the Demerger"*.

The Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or determined the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

The distribution of this document in certain jurisdictions are restricted by law. Persons into whose possession this Demerger Statement comes are required by the Company to inform themselves about and to observe such restrictions. For a description of certain restrictions on distribution of this document, see "*Certain information with regard to the Demerger Statement*".

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CERTAIN INFORMATION WITH REGARD TO THE DEMERGER STATEMENT

In this Demerger Statement, **"NKT"** refers to NKT A/S, the "**Company**" or **"Nilfisk Holding"** refers to Nilfisk Holding A/S, which will be incorporated at completion of the Demerger, **"Nilfisk"** refers to Nilfisk A/S and the "**Nilfisk Group**" refers to Nilfisk and its consolidated subsidiaries and including, upon completion of the Demerger, Nilfisk Holding. The **"NKT Group"** refers to NKT and its subsidiaries, excluding upon completion of the Demerger, the Nilfisk Group.

In connection with the Demerger, NKT has prepared two versions of this Demerger Statement: (i) an original English version (the **"English Language Demerger Statement"**) and (ii) a Danish translation thereof (the **"Danish Language Demerger Statement"**). The Demerger Statement has been prepared in compliance with the standards and requirements of Danish law. In the event of any discrepancy between the English Language Demerger Statement and the Danish Language Demerger Statement, the English Language Demerger Statement shall prevail.

The Demerger will be completed under Danish law.

The Demerger Statement has been prepared by NKT, which is responsible for the content hereof. Upon completion of the Demerger, such responsibility shall automatically, as part of the Demerger, be considered transferred to and shall remain exclusively vested with Nilfisk Holding in accordance with Section 254 of the Danish Companies Act.

The information in this Demerger Statement is as of the date printed on the front of the cover, unless expressly stated otherwise. The delivery of this Demerger Statement at any time does not imply that there has been no change in the Nilfisk Group's business or affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof. In the event of any changes to the information in this Demerger Statement that may affect the valuation of the Shares during the period from the date of announcement to the first day of trading of the Shares, such changes will be announced pursuant to the rules in the Danish Executive Order on Prospectuses which, *inter alia,* governs the publication of prospectus supplements.

In making a decision with regard to the Demerger or any subsequent investment in the Shares, Receiving Shareholders and potential future investors must rely on their own assessment of the Company and the terms of the Demerger, as described in the Demerger Plan and in this Demerger Statement, including the merits and risks involved. Any decision with regard to the Demerger or any purchase of the Shares should be based on the assessments of the information in the Demerger Plan and this Demerger Statement, including the legal basis and consequences of the Demerger, and including possible tax consequences that may apply. Receiving Shareholders and potential future investors should rely only on the information contained in the Demerger Plan and in this Demerger Statement, including the risk factors described herein.

No person has been authorised to give any information or make any representation not contained in this Demerger Statement and, if given or made, such information or representation must not be relied upon as having been authorised by NKT, or the Company. None of the Company or NKT accept any liability for any such information or representation.

The distribution of this Demerger Statement in certain jurisdictions is restricted by law. Receiving Shareholders and other prospective investors should be aware that they may be required to bear the financial risks of an investment in the Shares for an indefinite period of time. No action has been or will be taken by NKT or the Company to permit a public offering in any jurisdiction. Persons into whose possession this Demerger Statement may come are required by NKT and the Company to inform themselves about and to observe such restrictions. This Demerger Statement may not be used for, or in connection with, any offer, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. For further information with regard to restrictions on offers and sales of the Shares and the distribution of this Demerger Statement, see below. This Demerger Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares in any jurisdiction or to any person to whom it would be unlawful to make such an offer.

This Demerger Statement may not be forwarded, reproduced, in whole or in part, or distributed by persons expect for by NKT or the Company and no recipient of this Demerger Statement may disclose its content of or use any information herein for any purpose other than considering the Demerger.

Notice to investors in the United States

The Shares have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction in the United States.

The Shares generally should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and persons who receive securities in the Demerger (other than “affiliates” as described in the paragraph below) may resell them without restriction under the Securities Act.

Under the U.S. securities laws, persons who are deemed to be affiliates of NKT or Nilfisk as of the date and time at which the Demerger becomes effective may not resell the Shares received pursuant to the Demerger without registration under the Securities Act, except pursuant to an applicable exemption form, or in a transaction not subject to, the registration requirements of the Securities Act. Whether a person is an affiliate of a company for such purpose depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. Receiving Shareholders who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisors prior to any resale of Shares received pursuant to the Demerger.

European Economic Area restrictions

This Demerger Statement has been prepared in connection with the issue of the Shares in connection with the Demerger and admission to trading and official listing of the Shares on Nasdaq Copenhagen and on the basis that no offer to the public of the Shares will be made in that connection, neither in Denmark nor in any other member state of the EEA.

Accordingly, any person making or intending to make any offer within the EEA of Shares should only do so in circumstances in which no obligation arises for NKT or Nilfisk Holding to produce a prospectus for such offer. Neither NKT nor Nilfisk have authorised, nor do NKT or Nilfisk Holding authorise, the making of any offer of Shares through any financial intermediary.

United Kingdom restrictions

NKT represents, warrants and agrees that:

a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act ("**FSMA**") in connection with the issue or sale of the Shares in circumstances in which Section 21(1) of FSMA does not apply to the Company; and

b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

Stabilisation

No price stabilisation activities will be undertaken in relation to the Demerger.

RESPONSIBILITY STATEMENT

NKT A/S's responsibility

NKT A/S is responsible for this Demerger Statement in accordance with Danish law. Upon completion of the Demerger, such responsibility shall automatically, as part of the Demerger, be considered transferred to and shall remain exclusively vested with Nilfisk Holding in accordance with Section 254 of the Danish Companies Act.

Statement

We hereby declare that we, as the persons responsible for this Demerger Statement on behalf of NKT A/S and Nilfisk A/S, respectively, have taken all reasonable care to ensure that, to the best of our knowledge and belief, the information contained in this Demerger Statement is in accordance with the facts and does not omit anything likely to affect the import of its contents.

Brøndby, 18 September 2017

NKT A/S board of directors

Jens Due Olsen *Chairman*	René Svendsen-Tune *Deputy Chairman*
Jens Maaløe	Anders Runevad
Jutta af Rosenborg	Lars Sandahl Sørensen
Niels Henrik Dreesen	René Engel Kristiansen
Gitte Toft Nielsen	

Jens Due Olsen is a professional board member
René Svendsen-Tune is CEO of GN Store Nord A/S
Jens Maaløe is CEO of Terma A/S
Anders Runevad is CEO of Vestas Wind Systems A/S
Jutta af Rosenborg is a professional board member
Lars Sandahl Sørensen is Group Director and COO of SAS AB
Niels Henrik Dreesen is Production Engineering Manager, NKT Cables A/S
René Engel Kristiansen is Product Line Manager, NKT Photonics A/S
Gitte Toft Nielsen is Finance Assistant, Nilfisk A/S

Executive management of Nilfisk A/S

Hans Henrik Lund *CEO*	Karina Deacon *CFO*

SUMMARY

Dansk resumé

Det danske resumé nedenfor er en oversættelse af det engelske resumé, som begynder på side 20. I tilfælde af uoverensstemmelser mellem det danske og det engelske resumé, skal det engelske resumé have forrang.

Resuméer består af oplysningskrav, der benævnes "Elementer". Elementerne er nummereret i afsnit A–E (A.1–E.7). Dette resumé indeholder alle de Elementer, der skal være indeholdt i et resumé for denne type værdipapir og udsteder i henhold til Prospektforordningen nr. 486/2012 med senere ændringer. Da nogle Elementer ikke kræves medtaget, kan der forekomme huller i nummereringen af Elementerne. Selv om et Element skal indsættes i resuméet på grund af typen af værdipapir og udsteder, er det muligt, at der ikke kan gives nogen relevante oplysninger om Elementet. I så fald indeholder resuméet en kort beskrivelse af Elementet med angivelsen "ikke relevant".

Afsnit A – Indledning og advarsler

Element	Oplysningskrav	Oplysninger
A.1	Advarsel til investorer	Dette resumé bør læses som en indledning til Spaltningsredegørelsen. De Modtagende Aktionærer og potentielle fremtidige investorer i Aktierne bør træffe enhver beslutning om investering i Aktier på baggrund af Spaltningsredegørelsen og Spaltningsplanen som helhed. Hvis en sag vedrørende oplysningerne i Spaltningsredegørelsen indbringes for en domstol i henhold til national lovgivning i medlemsstaterne i det Europæiske Økonomiske Samarbejdsområde, kan den sagsøgende investor være forpligtet til at betale omkostningerne i forbindelse med oversættelse af Spaltningsredegørelsen, inden sagen indledes. Kun de personer, som har indgivet resuméet, herunder eventuelle oversættelser heraf, kan ifalde et civilretligt erstatningsansvar, men kun såfremt resuméet er misvisende, ukorrekt eller uoverensstemmende, når det læses sammen med de andre dele af Spaltningsredegørelsen, eller hvis det ikke, når det læses sammen med Spaltningsredegørelsens andre dele, indeholder nøgleoplysninger, således at investorerne lettere kan tage stilling til, om de vil investere i Aktierne.
A.2	Tilsagn til formidlere	Ikke relevant. Der er ikke indgået nogen aftale vedrørende anvendelse af Spaltningsredegørelsen i forbindelse med efterfølgende videresalg eller placering af Aktierne.

Afsnit B – Udsteder

Element	Oplysningskrav	Oplysninger
B.1	Juridisk navn og binavn	Efter gennemførelse af Spaltningen vil Selskabet blive stiftet med det juridiske navn Nilfisk Holding A/S, og det vil ikke have nogen binavne.
B.2	Domicil, retlig form, indregistreringsland	Selskabet vil blive stiftet som et aktieselskab i henhold til dansk ret og få hjemsted på adressen Kornmarksvej 1, 2605 Brøndby, Danmark.
B.3	Nuværende virksomhed og hovedaktiviteter	Nilfisk-koncernen er en førende aktør inden for branchen for professionelt rengøringsudstyr. Nilfisk-koncernen opererer globalt og har en tilstedeværelse i 45 lande med egne salgsselskaber, og når ud til i alt mere end 100 lande gennem direkte salg og et netværk af forhandlere. Nilfisk-koncernen udvikler, samler og monterer og sælger en bred vifte af rengøringsprodukter og -ydelser til både det professionelle og det private marked.

Element	Oplysningskrav	Oplysninger

Koncernens produkt- og serviceudbud omfatter følgende:

- Gulvrengøring (ca. 35% af det professionelle marked): Disse produkter skurer, polerer, vasker og/eller fejer gulve, primært hårde overflader. Dette omfatter også kompaktsegmentet inden for udendørsmaskiner til fejning af gader/fortove, snerydning, græsslåning osv. ("**Gulvrengøring**").
- Støvsugere (ca. 15% af det professionelle marked): Disse produkter anvender sugekraft til at fjerne løst materiale og/eller væske primært fra gulve, men også fra andre overflader ("**Støvsugere**").
- Højtryksrensere (ca. 15% af det professionelle marked): Disse produkter anvender vand under tryk til at rense overflader, maskiner, værktøj osv. ("**Højtryksrensere**").
- Eftersalgsydelser: Reservedele, tilbehør, hjælpematerialer, vedligeholdelses- og servicekontrakter (ca. 35% af det professionelle marked) ("**Eftersalg**"). I denne kategori leveres vedligeholdelses- og reparationsydelser til alle ovennævnte produktgrupper.

Omsætning pr. produktkategori og serviceudbud	**1. halvår 2017 (EUR mio.)**	**2016 (EUR mio.)**	**2015 (EUR mio.)**
Gulvrengøring……………	178	319	317
Støvsugere………………	101	187	178
Højtryksrensere…………	98	180	142
Eftersalg………………	172	372	343
Omsætning i alt	**549**	**1.059**	**980**

Koncernen har følgende vision: "We lead intelligent cleaning to make your business smarter". Med denne vision har Koncernen fokus på altid at levere produkter ud fra et indgående kendskab til den værdi, som rengøring giver kunderne, samt på at tilpasse sit udbud i overensstemmelse hermed. Nilfisk har i 111 år arbejdet med at føre intelligente rengøringsløsninger på markedet. Udviklingen begyndte med den første støvsuger i 1910 og er gået via den første gulvrengøringsmaskine i 1955 til lanceringen af Koncernens første selvkørende gulvvasker, Nilfisk Liberty A50, som ventes lanceret i slutningen af 2017 eller starten af 2018.

Koncernen vil fortsat have fokus på intelligente løsninger ved at anvende det bedste inden for nye teknologier og integrere dem i Koncernens sortiment med henblik på at levere produkter og ydelser, som opfylder kundernes behov. Koncernen vurderer, at det er realistisk at antage, at omsætningen fra selvkørende maskiner vil kunne udgøre op til 10% af Koncernens omsætning om fem til syv år. Denne fokus på nye teknologier omfatter brugen af digitalisering for at understøtte Koncernens kunder, så længe de anvender Koncernens produkter og ydelser.

Element	Oplysningskrav	Oplysninger
		Koncernen har altid tilpasset, og vil fortsat tilpasse, sin portefølje af produkter, brands og organisation for at sikre, at Koncernens ressourcer til stadighed rettes mod de produkter og brands, som har det største potentiale for vækst, lønsomhed og værdiskabelse. Som led heri foretager Koncernen også en løbende strategisk gennemgang af sine nuværende forretningsenheder eller lokale aktiviteter (som f.eks. Outdoor). Koncernens primære styrker er: • Global leder i den attraktive branche for professionelt rengøringsudstyr • God kundeadgang og relationer med samarbejdspartnere • Bred vifte af kvalitetsprodukter og et anerkendt udbud inden for eftersalg • Lav kapitalintensitet via effektivt indkøb og en samlings- og montagefokuseret produktion • Erfaren og proaktiv ledelse
B.4a	Beskrivelse af de væsentligste nyere tendenser, der påvirker Koncernen og de sektorer, inden for hvilke denne opererer	De tendenser, som Koncernen har identificeret og forholder sig til, er: **Makro** • Internet of Things • Digitalisering • Nye forretningsmodeller • Vækstmarkeder **Teknologi** • Sensorteknologier • Intelligente selvkørende produkter • Strømkildeteknologier **Industri** • Standardisering • Fokus på andet end produktet • Værdien af renhed • Samarbejdsinnovation • Professionaliseret indkøb
B.5	Beskrivelse af Nilfisk-koncernen og Selskabets plads i Nilfisk-koncernen	Nilfisk Holding vil blive stiftet ved Spaltningens gennemførelse, men regnskabsmæssigt vil Spaltningen få tilbagevirkende kraft pr. 1. januar 2017 og vil blive gennemført ved, at NKT indskyder sine aktier i Nilfisk (svarende til 100% af Nilfisks aktiekapital) og visse andre af sine aktiviteter, aktiver og forpligtelser, som er relateret til Nilfisk-koncernen, i Nilfisk Holding. Nilfisk Holding vil blive stiftet ved Spaltningens gennemførelse. De eksisterende aktiviteter i NKT Cables og NKT Photonics og andre af NKT's aktiviteter, aktiver og forpligtelser, som ikke indskydes i Nilfisk Holding, vil fortsat høre under NKT. Nilfisk Holding bliver ved Spaltningens gennemførelse moderselskab i Nilfisk-koncernen og vil eje alle Aktierne i Nilfisk. Efter Spaltningen vil NKT og Nilfisk Holding drive virksomhed som særskilte selskaber, og hverken NKT eller Nilfisk Holding vil have nogen aktier i hinanden eller i nogen af NKT's eller Nilfisk Holdings tilknyttede virksomheder.

Afsnit B – Udsteder

Element	Oplysningskrav	Oplysninger
B.6	Personer, som direkte eller indirekte har en andel i Selskabets kapital eller stemmerettigheder eller kontrollerer Selskabet	Pr. datoen for denne Spaltningsredegørelse ejer NKT 100% af de udstedte aktier i Nilfisk. Efter Spaltningens gennemførelse vil NKT ikke have nogen aktier i Nilfisk Holding eller nogen af dets datterselskaber eller tilknyttede virksomheder. Nilfisk Holdings første aktionærstruktur vil være identisk med NKT's aktionærstruktur på Registreringsdatoen.
B.7	Udvalgte regnskabs- og virksomhedsoplysninger	Nedenstående udvalgte koncernregnskabsoplysninger for Nilfisk, der omfatter udvalgte resultatopgørelsesposter, balanceposter og pengestrømsopgørelsesposter for Nilfisk, er uddraget af Nilfisks koncerndelårsregnskab for 1. halvår 2017 med sammenligningstal for 1. halvår 2016, som er udarbejdet i overensstemmelse med IAS 34 - Præsentation af delårsregnskaber som godkendt af EU, og Nilfisks koncernregnskab for regnskabsåret 2016 med sammenligningstal for regnskabsåret 2015, som er udarbejdet i overensstemmelse med International Financial Reporting Standards ("**IFRS**"), som godkendt af EU, og yderligere krav i lovbekendtgørelse nr. 1580 af 10. december 2015 om regnskaber med senere ændringer ("**Årsregnskabsloven**"). Nilfisks koncernregnskab for regnskabsåret 2016 med sammenligningstal for regnskabsåret 2015 er revideret af Deloitte Statsautoriseret Revisionspartnerselskab, og Nilfisks koncernregnskab for 1. halvår 2017 med sammenligningstal for 1. halvår 2016 er reviewet af Deloitte Statsautoriseret Revisionspartnerselskab. De udvalgte historiske koncernregnskabsoplysninger for Nilfisk, der er medtaget i denne Spaltningsredegørelse, er udarbejdet i overensstemmelse med IFRS som godkendt af EU, bortset fra de finansielle nøgletal, der ikke er defineret i IFRS, i afsnit 11.11 "Finansielle nøgletal, der ikke er defineret i IFRS", eller hvis andet er anført. Hverken Nilfisks reviewede koncerndelårsregnskab for 1. halvår 2017 med sammenligningstal for 1. halvår 2016 eller Nilfisks reviderede koncernregnskab for regnskabsåret 2016 med sammenligningstal for regnskabsåret 2015 omfatter NKT's aktiviteter, aktiver og passiver vedrørende Nilfisk-forretningen, som vil blive indskudt i Nilfisk Holding ved Spaltningens gennemførelse. Disse aktiviteter, aktiver og passiver anses for at være uvæsentlige, og Nilfisks koncernregnskab repræsenterer i al væsentlighed Nilfisk-koncernens finansielle stilling, resultat og pengestrømme, som om NKT's aktiviteter, aktiver og passiver vedrørende Nilfisk-forretningen indgik heri pr. de angivne datoer. Modtagende Aktionærer bør læse følgende oplysninger i sammenhæng med Nilfisks reviewede koncerndelårsregnskab for 1. halvår 2017 med sammenligningstal for 1. halvår 2016 og Nilfisks reviderede koncernregnskab for regnskabsåret 2016 med sammenligningstal for regnskabsåret 2015 med tilhørende noter samt afsnit 11 "*Gennemgang af drift og regnskaber*" og afsnit 12 *"Kapitalberedskab".*

	Pr. 30. juni		**Pr. 31. december**	
	2017	**2016**	**2016**	**2015**
	(EUR mio.)			
Hovedtal				
Nettoomsætning	549	532	1.059	980
Bruttoresultat	241	226	438	399

Afsnit B – Udsteder

Element	Oplysningskrav	Oplysninger				
		EBITDA før særlige poster (ikke defineret i IFRS)	71	60	117	98
		EBITDA (ikke defineret i IFRS)	64	60	97	98
		EBIT før særlige poster (ikke defineret i IFRS)	51	40	76	64
		Særlige poster (ikke defineret i IFRS)	-7	0	-22	0
		EBIT	45	40	54	64
		Periodens resultat	29	25	30	42
		Aktiver i alt	986	976	983	936
		Goodwill	170	174	179	172
		Egenkapital	243	218	225	201
		Arbejdskapital (ikke defineret i IFRS)	184	194	142	173
		Nettorentebærende gæld (ikke defineret i IFRS)*	278	316	266	301
		Investeret kapital (ikke defineret i IFRS)	521	534	491	502
		Frie pengestrømme ekskl. virksomhedskøb og -salg (ikke defineret i IFRS)	-22	3	74	20
		Justeret resultat pr. aktie (ikke defineret i IFRS) (EUR)	1,1	0,9	1,1	1,5
		Nøgletal**				
		Omsætningsvækst i alt	3,2%	6,7%	8,0%	6,8%
		Organisk omsætningsvækst	3,0%	0,9%	3,1%	0,4%
		Bruttomargin	43,8%	42,4%	41,3%	40,8%
		EBITDA-margin før særlige poster	12,9%	11,2%	11,0%	10,0%
		EBITDA-margin	11,7%	11,2%	9,1%	10,0%
		EBIT-margin før særlige poster	9,4%	7,6%	7,2%	6,5%
		EBIT-margin	8,1%	7,6%	5,1%	6,5%
		Soliditetsgrad	24,7%	22,5%	22,9%	21,4%
		Afkast af investeret kapital (**"RoCE"**)	16,6%	12,7%	14,6%	12,9%
		Fuldtidsækvivalenter, ultimo	5.776	5.673	5.607	5.545
		* For oplysninger om Spaltningens indflydelse på Koncernens nettorentebærende gæld henvises til afsnit 12 "*Kapitalberedskab*". ** Der henvises til afsnit 11.3 "*Oversigt over økonomiske resultater*" for en definition af nøgletal.				
B.8	Udvalgte vigtige proforma-regnskabsoplysninger	Ikke relevant. Der indgår ikke proforma-regnskabsoplysninger i Spaltningsredegørelsen.				

Afsnit B – Udsteder

Element	Oplysningskrav	Oplysninger
B.9	Resultatforventninger eller skøn	Forventningerne for Koncernens resultater for regnskabsåret 2017 i forhold til omsætningsvækst og EBITDA-margin før særlige poster er beskrevet nedenfor: • Omsætningsvæksten forventes at blive positivt påvirket af organisk vækst, dvs. vækst ekskl. virksomhedskøb, i omfanget 2% til 4%. • Valutakursændringer forventes at få en mindre negativ indvirkning på omsætning i omfanget -1% til 0%. • EBITDA-margin før særlige poster forventes at blive mellem 11,0% og 11,5%. *De fremadrettede finansielle oplysninger for Koncernen er baseret på en lang række skøn og forudsætninger om fremtidige hændelser, som er forbundet med mange og væsentlige risici og usikkerheder, der kan medføre, at Koncernens faktiske resultater afviger væsentligt fra de fremadrettede finansielle oplysninger præsenteret i Spaltningsredegørelsen.*
B.10	Forbehold i revisionspåtegningen vedrørende historiske finansielle oplysninger	Ikke relevant. Revisionspåtegningen på de historiske regnskabsoplysninger, der er medtaget ved henvisning i Spaltningsredegørelsen, er udstedt uden forbehold.
B.11	Forklaring, hvis udsteders arbejdskapital ikke er tilstrækkelig til at dække Selskabets nuværende behov	Ikke relevant. Det er Nilfisk-koncernens vurdering, at arbejdskapitalen pr. datoen for Spaltningsredegørelsen er tilstrækkelig til at dække Koncernens finansieringsbehov i mindst 12 måneder efter den første handelsdag på Nasdaq Copenhagen, der forventes at være den 12. oktober 2017.

Afsnit C – Værdipapirer

Element	Oplysningskrav	Oplysninger
C.1	Beskrivelse af typen og klassen af Aktier, herunder eventuel fondskode	Aktierne vil ikke blive inddelt i aktieklasser. Aktierne vil blive registreret i den permanente ISIN-kode: DK0060907293.
C.2	Aktiernes valuta	Aktierne vil være denomineret i DKK.
C.3	Antallet af udstedte og fuldt indbetalte Aktier og antallet af udstedte Aktier, der ikke er fuldt indbetalt	Ved Spaltningens gennemførelse udgør Selskabets aktiekapital nominelt DKK 542.527.380 fordelt på 27.126.369 stk. Aktier à nominelt DKK 20. Ved Spaltningens gennemførelse vil alle Aktier være udstedt og fuldt indbetalt.
C.4	Beskrivelse af rettigheder, der er knyttet til Aktierne	Aktierne inddeles ikke i aktieklasser, og alle Aktier vil få samme rettigheder med hensyn til stemmeret, fortegningsret, indløsning, konvertering og vedrørende ret til udbytte eller provenu i tilfælde af opløsning eller likvidation. Ingen Aktier har særlige rettigheder, indskrænkninger eller begrænsninger. Aktierne vil blive udstedt med en nominel værdi på DKK 20 pr. stk. Hver Aktie à nominelt DKK 20 giver indehaveren ret til én stemme på Selskabets generalforsamling.

Afsnit C – Værdipapirer

Element	Oplysningskrav	Oplysninger
C.5	Beskrivelse af eventuelle indskrænkninger i Aktiernes omsættelighed	Ikke relevant. Aktierne er omsætningspapirer, og der gælder ingen indskrænkninger i Aktiernes omsættelighed i henhold til Selskabets vedtægter, der forventes at gælde, når Spaltningen træder i kraft ("**Vedtægterne**"), eller dansk lovgivning.
C.6	Optagelse til handel på et reguleret marked	Aktierne er søgt optaget til handel og officiel notering på Nasdaq Copenhagen under symbolet "NLFSK". Aktierne vil blive registreret i den permanente ISIN-kode DK0060907293. Ved Spaltningens gennemførelse vil Aktierne 1) blive optaget til handel og officiel notering på Nasdaq Copenhagen med forbehold for Nasdaq Copenhagens godkendelse og 2) blive fordelt forholdsmæssigt til de Modtagende Aktionærer. De Modtagende Aktionærer defineres som de navnenoterede aktionærer i NKT pr. Registreringsdatoen, som er 13. oktober 2017 kl. 17.59 dansk tid. Registreringsdatoen kan ændres. Første handels- og officielle noteringsdag for Aktierne på Nasdaq Copenhagen forventes at være den 12. oktober 2017. Efter den nuværende forventede tidsplan vil enhver handel med aktier i NKT til og med Skæringsdatoen, dvs. den 11. oktober 2017 kl. 17.00 dansk tid, omfatte Nilfisk-koncernen og medføre, at erhververe af sådanne aktier bliver Modtagende Aktionærer i forbindelse med Spaltningen og modtager Aktier i forhold til deres beholdning af aktier i NKT pr. Registreringsdatoen. Handel med aktier i NKT efter Skæringsdatoen vil ikke omfatte Nilfisk-koncernen og giver ikke erhververen ret til at modtage Aktier i forbindelse med Spaltningen. Skæringsdatoen kan ændres. Tidsplanen for Spaltningen, herunder Registreringsdatoen, Skæringsdatoen og den første handels- og officielle noteringsdag for Aktierne på Nasdaq Copenhagen samt for afvikling kan blive ændret. Sådanne ændringer offentliggøres i givet fald via Nasdaq Copenhagen.
C.7	Beskrivelse af udbyttepolitik	Ved Spaltningens gennemførelse planlægger bestyrelsen i Nilfisk Holding, der forventes valgt på Generalforsamlingen ("**Bestyrelsen**"), at vedtage en udbyttepolitik med en målsætning om en udbytteprocent på ca. en tredjedel af regnskabsårets resultat for Koncernen. Selskabets første udbyttebetaling forventes at finde sted i 2019 på baggrund af det rapporterede resultat for regnskabsåret 2018. Som alternativ eller i tillæg til udbyttebetalinger kan Bestyrelsen iværksætte aktietilbagekøb. En eventuel bestyrelsesbeslutning om at foretage aktietilbagekøb vil blive foretaget i overensstemmelse med nedenstående forhold vedrørende udbyttebetaling. Eventuel udbetaling af udbytte vil generelt blive fastsat under hensyntagen til en balance mellem ovennævnte udbytteprocent og målet for Koncernens gearingsgrad og vil endvidere afhænge af en række forhold, herunder fremtidig omsætning, resultat, finansiel stilling, Koncernens gearingsgrad, generelle samfundsøkonomiske og forretningsmæssige forhold, fremtidsudsigter, strategiske initiativer som f.eks. virksomhedskøb eller større investeringer, der vedtages af Bestyrelsen, og andre forhold, som Bestyrelsen måtte finde relevante, samt gældende myndigheds- og lovgivningsmæssige krav. Derudover begrænses Selskabets mulighed for at deklarere og udbetale udbytte ifølge Låneaftalernes betingelser, hvis der er sket eller vil ske misligholdelse af Låneaftalerne som følge

Afsnit C – Værdipapirer

Element	Oplysningskrav	Oplysninger
		af en sådan udbetaling af udbytte, herunder misligholdelse af kravet om Selskabets maksimale gearing i Låneaftalerne, jf. afsnit 11 *"Gennemgang af drift og regnskaber"*, afsnit 12 *"Kapitalberedskab"* og afsnit 23.1 *"Låneaftaler"*. Der kan ikke gives sikkerhed for, at der i et givent år vil blive foreslået aktietilbagekøb eller deklareret udbytte, eller at Selskabets økonomiske resultater vil gøre det muligt at overholde udbyttepolitikken eller foretage en eventuel forhøjelse af udbytteprocenten. Selskabets evne til at betale udbytte eller tilbagekøbe aktier kan blive begrænset af forskellige faktorer, herunder hvis nogle af de risici, der fremgår af denne Spaltningsredegørelse, skulle indtræffe. Der henvises til afsnit 1 "Risikofaktorer". Endvidere kan Bestyrelsen til enhver tid ændre udbyttepolitikken. Udsagn vedrørende udbyttepolitikken er fremadrettede udsagn. Fremadrettede udsagn er ikke garantier for fremtidige resultater, og faktisk udbytte eller aktietilbagekøb kan afvige væsentligt fra det udbytte eller de aktietilbagekøb, der er udtrykt eller underforstået i forbindelse med disse fremadrettede udsagn som følge af mange forhold, herunder de forhold, der er beskrevet i afsnit 1 "Risikofaktorer" og i afsnit 3 "Særlig meddelelse vedrørende fremadrettede udsagn". Da Selskabet bliver stiftet ved Spaltningens gennemførelse, har Selskabet ikke udbetalt udbytte. Nilfisk deklarerede og udbetalte for regnskabsåret 2014 udbytte til NKT, dvs. et koncerninternt udbytte, på EUR 172 mio. (svarende til justeret udbytte pr. Aktie (ikke defineret i IFRS) på EUR 6,3 beregnet på basis af det antal Aktier, der vil være udstedt efter Spaltningens gennemførelse). Nilfisk udbetalte ikke udbytte for regnskabsårene 2015 og 2016.

Afsnit D - Risici

Element	Oplysningskrav	Oplysninger
D.1	Nøgleoplysninger om de vigtigste risici, der er specifikke for Nilfisk-koncernen eller dennes branche	De nedenfor omtalte risikofaktorer og usikkerheder omfatter de risici, som NKT og Nilfisk-koncernen vurderer som værende væsentlige, men det er ikke de eneste risikofaktorer og usikkerheder, Nilfisk-koncernen står overfor. Der er yderligere risikofaktorer og usikkerheder, herunder risici, som NKT og Nilfisk-koncernen på nuværende tidspunkt ikke er bekendt med, eller som NKT eller Nilfisk-koncernen på nuværende tidspunkt anser for uvæsentlige, som kan opstå eller blive væsentlige i fremtiden og medføre lavere omsætning, øgede omkostninger eller have andre konsekvenser, som kan føre til et fald i Aktiernes værdi. Risikofaktorerne er ikke nævnt i prioriteret rækkefølge. • Nilfisk-koncernen kan komme i finansielle vanskeligheder, hvis EU, USA eller andre globale økonomier oplever væsentlig, langvarig økonomisk nedgang, som medfører et fald i efterspørgslen efter Nilfisk-koncernens produkter og påvirker omsætningen negativt. • De markeder, som Nilfisk-koncernen opererer på, er meget konkurrenceprægede, hvilket kan få væsentlig negativ indvirkning på Nilfisk-koncernens virksomhed, finansielle stilling og resultat. • Nilfisk-koncernens konkurrencedygtighed afhænger af Koncernens evne til fortsat at udvikle innovative produkter og teknologier. • Nilfisk-koncernens aktiviteter er underlagt regimer for økonomiske sanktioner og handelssanktioner, og Nilfisk-koncernens procedurer for

Afsnit D - Risici

Element	Oplysningskrav	Oplysninger
		ledelse og overholdelse af compliance-krav vil muligvis ikke kunne forhindre en overtrædelse af sådanne sanktioner. • Nilfisk-koncernen er eksponeret mod risici forbundet med at drive virksomhed i udviklingslande og nyindustrialiserede lande, som f.eks. korruptions- eller bestikkelseslovgivning og -bestemmelser og håndhævelse af juridiske rettigheder. • Nilfisk-koncernen vil muligvis ikke kunne eksekvere sin Accelerate-strategi med succes. • Nilfisk-koncernen er eksponeret mod risici forbundet med sine globale aktiviteter. • Nilfisk-koncernen er afhængig af tredjemand og andre faktorer inden for eller uden for Nilfisk-koncernens kontrol. • Fejl i Nilfisk-koncernens produkter eller brugsanvisninger kan medføre produktansvarskrav og tilbagekaldelse af produkter. • Nilfisk-koncernen vil muligvis ikke kunne administrere og beskytte sine immaterielle rettigheder eller kan komme til at krænke tredjemands rettigheder. • Nilfisk-koncernen er eksponeret mod risici relateret til udsving i råvarepriser. • Nilfisk-koncernen er eksponeret mod risici relateret til ændringer i valutakurser. • Nilfisk-koncernen er eksponeret mod renterisici. • Nilfisk-koncernen er underlagt kompleks dansk og udenlandsk skatte- eller afgiftslovgivning samt compliance-krav. • Vilkårene for Nilfisk-koncernens finansieringsaftaler kan begrænse dens kommercielle og finansielle fleksibilitet, og Nilfisk-koncernen vil muligvis skulle optage yderligere gæld eller rejse yderligere egenkapital for at kunne finansiere sine aktiviteter. • Nilfisk-koncernen er eksponeret mod omdømmerisici. • Nilfisk-koncernen er underlagt national og international regulering. • Nilfisk-koncernen er eksponeret mod sikkerheds-, sundheds- og miljørisici. • Nilfisk-koncernen er afhængig af et mindre antal ledere i nøglefunktioner og nøglemedarbejdere og vil muligvis have vanskeligt ved at fastholde sådanne ledere og medarbejdere. • Nilfisk-koncernen er eksponeret mod risici i forbindelse med arbejdsnedlæggelser og andre arbejdsretlige forhold. • Nilfisk-koncernen vil muligvis opleve forstyrrelser i IT-systemer eller IT-sikkerhedsbrud. • Nilfisk-koncernens risikostyringspolitikker vil muligvis ikke være tilstrækkelige. • Nilfisk-koncernens forsikringer vil muligvis ikke være tilstrækkelige til at dække tab. • Nilfisk-koncernen er eksponeret mod risici i forbindelse med sine pensionsforpligtelser. • Nilfisk-koncernens historiske regnskaber vil muligvis ikke være retningsgivende for fremtidige omkostninger og indtjeningspotentiale. • De fremadrettede finansielle oplysninger for Nilfisk-koncernen, der er medtaget i denne Spaltningsredegørelse, kan afvige væsentligt fra Nilfisk-koncernens faktiske resultater, og som investor bør man ikke tillægge disse oplysninger uforholdsmæssig megen vægt.

Afsnit D - Risici

Element	Oplysningskrav	Oplysninger
D.3	Nøgleoplysninger om de vigtigste risici vedrørende Aktierne	• Selskabet hæfter i henhold til lovgivningen solidarisk for NKT's eksisterende forpligtelser. • Aftaleparter vil muligvis gøre bestemmelser om ændring af kontrol gældende i aftaler indgået af selskaber i Nilfisk-koncernen. • Hvis betingelserne for de danske myndigheders godkendelse af Spaltningen som en skattefri transaktion ikke opfyldes, kan der opstå skatteforpligtelser for Selskabet og de Modtagende Aktionærer. • Udenlandske skattemyndigheder vil muligvis ikke godtage Spaltningens danske skattestatus. • Aktierne har ikke tidligere været handlet offentligt, der vil muligvis ikke opstå et likvidt marked for Aktierne, og kursen på Aktierne kan være volatil og svinge betydeligt som reaktion på forskellige faktorer. • Fremtidige salg af Aktier efter Spaltningen kan medføre et fald i Aktiernes markedskurs. • Ændringer i valutakurser kan få væsentlig negativ indvirkning på værdien af en aktiebeholdning eller værdien af udloddet udbytte. • Amerikanske ejere og andre udenlandske ejere af Aktier vil muligvis ikke kunne udnytte fortegningsrettigheder eller deltage i fremtidige fortegningsemissioner. • Investorernes rettigheder som aktionærer er underlagt dansk ret, som i visse henseender afviger fra aktionærrettighederne i henhold til andre landes lovgivning.

Afsnit E – Udbud

Element	Oplysningskrav	Oplysninger
E.1	Spaltningens samlede nettoprovenu og anslåede udgifter	Hverken NKT eller Nilfisk Holding modtager provenu som resultat af Spaltningen. Herudover modtager NKT ikke Aktier i Nilfisk Holding ved Spaltningens gennemførelse. De fleste af udgifterne vedrørende Spaltningen og optagelse til handel og officiel notering af Aktierne i Nilfisk Holding på Nasdaq Copenhagen vil blive betalt af NKT. Herudover vil visse udgifter vedrørende Spaltningen og optagelse til handel og officiel notering af Aktierne i Nilfisk Holding på Nasdaq Copenhagen samt visse andre omkostninger forbundet hermed blive betalt af Selskabet. Disse udgifter forventes at udgøre ca. EUR 500.000. Hverken NKT eller Nilfisk Holding vil pålægge Modtagende Aktionærer udgifter i forbindelse med Spaltningen. Modtagende Aktionærer skal afholde sædvanlige transaktions- og ekspeditionsgebyrer, der opkræves af deres kontoførende institut.
E.2a	Baggrund for Spaltningen og anvendelse af provenu, forventet nettoprovenu	I forbindelse med NKT Cables' køb af ABB HV Cables meddelte NKT den 21. september 2016, at selskabet med forbehold for gennemførelse af NKT Cables' køb af ABB HV Cables har til hensigt at opdele NKT i to selvstændige børsnoterede selskaber: Nilfisk, der er et førende selskab inden for professionelt rengøringsudstyr, og NKT, herunder NKT Cables (der omfatter ABB HV Cables og tillige NKT Photonics), som efter købet af ABB HV Cables vil blive en af Europas førende leverandører af energikabler. NKT Cables' køb af ABB HV Cables blev gennemført den 1. marts 2017.

Afsnit E – Udbud		
Element	**Oplysningskrav**	**Oplysninger**
		Bestyrelsen i NKT har gennemgået de strategiske muligheder for NKT-koncernen og har konkluderet, at en opdeling af NKT i to selvstændige virksomheder er i aktionærernes interesse, idet man ved at udnytte hvert af de to selskabers fulde potentiale vil kunne skabe værditilvækst. Ved en opdeling vil der blive dannet to førende virksomheder, der hver især har en klart defineret investeringscase. NKT Photonics vil fortsat indgå i en fælles holdingstruktur med NKT Cables, men selskabet vil fortsat blive drevet som et helt uafhængigt selskab. På denne baggrund fik NKT's bestyrelse på NKT's ordinære generalforsamling afholdt den 21. april 2017 mandat til at fortsætte med spaltningen, og NKT's bestyrelse anbefaler til fremmelse heraf, at aktionærerne i NKT stemmer for forslaget om Spaltningen på Generalforsamlingen. Hverken NKT eller Nilfisk Holding modtager provenu som resultat af Spaltningen.
E.3	Spaltningsbetingelser	Ved Spaltningens gennemførelse vil aktionærerne i NKT pr. Registreringsdatoen fortsat være aktionærer i NKT, men vil tillige blive aktionærer i Nilfisk Holding. Ved Spaltningens gennemførelse modtager de Modtagende Aktionærer én Aktie à nominelt DKK 20 i Nilfisk Holding for hver aktie à nominelt DKK 20, de ejer i NKT pr. Registreringsdatoen. Udstedelsen af Aktier i Nilfisk Holding forventes at ske den 10. oktober 2017, og Aktierne forventes at blive leveret elektronisk gennem VP Securities, Euroclear og Clearstream omkring den 16. oktober 2017. Modtagende Aktionærer noteres på navn i Nilfisk Holdings ejerbog. Modtagende Aktionærer vil umiddelbart efter afvikling af Spaltningen modtage meddelelse om det antal Aktier, de har fået tildelt i Nilfisk Holding. De Modtagende Aktionærer skal således ikke foretage sig noget i forbindelse med udstedelsen af Aktierne. Med forbehold for Generalforsamlingens godkendelse vil Spaltningen blive gennemført efter registrering af Spaltningen i Erhvervsstyrelsen i overensstemmelse med Selskabslovens § 269. Bestyrelsen i NKT indkalder til Generalforsamlingen, der forventes afholdt den 10. oktober 2017. Beslutning om gennemførelse af Spaltningen skal vedtages af mindst 2/3 af såvel de afgivne stemmer som af den på Generalforsamlingen repræsenterede stemmeberettigede aktiekapital. Efter Spaltningen vil NKT og Nilfisk Holding drive virksomhed som særskilte selskaber, og hverken NKT eller Nilfisk Holding vil have nogen aktier i hinanden eller i nogen af NKT's eller Nilfisk Holdings tilknyttede virksomheder. I henhold til Selskabslovens § 254, stk. 2, vil NKT og Nilfisk Holding efter Spaltningen hæfte solidarisk for forpligtelser, der kan henføres til NKT's aktiviteter, aktiver og forpligtelser, der bestod på tidspunktet for Erhvervsstyrelsens offentliggørelse af Spaltningsplanen, dvs. pr. 11. september 2017. Risikoen for udløsning af solidarisk hæftelse består, indtil et krav bliver forældet. I henhold til dansk lovgivning kan dette være op til 30 år, afhængigt af grundlaget for kravet.

Afsnit E – Udbud

Element	Oplysningskrav	Oplysninger
		I henhold til en aftale vedrørende spaltning og overgangsydelser ("**Spaltningsaftalen**"), der vil blive indgået mellem NKT og Nilfisk Holding i forbindelse med gennemførelsen af Spaltningen, får NKT og Nilfisk Holding hver især en nærmere defineret regresret i forhold til forpligtelser, som en part måtte blive pålagt over for den anden part som følge af den solidariske hæftelse vedrørende aktiver og forpligtelser, der henholdsvis er fastholdt i NKT eller overdraget til Nilfisk Holding. De danske skattemyndigheder (**"SKAT"**) har efter anmodning fra NKT i henhold til en afgørelse af 1. november 2016 som suppleret den 7. december 2016 og 6. marts 2017 godkendt Spaltningen som en skattefri transaktion i henhold til bestemmelserne i Fusionsskatteloven ("**SKATs Afgørelse**"). Forudsat at visse betingelser og væsentlige forudsætninger som fastsat i SKATs Afgørelse opfyldes, vil Spaltningen ikke medføre beskatning af NKT eller de Modtagende Aktionærer. De Aktier, der tildeles de Modtagende Aktionærer, vil blive anset for at være erhvervet af den Modtagende Aktionær samtidig med de aktier, den pågældende Modtagende Aktionær ejer i NKT. Hvis aktierne i NKT er erhvervet af en Modtagende Aktionær på forskellige tidspunkter, vil der ske en forholdsmæssig fordeling i forhold til Aktierne i Nilfisk Holding. I forbindelse med indsendelse af selvangivelse for det skatteår, hvor Spaltningen gennemføres, skal de Modtagende Aktionærer i NKT indsende en opgørelse over beregning af anskaffelsessummen for Aktierne i Nilfisk Holding til SKAT. I forbindelse med Spaltningen vil VP Securities i forhold til individuelle danske Modtagende Aktionærer, hvis aktier i NKT er registreret i SKATs værdipapirsystem, meddele SKAT, at de Modtagende Aktionærer har modtaget Aktier i Nilfisk Holding. For individuelle danske Modtagende Aktionærer er dette en betingelse for at kunne modregne eventuelle fremtidige tab på Aktierne. Aktier, der er erhvervet af individuelle danske Modtagende Aktionærer i NKT fra og med 1. januar 2010, er automatisk registreret i SKATs værdipapirsystem, men individuelle danske Modtagende Aktionærer, der har erhvervet deres aktier i NKT før 1. januar 2010, bør sikre sig, at deres aktier er registreret i SKATs værdipapirsystem.
E.4	Væsentlige interesser i Spaltningen, herunder interessekonflikter	Medlemmer af Bestyrelsen, Direktionen og Nøglemedarbejdere, der ejer aktier i NKT på Registreringsdatoen, modtager ved Spaltningens gennemførelse én Aktie i Selskabet for hver aktie i NKT, de ejer pr. Registreringsdatoen. Herudover vil visse medlemmer af Direktionen og visse Nøglemedarbejdere deltage i Koncernens aktieoptionsprogram og derfor få en direkte økonomisk interesse i Spaltningen. Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, er en af långiverne i henhold til Låneaftalerne. Herudover ejer Nordea Funds OY direkte 5,01% af aktierne i NKT. Bortset fra ovenstående er NKT ikke bekendt med interesser, herunder modstridende interesser, der er væsentlige for Spaltningen.

Afsnit E – Udbud

Element	Oplysningskrav	Oplysninger
E.5	Sælgende Aktionærer og Lockup-aftaler	Selskabet vil ikke indgå nogen lockup-aftale vedrørende udstedelse af nye aktier i Selskabet, erhvervelse af egne aktier m.v. Der er imidlertid ikke nogen aktuelle planer om at udstede nye aktier i Selskabet, erhverve egne aktier eller på anden måde foreslå en nedsættelse af Selskabets aktiekapital bortset fra som en konsekvens af den forventede beslutning om og implementering af et nyt langsigtet incitamentsprogram som nævnt i afsnit 18.3.4 "*Langsigtet incitamentsprogram*".
E.6	Beløb og procentdel for umiddelbar udvanding som følge af Spaltningen	Ikke relevant. Spaltningen vil ikke medføre nogen udvanding.
E.7	Anslåede udgifter, som investor pålægges af Selskabet eller NKT	Hverken Selskabet eller NKT vil pålægge Modtagende Aktionærer udgifter i forbindelse med Spaltningen. Modtagende Aktionærer skal afholde sædvanlige transaktions- og ekspeditionsgebyrer, der opkræves af deres kontoførende institut.

English summary

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in sections A–E (A.1–E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer under the Prospectus Regulation no. 486/2012, as amended. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

Section A – Introduction and warnings

Element	Disclosure requirement	Disclosure
A.1	Warning to investors	This summary should be read as an introduction to this Demerger Statement. The Receiving Shareholders and prospective future investors in the Shares should base any decision to invest in Shares on consideration of the Demerger Statement and the Demerger Plan as a whole. Where a claim relating to the information contained in the Demerger Statement is brought before a court, under the national legislation of the European Economic Area member states, the plaintiff investor might have to bear the costs of translating this Demerger Statement before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Demerger Statement or it does not provide, when read together with the other parts of the Demerger Statement, key information in order to aid investors when considering whether to invest in the Shares.
A.2	Consent for intermediaries	Not applicable. No agreement has been made in regard to the use of the Demerger Statement in connection with a subsequent resale or placement of the Shares.

Section B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	Upon completion of the Demerger the Company will be incorporated with the legal name Nilfisk Holding A/S and will not have any secondary names.
B.2	Domicile, legal form, country of incorporation	The Company will be incorporated as a public limited liability company under the laws of Denmark and its registered office will be at Kornmarksvej 1, DK-2605 Brøndby, Denmark.
B.3	Current operations and principal activities	The Nilfisk Group is a leading player in the professional cleaning equipment industry. The Nilfisk Group operates globally and is present in 45 countries with own sales companies reaching a total of more than 100 countries through direct sales and a network of dealers. The Nilfisk Group develops, assembles and sells a diverse range of cleaning products and services to both the professional and the consumer market. The Group's offering of products and services consists of: • Floorcare equipment (approximately 35% of the professional market): These products scrub, polish, wash and/or sweep floors, primarily hard surfaces.

This includes the compact segment within outdoor machines for sweeping of streets/pavements, snow removal, lawn moving, etc. ("**Floorcare**").

- Vacuum cleaners (approximately 15% of the professional market): These products use suction to pick up debris and/or liquids primarily from floors but also from other surfaces ("**Vacs**").
- High pressure washers (approximately 15% of the professional market): These products use pressurised water to clean surfaces, machines, tools etc. ("**HPW**").
- Aftermarket services: Spare parts, accessories, consumables, maintenance and service contracts (approximately 35% of the professional market) ("**Aftermarket**"). This category provides maintenance and repair services to all of the above product groups.

	H1 2017 (EUR million)	**2016 (EUR million)**	**2015 (EUR million)**
Revenue by product line and service offering			
Floorcare…………………	178	319	317
Vacs………………………	101	187	178
HPW………………………	98	180	142
Aftermarket………………	172	372	343
Total revenue…………..	**549**	**1,059**	**980**

The Group's vision is "*We lead intelligent cleaning to make your business smarter*". With this vision, the Group is committed to deliver products based on deep insights of the value cleaning brings to its customers, and to align its offerings around this. For 111 years, Nilfisk has worked on bringing intelligent cleaning solutions to the market. This started with the first vacuum cleaner in 1910, spanning over the first floorcare machine in 1955 to the launch of the Group's first autonomous scrubber, the Nilfisk Liberty A50, expected in late 2017 or early 2018.

The Group will continue to focus on intelligent solutions through embracing the best available new technologies and integrating them in the Group's offerings with the aim of providing products and services that meet its customers' needs. The Group finds it realistic to assume that revenue from autonomous products could constitute up to 10% of the Group's revenue in five to seven years. This focus on new technologies includes using digitalisation to support the Group's customers throughout the entire lifetime of their use of the Group's products and services.

Throughout its history, the Group has adapted, and will continue to adapt, its portfolio of products, brands and organisation to ensure that the Group's resources are at all times focused on those products and brands that hold the greatest potential for growth, profitability and value creation. As part of this, the Group is also continuously making strategic reviews of its current business units or local activities (such as e.g. Outdoor).

The Group's key strengths are:

Section B – Issuer

Element	Disclosure requirement	Disclosure
		• A global leader in the attractive professional cleaning equipment industry • Strong customer access and partner relationships • Extensive range of premium products and a reputable aftermarket offering • Low capital intensity through effective sourcing and assembly focused production • Experienced and proactive management team
B.4a	A description of the most significant recent trends affecting the Group and the industries in which it operates.	The trends identified and addressed by the Group are: **Macro** • Internet of things • Digitalisation • New business models • Emerging markets **Technology** • Sensor technologies • Intelligent autonomy • Power source technologies **Industry** • Commoditisation • Focus beyond product • Value of clean • Collaborative innovation • Professionalised purchasing
B.5	Description of the Nilfisk Group and the Company's position within the Nilfisk Group	Nilfisk Holding will be incorporated upon completion of the Demerger, however, for accounting purposes, the Demerger will have retrospective effect as of 1 January 2017 and will be effected by NKT contributing its shares in Nilfisk (representing 100% of the share capital of Nilfisk) and certain other of its activities, assets and liabilities, which are related to the Nilfisk Group, to Nilfisk Holding. Nilfisk Holding will be incorporated at completion of the Demerger. The existing activities of NKT Cables and NKT Photonics and other activities, assets and liabilities of NKT not transferred to Nilfisk Holding, will remain organised in NKT. Nilfisk Holding will upon completion of the Demerger become the parent company of the Nilfisk Group, holding all Shares of Nilfisk. Following the Demerger, NKT and Nilfisk Holding will each operate as a separate company and neither NKT nor Nilfisk Holding will retain any shareholding in the other or in any affiliates of NKT and Nilfisk Holding, respectively.
B.6	Persons who, directly or indirectly, have an interest in the Company's capital or voting rights or have control over the Company	As of the date of this Demerger Statement, NKT owns 100% of the shares issued in Nilfisk. Following completion of the Demerger, NKT will not have any shareholding in Nilfisk Holding or any of its subsidiaries or affiliates. The initial shareholder structure of Nilfisk Holding will be identical to the shareholder structure of NKT as at the Record Date.
B.7	Selected financial and business information	The selected consolidated financial information for Nilfisk, comprising selected consolidated income statement items, balance sheet items and cash flow statement items for Nilfisk, shown below has been extracted from the consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June

Element	Disclosure requirement	Disclosure

2016 that are prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and the consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 that are prepared in accordance with International Financial Reporting Standards (**"IFRS"**) as adopted by the EU and additional requirements under the Consolidated Act no. 1580 of 10 December 2015, as amended, on financial statements (the "**Danish Financial Statements Act**"). The consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 have been audited by Deloitte Statsautoriseret Revisionspartnerselskab, and the consolidated interim financial statements for Nilfisk as for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 have been reviewed by Deloitte Statsautoriseret Revisionspartnerselskab.

The selected consolidated historical financial information for Nilfisk included in this Demerger Statement has been prepared in accordance with IFRS as adopted by the EU except for non-IFRS financial measures listed in section 11.11 "*Non-IFRS financial measures"* or otherwise stated.

Neither the reviewed consolidated interim financial statements of Nilfisk as for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 nor the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 include activities, assets and liabilities of NKT related to the Nilfisk business which will be contributed to Nilfisk Holding upon completion of the Demerger. Such activities, assets and liabilities are deemed non-material, and the consolidated financial statements of Nilfisk represent in all material respect the financial position, the results of operations and cash flows of the Nilfisk Group as if the activities, assets and liabilities of NKT related to the Nilfisk business were included as of the dates stated.

Receiving Shareholders should read the following data together with the reviewed consolidated interim financial statements of Nilfisk as for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015, including the notes to the consolidated financial statements, and section 11 "*Operating and Financial Review*" and section 12 "*Capital resources*".

	As at and for the period ended 30 June		**As at and for the period ended 31 December**	
	2017	**2016**	**2016**	**2015**
		(EUR million)		
Key figures				
Revenue	549	532	1,059	980
Gross profit	241	226	438	399

Section B – Issuer

Element	Disclosure requirement	Disclosure

EBITDA before special items (non-IFRS)	71	60	117	98
EBITDA (non-IFRS)	64	60	97	98
EBIT before special items (non-IFRS)	51	40	76	64
Special items (non-IFRS)	-7	0	-22	0
EBIT	45	40	54	64
Profit for the period	29	25	30	42
Total assets	986	976	983	936
Goodwill	170	174	179	172
Equity	243	218	225	201
Working capital (non-IFRS)	184	194	142	173
Net interest-bearing debt (non-IFRS)*	278	316	266	301
Capital employed (non-IFRS)	521	534	491	502
Free cash flow excluding acquisitions and divestments (non-IFRS)	-22	3	74	20
Adjusted earnings per share (non-IFRS) (EUR)	1.1	0.9	1.1	1.5
Key ratios**				
Total revenue growth	3.2%	6.7%	8.0%	6.8%
Organic revenue growth	3.0%	0.9%	3.1%	0.4%
Gross Margin	43.8%	42.4%	41.3%	40.8%
EBITDA Margin before special items	12.9%	11.2%	11.0%	10.0%
EBITDA Margin	11.7%	11.2%	9.1%	10.0%
EBIT Margin before special items	9.4%	7.6%	7.2%	6.5%
EBIT Margin	8.1%	7.6%	5.1%	6.5%
Equity ratio	24.7%	22.5%	22.9%	21.4%
Return on capital employed (**"RoCE"**)	16.6%	12.7%	14.6%	12.9%
FTEs, end of period	5,776	5,673	5,607	5,545

* For information regarding the impact of the Demerger on the Group's net interest-bearing debt, see section 12 "*Capital resources*".

** See section 11.3 "*Overview of financial performance" for a definition of key ratios"*.

B.8	Selected key pro forma financial information	Not applicable. No pro forma financial information is presented in the Demerger Statement.
B.9	Profit forecast or estimate	The expectations for the Group's performance for the year ending 31 December 2017 in relation to revenue growth and EBITDA Margin before special items are described below:

Section B – Issuer

Element	Disclosure requirement	Disclosure
		• Revenue growth is expected to be positively impacted by organic growth, i.e. growth excluding acquisitions in the range of 2% to 4%. • Changes in currency exchange rates are expected to have a minor negative impact on revenue in the range of -1% to 0%. • The EBITDA Margin before special items is expected to be in the range of 11.0% to 11.5%. *The consolidated prospective financial information is based on a large number of estimates and assumptions about future events, which are subject to numerous and significant risks and uncertainties, which could cause the Group's actual results to differ materially from the prospective financial information presented herein.*
B.10	Qualifications in the audit report on the historical financial information	Not applicable. The audit report on the historical financial information included by reference in the Demerger Statement has been issued without qualifications.
B.11	Explanation if the issuer's working capital is not sufficient for the Company's present requirements	Not applicable. The Nilfisk Group believes that, as of the date of this Demerger Statement, its working capital is adequate to meet the Group's financing requirements for at least twelve months after the first date of trading on Nasdaq Copenhagen, which is expected to be on 12 October 2017.

Section C – Securities

Element	Disclosure requirement	Disclosure
C.1	Description of the type and the class of the Shares, including any security identification number	The Shares will not be divided into share classes. The Shares will be registered in the permanent ISIN: DK0060907293.
C.2	Currency of the Shares	The Shares will be denominated in DKK.
C.3	Number of Shares issued and fully paid and issued but not fully paid	Upon completion of the Demerger, the Company's share capital will have a nominal value of DKK 542,527,380, divided into 27,126,369 Shares with a nominal value of DKK 20 each. Upon completion of the Demerger, all Shares will be issued and fully paid up.
C.4	Description of the rights attached to the Shares	The Shares will not be divided into share classes and all Shares will have equal rights in respect of voting rights, pre-emption rights, redemption, conversion and in respect of eligibility to receive dividend or proceeds in the event of dissolution and liquidation. No Shares will carry special rights, restrictions or limitations. The Shares will be issued with a nominal value of DKK 20 each. Each Share with a nominal value of DKK 20 will give the holder the right to one vote at the Company's general meetings.
C.5	Description of any restrictions on the free	Not applicable. The Shares will be negotiable instruments and no restrictions under the Company's articles of association, which are anticipated to apply when

Section C – Securities

Element	Disclosure requirement	Disclosure
	transferability of the Shares	the Demerger becomes effective (the "**Articles of Association**") or Danish will law apply to the transferability of the Shares.
C.6	Admission to trading on a regulated market	Application has been made for the Shares to be admitted to trading and official listing on Nasdaq Copenhagen under the symbol "NLFSK". The Shares will be registered in the permanent ISIN DK0060907293. Upon completion of the Demerger, the Shares will (i) subject to the consent of Nasdaq Copenhagen, be admitted to trading and official listing on Nasdaq Copenhagen and (ii) be distributed proportionally to the Receiving Shareholders. The Receiving Shareholders will be determined as the registered shareholders in NKT as of the Record Date, being 13 October 2017 at 5:59 p.m. CET. The Record Date is subject to change. The first day of trading in, and official listing of, the Shares on Nasdaq Copenhagen is expected to be on 12 October 2017. With the currently expected timetable, any trading in NKT's shares until and including the Cut Off Date, i.e. 11 October 2017 at 5:00 p.m. CET, will include the Nilfisk Group and entail that the acquirer of such shares will become a Receiving Shareholder for the purpose of the Demerger, and will receive Shares in proportion to the holding of NKT shares as of the Record Date. Any trading in NKT shares after the Cut Off Date will be exclusive of the Nilfisk Group and will not entail any right for the acquirer to receive Shares in the Demerger. The Cut Off Date is subject to change. The timetable for the Demerger, including the Record Date, the Cut Off Date, the first day of trading in, and official listing of, the Shares on Nasdaq Copenhagen and settlement is subject to change. Any such change will be announced via Nasdaq Copenhagen.
C.7	Description of dividend policy	Upon completion of the Demerger, the board of directors of Nilfisk Holding anticipated to be elected at the General Meeting (the "**Board of Directors**") plans to adopt a dividend policy with a target pay-out ratio of approximately one third of the financial year's reported consolidated profit for the year. The Company's first dividend payment is expected to be paid out in 2019 on the basis of the reported profit of the financial year ended 31 December 2018. As an alternative or in addition to making dividend payments, the Board of Directors may initiate share buybacks. A decision by the Board of Directors to engage in share buybacks, if any, will be made in accordance with the factors applicable to dividend payments set forth below. The payment of dividends, if any, will in general be determined with a view to balance the pay-out ratio mentioned above and the target for the Group's leverage ratio and will further depend on a number of factors, including future revenue, profits, financial conditions, the Group's leverage ratio, general economic and business conditions, future prospects, strategic initiatives such as acquisition activities or large scale investments decided upon by the Board of Directors, and such other factors as the Board of Directors may deem relevant as well as applicable legal and regulatory requirements. In addition, the terms and conditions of the Facility Agreements restrict the Company's ability to declare and pay dividends if a default has occurred or will occur under the Facility Agreements as a consequence of such dividend payments, including any breach of the requirements to the Company's maximum leverage in the Facility

Section C – Securities

Element	Disclosure requirement	Disclosure
		Agreements. See section 11 ‘‘Operating and Financial Review", section 12 "Capital resources" and section 23.1 "Facility Agreements’’. There can be no assurance that in any given year a dividend or share buyback will be proposed or declared or that the Company’s financial performance will allow it to adhere to the dividend policy or any increase in the pay-out ratio. The Company’s ability to pay dividends or buy back shares may be impaired as a result of various factors, including materialisation of any of the risks described in this Demerger Statement. See section 1 ‘"Risk Factors"’. Furthermore, the dividend policy is subject to change as decided by the Board of Directors from time to time. Statements relating to the dividend policy constitute forward-looking statements. Forward-looking statements are not guarantees of future financial performance and actual dividends or share buybacks could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described in section 1 "Risk Factors" and section 3 ‘‘Special Notice Regarding Forward-looking Statements’’. As the Company will be established at completion of the Demerger, the Company has not paid out dividends. In respect of the financial year 2014 Nilfisk declared and paid a dividend to NKT, i.e. an intercompany dividend, of EUR 172 million (equal to an adjusted dividend per share (non-IFRS) of EUR 6.3, calculated on the basis of the number of Shares outstanding upon completion of the Demerger). Nilfisk did not pay out dividends in respect of the financial years 2015 and 2016.

Section D – Risks

Element	Disclosure requirement	Disclosure
D.1	Key information on the key risks that are specific to the Nilfisk Group or its industry	The risks and uncertainties discussed below are those that NKT and the Nilfisk Group believe could be material, but these risks and uncertainties are not the only ones that the Nilfisk Group faces. Additional risks and uncertainties, including risks which are not known to NKT and the Nilfisk Group at present or which NKT or the Nilfisk Group currently deems immaterial, may also arise or become material in the future and result in decreased revenue, increased expenses or other events that could lead to a decline in the value of the Shares. The following risk factors are not listed in any particular order of priority. • The Nilfisk Group may encounter financial difficulties if the EU, United States or other global economies experience significant long-term economic downturn, decreasing the demand for the Nilfisk Group's products and negatively affecting sales. • Competition in the markets in which the Nilfisk Group operates is intense and could have a material adverse effect on the Nilfisk Group’s business, financial condition and results of operations. • The Nilfisk Group’s competitiveness is dependent on the Group’s ability to continue to develop innovative products and technologies. • The Nilfisk Group’s activities are subject to economic and trade sanction regimes and its governance and compliance processes may not prevent violations of such sanctions. • The Nilfisk Group is subject to risks associated with operating in less developed and newly industrialised countries, such as anti-corruption or anti-bribery laws and regulations and enforcement of legal rights.

Section D – Risks

Element	Disclosure requirement	Disclosure
		• The Nilfisk Group may not be able to successfully execute its strategy, Accelerate. • The Nilfisk Group is subject to risks associated with its global operations. • The Nilfisk Group is dependent on third parties and other factors in- and outside the Nilfisk Group's control. • Defects in the Nilfisk Group's products or instructions on use may give rise to product liability claims and product recalls. • The Nilfisk Group could fail to manage and protect its intellectual property rights or could violate third parties' rights. • The Nilfisk Group is subject to risks associated with fluctuations in raw material prices. • The Nilfisk Group faces risks related to changes in currency exchange rates. • The Nilfisk Group is subject to interest rate risks. • The Nilfisk Group is subject to complex Danish and foreign direct or indirect tax laws and compliance requirements. • The terms of the Nilfisk Group’s financing arrangements may limit its commercial and financial flexibility and the Nilfisk Group may need to incur further debts or raise further equity capital to fund its operations. • The Nilfisk Group is subject to reputational risks. • The Nilfisk Group is subject to national and international regulation. • The Nilfisk Group faces health, safety and environmental risks. • The Nilfisk Group relies on a limited number of key executives and employees and may experience difficulty in retaining such executives and employees. • The Nilfisk Group faces risks related to work stoppages and other labour matters. • The Nilfisk Group may encounter disruptions in information technology systems or security breaches. • The Nilfisk Group’s risk management policies may not be adequate. • The Nilfisk Group’s insurance policies may be insufficient to cover losses. • The Nilfisk Group is exposed to risks in connection with its pension commitments. • The Nilfisk Group's historic financial reports may not be indicative of future costs and earnings potential. • The Nilfisk Group’s consolidated prospective financial information included in this Demerger Statement may differ materially from its actual results and investors should not place undue reliance on it.
D.3	Key information on the key risks relating to the Shares	• The Company is subject to a statutory joint liability for existing liabilities of NKT. • Contracting parties may invoke change of control provisions included in contracts entered into by companies within the Nilfisk Group. • If the conditions on which the Danish authorities have approved the Demerger to be tax exempt are not complied with, tax liabilities may arise on the Company and the Receiving Shareholders. • Foreign tax authorities may not accept the Danish tax-status of the Demerger. • The Shares have not previously been publicly traded, a liquid market for the Shares may not develop, and the price of the Shares may be volatile and fluctuate significantly in response to various factors.

Section D – Risks

Element	Disclosure requirement	Disclosure
		• Future sales of Shares after the Demerger may cause a decline in the market price of the Shares. • Changes in currency exchange rates could have a material adverse effect on the value of shareholdings or dividends paid. • U.S. holders and other non-Danish holders of Shares may not be able to exercise pre-emptive rights or participate in any future rights offerings. • Investors' rights as shareholders will be governed by Danish law and differ in some respects from the rights of shareholders under the laws of other countries.

Section E – Offer

Element	Disclosure requirement	Disclosure
E.1	Total net proceeds of the Demerger and estimated expenses	Neither NKT nor Nilfisk Holding will receive any proceeds on account of the Demerger. Further, NKT will not receive any Shares in Nilfisk Holding upon completion of the Demerger. Most of the expenses in relation to the Demerger and admission to trading and official listing of Nilfisk Holding's Shares on Nasdaq Copenhagen are payable by NKT. In addition, certain expenses in relation to the Demerger and admission to trading and official listing of Nilfisk Holding's Shares on Nasdaq Copenhagen as well as certain other related costs are payable by the Company. These expenses are expected to be approximately EUR 500,000. None of NKT or Nilfisk Holding will charge expenses to the Receiving Shareholders in relation to the Demerger. Receiving Shareholders will have to bear customary transaction and handling fees charged by their account-holding banks.
E.2a	Reasons for the Demerger and use of proceeds, estimated net amount of the proceeds	NKT announced on 21 September 2016, in connection with NKT Cables' acquisition of ABB HV Cables, that subject to completion of NKT Cables' acquisition of ABB HV Cables, it intended to split NKT into two separately listed companies: Nilfisk, which is a leading company in the professional cleaning equipment industry and NKT, including NKT Cables (including ABB HV Cables and also including NKT Photonics), which following the acquisition of ABB HV Cables is one of the leading power cable suppliers in Europe. NKT Cables' acquisition of ABB HV Cables was completed on 1 March 2017. The board of directors of NKT has reviewed its strategic options for the NKT Group and has concluded that a separation of NKT into two stand-alone businesses is in the best interest of its shareholders as it would allow for value creation by unlocking the full potential of each of the companies. A separation will create two leading businesses, each with a clearly defined investment case. NKT Photonics will remain under a joint holding structure with NKT Cables while it continues to operate as a fully stand-alone company. On the basis of the above, NKT's annual general meeting held 21 April 2017 mandated NKT's board of directors to proceed with the split and in furtherance

Element	Disclosure requirement	Disclosure
		hereof, the board of directors of NKT recommends that at the General Meeting the shareholders of NKT vote in favour of the Demerger proposal. Neither NKT nor Nilfisk Holding will receive any proceeds on account of the Demerger.
E.3	Terms and conditions of the Demerger	At completion of the Demerger, the shareholders in NKT as of the Record Date will remain shareholders in NKT, but will in addition become shareholders in Nilfisk Holding. Upon completion of the Demerger, the Receiving Shareholders will receive one Share of nominal DKK 20 in Nilfisk Holding for each one share of nominal DKK 20 such shareholder holds in NKT as of the Record Date The issue of Shares in Nilfisk Holding is expected to take place on 10 October 2017 and the Shares are expected to be delivered in book-entry form through the facilities of VP Securities, Euroclear and Clearstream on or around 16 October 2017. Receiving Shareholders will be registered by name in Nilfisk Holding's register of shareholders. Immediately after settlement of the Demerger, Receiving Shareholders will receive a notification of the number of Shares allocated to them in Nilfisk Holding. Thus, Receiving Shareholders do not have to take any action in connection with the issue of the Shares. The Demerger will be completed, subject to approval by the General Meeting, upon registration of the Demerger with the Danish Business Authority in accordance with section 269 of the Danish Companies Act. The board of directors of NKT will convene the General Meeting anticipated to be held on 10 October 2017. The Demerger will require the consenting vote of at least two-thirds of the votes cast and of the voting share capital represented at the General Meeting. Following the Demerger, NKT and Nilfisk Holding will each operate as a separate company and neither NKT nor Nilfisk Holding will retain any shareholding in the other or in any affiliates of NKT and Nilfisk Holding, respectively. Following the Demerger, NKT and Nilfisk Holding will under the Danish Companies Act section 254(2) be jointly and severally liable for obligations attributable to the activities, assets and liabilities of NKT that existed at the time the Demerger Plan was published by the Danish Business Authority, i.e. as of 11 September 2017. The risk of joint and several liabilities crystallising will persist until a claim becomes statute-barred. Under Danish law, this could be up to 30 years, depending on the merits of the claim. Under a demerger and transitional services agreement (the "**Demerger Agreement**") to be entered into between NKT and Nilfisk Holding in connection with completion of the Demerger, NKT and Nilfisk Holding each have a defined right of recourse with respect to any liabilities a party may incur in respect of the other party under the joint and several liability regarding such assets and obligations as have been retained by NKT or assigned to Nilfisk Holding, respectively.

Section E – Offer

Element	Disclosure requirement	Disclosure
		Following a request by NKT, the Danish tax authorities ("**SKAT**") has pursuant to a decision of 1 November 2016 as supplemented on 7 December 2016 and 6 March 2017 approved the Demerger as a tax-exempt transaction pursuant to the provisions of the Danish Merger Tax Act ("**SKAT's Ruling**"). Provided certain conditions and material assumptions laid down in SKAT's Ruling are fulfilled, the Demerger will not result in taxation of NKT or the Receiving Shareholders. The Shares distributed to the Receiving Shareholders will be deemed acquired by the Receiving Shareholder at the same time as the shares in NKT held by such Receiving Shareholder. If the shares in NKT were acquired at different times by a Receiving Shareholder, a proportional allocation is made with respect to the Shares in Nilfisk Holding. When filing the tax return for the income year in which the Demerger is effected, the Receiving Shareholders of NKT must submit to SKAT a statement on calculation of the acquisition price for the Shares in Nilfisk Holding. In connection with the Demerger, SKAT will, with respect to Danish individual Receiving Shareholders whose shares in NKT are registered in SKAT's securities system, be informed by VP Securities that the Receiving Shareholders have received Shares in Nilfisk Holding. For Danish individual Receiving Shareholders this is a condition for any future losses on the Shares to be off-settable. Shares acquired by Danish individual Receiving Shareholders in NKT 1 January 2010 or later will automatically have been registered in SKAT's securities system, however, Danish individual Receiving Shareholders who acquired their shares in NKT prior to 1 January 2010, should make sure that their shares are registered in SKAT's securities system.
E.4	Material interests in the Demerger including conflicts of interest	Members of the Board of Directors, Executive Management and Key Employees who hold shares in NKT on the Record Date will receive one Share in the Company upon completion of the Demerger for each share held at the Record Date in NKT. Additionally, certain members of the Executive Management and certain of the Key Employees participate in the Group's stock option programme and therefore have a direct economic interest in the Demerger. Nordea Danmark, filial af Nordea Bank AB (publ), Sverige is among the lenders under the Facility Agreements. Furthermore, Nordea Funds OY, directly holds a shareholding of 5.01% in NKT. Except for this, NKT is not aware of any interests, including conflicting ones, which are material to the Demerger.
E.5	Selling shareholders and Lock-up Arrangements	The Company will not undertake any lock-up relating to issue of new shares in the Company, acquisition of treasury shares etc. However, other than as a consequence of the anticipated resolution and implementation of a new long-term incentive programme as mentioned in section 18.3.4 "*Long-term incentive programme*", there are no current plans to issue new shares in the Company, acquire treasury shares or otherwise to propose a reduction of the Company's share capital.

Section E – Offer

Element	Disclosure requirement	Disclosure
E.6	The amount and percentage of immediate dilution resulting from the Demerger	Not applicable. The Demerger will not result in any dilution.
E.7	Estimated expenses charged to the investor by the Company or NKT	None of the Company or NKT will charge expenses to Receiving Shareholders in connection with the Demerger. Receiving Shareholders will have to bear customary transaction and handling fees charged by their account-holding banks.

PART I. DESCRIPTION OF THE COMPANY

1. RISK FACTORS

An investment in equity shares such as the Shares involves a high degree of financial risk. Receiving Shareholders and prospective future investors in the Shares should carefully consider all information in this Demerger Statement, including the risks described below. This section addresses general risks associated with the industry in which the Nilfisk Group operates and the specific risks associated with the Nilfisk Group's business. The actual occurrence of any of such risks could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations and/or the value of the Shares. Further, this section describes certain risks relating to the Demerger, which could also adversely impact the value of the Shares.

The risks and uncertainties discussed below are those that NKT and the Nilfisk Group believe could be material, but these risks and uncertainties are not the only ones that the Nilfisk Group faces. Additional risks and uncertainties, including risks which are not known to NKT and the Nilfisk Group at present or which NKT or the Nilfisk Group currently deems immaterial, may also arise or become material in the future and result in decreased revenue, increased expenses or other events that could lead to a decline in the value of the Shares. The following risk factors are not listed in any particular order of priority.

1.1 Risks related to the industries in which the Nilfisk Group operates

The Nilfisk Group may encounter financial difficulties if the EU, United States or other global economies experience significant long-term economic downturn, decreasing the demand for the Nilfisk Group's products and negatively affecting sales.

The Nilfisk Group's product sales are sensitive to declines in capital spending by its customers, which in turn is affected by the general economic developments in the countries where such products are marketed. This dependence on general economic developments was, for instance, demonstrated in connection with the economic crises that occurred in EU, United States and elsewhere from 2008 and onwards, which adversely affected the Nilfisk Group's sales and results. Likewise, the economic downturn in a number of emerging markets, such as Brazil, in recent years, has negatively affected the Nilfisk Group's sales in such economies. The British "Brexit" vote in June 2016 has also adversely affected the volume of Nilfisk Group's consumer sales in the United Kingdom.

Decreased demand for the Nilfisk Group's products could result in decreased revenue, profitability and cash flows and may impair its ability to maintain operations and fund its obligations to others or deter the Nilfisk Group from entering into new markets. In the event of a new or continued significant long-term economic downturn in the EU, the United States or other global economies, the Nilfisk Group's revenue could decline to the point that it would have to take restructuring actions. A long-term economic downturn that puts downward pressure on sales could also lower credibility relative to the Nilfisk Group's publicly stated growth targets.

Any of the foregoing could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

Competition in the markets in which the Nilfisk Group operates is intense and could have a material adverse effect on the Nilfisk Group’s business, financial condition and results of operations.

The markets in which the Nilfisk Group operates are competitive. The Nilfisk Group's competitors include various large global and regional companies as well as a number of smaller, regional or local players. See section 7.7 "*Competitive Landscape*" for a further description of the Nilfisk Group's competitors. While the Nilfisk Group enjoys strong positions in certain segments of the overall market for professional cleaning equipment, there are several competitors with similar or stronger positions. In those areas of the consumer market, where the Nilfisk Group operates, the Nilfisk Group is one of many players with a smaller market share. The Nilfisk Group's position in all markets and segments thereof is constantly challenged by established competitors.

Industry consolidation through mergers and acquisitions could shift market positions among competitors. Such consolidation may happen without the Nilfisk Group being involved or not being able or willing, for regulatory, financial or other reasons, to compete for the acquisition targets.

The Nilfisk Group believes that its principal competitive strengths include, among others, brands, product range and product quality, customer access and scale benefits due to its size and geographic coverage. The Nilfisk Group may not be able to compete successfully on all of these factors against existing or future competitors. To compete effectively and to retain and attract customers, the Nilfisk Group must successfully market and competitively price its products. The Nilfisk Group may experience downward pricing pressure and loss of market share. Within this environment, the Nilfisk Group may, nevertheless, be forced to increase prices due to increases in its costs. If the Nilfisk Group implements significant price increases, the impact on its revenue and profit margin will depend on, among other factors, the pricing by competitors of similar products and the response by customers to higher prices. Such price increases may reduce the Nilfisk Group’s sales volumes or result in a shift in sales volume to lower margin products.

Like the Nilfisk Group, its competitors constantly strive to improve their product offerings and may be able to offer, now or in the future, lower-priced products that include the same or improved product- and technological features or products which are otherwise superior to the Nilfisk Group's products.

Any of the foregoing could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group’s competitiveness is dependent on the Group’s ability to continue to develop innovative products and technologies.

The Nilfisk Group's products are sold in competitive markets throughout the world. Historically, the Nilfisk Group has addressed, in particular, the high-end segment of the professional cleaning equipment market and is, as part of its strategy, also seeking to improve its positions in the mid-market segment. Competition in the high-end segments in particular is based on e.g. product features and design, brand recognition, reliability, durability, technology, breadth of product offerings, price, customer relationships, total cost of ownership and aftermarket services. The Nilfisk Group believes that the performance and price characteristics of its products will produce competitive solutions for its customers’ needs. There can be no assurance that customers will choose the Nilfisk Group's products over products offered by its competitors.

Technological developments and improvements are key to remain competitive in the markets. If one or more of the Nilfisk Group's competitors are able to develop or otherwise gain exclusive access to groundbreaking technologies, this could make it impossible or increasingly costly for the Nilfisk Group to compete effectively on the markets. If the Nilfisk Group's products and services are not competitive, the Group may, among others, experience a decline in sales volume, an increase in price discounting and/or a loss of market share, all of which would adversely impact revenue and margin of the Nilfisk Group's operations.

Any of the foregoing could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group’s activities are subject to economic and trade sanction regimes and its governance and compliance processes may not prevent violations of such sanctions.

The Nilfisk Group operates in countries that are or have been subject to economic or trade sanctions, such as Iran and Russia. The Nilfisk Group assesses each such trade relation against the relevant criteria for legal trading and endeavors to comply with relevant rules and regulations. However, sanctions regimes are subject to frequent changes, which could deprive the Nilfisk Group of access to or limit its involvement with, or require it to stop, limit or reconfigure its business or products in affected markets.

Future products of the Nilfisk Group may contain new technologies, features and components that could restrict the Nilfisk Group's ability to legally sell such products to certain countries or customers due to national or international regulation of sale of so-called "dual-use products".

Sanctions laws are complex and their application to a given circumstance can often be subject to interpretation and difficult to determine with certainty. Although the Nilfisk Group has implemented governance and compliance processes, such governance and compliance processes may not prevent violation of sanction regimes, which could lead to severe fines, compliance costs, reputational harm and direct or indirect losses (e.g. costs associated with recalling products).

Any new sanctions, changes to the current sanctions regimes, or violations of sanctions could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group is subject to risks associated with operating in less developed and newly industrialised countries, such as anti-corruption or anti-bribery laws and regulations and enforcement of legal rights.

The Nilfisk Group operates globally and its activities are subject to complex regulatory frameworks in areas such as anti-corruption and anti-bribery. The Nilfisk Group has operations in many jurisdictions, including less developed and newly industrialised countries and intends to continue to increase its presence in such countries. Normally, in developing countries, the Nilfisk Group operates via third party dealers and agents. Operating in such countries, including via third parties, entails inherent risks associated with judicial enforcement of contractual and other rights and obligations, fraud, bribery and corruption.

Governments in industrialised countries have increasingly introduced comprehensive legislation to combat unsound business practices, often referred to as anti-corruption or anti-bribery laws and regulations. Despite the Nilfisk Group’s ethical standards and control and compliance procedures aimed at preventing and detecting unlawful conduct, including its anti-corruption policy included in its internal Code of Conduct, the Nilfisk Group may not be able to detect all improper or unlawful conduct by its employees, suppliers, dealers, agents or customers given the breadth and scope of its international operations. This includes that the Nilfisk Group's efforts to screen third party dealers and agents before engaging with them may prove in-sufficient to discover potential irregularities. In addition, at the operational level, individual employees, dealers or agents may not comply with the Nilfisk Group’s policies and guidelines and as a result may cause the Nilfisk Group to incur criminal sanctions (e.g. in the form of fines, which may be significant), compliance costs and cause reputational damage. In the past, the Nilfisk Group has via its whistleblower system and by other means detected singular allegedly wrongful or unethical behavior. Such incidents have been handled in a manner considered appropriate, but there can be no assurance that future similar incidents can be successfully contained.

The Nilfisk Group depends on its ability to enforce contractual and other rights and obligations, such as its intellectual property rights. In many countries, in particular in emerging markets and less developed countries, such enforcement actions may be difficult or indeed impossible and in any event costly. There can be no assurance that the Nilfisk Group will be able to successfully enforce its rights in a timely manner or at all.

The occurrence of any of the above could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

1.2 Risks related to the Nilfisk Group's business

The Nilfisk Group may not be able to successfully execute its strategy, Accelerate.

The success of Accelerate, the Nilfisk Group’s strategy initiated in 2015, is subject to several factors, some of which are outside the Nilfisk Group's control (e.g. macro-economic trends, regulatory changes and initiatives taken by its competitors) whereas other factors, such as the Nilfisk Group’s ability to increase its market share in its existing markets, enter new markets and segments thereof, including new geographical markets and the mid-market segment for professional cleaning equipment, develop new products and services successfully, introduce new or improved products and services to the markets, focus the offering to meet customers' needs, successfully manage the supply chain, lower the cost base and identify suitable acquisition targets, depends in full or in part on the Nilfisk Group's ability to take the required actions at the right time and successfully execute such initiatives. There are inherent uncertainties and risks, including factors discussed elsewhere in this section, involved in executing a complex strategy. Since the launch of Accelerate in 2015, the Nilfisk Group has implemented a new operating model and adjusted the organisational structure to support the execution of the strategy (see further section 7.3 *"Vision and strategy"*).

The key components of Accelerate, and the risks associated therewith, can be summarised as follows with the primary focus on the professional cleaning equipment market.

Grow market share

There can be no assurance that the Nilfisk Group will be able to protect and strengthen its high-end market position. In the mid-market segment, there can be no assurance that the Nilfisk Group will i) be successful in leveraging its deep knowledge and position in the high-end segment and ii) be sufficiently competitive with its products, prices and market access to grow the mid-market position as much as planned. Growing in emerging markets may prove difficult due to other price points and competitors compared to what the Nilfisk Group faces in other parts of the world. In terms of using acquisitions of businesses to grow market share, see below.

Strengthen front-end

The Nilfisk Group makes ongoing investments in sales and service resources, such as its Sales and Service Excellence programmes, with a view to strengthen its front-end competences. The Nilfisk Group may prove unable to attract, retain and train such employees as is necessary to succeed with these initiatives or it may not be successful in rolling out its Sales and Service Excellence programmes or such programmes may not generate the expected results.

The Nilfisk Group continuously works on developing new sales channels to maximise customer reach, for example online sales. The Group may not be able to successfully develop and grow an online sales platform and any material disruption or slow-down of the Group's information technology systems could disrupt the ability to market, offer and sell its products through the online sales platform, as well as the Group's ability to track, record and analyse the sales of its products. This could result in the loss of revenue and potential damage to the Group's brands.

Drive competitive offerings

The Nilfisk Group may prove unable to develop a product and service offering that is able to compete effectively with the offerings of its key competitors, and hence achieve a product portfolio that will enable the Group to grow or sustain its market position. Achieving reduced time to market for its product development pipeline may also prove unsuccessful and consequently prevent the Group from getting the desired products to the market in time. Further, simplifying the business and improving the customer experience by offering further digitalisation and automation of relevant customer interfaces may prove difficult to implement and/or result in decreasing sales, and thereby not achieving the desired results for the Nilfisk Group.

Build strong brands

The Nilfisk Group believes in the importance and strength of its global, regional and local brands. The Nilfisk Group may, however, prove unsuccessful in ensuring sufficient strength in its brands vis-à-vis competitors that also rely on the importance of brands.

Power supply chain performance

Operating an effective and efficient supply chain is important for the overall customer experience as well as the overall cost level for the Nilfisk Group. Nilfisk may prove unable to execute on its defined supply chain initiatives and thereby not be able to deliver the required improvements in the customer experience and/or the expected lowering of cost and inventory level.

Agile and commercial organisation

The Nilfisk Group may prove unable to execute on the organisational objectives of Accelerate. Failing to attract, develop and/or retain the required employees to run the organisation as desired may adversely impact the ability to achieve the strategic and financial objectives. Further, the Nilfisk Group may prove unable to manage the organisation in a way that yields the expected results.

Accelerate+

The Nilfisk Group has implemented a new operating model and organisational structure to support the execution of the Accelerate strategy. This initiative, which was announced in 2016 under the name of Accelerate+, also included a cost saving programme with the aim of realising annual EBITDA (non-IFRS) improvements of EUR 35 million through overhead reductions and other efficiency improvements. The full cost saving potential of Accelerate+ is expected to be achieved as from December 2019 with full EBITDA (non-IFRS) impact from the financial year 2020.

The Nilfisk Group may prove unable to implement the planned initiatives effectively and hence may not realise the targeted earning improvements and the costs and investments required to implement Accelerate+ may be higher than expected.

Mergers & Acquisitions

In addition to organic growth, the Accelerate strategy is based on expansion via acquisitions of other players in the cleaning equipment industry. The Nilfisk Group constantly searches for suitable targets. There can be no assurance that the Nilfisk Group will successfully complete such acquisitions or that acquisitions will be made on favourable terms or in favourable markets. In addition, there can be no assurance that a sufficient number of expansion opportunities or acquisition targets will be available for the Nilfisk Group to deliver on its strategy or at such times as are optimal for the Nilfisk Group.

On 10 July 2017 Nilfisk entered into three bilateral facility agreements (the ‘‘**Facility Agreements**’’) with Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, Danske Bank A/S and HSBC Bank plc as lenders, (see section 23.1 "*Facility Agreements*"). While the Facility Agreements include a facility of EUR 75 million designated to conduct acquisitions, the Nilfisk Group may have to incur further debts or raise equity capital in order to pursue acquisitions that are considered necessary or desirable to pursue in light of its strategic goals at any given time. This could lead to*, inter alia,* suspension or delay for longer or shorter periods of time of other strategic initiatives of the Group, alterations in the Nilfisk Group's dividend policy (see section 21.5 "*Dividend policy*") and/or, in the event of increases of the share capital, a dilution of the shareholdings of the then current shareholders' ownership of the Company.

There are also operational and financial risks involved in expanding by acquiring and integrating businesses into the Nilfisk Group’s existing operations, including, but not limited to, acquisition and integration costs, unknown liabilities and difficulties in securing the necessary permits to operate the business. Integration requires, among other things, that the optimal utilisation of existing structures is possible, that operations in the acquired businesses can be changed and that an adequate number of qualified employees are available, retained or promptly replaced. Resource intensive expansions or the acquisition of less profitable businesses could also have an adverse effect on the Nilfisk Group’s profitability. The Nilfisk Group’s assessments and assumptions about acquisition or expansion opportunities or acquired businesses could prove to be incorrect or liabilities, or contingencies or other risks previously unknown to the Nilfisk Group could arise.

The occurrence of any of the above could have a material adverse effect on the Nilfisk Group’s business, financial condition and results of operations.

The Nilfisk Group is subject to risks associated with its global operations

The Nilfisk Group currently has local management teams in 45 countries, and for the year ended 31 December 2016, 95% of total revenue was generated outside Denmark. The Nilfisk Group's business is therefore subject to various risks, many of which are magnified by its presence in many jurisdictions and the effects of which may, as a result of such presence, be more pronounced, including multiple national and local regulatory and compliance requirements from different labour, health, safety and environment, anti-corruption and other regulatory regimes; potential adverse tax consequences (including related to transfer pricing); antitrust regulations; corporate (including e.g. rules requiring local ownership or employee ownership); an inability to enforce legal rights in certain jurisdictions; and geopolitical and social conditions in certain sectors of relevant markets. There can be no assurances that the foregoing factors will not have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group is dependent on third parties and other factors in- and outside the Nilfisk Group's control.

The Nilfisk Group's ability to maintain and grow its market share is dependent on its ability to continuously supply its products to the market on a timely basis.

Inability to supply products in a timely manner may be caused by numerous factors, including factors discussed elsewhere in this section, or by other factors fully or partially outside of the Nilfisk Group's control. For instance, strikes in harbours have in the past hindered the Nilfisk Group from supplying its products to certain markets for extended periods.

Delayed delivery may lead to claims for damages from customers and/or may lead to the customers switching to the Nilfisk Group's competitors. Customers may not switch back to the Nilfisk Group's products when the supply resumes and, therefore, the Nilfisk Group could lose market share, which can be difficult to regain.

To a large extent, the Nilfisk Group's production is based on assembling components manufactured by third party suppliers. In addition to the sourcing of components for assembly of the Group's products, the Group also to a limited extent relies on OEM (private label) sourcing of finished products from other manufacturers. This is predominantly within the smaller consumer products, but also to a very limited extent within the professional cleaning equipment. For these and other reasons, the Nilfisk Group's operations are dependent on third parties for, among other things, supply of certain critical components or products. Further, the Nilfisk Group relies on third parties bringing the products to the market, e.g. in respect of transportation, storage, distribution and, in countries where the Nilfisk Group does not have its own sales organisation, sale of its products. As such, the Nilfisk Group is subject to risks associated with operating a complex supply chain in an efficient manner, e.g. ensuring that products as well as components used in the end-products are available in sufficient quantities and qualities in a timely manner and at the right price.

There can be no assurance that the products or services provided by third parties and necessary to run the business of the Nilfisk Group effectively will be available to the Nilfisk Group in the demanded quantities and qualities and within the timeframe needed for the Nilfisk Group to meet customer demands, or that third parties will continue to provide products and services to the Nilfisk Group on acceptable prices and terms or at all. Agreed contractual remedies towards third party suppliers may not be enforceable by the Nilfisk Group or may not cover the losses incurred by the Nilfisk Group in the event of material disruptions in the supply chain.

While for some components and services alternative third-party suppliers, dealers and other partners are available, it could be difficult for the Nilfisk Group to replace these relationships on equally attractive commercially terms, or at all, and seeking alternate relationships could be time consuming and result in interruptions to the Nilfisk Group's business, including prolonged interruptions in the supply of the Nilfisk Group's products to affected markets. Replacing dealers or agents of the Nilfisk Group may lead to decreased sales for longer or shorter periods of time and may lead to competitors gaining market shares at the Nilfisk Group's expense.

Several of the Nilfisk Group's third party dealers and agents also promote the products of one or more of the Nilfisk Group's competitors and may, for any reason, favour to market and sell such products at the expense of the Nilfisk Group's products.

The Nilfisk Group's operations, as well as its inventory of components and finished products at the Nilfisk Group's and third parties' production and storage sites and distribution facilities, could be adversely affected by extraordinary events, including fire, mechanical failure, extended or extraordinary maintenance, flood, windstorm or other severe weather conditions, work stoppages, lack of supply of raw materials, directives from government agencies, power interruptions, breakdown in IT-systems or other events outside of the Nilfisk Group's control.

Any prolonged interruption at any main production site of the Nilfisk Group or its suppliers or at the Nilfisk Group's or third parties' distribution sites could reduce production or distribution capacity for prolonged periods of time. The measures that the Nilfisk Group or third parties have in place to mitigate such risks may prove to be insufficient or ineffective. The Nilfisk Group's or third parties' disaster recovery planning may not prevent business disruption, and reconstruction of damaged facilities could require a significant amount of time and costs. The Nilfisk Group has no control over third parties' production sites or distribution facilities. In addition, inventory of components and finished products could be damaged or lost. Although the Nilfisk Group carries insurance to cover losses at its production and distribution sites and interruptions in the business, such policies are subject to limitations, such as deductibles and maximum liability amounts and, therefore, may not cover all losses, including lost sales due to customers switching suppliers. The Nilfisk Group may also incur losses that are outside of the coverage of its insurance policies. In the future, the Nilfisk Group may not be able to continue or obtain insurance coverage at current levels, or at all, and premiums may increase significantly on the coverage that is maintained.

Any of the above could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

Defects in the Nilfisk Group's products or instructions on use may give rise to product liability claims and product recalls.

Faults and defects in the Nilfisk Group's products, wrong or incomplete instructions of use of products or use of products in a manner not foreseen or warned against by the Nilfisk Group, may cause the Nilfisk Group to be held liable in damages, including for product liability claims, and/or force the Nilfisk Group to recall its products, either of which could entail substantial costs and have a material adverse effect on the Nilfisk Group's brands and reputation. Although the Nilfisk Group produces and assembles its products in accordance with internationally recognised quality standards, there can be no assurance that all of the products are free from faults and defects. Faults and defects in the Nilfisk Group's products may also be caused by faults and defects in components purchased from the Nilfisk Group's suppliers. Although suppliers may be liable towards the Nilfisk Group, there can be no assurance that the supplier is obliged to or can compensate the Nilfisk Group for the full loss incurred by it.

Any of the above could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group could fail to manage and protect its intellectual property rights or could violate third parties' rights.

The Nilfisk Group's patents, trademarks and other intellectual property rights are important assets for its business. It is the Nilfisk Group's policy to take out patents and register its trademarks in the main markets in which its products are sold. However, there can be no assurance that the Nilfisk Group's actions will adequately protect its intellectual property rights in all situations. Furthermore, the risk of third parties infringing on the Nilfisk Group's intellectual property rights may be high in certain of the jurisdictions in which the Nilfisk Group operates as a result of limitations in judicial protection. Even if it is documented that a third party has infringed upon the Nilfisk Group's exclusive rights, it may be difficult, excessively costly or indeed impossible for the Nilfisk Group to enforce its rights or to recoup any losses incurred. Enforcement actions may be time consuming and expensive.

The Nilfisk Group's commercial success depends in part on its ability to avoid infringing on patents and other intellectual property rights of third parties. Claims by third parties that the Nilfisk Group's products or processes infringe on their patents or other intellectual property rights, regardless of their merit, could require the Nilfisk Group to incur substantial costs and losses and divert management attention to defend itself against such claims. The Nilfisk Group has on a few occasions in the past been met with claims that it infringed on third parties' patents. Until now, such claims have been solved satisfactorily; however there can be no assurance that this will be possible in the future.

The risk of infringing on patents and other intellectual property rights becomes more acute going forward, given the continued increase of the technological features and components build into professional cleaning products and services, such as IT and robot technologies.

The Nilfisk Group has historically acquired, and it is the Nilfisk Group's strategy to continue to acquire, other companies as part of the Nilfisk Group's Accelerate strategy. Trademarks, patents and other intellectual property rights belonging to acquired companies often constitute an important part of the value of such acquired companies. There is a risk that such acquired intellectual property rights may not always be registered correctly or updated correctly to reflect changes of corporate names, addresses, etc. to the effect that legal enforcement of such intellectual property rights may over time be less effective.

The Nilfisk Group sells its products through its own subsidiaries and through appointed dealers in many countries. In connection with entering into agreements with dealers, the legal documentation for such dealerships outlines, among other things, the dealers' use of the Nilfisk Group's intellectual property rights relating to the dealers' activities. In this connection, there is a risk that existing or future dealership agreements may not adequately document the relevant intellectual property rights and the dealers' use of, reliance on and limitation of rights to such intellectual properties. If the Nilfisk Group should experience that intellectual properties belonging to the Nilfisk Group are not fully respected by existing, future or former dealers, such insufficient legal documentation may reduce the Nilfisk Group's ability to effectively defend its intellectual property rights.

Any of the above could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group is subject to risks associated with fluctuations in raw material prices.

Prices of raw material consumed by the Group's suppliers when producing components for the Group are subject to fluctuations and an increase in the prices of raw materials may be transferred directly or indirectly to the Group's prices of components. Exposure to changes in raw material prices has historically not been hedged.

Many of the Group's contracts with its suppliers determine that the raw material prices, which a supplier can include in its price of components produced for the Group, fluctuate based on changes in a predetermined relevant raw material price index. In the remaining part of the Group's contracts, the pricing of the raw materials is negotiated between the Group and the relevant supplier. There can be no assurance that such negotiations will have an outcome which is favourable to the Group.

Any inability to transfer such increased costs related to fluctuations in raw material prices to the Group's dealers, agents or customers may have a material adverse effect on the Group's business, results of operations or financial condition.

The Nilfisk Group faces risk related to changes in currency exchange rates.

The Nilfisk Group's financial risks are related to having sufficient liquidity reserves and exposures towards fluctuations on the financial markets with regards to currency.

Until completion of the Demerger, the Nilfisk Group has been serviced by group treasury in NKT in relation to currency hedging transactions and all currency hedging transactions have been executed by NKT. With effect from completion of the Demerger, the Nilfisk Group's newly established treasury function will assume responsibility for the Group's currency hedging.

Financial risk management is until completion of the Demerger subject to the treasury policy approved by NKT's board of directors. The policy will be replaced by Nilfisk Group's treasury policy, which is not expected to lead to material changes to the existing policies.

The Nilfisk Group operates globally and has subsidiaries in various countries. The Company's reporting currency will be EUR, while significant currencies for the Group's revenue currently are EUR, USD and GBP. The most significant currencies for the Nilfisk Group's cost of sales are currently EUR, USD, CNY and MXN. Due to the differences between currencies of revenue and currencies of operating costs or differences in the timing of revenue and cost transactions, the Group is exposed to currency risks in many currencies.

The Nilfisk Group actively manages its currency risks which are quantified based on the "value at risk" principles. With the objective only to hedge significant currency exposures, value at risk has been used to define a risk threshold that determines if an exposure should be hedged by financial derivatives.

Based on this policy, projected significant future currency exposures are normally hedged by forward contracts or other suitable financial instruments in the relevant currencies. The hedging transactions are managed with a view to mitigate the impact of changes in currency exchange rates on the Group's net cash flows as measured in EUR in the medium-term, which typically entails a hedging horizon of around 12 months, although the hedging horizon could from time to time be shorter or longer than 12 months, dependent on the cash flow projections, developments in the financial markets and management judgement.

When consolidating the financial results of foreign subsidiaries into the Nilfisk Group accounts, the EUR-value of revenue, costs, profits, cash flows, equity and other balance sheet items of the Group's subsidiaries operating in non-EUR countries will be impacted by changes in the currency exchange rates of local currencies against the EUR. A change in the local currency rate against EUR will thus have an impact on the Group's consolidated revenue, costs, profits, cash flow, equity and other balance sheet items. This risk, referred to as currency exchange translation risk, is generally not hedged as the Group considers such risk as inherent in running a global business and because systematic hedging would add transaction costs without any expected positive impact on the Group's long-term value creation. However, currency exchange translation risk may be hedged if deemed relevant because of specific circumstances of individual subsidiaries.

Any of the above could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group is subject to interest rate risks.

The Nilfisk Group faces risks related to changes in interest rates, including under the Facility Agreements. See section 23.1 *"Facility Agreements"* for further description of the Facility Agreements. The base rate of the facilities provided under the Group's Facility Agreements varies based on the interbank market rates and the margin varies based on the Group's leverage. Future financing arrangements may include similar floating interest rates.

Until completion of the Demerger, the Nilfisk Group has been serviced by group treasury in NKT in relation to interest rate risks, and all interest rate hedging transactions have been executed by NKT. With effect from completion of the Demerger, the Nilfisk Group's newly established treasury function will assume responsibility for the Group's interest rate risk management.

The Group's current financial risk management policy includes quantitative limits on the interest rate exposure and stipulate the range of instruments to be used in the management of the interest rate risk, including that between 25% and 75% of the Group's budgeted net interest-bearing debt (non-IFRS) must be hedged through financial instruments with a duration of 2–5 years. Consequently, no later than the first day of official listing of and trading in the Shares on Nasdaq Copenhagen, the Nilfisk Group will enter into interest rate swaps to convert part of the floating base rate under the Facility Agreements to fixed rates. Short-term deviations from the stated limits may be decided by the Executive Management when relevant due to market conditions, significant funding transactions or other special circumstances. In managing the interest rate risk, the Group may use interest rate swaps, options and other financial instruments which are deemed suitable and effective in order to ensure that the interest exposure is within the approved limits at any time.

Changes to the interest rate levels may impact the Nilfisk Group's net financial expenses in several ways, including by increasing the interest expense of the non-hedged floating rate part of the Group's funding, increasing the interest expense as from the time of repayment of existing fixed rate debt, as new fixed rate debt may be obtained at higher rates and changes to both short-term and long-term interest rates may impact the market value of financial hedge instruments.

As a result of the above, increasing interest rates could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group is subject to complex Danish and foreign direct or indirect tax laws and compliance requirements.

The Nilfisk Group is subject to various Danish and foreign taxes, including direct and indirect taxes, imposed on its global activities, such as corporate income tax, withholding tax, customs duty, value added tax and other taxes and the Group's effective tax rate is impacted by the composition of the Group's taxable income in the countries in which the Group has activities. Due to the complexity of international tax rules, the provisions for direct and indirect taxes in the Group accounts are subject to a certain degree of judgement, and there are many transactions and calculations where the ultimate direct and indirect tax determination is uncertain. Governmental authorities could question the Nilfisk Group's tax policies and judgements and seek to impose additional or increased taxes or penalties on the Nilfisk Group, and the final determination of tax audits and any related litigation could be materially different from the Nilfisk Group's historical direct and indirect tax provisions and accruals.

Local tax rules and interpretations of tax rules in different jurisdictions change from time to time, and any changes may be implemented with retroactive effect. A change in tax rules or interpretation of tax rules in one or more jurisdictions could increase the Nilfisk Group's tax liabilities. Furthermore, inter alia taking into account the frequent changes to tax regulations, the Nilfisk Group could be subject to claims for breach of such regulations, including for late or incorrect filings or for misinterpretation of rules.

The majority of the Group's intellectual property rights are owned by Nilfisk. In connection with acquisitions, but also for other reasons, intellectual property rights have been acquired or owned by other companies in the Nilfisk Group. In line with the Group's policy of centralising the intellectual property rights ownership, such locally acquired or owned intellectual property rights have from time to time been transferred, and may be transferred in the future, from local Group companies to Nilfisk. As an example, in December 2016, certain intellectual property rights previously owned by Nilfisk, Inc. in the United States were transferred to Nilfisk. Transactions involving transfer of intellectual properties are documented and executed at arms length's basis, and in connection with larger transactions, the value of the intellectual property rights are generally verified by independent verification. However, there can be no certainty that authorities will not challenge such transactions and the tax values at which the transfers have been conducted and will be conducted in the future.

The Group is at the moment investigating if the intellectual property rights of Nilfisk, Inc. transferred to Nilfisk in December 2016 as mentioned above will have an impact of the transfer price level already implemented between Nilfisk and the Americas entities which have transactions with Nilfisk and/or Nilfisk, Inc. There can be no certainty that this will not lead to a significant change in the margins earned in the Americas and in Nilfisk and potentially increase the effective tax rate of the Group. Also, there can be no certainty that authorities will not challenge such new transfer pricing setup.

Any additional or increased taxes, including interest and penalties, imposed on the Nilfisk Group, as well as challenging any adverse determinations of tax authorities, could require significant management attention, lead to significant liabilities and otherwise have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The terms of the Nilfisk Group's financing arrangements may limit its commercial and financial flexibility and the Nilfisk Group may need to incur further debts or raise further equity capital to fund its operations.

The Nilfisk Group will at completion of the Demerger incur increased indebtedness and may incur additional debt in the future. High level of debts makes the Nilfisk Group vulnerable to economic downturns.

Immediately upon completion of the Demerger, the Group will make the first drawdown under the Facility Agreements with Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, Danske Bank A/S and HSBC Bank plc as lenders, (see section 23.1 "*Facility Agreements*"). The Facility Agreements require and any future financing arrangements may also require, the Nilfisk Group to maintain specified financial ratios.

The financial and other covenants contained in the Facility Agreements or in any future financing arrangements could limit the Nilfisk Group's future operations and acquisitions and the Nilfisk Group's ability to pursue its business strategy and uphold its dividend policy.

The Facility Agreements contain various restrictive covenants, such as restrictions on mergers, providing security (negative pledge), subsidiary financial indebtedness, granting of loans and guarantees and change of business and obligations to provide financial and certain other information to the lenders.

Pursuant to the Facility Agreements, the Group may not make any new acquisitions or investments in companies, businesses, shares or similar assets, or make any dividend payments or redemptions of share capital if a default has occurred or such action would result in a default under the Facility Agreements, including a breach of the financial covenant.

In the event of a default under any of the Group's debt obligations, the lenders could terminate their commitments and require immediate repayments of the outstanding loans. Defaulting on a financing agreement could also result in a cross-default on other financing agreements. The Nilfisk Group's assets and cash flow may not be sufficient to fully repay these debts in such circumstances.

The operations of the Nilfisk Group, including the execution of the Accelerate strategy, could also entail that the Nilfisk Group's current capital resources are not sufficient to meet its needs. This could*, inter alia*, be the case if the Nilfisk Group decides to pursue acquisition opportunities or other major investments.

Any of the foregoing may force the Nilfisk Group to re-negotiate the terms of its debts, incur further debts and/or raise further equity. There can be no assurance that the Nilfisk Group will be able to raise further debts on acceptable terms or at all. New equity may have to be raised at discounted prices, which could lead to a dilution of the economic value and loss of administrative rights of the shareholders that do not, for any reason, take part in such equity offerings.

Any of the foregoing could have a material adverse effect on the Nilfisk Group's business, financial condition, results of operations and/or value of the Shares.

The Nilfisk Group is subject to reputational risks.

Being a producer of high-quality products in the industries where the Nilfisk Group operates, the Nilfisk Group faces above the average reputational risks associated with its business. Incidents that may be harmful to the

Nilfisk Group's reputation in the market or among investors are numerous, including unethical or unlawful behavior by any members or employees of the Nilfisk Group, its suppliers, dealers, agents or customers.

Given the Nilfisk Group's profile as a quality supplier, it is vulnerable to incidents that adversely influence the perceived value of its products and brands, such as systematic defects in the products or inability to deliver products on time.

Any such incidents, whether inside or outside the Nilfisk Group's control, could lead to a loss of faith in the Nilfisk Group, its management or products and may have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group is subject to national and international regulation.

The Nilfisk Group's production and other activities are subject to complicated national and international regulation, including in areas such as product safety, labour law and environmental regulation, as well as industry standards and practices, including CE standards. See section 7.16 "*Product Safety and Quality*".

The Nilfisk Group operates in a large number of different jurisdictions and is therefore subject to different national rules, regulations and standards, the compliance with which is closely scrutinised by public authorities as well as the Nilfisk Group's competitors. Notwithstanding the Nilfisk Group's endeavors to comply with all relevant rules, regulations and standards applicable in the respective jurisdictions, there can be no assurance that the Nilfisk Group has complied or will comply with all relevant rules, regulations and standards. For instance, with respect to the Group's production site in Dongguan, China, the Group has obtained construction permit and title certificate, however, a land use right has not been issued. Failure to comply with applicable rules, regulations and standards could lead to claims being raised against the Nilfisk Group for damages, costs, fines etc. or other sanctions or that public authorities order the Nilfisk Group to change or discontinue its production, import or sale of certain products. Amendments to existing or introduction of new rules and regulations or industry standards may lead the Nilfisk Group to incur substantial costs.

Any of the above could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group faces health, safety and environmental risks.

While the Nilfisk Group is only to a limited extent engaged in activities involving hazardous substances, it does have such activities in, e.g. China, Mexico and South Africa.

As an industrial enterprise, the Nilfisk Group incurs significant costs and expenditures to comply with the laws and regulations in the EU and other countries where it has production facilities, including health, safety and environmental laws and regulations. If such costs cannot be fully recouped through sales to customers, or if such laws and regulations force the Nilfisk Group to stop production for longer or shorter periods of time, this could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations**.** Breach of such laws and regulations may subject the Nilfisk Group to fines or other sanctions.

In case of work related accidents, the Nilfisk Group may face claims from current or former employees, professional labour bodies, unions or governmental agencies. Likewise, the Nilfisk Group may face claims from third parties in the event the Nilfisk Group causes any pollution of third party properties, ground water or the air. Such incidents may also lead to a need for initiating remedial environmental measures or to suspension or shut down of operations. While the Nilfisk Group has taken out insurances to cover such risks, there can be no assurance that such insurances will be sufficient to cover the costs and losses actually incurred.

The occurrence of any of the above could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group relies on a limited number of key executives and employees and may experience difficulty in retaining such executives and employees.

The loss of the services of the Nilfisk Group's management or other key personnel or an inability to attract, hire and retain personnel with requisite skills could impair the Nilfisk Group's ability to develop its product portfolio, sell its products and manage its business effectively. The Nilfisk Group is competing with other employers to attract and retain both white and blue collar workers. Such competition may lead to the Nilfisk Group having to increase wages and offer other benefits, which may adversely affect the Nilfisk Group's cost base and thereby its ability to compete effectively.

Any of the foregoing could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group faces risks related to work stoppages and other labour matters.

While the Nilfisk Group strives to maintain good relationships with its employees and their unions, such relationships may not continue to be amicable and the Nilfisk Group may be affected by strikes, plant closings or other types of conflicts with labour unions or employees.

The Nilfisk Group may not be able to enter into or renew collective bargaining agreements on satisfactory terms or at all. This, or disagreement with employees and their unions on the terms of existing or potential collective bargaining agreements, could result in strikes or work stoppages, which could impair the Nilfisk Group's ability to develop, produce and distribute products and result in a substantial loss of sales. Strikes by the employees of third parties, such as suppliers or dealers, could also adversely affect the Nilfisk Group. The terms of existing or renewed collective bargaining agreements could also significantly increase the Nilfisk Group's costs or negatively affect the Nilfisk Group's ability to increase operational efficiency. The Nilfisk Group's inability to deliver products to customers in a timely manner could result in lower demand for the Nilfisk Group's products.

Any of the foregoing could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group may encounter disruptions in information technology systems or security breaches.

The Nilfisk Group is dependent on information technology systems to operate its business, *inter alia* to control its supply chain, perform customer service and manage production and labour resources. The Nilfisk Group's information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, catastrophic events and user errors. For instance, in 2014 the Nilfisk Group's distribution center in Brøndby, Denmark, was severely adversely affected by issues related to implementation of new software systems, which led to problems with supplying orders in a timely manner for a period of approximately three months.

Like many other enterprises, the Nilfisk Group is constantly faced with the threat of cybercrimes, such as attempts of hacking its information technology systems and accounting fraud. While the Nilfisk Group has implemented systems and procedures to counter such illegal actions, they may prove insufficient or incapable of protecting the integrity of the Nilfisk Group's systems and procedures.

The Group utilises third-party suppliers and service providers to supply some of its information technology hardware and software and in this respect relies on these suppliers and service providers to deliver products and services on a timely basis. Disruptions to the business, financial stability or operations of these suppliers and service providers, could also lead to disruptions in the Group's information technology systems.

Any disruptions in information technology systems or a security breach could result in financial losses, reputational harm and loss of customers, or otherwise have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group's risk management policies may not be adequate.

The Nilfisk Group has implemented policies with the aim of managing the general and specific risks associated with the Nilfisk Group's activities and operations, as well as financial reporting. The Nilfisk Group may not have identified all risks that it faces, and the Nilfisk Group's risk management policies may not be adequate to manage all identified or unidentified risks. Any of the above or failure to implement or adhere to the policies could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group's insurance policies may be insufficient to cover losses.

At completion of the Demerger, the Nilfisk Group will have in place global master insurance programmes that include property insurance, liability insurance, marine cargo insurance and directors' and officers' liability insurance as well as local policies when required by law. Although the Nilfisk Group maintains insurance to the extent it considers to be adequate, there can be circumstances in which the insurance would not cover, partially or fully, the consequences of a loss event. Further, there may be extended periods of uncertainty as to payment, or delays in receiving payment, for a loss event under the Nilfisk Group's insurance policies and such delay in payment could compound such losses and materially affect the Nilfisk Group's business, financial condition and results of operations. In addition, the Nilfisk Group could face claims on other liability events or incidents for which it either cannot obtain insurance, or has elected not to obtain insurance (whether on account of premium costs, significant risk retention or for other reasons).

In the future, the Nilfisk Group may not be able to continue or obtain insurance coverage at current levels, or at all, and premiums may increase significantly on the coverage that is maintained. The occurrence of any of the above could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group is exposed to risks in connection with its pension commitments.

The Nilfisk Group provides pension plans to its employees in the countries in which it is market practice to do so. Most of the Nilfisk Group's pension plans are defined contribution plans. However, the Nilfisk Group provides defined benefit pension plans in certain countries, primarily in the United Kingdom.

As at 30 June 2017, the Nilfisk Group's defined benefit pension obligations, net, amounted to EUR 7 million. In some countries, the Group's defined benefit pension plans are unfunded and accrued in accordance with local legislation. The funded defined benefit pension plans are funded by payments from Group companies and by payments by employees to plans independent of the Group. If actual returns on the pension plan assets are less than actuarial assumptions regarding the expected rate of return, it could result in a coverage shortfall for these pension obligations, resulting in a significant increase in the Nilfisk Group's net pension payments. Any such increase in the Nilfisk Group's net pension payments could adversely affect the Group's financial condition and results of operations due to an increased additional outflow of funds to finance the pension obligations. The Nilfisk Group is also exposed to the risk that actual results could differ from actuarial assumptions in areas such as mortality of plan participants, which could increase the Nilfisk Group's liabilities under these pension plans.

The occurrence of any of the foregoing could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

The Nilfisk Group's historic financial reports may not be indicative of future costs and earnings potential.

Up until completion of the Demerger, the Nilfisk Group is a member of the NKT Group. While in many respects, the Nilfisk Group has operated on a stand-alone basis, it has in other respects benefitted from being part of a larger group.

As a result of the Demerger, the Nilfisk Group will incur additional costs. For instance, the Nilfisk Group will have to establish new functions, including treasury, tax, investor relations, legal, compliance and risk management and insurance functions that have hitherto been provided to it by NKT against payment of certain management fees. It is expected that the Nilfisk Group's costs will increase as compared with the historic costs for such functions. In addition, the Company will incur costs associated with being a listed company. Such costs include but are not limited to, listing fees payable to Nasdaq Copenhagen and costs associated with the Company's investor relations function. There can be no assurance that the Nilfisk Group's separation from the NKT Group will not lead to further increased costs for the Nilfisk Group, given that the Nilfisk Group will be a relatively smaller group than the combined NKT Group and Nilfisk Group, and thereby have less purchasing power than in the past. This could adversely affect the prices and terms, which can be obtained by the Nilfisk Group from suppliers, financiers and lenders, lessors and other third parties.

For these and other reasons, the Nilfisk Group's historic financial reports included herein or as have been presented as part of the NKT's financial reports may not be indicative of future costs and earnings potential.

The Nilfisk Group's consolidated prospective financial information included in this Demerger Statement may differ materially from its actual results and investors should not place undue reliance on it.

The financial projections set forth in this Demerger Statement in Element B.9 in ''*Summary*'' and in section 14 "*Consolidated prospective financial information*", are the Nilfisk Group's financial guidance for 2017. The consolidated prospective financial information includes financial guidance that qualifies as profit forecasts. For profit forecasts, the Prospectus Regulation requires the Nilfisk Group to, among other things, disclose the principal assumptions on which the Nilfisk Group has based the forecast and to include a report prepared by the independent auditors on such forecasts and assumptions. The independent auditors have not made any assessment as to whether the assumptions underlying these financial projections are well-founded or whether such financial projections are realisable. The Nilfisk Group has prepared its financial projections in accordance with the Prospectus Regulation and not in accordance with any other rules or requirements in the United States or otherwise. These financial projections are based upon a number of assumptions and estimates (including the success of the Nilfisk Group's business strategies), which are subject to significant business, operational, economic and other risks, many of which are outside of the Nilfisk Group's control. Accordingly, such assumptions may prove to be incorrect. In addition, unanticipated events may adversely affect the Nilfisk Group's results in future periods whether or not the Nilfisk Group's assumptions relating to 2017 or future periods otherwise prove to be correct. As a result, the Nilfisk Group's actual results may vary materially from these projections and investors should not place undue reliance on them. See also section 3 ''*Special Notice Regarding Forward-looking Statements''*.

1.3 Risks related to the Demerger

The Company is subject to a statutory joint liability for existing liabilities of NKT.

Following the Demerger, NKT and Nilfisk Holding will under the Danish Companies Act section 254(2) be jointly and severally liable for obligations attributable to the activities, assets and liabilities of NKT that existed at the time the Demerger Plan was published by the Danish Business Authority, i.e. as of 11 September 2017. Where a creditor of either NKT or Nilfisk Holding does not receive full payment of its claims against NKT or Nilfisk Holding, respectively, the other company (i.e. Nilfisk Holding in terms of claims against NKT and vice versa) will be jointly and severally liable for these obligations that existed as at the aforementioned date. However, the joint and several liabilities of NKT and Nilfisk Holding, respectively, cannot exceed an amount corresponding to the net value of the assets and liabilities remaining in NKT or transferred to Nilfisk Holding, respectively, as per the date when the Demerger Plan was published.

This limitation does not apply to taxes as, according to generally applicable tax rules, the liability to the tax authorities is unlimited and comprises taxes payable up until the date when the General Meeting approves the Demerger. See section 4.9.5 *"Joint taxation considerations"* for further information.

In principle, joint and several liabilities may crystallise in relation to any claim, including creditor claims for payment, contractual claims (for example contractual claims submitted after the Demerger Plan was published, but which concern an agreement concluded prior to the date when the Demerger Plan was published), product liability claims, environmental claims and claims from the authorities for direct and indirect taxes. The risk of joint and several liabilities crystallising will persist until a claim becomes statute-barred. Under Danish law, this could be up to 30 years, depending on the merits of the claim.

Among the identified legal risks to which NKT is currently exposed, is the risk for damage claims related to an antitrust infringement that the European Commission has found in the high-voltage power cable sector. See section 4.7.2 "*Statutory joint and several liability"* for a description of the case and the risks for Nilfisk Holding associated therewith.

In addition to the foregoing, NKT has undertaken certain parental guarantees on behalf of its subsidiaries, both in respects of subsidiaries that, following completion of the Demerger, will be part of the Nilfisk Group, and in respect of subsidiaries that will remain part of the NKT Group. Reference is made to section 4.7 *"Continuing arrangements between NKT and Nilfisk Holding post the Demerger"* for a description of the parental guarantees issued by NKT as of the date of this Demerger Statement and the transfer of certain of such guarantees to Nilfisk Holding as part of the Demerger. While certain guarantees will be transferred to Nilfisk Holding at completion of the Demerger, others will remain with NKT, but Nilfisk Holding will nevertheless be jointly liable for NKT's fulfilment of the guarantees in accordance with the principles described above.

Subject to completion of the Demerger, the Demerger Agreement will become effective. See section 4.7.1 *"The Demerger Agreement"* for further description of the Demerger Agreement. Pursuant to the Demerger Agreement, NKT shall indemnify, defend and hold the Company harmless from any claims, costs and losses that may be incurred by the Company on account of the statutory joint liability in respect of liabilities that are not in the Demerger Plan allocated to Nilfisk Holding. Likewise, Nilfisk Holding shall indemnify, defend and hold NKT harmless from any claims, costs and losses that may be incurred by NKT on account of the statutory joint liability in respect of liabilities that are in the Demerger Plan allocated to Nilfisk Holding. There can be no assurance that NKT will be able to honor the obligations undertaken towards Nilfisk Holding in the Demerger Agreement.

Any of the foregoing could have a material adverse effect on the Nilfisk Group's business, financial condition, and results of operations.

Contracting parties may invoke change of control provisions included in contracts entered into by companies within the Nilfisk Group.

The Demerger will entail a change in ownership of the Nilfisk Group from NKT to Nilfisk Holding being the ultimate controlling shareholder of Nilfisk and its direct and indirect subsidiaries. Nilfisk and its subsidiaries may be parties to contracts, which provide that a direct or indirect change of ownership in the company entitles the other contracting party to terminate the contract or which otherwise confer on the contracting party certain rights in case of a change of ownership (change of control provisions). There can be no assurance that the relevant contracting party will not invoke such rights as a consequence of the Demerger being effected. The occurrence hereof could have a material adverse effect on the Nilfisk Group's business, financial condition and results of operations.

If the conditions on which the Danish authorities have approved the Demerger to be tax exempt are not complied with, tax liabilities may arise on NKT, the Company and the Receiving Shareholders.

The Danish tax authorities have in SKAT's Ruling granted an approval that the Demerger will be a tax-exempt demerger pursuant to the provisions of the Danish Merger Tax Act (in Danish: "*fusionsskatteloven*"). SKAT's Ruling is subject to the fulfilment of and compliance with certain conditions and material assumptions made in connection with the approval, including that (i) the shares in Nilfisk Holding shall become listed on a regulated market in connection with the Demerger, and (ii) the shares in NKT will remain listed on a regulated market after the Demerger. Reference is made to section 4.9 *"Danish tax effect of the Demerger"* for a further discussion of the conditions and material assumptions set out in SKAT's Ruling.

Pursuant to the Demerger Agreement (see section 4.7.1 *"The Demerger Agreement"*), each of NKT and Nilfisk Holding shall abstain from taking any actions that would be contrary to the conditions or material assumptions set out in SKAT's Ruling. However, following the Demerger, Nilfisk Holding will have no control over whether NKT will comply with this obligation or whether events outside the control of both NKT and Nilfisk Holding could lead to the conditions and material assumptions set out in SKAT's Ruling not being complied with.

If any of the conditions set out in SKAT's Ruling or any of the material assumptions underlying SKAT's Ruling are not fulfilled or are no longer fulfilled within the first three years after the Demerger has been approved by the General Meeting, SKAT shall be so informed and this may lead SKAT to revoke its approval that the Demerger be a tax-exempt demerger pursuant to the provisions of the Danish Merger Tax Act. In such event, the Demerger would, from a Danish law perspective, become a taxable event for both NKT, Nilfisk Holding and the Receiving Shareholders and could lead to taxes being levied on all or any of the aforesaid. Reference is made to section 4.9 *"Danish tax effects of the Demerger"* and section 4.10 *"Certain United States Federal Income tax considerations relating to the Demerger"* for a description of the potential consequences for the Receiving Shareholders of the Demerger becoming a taxable demerger.

Any of the foregoing could have a material adverse effect on NKT or Nilfisk Holding's financial condition or on the Receiving Shareholders.

Foreign tax authorities may not accept the Danish tax-status of the Demerger.

While the Danish tax authorities have approved that the Demerger fulfils the criteria for being tax-exempt according to the Danish Merger Tax Act, there can be no assurance that foreign tax authorities will not, under applicable local tax laws, consider the Demerger a taxable event. This could lead to the Nilfisk Group incurring taxes and duties under such local laws, e.g. in respect of a deemed transfer of assets, properties or shares.

Any of the foregoing could have a material adverse effect on the Nilfisk Group’s business, financial condition and results of operations.

The Shares have not previously been publicly traded, a liquid market for the Shares may not develop, and the price of the Shares may be volatile and fluctuate significantly in response to various factors.

There is currently no public market for the Shares, and an active and liquid trading market may not develop or be sustained after the Demerger and the admission for trading and official listing of the Shares on Nasdaq Copenhagen. No market price will be established prior to the first day of trading in the Shares on Nasdaq Copenhagen, since the Demerger will not entail any offering of Shares to the market. Thus, the market price of the Shares, in particular immediately after completion of the Demerger, may fluctuate significantly, including over the course of the trading days. No stabilisation actions will be undertaken in connection with the Demerger. The trading price of the Shares may fluctuate in response to many factors, including extraneous factors beyond the Company’s control or a wish of Receiving Shareholders to exit the investment following completion of the Demerger. In addition, Nasdaq Copenhagen or the global securities markets may experience significant price and volume fluctuations, as they have done in recent years, which may have a material adverse effect on the market price of the Shares.

Future sales of Shares after the Demerger may cause a decline in the market price of the Shares.

The market price of the Shares may decline as a result of issuance or sale of Shares in the market by the Company or any shareholder(s) after the Demerger or the perception that such sales could occur. Such sales may also make it difficult for the Company to issue securities in the future at a time and a price that it deems appropriate. Any such issuances or sales of Shares could have a material adverse effect on the public trading price of the Shares and may dilute the economic value of or the administrative rights vested with any shareholding in the Company by shareholders that are not offered, able or willing to take part in an offering.

Changes in currency exchange rates could have a material adverse effect on the value of shareholdings or dividends paid.

The Shares will be denominated in DKK, and any dividends will be paid in DKK. As a result, shareholders outside of Denmark may experience material adverse effects on the value of their dividends when converted into other currencies, if the Danish krone depreciates against the relevant currency.

U.S. holders and other non-Danish holders of Shares may not be able to exercise pre-emptive rights or participate in any future rights offerings.

Holders of Shares will have certain pre-emptive rights in respect of certain issues of Shares, unless those rights are dis-applied by a resolution of the shareholders at a general meeting or the Shares are issued on the basis of an authorisation to the Board of Directors under which the Board of Directors may dis-apply the pre-emptive rights. The securities laws of certain jurisdictions may restrict the ability for shareholders in such jurisdictions to participate in any future issue of Shares carried out on a pre-emptive basis. Shareholders in the United States as well as certain other countries may not be able to exercise their pre-emptive rights or participate in future rights offerings, including in connection with offerings at below market value, unless the Company decides to comply with local requirements, and in the case of the United States, unless a registration statement is effective, or an exemption from the registration requirements is available, under the Securities Act with respect to such rights. In such cases, shareholders resident in jurisdictions other than Denmark may experience a dilution of their shareholding, possibly without such dilution being offset by any compensation received in exchange for subscription rights. There can be no assurance that local requirements will be complied with or that any registration statement would be filed in the United States or other relevant jurisdiction or that any exemption from such registration would be available so as to enable the exercise of such holders' pre-emptive rights or participation in any rights offering.

Investors' rights as shareholders will be governed by Danish law and differ in some respects from the rights of shareholders under the laws of other countries.

The Company will be a public limited liability company organised under the laws of Denmark. The rights of holders of Shares will be governed by the Articles of Association, as set out in Appendix A to this Demerger Statement, and by Danish law. These rights may differ in some respects from the rights of shareholders in corporations organised outside of Denmark. In addition, it may be difficult for investors to prevail in a claim against the Company under, or to enforce liabilities predicated upon, the securities laws of jurisdictions outside of Denmark.

2. EXPECTED TIMETABLE OF THE DEMERGER AND EXPECTED FINANCIAL CALENDAR

Expected timetable of principal events

Date of publication of Demerger Plan	11 September 2017
Date of publication of Demerger Statement	18 September 2017
Anticipated date of General Meeting for the purpose of approving the Demerger, including electing the Board of Directors	10 October 2017
Registration of the Demerger with the Danish Business Authority	10 October 2017
Last day of trading in NKT's shares including the Nilfisk Group (the Cut Off Date)	11 October 2017 at 5:00 p.m. CET
First day of trading in and official listing of the Shares on Nasdaq Copenhagen under the permanent ISIN	12 October 2017
Record Date	13 October 2017 at 5:59 p.m. CET
Delivery of the Shares to the Receiving Shareholders	16 October 2017

The above timetable, including the date of the General Meeting, the Record Date and the Cut Off Date, is subject to change. Any changes will be announced via Nasdaq Copenhagen.

Financial calendar

Nilfisk Holding's financial year runs from 1 January through 31 December. Nilfisk Holding will publish financial reports on a quarterly basis. It is currently expected that Nilfisk Holding will publish its financial reports according to the following schedule:

Interim report as at and for the nine months ending 30 September 2017	15 November 2017
Annual report for 2017	28 February 2018
Annual general meeting	23 March 2018
Interim report as at and for the three months ending 31 March 2018	16 May 2018
Interim report as at and for the six months ending 30 June 2018	14 August 2018
Interim report as at and for the nine months ending 30 September 2018	14 November 2018

The above financial calendar is subject to change. Any changes will be announced via Nasdaq Copenhagen.

3. SPECIAL NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Demerger Statement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and the Nilfisk Group's anticipated or planned financial and operational performance. The words ‘‘targets’’, ‘‘believes’’, ‘‘expects’’, ‘‘aims’’, ‘‘intends’’, ‘‘plans’’, ‘‘seeks’’, ‘‘will’’, ‘‘may’’, ‘‘might’’, ‘‘anticipates’’, ‘‘would’’, ‘‘could’’, ‘‘should’’, ‘‘estimates’’ or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Demerger Statement, including, without limitation, under the headings ‘‘*Summary*’’, ‘‘*Risk Factors*’’, ‘‘*Business*’’, ‘‘*Operating and Financial Review*’’, *‘‘Consolidated prospective financial Information’’* and "*Financial Information concerning Nilfisk's assets and liabilities, Financial position and profits and losses; dividends*" and include, among other things, statements addressing matters such as:

1. general economic trends and trends in the Nilfisk Group’s industry;
2. the Nilfisk Group's business strategy, plans and objectives for future operations, products and expansions;
3. expectations regarding the competitive environment in which the Nilfisk Group operates and its position therein;
4. the development of the regulatory framework governing the Nilfisk Group’s operations;
5. the Nilfisk Group’s future results of operations, including its consolidated prospective financial information for 2017, as set forth in *‘‘Consolidated prospective financial information’’*;
6. the Nilfisk Group's future financial condition and ability to obtain additional financing;
7. the Nilfisk Group's working capital (non-IFRS), cash flows and capital expenditures; and
8. the Nilfisk Group’s dividends and dividend policy.

Although it is believed that the goals, estimates and expectations reflected in these forward looking statements are reasonable, such forward-looking statements are based on estimates and assumptions regarding future events, and are subject to known and unknown risks and uncertainties that could cause the Nilfisk Group’s business, financial condition and results of operations and/or the value of the Shares to differ materially from what is expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

1. global, regional and local economic conditions;
2. the Nilfisk Group's ability to implement its Accelerate strategy;
3. competition from local, national and international companies in the markets in which the Nilfisk Group operates;
4. the Nilfisk Group's ability to develop innovative products and technologies;
5. the Nilfisk Group's ability to manage and protect its intellectual property rights;
6. changes in currency exchange rates and interest rates;
7. any negative impact on Nilfisk Group's reputation or value;
8. changes in Danish, EU or other laws and regulation or any interpretation thereof, applicable to the Group's business;
9. the Nilfisk Group's ability to refinance or service Nilfisk Group's existing indebtedness;
10. the Nilfisk Group's ability to retain qualified personnel and key employees; and
11. the Nilfisk Group's ability to realise anticipated results of its acquisition strategy.

Should one or more of these risks or uncertainties materialise, or should any underlying estimates or assumptions prove to be inappropriate or incorrect, the Nilfisk Group's business, financial condition and results of operations and/or the value of the Shares could differ materially from what is expressed or implied herein. Receiving Shareholders and prospective future investors are urged to read the sections of this Demerger Statement entitled *“Risk Factors”*, *“Business”* and *“Operating and Financial Review”* for a more complete discussion of the factors that could affect the Nilfisk Group's future performance and the industry in which it operates.

Any forward-looking statements herein speak only as of the date of this Demerger Statement. There is no intention, and no obligation is assumed, to update any forward-looking statements contained herein, except as may be required by law or the rules of Nasdaq Copenhagen. All subsequent written and oral forward-looking statements attributable to the Nilfisk Group or to persons acting on behalf of the Nilfisk Group are expressly qualified in their entirety by the cautionary statements referred to above or contained elsewhere in this Demerger Statement.

4. DESCRIPTION OF THE DEMERGER

4.1 Background to the Demerger

NKT announced on 21 September 2016, in connection with NKT Cables' acquisition of ABB HV Cables, that subject to completion of NKT Cables' acquisition of ABB HV Cables, it intended to split NKT into two separately listed companies: Nilfisk, which is a leading company in the professional cleaning equipment industry and NKT, including NKT Cables (including ABB HV Cables and also including NKT Photonics), which following the acquisition of ABB HV Cables is one of the leading power cable suppliers in Europe. NKT Cables' acquisition of ABB HV Cables was completed on 1 March 2017.

The board of directors of NKT has reviewed its strategic options for the NKT Group and has concluded that a separation of NKT into two stand-alone businesses is in the best interest of its shareholders as it would allow for value creation by unlocking the full potential of each of the companies. A separation will create two leading businesses, each with a clearly defined investment case.

NKT Photonics will remain under a joint holding structure with NKT Cables while it continues to operate as a fully stand-alone company.

On the basis of the above, NKT's annual general meeting held 21 April 2017 mandated NKT's board of directors to proceed with the split and in furtherance hereof, the board of directors of NKT recommends that at the General Meeting the shareholders of NKT vote in favour of the Demerger proposal.

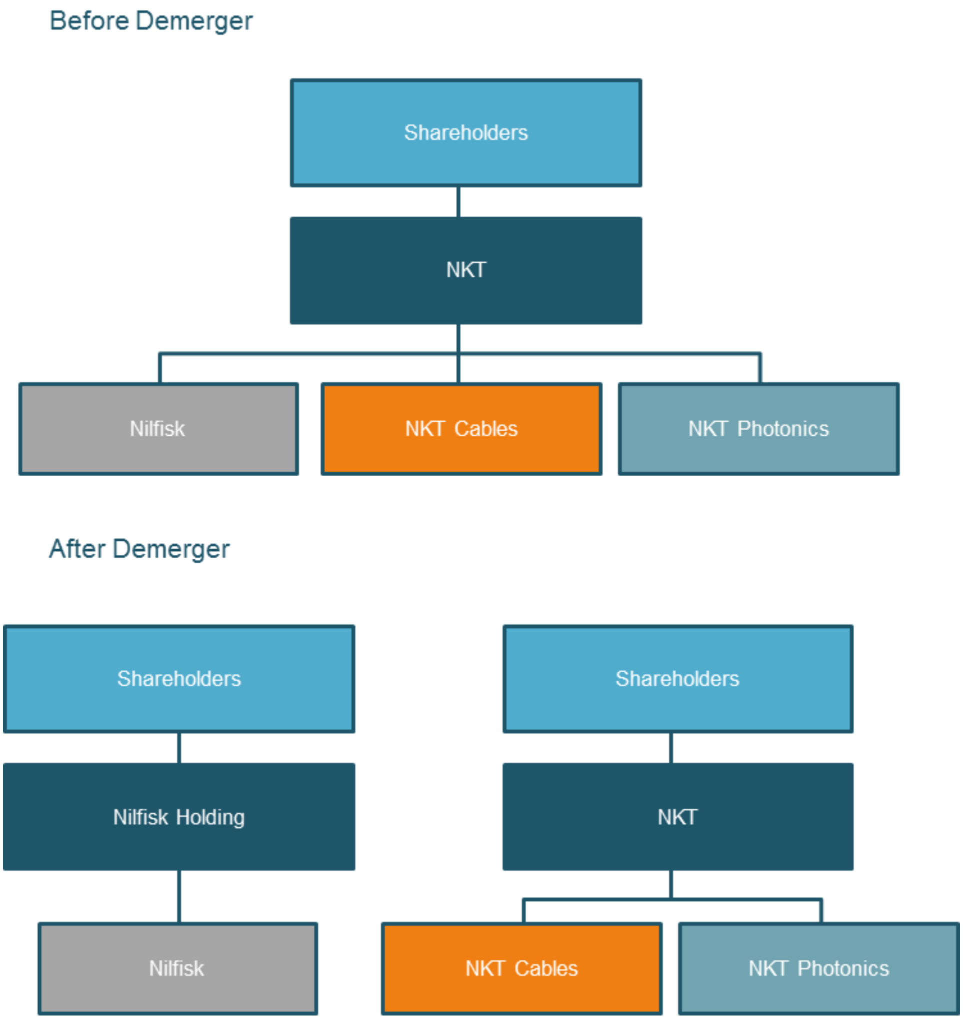
4.2 Structure of the Demerger

The Demerger will be conducted as a partial, tax-exempt demerger of NKT and the board of directors of NKT has in this respect on 11 September 2017 executed and made public a Demerger Plan, including expert statements on the creditors' and NKT's shareholders' position. This Demerger Statement supplements the Demerger Plan. The Demerger Plan is included in Appendix B to this Demerger Statement.

For accounting purposes, the Demerger will have retrospective effect as of 1 January 2017 and will be effected by NKT contributing its shares in Nilfisk (representing 100% of the share capital of Nilfisk) and certain other of its activities, assets and liabilities, which are related to the Nilfisk Group, to Nilfisk Holding. Nilfisk Holding will be incorporated at completion of the Demerger. The existing activities of NKT Cables and NKT Photonics and other activities, assets and liabilities of NKT not transferred to Nilfisk Holding, will remain organised in NKT.

At completion of the Demerger, the shareholders in NKT as of the Record Date will remain shareholders in NKT, but will in addition become shareholders in Nilfisk Holding.

Legal structure before and after the Demerger



4.3 Approval of the Demerger

The Demerger is subject to the approval by the General Meeting in NKT. The board of directors of NKT will convene the General Meeting anticipated to be held on 10 October 2017. The Demerger will require the consenting vote of at least two-thirds of the votes cast and of the voting share capital represented at the General Meeting.

4.4 Allocation

Upon completion of the Demerger, the Shares will (i) subject to the consent of Nasdaq Copenhagen, be admitted to trading and official listing on Nasdaq Copenhagen and (ii) be distributed proportionally to the Receiving Shareholders. The Receiving Shareholders will be determined as the registered shareholders in NKT as of the Record Date, being 13 October 2017 at 5:59 p.m. CET. The Record Date is subject to change.

With the currently expected timetable, any trading in NKT's shares until and including the Cut Off Date, i.e. 11 October 2017 at 5:00 p.m. CET, will include the Nilfisk Group and entail that the acquirer of such shares will become a Receiving Shareholder for the purpose of the Demerger, and will receive Shares in proportion to the holding of NKT shares as of the Record Date. Any trading in NKT shares after the Cut Off Date will be exclusive of the Nilfisk Group and will not entail any right for the acquirer to receive Shares in the Demerger. The Cut Off Date is subject to change.

4.5 Registration of the Shares

Assuming the Demerger is completed, the issuance of the Shares is expected to take place in VP Securities on 16 October 2017 in the permanent ISIN DK0060907293. The Shares will be registered in the names of the Receiving Shareholders.

Immediately after registration in VP Securities, Receiving Shareholders will receive a notification of the number of Shares allocated to them in Nilfisk Holding. Thus, Receiving Shareholders do not have to take any action in connection with the issue of Shares.

4.6 Listing

Application has been made to admit the Shares for trading and official listing on Nasdaq Copenhagen and, provided the Demerger is approved by the General Meeting, the listing and trading in the Shares is expected to commence on 12 October 2017 under the symbol "NLFSK". The admittance to trading and official listing of the Shares is subject to Nasdaq Copenhagen's approval.

4.7 Continuing arrangements between NKT and Nilfisk Holding post the Demerger

Following the Demerger, NKT and Nilfisk Holding will each operate as a separate company and neither NKT nor Nilfisk Holding will retain any shareholding in the other or in any affiliates of NKT and Nilfisk Holding, respectively.

4.7.1 The Demerger Agreement

The relationship between NKT and Nilfisk Holding after the Demerger will be regulated by the provisions of the Danish Companies Act and by the Demerger Agreement that will, subject to completion of the Demerger, be concluded between these companies.

The Demerger Agreement governs, amongst other things, the NKT Group's and Nilfisk Group's mutual provision of certain services and support during a transitional period after the completion of the Demerger.

Pursuant to the Demerger Agreement, NKT shall indemnify, defend and hold the Company harmless from any claims, costs and losses that may be incurred by the Company on account of the statutory joint liability described in section 4.7.2 "*Statutory joint and several liability*" in respect of liabilities that are not in the Demerger Plan allocated to Nilfisk Holding, including the below mentioned potential claims related to alleged infringement of applicable competition rules and regulations. Likewise, Nilfisk Holding shall indemnify, defend and hold NKT harmless from any claims, costs and losses that may be incurred by NKT on account of the statutory joint liability in respect of liabilities that are in the Demerger Plan allocated to Nilfisk Holding.

Pursuant to the Demerger Agreement, each party shall abstain from taking any actions that would be contrary to the conditions or material assumptions set out in SKAT's Ruling. See section 4.9 *"Danish tax effects of the Demerger"* for a discussion of these conditions and assumptions.

4.7.2 Statutory joint and several liability

Following the Demerger, NKT and Nilfisk Holding will under the Danish Companies Act section 254(2) be jointly and severally liable for obligations attributable to the activities, assets and liabilities of NKT that existed at the time the Demerger Plan was published by the Danish Business Authority, i.e. as of 11 September 2017. See section 1.3 *"Risks related to the Demerger - The Company is subject to a statutory joint liability for existing liabilities of NKT"* for more details on the consequences of this statutory liability.

Under the Demerger Agreement, NKT and Nilfisk Holding each have a defined right of recourse with respect to any liabilities a party may incur in respect of the other party under the joint and several liability regarding such assets and obligations as have been retained by NKT or assigned to Nilfisk Holding, respectively.

Material liabilities of NKT
NKT has identified the following material actual and potential liabilities existing as of the date of this Demerger Statement where the aforesaid statutory joint and several liability between NKT and Nilfisk Holding following completion of the Demerger may become relevant:

Claims related to alleged infringement of competition rules and regulations
In April 2014, the European Commission imposed antitrust fines on a number of high-voltage power cable producers and their parent companies, including NKT Cables GmbH and NKT. The fine issued against NKT Cables GmbH and NKT amounted to EUR 3.9 million out of a fine total of EUR 301 million. Whilst NKT Cables GmbH was alleged to have participated in the antitrust infringement, NKT was solely held responsible in its capacity as a parent company without any alleged involvement in the infringing conduct. The fine was paid by NKT Cables GmbH in July 2014. NKT Cables GmbH and NKT have brought an appeal against the decision and the fine, which is currently pending before the General Court in Luxembourg. Under applicable EU rules, the General Court can both decrease and increase a fine amount.

As a consequence of the European Commission’s decision, the addressees of the decision, including NKT, face exposure to claims for damages in proceedings brought by customers or other third parties. This exposure includes three claims that have been filed before the High Court in the United Kingdom by respectively National Grid, Scottish Power and Vattenfall. In line with its appeal against the Commission's decision, NKT vigorously contests any civil damages claim based on an alleged antitrust infringement. Since 2009, when the European Commission initiated its antitrust investigation against NKT Cables GmbH, NKT Cables GmbH and subsequently the current operating entity for the power cable business, NKT Cables GmbH & Co. KG (now renamed NKT GmbH & Co. KG), have paid for all related expenses, including related legal costs and the fine. There can, however, be no assurance that unfavourable outcomes in these claims and any future claims may not result in a materially adverse financial impact for NKT.

Any liability with regard to the above mentioned potential claims will following completion of the Demerger remain with NKT. Nevertheless, Nilfisk Holding is, in accordance with the statutory joint liability described above, liable for such claims. See section 4.7.1 "*The Demerger Agreement"* for information about the Demerger Agreement and NKT's obligation to indemnify, defend and hold the Company harmless from any claims, costs and losses that may be incurred by the Company on account of the statutory joint liability described in this section.

Parental guarantees
NKT has undertaken certain parental guarantees on behalf of its subsidiaries, both in respects of subsidiaries that, following completion of the Demerger, will be part of the Nilfisk Group, and in respect of subsidiaries that will remain part of the NKT Group.

As of the date of this Demerger Statement, NKT has undertaken the following material parental guarantees for entities that will following the Demerger remain with the NKT Group:

Beneficiary	**NKT Group company**	**Amount in issued currency**	**Amount in EUR***	**Maturity**
HSBC Bank Plc	NKT A/S	USD 20,000,000	EUR 17,000,000	Open-ended
Nykredit	NKT Cables Verwaltungs GmbH	DKK 435,000,000	EUR 58,300,000	30 September 2029
Nykredit	NKT Cables A/S	DKK 430,000,000	EUR 57,800,000	21 December 2028
Tennet TSO B.V.	NKT Cables GmbH & Co. KG	EUR 9,400,000	EUR 9,400,000	November 2017
Bayer	NKT Cables	EUR 5,000,000	EUR 5,000,000	10 August 2018

	Verwaltungs GmbH			

*Calculated using the Danish central banks closing exchange rate as per 31 July 2017.

As of the date of this Demerger Statement, NKT has undertaken the following material parental guarantees for entities that will following the Demerger be part of the Nilfisk Group:

Beneficiary	**Nilfisk Group company**	**Amount in issued currency**	**Amount in EUR***	**Maturity**
HSBC Bank Plc	Various Nilfisk Group companies	USD 30,000,000	EUR 25,600,000	Open-ended
Fort Worth Partners, LLC	Nilfisk Inc.	USD 3,300,000	EUR 2,800,000	30 April 2021
UP Northcross II, LLC	Nilfisk Inc.	USD 14,200,000	EUR 12,100,000	31 August 2026

*Calculated using the Danish central banks closing exchange rate as per 31 July 2017.

As part of the Demerger, Nilfisk Holding will assume the liabilities of NKT with regard to the parental guarantees issued in respect of the Nilfisk Group companies, whereas the liabilities with regard to the parental guarantees issued for the benefit of entities that will after the Demerger remain with the NKT Group shall remain with NKT, however, Nilfisk Holding will, on account of the statutory joint and several liability continue to be exposed to the risks associated with such parental guarantees.

Liability for tax claims and penalties prior to the approval at the General Meeting

Under section 15(b)(3) of the Merger Tax Act, assuming that the Demerger qualifies as tax-exempt, Nilfisk Holding will be liable for any tax claims and penalties, which may according to Danish tax laws be directed towards NKT with respect to the period until the date when the General Meeting approves the Demerger. Contrary to the liability under the Companies Act section 254(2), the liability for tax claims and penalties under section 15(b)(3) of the Merger Tax Act is unrestricted. Reference is made to section 4.9.5 *"Joint taxation considerations"*.

Liability for the Demerger Statement

The Demerger Statement is the responsibility of NKT. Upon completion of the Demerger, any liabilities arising out of the Demerger Statement shall be transferred to and remain vested exclusively with Nilfisk Holding.

4.8 Relations with contracting parties post Demerger

In connection with completion of the Demerger, Nilfisk Holding will in accordance with the Danish Companies Act automatically succeed to all rights and obligations related to the activities and other contractual obligations, which are transferred to it pursuant to the Demerger Plan (principle of "universal succession"). The automatic succession to rights and obligations will also occur in relation to contracts, which NKT has entered into with third parties, and which are pursuant to the Demerger Plan transferred to Nilfisk Holding, unless such contracts include specific provisions to the effect that the principle of universal succession has been dis-applied.

Technically, the Demerger provides for Nilfisk and its direct and indirect subsidiaries to change ownership from NKT being the ultimate controlling shareholder to Nilfisk Holding being the ultimate controlling shareholder. Nilfisk and such subsidiaries are parties to contracts, which provide that a direct or indirect change of ownership in the company entitles the other contracting party to terminate the contract or which otherwise confer on the contracting party certain rights in case of a change of ownership (change of control provisions). The Executive Management believes that none of the Nilfisk Groups' material contracts include such change of control provisions.

4.9 Danish tax effects of the Demerger

The following sections include a summary of certain Danish tax considerations relating to the Demerger.

The summary is for general information only and does not purport to constitute exhaustive tax or legal advice. It is specifically noted that the summary does not address all possible tax consequences relating to the Demerger and the Shares. The summary is based solely upon the tax laws of Denmark in effect on the date of this Demerger Statement. Danish tax laws may be subject to change, possibly with retroactive effect.

Shareholders are advised to consult their tax advisors regarding the applicable tax consequences of the Demerger, acquiring, holding and disposing of the Shares based on their particular circumstances. Shareholders who may be affected by the tax laws of other jurisdictions should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances as such consequences may differ significantly from those described herein.

4.9.1 Approval by the Danish tax authorities

Following a request by NKT, SKAT has approved the Demerger as a tax-exempt transaction pursuant to the Danish Merger Tax Act. Provided certain conditions and material assumptions laid down in SKAT's Ruling are fulfilled, the Demerger will not result in Danish taxation of NKT or the Receiving Shareholders.

If any of the conditions set out in SKAT's Ruling or any of the material assumptions underlying SKAT's Ruling are not fulfilled or are no longer fulfilled within the first three years after the Demerger has been approved by the General Meeting, SKAT shall be so informed and this may lead SKAT to revoke its approval that the Demerger be a tax-exempt demerger pursuant to the provisions of the Danish Merger Tax Act. In such event, the Demerger would, from a Danish law perspective, become a taxable event for both NKT, Nilfisk Holding and the Receiving Shareholders and could lead to taxes being levied on all or any of the aforesaid. Reference is made to section 4.9.4 "*Conditions applicable to the tax exemption*".

Efforts will be made to comply with the applicable conditions and material assumptions for tax exemption and each of NKT and Nilfisk Holding shall pursuant to the Demerger Agreement abstain from taking any actions that would be contrary to the conditions or material assumptions set out in SKAT's Ruling for consenting to the Demerger being tax exempt. However, NKT and Nilfisk Holding cannot guarantee that the Demerger will qualify as tax-exempt and thereby have the tax effects assumed in the description.

4.9.2 Danish tax considerations relating to NKT

NKT's transfer of its shares in Nilfisk and certain other activities, assets and liabilities (related to the Nilfisk Group) to Nilfisk Holding pursuant to the Demerger will not result in taxation of NKT, provided the conditions and material assumptions set out in SKAT's Ruling are complied with. Instead, Nilfisk Holding will assume the tax position of NKT with respect to the activities, assets and liabilities transferred under a principle of tax succession. Accordingly, the activities, assets and liabilities will – for Danish tax purposes – be deemed acquired by Nilfisk Holding at the times when these activities, assets and liabilities were acquired by NKT and at the acquisition prices paid by NKT, and any tax depreciation made by NKT will be deemed made by Nilfisk Holding.

4.9.3 Danish tax considerations relating to the Danish Receiving Shareholders

The following comments pertain to Danish Receiving Shareholders only.

The Demerger will not result in taxation of the Receiving Shareholders, provided the conditions and material assumptions set out in SKAT's Ruling are complied with. The Shares distributed to the Receiving Shareholders in proportion to their shareholdings in NKT will be deemed acquired by the Receiving Shareholders under a principle of tax succession, subject to certain specific rules summarised below (non-exhaustive).

The Shares distributed to the Receiving Shareholders will be deemed acquired by the Receiving Shareholder at the same time as the shares in NKT held by such Receiving Shareholder. If the shares in NKT were acquired at different times by a Receiving Shareholder, a proportional allocation is made with respect to the Shares in Nilfisk Holding.

The acquisition price for the Receiving Shareholders' shares in NKT prior to the Demerger will be allocated among the shares that the Receiving Shareholders have in the NKT after the Demerger and the Shares distributed to the Receiving Shareholders pursuant to the Demerger. The allocation of the acquisition price is made according to the ratio of the market value of the shares in NKT and the Shares in Nilfisk Holding and the total market value of the shares in NKT and the Shares in Nilfisk Holding based on the average quoted value of the shares in NKT and Nilfisk Holding, respectively, during the first 20 trading days where the two companies are both listed on Nasdaq Copenhagen.

If a Receiving Shareholder's shares in NKT qualify as shares held in a professional capacity, the Shares in Nilfisk Holding distributed to that Receiving Shareholder will also qualify as shares held in a professional capacity. If not all of the Receiving Shareholder's shares in NKT have the same tax status, a proportional allocation is made with respect to the Shares in Nilfisk Holding.

When filing the tax return for the income year in which the Demerger is effected, the Receiving Shareholders must submit to SKAT a statement on calculation of the acquisition price for the Shares in Nilfisk Holding.

In connection with the Demerger, SKAT will, with respect to Danish individual Receiving Shareholders whose shares in NKT are registered in SKAT's securities system, be informed by VP Securities that the Receiving Shareholders have received Shares in Nilfisk Holding. For Danish individual Receiving Shareholders this is a condition for any future losses on the Shares to be off-settable. Shares acquired by Danish individual Receiving Shareholders in NKT 1 January 2010 or later will automatically have been registered in SKAT's securities system, however, Danish individual Receiving Shareholders who acquired their shares in NKT prior to 1 January 2010, should make sure that their shares are registered in SKAT's securities system.

4.9.4 Conditions applicable to the tax exemption

SKAT's Ruling is subject to the fulfilment of and compliance with certain conditions and material assumptions made in connection with the approval, including that (i) the shares in Nilfisk Holding shall become listed on a regulated market in connection with the Demerger, and (ii) the shares in NKT will remain listed on a regulated market after the Demerger.

If any of the conditions set out in SKAT's Ruling or any of the material assumptions underlying SKAT's Ruling are not fulfilled or are no longer fulfilled during the first three years after the Demerger has been approved by the General Meeting, SKAT is required to be so informed and this may lead SKAT to revoke its approval that the Demerger be a tax-exempt demerger pursuant to the provisions of the Danish Merger Tax Act. In this respect, SKAT has confirmed that an acquisition or sale of Nilfisk subsidiaries or assets held by such subsidiaries or a merger of Nilfisk Holding and Nilfisk, effected as ordinary commercially justified dispositions, will not be subject to the requirement to inform SKAT under SKAT's Ruling.

If SKAT withdraws the approval or if certain statutory requirements are not fully observed, the Demerger will have the following Danish tax consequences:

1. Taxation of NKT

NKT's transfer of activities, assets and liabilities (related to the Nilfisk Group) to Nilfisk Holding pursuant to the Demerger will result in taxation of NKT similar to a sale of transferred activities, assets and liabilities at market values (i.e. capital gains and depreciation recaptured will be taxed as corporate income), while Nilfisk Holding will be deemed to have acquired the activities, assets and liabilities at equal values resulting in a corresponding stepped-up basis for depreciation and acquisition prices based on these values. NKT should in general not incur any taxes as a result of the transfer of its shares in Nilfisk to Nilfisk Holding as the shares are treated as tax exempt subsidiary shares. However, potential CFC (controlled foreign company) income may have to be included in the taxable income of NKT, if the subsidiaries below Nilfisk own certain financial assets or liabilities on which a potential deemed capital gain could be triggered. As the subsidiaries are sales and production companies this risk is deemed low.

2. Taxation of the Receiving Shareholders

The distribution of the Shares in Nilfisk Holding to the Receiving Shareholders will qualify as a dividend distribution made by NKT to the Receiving Shareholders and the Receiving Shareholders will be taxed accordingly on the market value of the Shares (see section 28.10 "*Taxation*" on taxation of dividends). However, as NKT will not pay withholding tax on the distribution of Shares in connection with the Demerger, NKT will be immediately responsible for paying withholding taxes on such distribution unless NKT proves that there is no negligence on its part in observing the provisions of the Danish Act on Withholding Taxes ("*Kildeskatteloven*"). The Shares in Nilfisk Holding will be deemed equally acquired at the market value of the Shares as of the date where the Demerger is finally resolved by the General Meeting, while the acquisition price of the shares in NKT will be the price originally paid by the shareholders.

4.9.5 Joint taxation considerations

NKT is currently taxed on a consolidated basis with Nilfisk, NKT Cables A/S and NKT Photonics (and other Danish resident companies directly or indirectly controlled by NKT) (the "**NKT Tax Group**") pursuant to the Danish regime on mandatory joint taxation. Each company in the NKT Tax Group is a separate taxable entity and is taxed accordingly under the general Danish corporate tax regime, however, the income of each group member is consolidated for corporate tax purposes thereby allowing tax losses of one group member to be offset against profits of another group member. NKT is the "administration company" of the NKT Tax Group and is accordingly responsible for administration of the joint taxation, including payment of corporate taxes levied on the consolidated income. The companies in the NKT Tax Group are jointly and severally liable for payment of corporate taxes as well as withholding taxes.

Assuming the Demerger is completed, Nilfisk will secede from the NKT Tax Group and enter into a new jointly taxed group consisting of Nilfisk Holding (ultimate parent company) and Nilfisk (and other Danish resident companies directly or indirectly controlled by Nilfisk) (the "**Nilfisk Holding Tax Group**") once the Demerger is deemed effective. Following the Demerger, the Nilfisk Holding Tax Group will accordingly be taxed on a consolidated basis pursuant to the Danish joint taxation regime and Nilfisk Holding will be appointed "administration company" for joint taxation purposes. Reference is made to the above on the implications thereof.

The taxable income of Nilfisk Holding for the period from 1 January 2017 until the date of the General Meeting, where the Demerger is finally resolved is required to be included in the taxable income of NKT for 2017 and be filed under the CVR-number of NKT and the resulting corporate taxes payable/receivable have to be paid/received by NKT.

A few foreign Nilfisk Group entities have been jointly taxed with NKT until the financial year 2005 and the tax losses from these entities have been deducted against Danish taxable income and thereby reduced historic corporate tax payments. NKT has been obligated to increase the taxable income until the corresponding tax benefits of these deductions have been recaptured and Danish corporate taxes have effectively been paid. This recapture obligation will be transferred to Nilfisk Holding in connection with the Demerger and has been fully provided for in the Demerger balance sheet, included as schedule 1 to the Demerger Plan set out in Appendix B to this Demerger Statement.

Pursuant to section 31(6) of the Danish Corporate Tax Act, Nilfisk Holding and its Danish subsidiaries will be jointly and severally liable for tax claims made against the other companies in the jointly taxed group of companies. This joint liability covers income taxes for the period from the income year 2013 and withholding taxes as from 1 July 2012 until the joint taxation is terminated. The joint liability will continue as long as the same group of shareholders directly or indirectly, per the time of the termination of the joint taxation, continue to control more than 50% of the votes in NKT and Nilfisk Holding.

NKT and the jointly taxed subsidiaries will be jointly and severally liable for tax claims made against Nilfisk Holding and Nilfisk related to income taxes for the period from the income year 2013 and withholding taxes as from 1 July 2012 until the joint taxation is terminated.

Under section 15(b)(3) of the Merger Tax Act, assuming that the Demerger qualifies as tax-exempt, Nilfisk Holding will be liable for any tax claims and penalties, which may according to Danish tax laws be directed towards NKT with respect to the period until the date when the General Meeting approves the Demerger. Contrary to the liability under the Companies Act section 254(2) (see section 4.7.2 "*Statutory joint and several liability*"), the liability for tax claims and penalties under the section 15(b)(3) of the Merger Tax Act is unrestricted.
The Demerger is not deemed to result in inability to carry forward any tax-losses in the Group.

4.10 Certain United States federal income tax considerations relating to the Demerger

The following is a summary of certain United States federal income tax consequences of the receipt of Shares by a U.S. Holder (as defined below). This summary deals only with U.S. Holders of shares in NKT that receive Shares in the Demerger and that will hold Shares as capital assets. The discussion does not cover all aspects of United States federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt of Shares by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-United States or other tax laws. This summary also does not address tax considerations applicable to investors that own or will own (directly, indirectly or by attribution) 5% or more of the voting stock of NKT or the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under United States federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that hold their shares in NKT, or will hold Shares, as part of straddles, hedging transactions or conversion transactions for United States federal income tax purposes, persons that have ceased to be United States citizens or lawful permanent residents of the United States, investors that hold their shares in NKT, or will hold Shares, in connection with a trade or business conducted outside of the United States, United States citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar). See section 28.11 "Certain United States federal income tax considerations relating to the ownership of Shares" for a summary of certain United States federal income tax consequences of the ownership and disposition of Shares by a U.S. Holder.

As used herein, the term "U.S. Holder" means a beneficial owner of shares in NKT or Shares, as applicable, that is, for United States federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to United States federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for United States federal income tax purposes.

The United States federal income tax treatment of a partner in an entity or arrangement treated as a partnership for United States federal income tax purposes that holds shares in NKT, or will hold Shares, will depend on the status of the partner and the activities of the partnership. Entities or arrangements treated as partnerships for United States federal income tax purposes holding shares in NKT, or that will hold Shares, should consult their tax advisors concerning the United States federal income tax consequences to them and their partners of the receipt, ownership and disposition of Shares.

*Except as otherwise noted, the summary assumes that each of NKT and the Company is not a passive foreign investment company (a "**PFIC**") for United States federal income tax purposes and that NKT has never been a PFIC; however, the Company and NKT can provide no assurance that this is the case. If either NKT or the Company were to become a PFIC, materially adverse consequences could result for U.S. Holders.*

*This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Denmark (the "**Treaty**"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.*

THE SUMMARY OF UNITED STATES FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING OF SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-UNITED STATES AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

4.10.1 Tax consequences of the Demerger

The characterisation of the Demerger is for United States purposes uncertain and depends on all the facts and circumstances relevant to the Demerger. It is possible that the Demerger could be treated as a distribution of Shares with respect to shares in NKT described under section 355 of the Code, subject to non-recognition treatment. However, NKT has not received a tax opinion from its tax advisors on whether the Demerger should satisfy the statutory and regulatory requirements for non-recognition treatment in respect of U.S. Holders for United States federal income tax purposes, and no ruling has been sought from the U.S. Internal Revenue Service (the "**IRS**"). Alternatively, the Demerger may be treated as a taxable distribution of Shares to U.S. Holders in respect of their shares in NKT. Certain United States federal income tax consequences of the Demerger being treated as a distribution of Shares with respect to shares in NKT described under Section 355 of the Code subject to non-recognition treatment and as a taxable distribution of Shares to U.S. Holders in respect of their shares in NKT are described below.

Each U.S. Holder should consult its own tax advisor about the proper United States federal income tax treatment of the Demerger for United States federal income tax purposes, and the consequences of receiving, owning or disposing of the Shares, including the consequences of NKT or the Company being treated as a PFIC for United States federal income tax purposes.

4.10.2 Distribution subject to non-recognition treatment

If the Demerger is treated as a distribution of Shares with respect to shares in NKT described under Section 355 of the Code, no gain or loss generally should be recognised by U.S. Holders upon the receipt of the Shares, except to the extent of any amount of Danish withholding tax paid by NKT with respect to the distribution (which would be treated as a taxable distribution to U.S. Holders, generally subject to treatment as described below under section 4.10.3 "*Taxable Distribution*"). The aggregate tax basis of the Shares and the shares in NKT in the hands of each

U.S. Holder immediately after the distribution should equal such U.S. Holder's aggregate tax basis in the shares in NKT immediately before the distribution, apportioned among the Shares and the shares in NKT based on relative fair market values of each on the date of the distribution. The holding period of the Shares received by a U.S. Holder should include the holding period of the shares in NKT on which the distribution will be made.

4.10.3 Taxable distribution

General

If the Demerger is not treated as distribution described under Section 355 of the Code, then the Demerger generally would be treated as a distribution of the Shares by NKT to its shareholders, with the amount realised in the distribution by a U.S. Holder equal to the fair market value of the Shares distributed to it, increased by the amount of any Danish withholding tax paid by NKT with respect to the distribution. The distribution generally would be treated as a dividend to the extent of NKT's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of the distribution in excess of NKT's current and accumulated earnings and profits generally would be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in their shares in NKT and thereafter as capital gain. However, NKT does not maintain calculations of its earnings and profits for United Stated federal income tax purposes. U.S. Holders should therefore assume that the entire amount deemed realised pursuant to the Demerger would be reported as ordinary dividend income. The distribution would not be eligible for the dividends received deduction allowed to corporations. The distribution generally would be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided NKT qualifies for the benefits of the Treaty and certain other requirements are met.

A U.S. Holder would have a tax basis in the Shares received equal to their fair market value, determined in U.S. dollars.

U.S. Holders should consult their own tax advisors with respect to the appropriate United States federal income tax treatment of any distribution received from NKT pursuant to the Demerger.

Effect of Danish withholding taxes

As discussed in section 4.9.4 "*Conditions applicable to tax exemption*", if the Demerger does not qualify for tax exemption, the distribution of the Shares will be treated as a dividend distribution made by NKT to the Receiving Shareholders. As discussed in section 28.10.4 "*Taxation of shareholders residing outside Denmark*", under current law payments of dividends by NKT to non-Danish investors are subject to Danish withholding tax. For United States federal income tax purposes, U.S. Holders will be treated as having received the amount of Danish taxes withheld by NKT, and as then having paid over the withheld taxes to the Danish taxing authorities.

Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its United States federal income tax liability, or a deduction in computing its United States federal taxable income, for Danish income taxes withheld by NKT. Dividends paid by NKT generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. U.S. Holders should consult their tax advisors concerning the foreign tax credit implications of Danish withholding taxes.

4.10.4 Passive foreign investment company considerations

A non-U.S. corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Each of the Company and NKT does not believe that it should be treated as, and does not expect to become, a PFIC for U.S. federal income tax purposes, but the Company and NKT's possible status as PFICs must be determined annually and therefore may be subject to change. If NKT is treated as a PFIC with respect to a U.S. Holder for the year in which the Demerger occurs, U.S. Holders of shares in NKT would be required (i) to pay a special United States addition to tax on certain distributions and gains on sale, (ii) to pay tax on any gain from the sale of shares in NKT at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain, and (iii) comply with additional reporting requirements in respect of their shares in NKT with respect to any gain realised in the distribution of the Shares pursuant to the Demerger (if the distribution otherwise would be subject to non-recognition treatment), or the dividend income realised in the Demerger.

Certain elections may be available that would result in alternative treatment of the shares in NKT. U.S. Holders should consult their tax advisors regarding the potential application of the PFIC regime.

4.10.5 Information Reporting and Backup Withholding

Distributions received pursuant to the Demerger by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. If the Demerger is treated as a tax-free distribution, U.S. Treasury Regulations require U.S. Holders that receive stock in a qualifying distribution to retain records that include information regarding the amount, basis and fair market value of all property received in the distribution. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the Demerger or the receipt of Shares, including requirements related to the holding of certain “specified foreign financial assets”.

5. INFORMATION ABOUT THE COMPANY

5.1 Name, registered office and date of incorporation

Upon completion of the Demerger, the name and registered office of Nilfisk Holding will be:

Nilfisk Holding A/S
Kornmarksvej 1
DK-2605 Brøndby
Denmark
Telephone no. +45 43 23 81 00

5.2 Registration

The Company will be registered under Danish law with the Danish Business Authority as a public limited liability company upon completion of the Demerger and will obtain its company registration number at such time. The registration number will be included in the company announcements planned to be issued by the Company and NKT upon completion of the Demerger.

5.3 The Nilfisk Group's history and development

Nilfisk Holding will upon completion of the Demerger become the parent company of the Nilfisk Group.

The roots of the Nilfisk Group dates back to 1906 where P.A. Fisker formed a partnership with H.M. Nielsen called Fisker & Nielsen. The Group initially produced motors for various purposes, including motorcycles under the brand name "Nimbus". The first vacuum cleaner developed and produced by Fisker & Nielsen was patented in 1910. As of 1 June 1920, the legal entity Nilfisk as it is known today was incorporated as a public limited liability company. In the 1950's Nilfisk expanded its cleaning product range and started to manufacture and sell other kinds of cleaning machines. Today the Nilfisk Group's offering is divided into three product lines: Floorcare, Vacs and HPW, and one service offering: Aftermarket. For more information on the Group's products and service offering, see section 7.8 "*The Nilfisk Group's offering and brands*".

Nilfisk was acquired wholly by NKT in 1989 and up until today, the Nilfisk Group has expanded its business organically and by acquisitions of a number of companies and businesses. As at the date of this Demerger Statement, the Nilfisk Group has production sites in 10 different countries, operates sales companies throughout the world and employs approximately 5,600 FTEs. For an overview of the Nilfisk Group reference is made to section 8 "*Organisational Structure*".

Upon completion of the Demerger, NKT's shares in Nilfisk, certain activities, assets and liabilities directly related to the business of the Nilfisk Group will be allocated and transferred to Nilfisk Holding. See section 4 "*Description of the Demerger*" for further information about the Demerger.

5.4 Investments of the Nilfisk Group

The following table sets forth the Nilfisk Group's investments for the year ended 31 December 2016 and 31 December 2015 and the six month period ended 30 June 2017.

	30 June 2017	2016	2015
		(EUR million)	
Investments			
Acquisition of businesses and non-controlling interests	0	32	29
Investments in property, plant and equipment	7	21	22
Investments in intangible and other assets	11	23	22

	30 June 2017	2016	2015
		(EUR million)	
Total investments	**18**	**76**	**73**

Investments in 2015
Acquisitions in 2015 included Smithson Equipment (Australia), Kerrick (New Zealand and Australia), Contractor (United Kingdom) and Hydro Tek (United States).

Investments in property, plant and equipment in the table above primarily include i) investments in tools and equipment in the manufacturing sites and distribution centers in Denmark, China, Italy, Hungary, the United States and Mexico, ii) investments in the Nilfisk Group's professional cleaning equipment leased to customers on operational lease basis from the Nilfisk Group's sales offices, and to iii) ordinary reinvestments in general.

Investments in intangible assets primarily include investments in software supporting the front-end initiatives, investments in ERP systems as well as investments in development projects.

Investments in 2016
Acquisitions in 2016 included Pressure-Pro (United States), Industro-Clean Cape (South Africa) and minority shares in Nilfisk S.A. in Chile.

Investments in property, plant and equipment primarily include i) investments in tools and equipment in the manufacturing sites and distribution centers in Denmark, China, Italy, Hungary, the United States and Mexico, ii) investments in the Nilfisk Group's professional cleaning equipment leased to customers on operational lease basis from the Nilfisk Group's sales offices, iii) leasehold improvements related to the moving of headquarters in both Denmark and the United States and iv) ordinary reinvestments in general.

Investments in intangible assets primarily include investments in software supporting the front-end initiatives, investments in ERP systems and investments in development projects.

Investments in the six month period ended 30 June 2017
In the six month period ended 30 June 2017, the Group acquired a minority shareholding in Chasnic Pty Ltd. (ZAF) (South Africa).

Investments in property, plant and equipment in the table above primarily include i) investments in tools and equipment in the manufacturing sites and distribution centers in Denmark, China, Italy, Hungary, the United States and Mexico, ii) investments in the Nilfisk Group's professional cleaning equipment leased to customers on operational lease basis from the Nilfisk Group's sales offices, and iii) ordinary reinvestments in general.

Investments in intangible assets primarily include investments in software supporting the front-end initiatives, investments in ERP systems and investments in development projects.

Significant current investments
As of the date of this Demerger Statement, the Nilfisk Group has no significant investments in progress other than investments arising from and which can be financed through the ordinary course of business, including investments in tangible and intangible assets under the Accelerate+ initiative expected to total EUR 12 million during 2017-2019.

Significant future investments
As of the date of this Demerger Statement, the Nilfisk Group has no specific plans concerning significant future investments other than investments arising from the ordinary course of business, including investments in

optimising the Group's operating facilities and processes, which are considered key to ensure the Group's long-term competitiveness and which can be financed through the ordinary course of business.

6. MARKET AND TREND INFORMATION

This section contains forecasts, statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Nilfisk Group's business and relevant markets. Due to the breadth of the Nilfisk Group's business with sales in more than 100 countries and as no credible external reports describe the professional cleaning equipment market relevant to the Nilfisk Group, the market sizes and market shares are estimated by the Executive Management. The consumer vacuum cleaner market is described by external independent parties, however, no market data is available to support the consumer high pressure washer market.

6.1 The Nilfisk Group's core markets

As a global cleaning equipment manufacturer in the professional and consumer segments, all businesses and households are potential customers of the Nilfisk Group. The Nilfisk Group, however, operates primarily in the professional market, which constituted approximately 90% of the Nilfisk Group's revenue in 2016. Section 7.8 "*The Nilfisk Group's offering and brands*" provides a description of the key products within each product line that the Group provides.

The global market for professional cleaning equipment relevant to the Nilfisk Group consists of floorcare equipment, vacuum cleaners and high pressure washers and aftermarket (spare parts, accessories, consumables, and services related thereto). The global market value of the professional cleaning equipment market relevant to the Nilfisk Group is estimated by the Executive Management to be approximately EUR 7.5 billion annually.

The global market for consumer cleaning equipment in which the Nilfisk Group primarily operates constitutes vacuum cleaners and high pressure washers. The Executive Management estimates that the global consumer market size of vacuum cleaners and high pressure washers is EUR 12.0-14.5 billion annually.

The below sections focus primarily on the professional cleaning equipment market due to its relative importance to the Nilfisk Group.

6.2 Cleaning equipment markets – products and services

The market for professional cleaning equipment can be split into different product categories that each performs different cleaning tasks. The key categories in which the Group operates are the following:

- Floorcare equipment (approximately 35% of the professional market): These products scrub, polish, wash and/or sweep floors, primarily hard surfaces. This includes the compact segment within outdoor machines for sweeping of streets/pavements, snow removal, lawn moving, etc.
- Vacuum cleaners (approximately 15% of the professional market): These products use suction to pick up debris and/or liquids primarily from floors but also from other surfaces.
- High pressure washers (approximately 15% of the professional market): These products use pressurised water to clean surfaces, machines, tools etc.
- Aftermarket services (approximately 35% of the professional market): Spare parts, accessories, consumables, maintenance and service contracts. This category provides maintenance and repair services to all of the above product groups.

The global consumer market relevant to the Nilfisk Group consists of the following:

- Vacuum cleaners (approximately 85% of the consumer market): These products use suction power and are used indoor in households to pick up dust and light debris and in hobby use to pick up dust, debris and liquids.
- High pressure washers (approximately 15% of the consumer market): These products use pressurised water to clean cars, garden furniture/fixtures, etc.

6.3 Cleaning equipment markets – customer segments

The market for professional cleaning equipment can be divided into a number of customer categories that each have different cleaning needs and consequently different requirements for cleaning equipment.

The Group divides the professional market into a number of strategic customer segments that are described in more detail in the section 7.9 "*Customers*". In overall terms, the market for professional cleaning equipment is divided into the following three categories:

- Industrial customers (approximately 45% of the professional market): This category consists of various industrial/manufacturing companies where cleaning is often integrated with or critical to the manufacturing process. The category includes e.g. companies engaging in industries such as iron and metal fabrication, food and beverage, pharmaceuticals, agriculture, building and construction, and automotive. These customers use vacuum cleaners (industrial and "wet'n'dry"), floorcare equipment, and high pressure washers.
- Institutional customers (approximately 35% of the professional market): This category consists of offices, retail stores, education centres (schools/universities), municipalities, hospitals and healthcare facilities etc., which are customers that typically have lighter cleaning needs. These customers primarily use floorcare equipment and vacuum cleaners for their cleaning needs.
- Contract cleaners (approximately 20% of the professional market): This category consists of companies that offer cleaning to other businesses. These customers primarily use floorcare equipment and vacuum cleaners, and to a lesser extent high pressure washers, for their cleaning needs.

6.4 Cleaning equipment markets – price/value segments

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

- High-end (approximately 45-50% of the professional market): This segment comprises products offering high quality and durability as well as many features. This market segment is primarily served by the largest players in the industry, but also some smaller and mid-sized niche players. This market segment is where the Group has primarily operated historically and holds its strongest position. It will continue as the key segment for the Group.
- Mid-market (approximately 35-40% of the professional market): This segment comprises products with a focus on value for money and with a balanced approach to quality/durability and features. The price point in this market segment is typically 15-30% lower than in the high-end segment. The segment is primarily served by smaller and mid-sized players. The Group operates to a smaller extent in this market segment but it is part of the Nilfisk Group's strategy to increase its share of this market segment. Nilfisk has achieved double-digit organic revenue growth in this part of the market in each of the past two financial years.
- Low-end (approximately 15-20% of the professional market): This segment comprises products where price is the key factor at the expense of quality/durability and features. The price point is typically more than 30%

lower than in the high-end segment, and is to a large extent served by companies from emerging markets, and in particular China. The Group does not operate, nor plan to operate, in this market segment.

6.5 Key geographic markets

On a geographical basis, the professional cleaning market can be split as follows:

- Americas: This geographical market covers North America and South America. The Executive Management estimates that the market value is approximately 40-45% of the professional market. Americas is dominated by the United States, which is estimated to be more than 80% of the total Americas market. Other notable markets in Americas are Canada, Mexico, Brazil and Chile.
- EMEA: This geographical market covers Europe, Middle East and Africa. The Executive Management estimates that the market value is approximately 40-45% of the professional market. The vast majority of the market is in Europe where the distribution of the market sizes largely follows the size of the individual countries in terms of gross domestic product ("**GDP**") and population.
- APAC: This geographical market covers Asia and Pacific (Australia and New Zealand). The Executive Management estimates that the market value is approximately 15% of the professional market. China, Japan and Australia are considered to be the largest markets in APAC and in combination these countries constitute more than two thirds of the total APAC market.

6.6 Industry growth drivers and seasonality

The Executive Management estimates that the professional cleaning equipment market measured by volume generally follows the development in real GDP.

In emerging markets, the volume growth of the professional cleaning equipment market is estimated to be slightly higher than the development in real GDP. This higher growth is due to the increased standards of living and the fact that professional cleaning machines in emerging markets substitute more labour intensive cleaning practices as salary levels increase in these markets. This creates incentives for customers to substitute manual cleaning with machine based cleaning.

By increasing focus on innovation, the industry has generally been able to offset the gradual commoditisation with downward price pressure, which takes place.

In the market for consumer high pressure washers, there is a significant seasonality as these products are, to a large extent, sold within a few months of the spring season (reverse on the Northern and Southern hemisphere, respectively). There is limited seasonality in the professional cleaning equipment market. While the Group has limited revenue from the consumer high pressure washers market, the seasonality of this market is the key driver of the overall seasonality in the Group's revenue and working capital.

6.7 Trends

There are several trends affecting the professional cleaning equipment industry and thereby the Group. The trends identified and addressed by the Group are:

	Trend	The Nilfisk Group's response

MACRO	**Internet of things** Connectivity and internet of things will increasingly impact the cleaning equipment market. Major cleaning equipment producers are already connecting parts of their product line to the internet and customers are requesting data driven solutions.	The Group has increased investments in innovation and new technologies such as the intelligent fleet management system TrackClean and data analytics.
	Digitalisation Digital technologies provide speed and adaptability through various touchpoints in the value chain and form opportunities to shape customer experiences through more agile ways of working.	The Group is increasingly diverting its investments to digitalisation of products, processes and solutions to create new revenue streams.
	New business models Traditional value chains risk being disrupted by new technologies and new business models that could change the market for cleaning.	The Group continuously works to offer better, faster, cheaper and smarter products and services. Accordingly, the Group will explore new opportunities for making its cleaning products and services available to a wider range of customers through new solutions.
	Emerging markets The demand for cleaning grows faster in the emerging markets than in the matured markets, as living standards increase and changes in salary levels make mechanical cleaning a more affordable substitute for labour.	The Group keeps investing in emerging markets, both through investments in local sales resources as well as targeted offerings (e.g. micro scrubbers).
TECHNOLOGY	**Sensor technologies** Advanced sensors are increasingly embedded in products and environments such as smart buildings in order to detect and respond to input and gather data, enabling real time monitoring.	Sensors are an integral part of the autonomy development, and the Group will continue to invest and integrate sensors in its products and services to serve current and future customer needs more effectively.
	Intelligent autonomy To optimise productivity, improve machine intelligence, and obtain larger flexibility, intelligent autonomy and use of robotics technology is increasingly adopted by the cleaning industry.	With the development of the Nilfisk Liberty A50 autonomous scrubber, expected to be launched in late 2017 or early 2018, the Group increases the level of intelligence and quality outcome in autonomous cleaning products. The Group will continue to invest in the development of autonomous products.
	Power source technologies Rechargeable batteries are key for the cleaning industry and facility management to increase productivity and manage and control costs better.	Power source technologies are already one of the key technology domains in which the Group is investing.

INDUSTRY	**Commoditisation** Products become increasingly similar and offer the same physical functionality and performance, putting pressure on market prices.	Pressure on market prices from commoditisation of products has historically been countered by increasing focus on innovation. Additionally, the Group continuously works on ensuring cost efficiency and pursues differentiation of products and surrounding services where meaningful.
	Focus beyond product The purchase decision is driven more and more by the total cost of cleaning rather than just the actual price of the product. This means that customers look for added value, and supplementary product offerings.	The Group will continue to strengthen its aftermarket network and focus on aftermarket service, including new options for e.g. the financing of cleaning products and services.
	Value of clean There is an increased focus on the benefits of clean, e.g. health. A clean environment leads to measurable value for customers and prevents the spread of diseases, and increases the general well-being of people.	The Group will leverage its many years of cleaning expertise to support businesses in reaching the desired outcome. The Group will continue to communicate the value of clean.
	Collaborative innovation Collaboration and partnerships provide opportunities for lower cost, higher quality innovation, reduced development time and shared risk.	The Group continuously evaluates partnerships to co-develop new products and services with key partners inside and outside the industry. An example of this, is the recent collaboration with Carnegie Robotics, LCC.
	Professionalised purchasing. Purchasing of cleaning products and services becomes more professionalised due to centralisation of procurement, increased focus on compliance and globalisation of customers.	The Group will strengthen its key account management and tender competencies focusing on total cost of ownership (TCO), communicate productivity gains and new contract types.

7. BUSINESS

7.1 Introduction

The Nilfisk Group is a leading player in the professional cleaning equipment industry. The Nilfisk Group operates globally, and is present in 45 countries with own sales companies reaching more than 100 countries through direct sales and a network of dealers. The Group offers a focused and competitive range of products in the consumer market, and a broad and competitive range of products and services in the professional market, most notably; Floorcare, Vacs, HPW and Aftermarket (see product descriptions in section 7.8 "*The Nilfisk Group's offering and brands*"). Although every business and household is a potential customer to the Nilfisk Group, the Group focuses on the professional market and in particular ten distinct strategic customer segments (see section 7.9 "*Customers*" for further details).

Revenue contribution from the Nilfisk Group's product lines and service offering can be summarised as per below:

	H1 2017	2016	2015
	(EUR million)	**(EUR million)**	**(EUR million)**
Revenue by product line and service offering			
Floorcare..	178	319	317
Vacs..	101	187	178
HPW	98	180	142
Aftermarket	172	372	343
Total revenue..	**549**	**1,059**	**980**

Through the Group's Accelerate strategy, the Nilfisk Group has the ambition of "Growing our company to lead the industry". This supports the Group's vision: "*We lead intelligent cleaning to make your business smarter*".

7.2 The Group's strengths

The Group's key strengths are:

A global leader in the attractive professional cleaning equipment industry
The Executive Management estimates (all estimates are based on 2016 total market value) that the Group is among the global market leaders within the professional cleaning equipment industry with a global market share of approximately 11-13%. The Nilfisk group holds a strong market position within the high-end segment, which Executive Management estimates to account for approximately 45-50% of the total market value. The Executive Management estimates that the Group holds a market share within the high-end segment of approximately 20-25%.

The Nilfisk Group holds a strong position in the geographical regions Americas and EMEA, which accounted for approximately 31% and approximately 58%, respectively, of the Group's revenue in 2016. The Executive Management estimates that the Group holds an 8-10% market share in Americas and a 16-18% market share in EMEA. In 2016, the geographical region APAC accounted for approximately 11% of the Group's revenue and the Executive Management estimates that the Group holds a 6-8% market share.

The global market for professional cleaning equipment is highly fragmented with more than 100 players and the Executive Management estimates that the four largest players, including the Group, have a combined market share of approximately 40-45% of global sales.

Executive Management believes that the market for professional cleaning equipment, measured by volume, generally grows in line with real GDP growth thereby offering a solid foundation to grow upon. Weighted by the Group's geographical revenue exposure, real GDP has grown by 1.6% annually over the past ten years.

Executive Management believes that the global market for professional cleaning equipment holds several attractive growth opportunities within market segments such as the mid-market and emerging markets, within customer segments such as contract cleaners and within technologies such as intelligent cleaning.

In particular, the Group believes it will be able to increase the value of the addressable market as intelligent cleaning products substitute part of the labour cost of cleaning, thereby reducing customers' total cost of cleaning while increasing the market scope for professional cleaning equipment. Executive Management estimates that for a significant part of the Group's targeted professional market, cleaning equipment cost today only constitutes approximately 10% of customers' total cost of cleaning. Thus, by optimising customers' total cost of cleaning through intelligent cleaning products, the Group can increase its addressable market considerably. Moreover, customers' increasing understanding and recognition of the value of clean for their respective businesses is expected to unlock further growth opportunities.

Strong customer access and partner relationships

The Nilfisk Group services a large and diversified customer base of more than 200,000 active customers, including more than 10,000 dealers, operating within a wide range of industries. Top ten customers accounted for approximately 10% of the Group's revenue in 2016.

One of the Group's key strengths is to understand individual customers' needs and businesses. The Group has defined ten strategic customer segments, selected on the basis of highest financial attractiveness and highest ability for the Group to compete, which the Group focuses its sales, marketing and product development efforts towards.

The Group ensures strong customer access and a global sales coverage through direct as well as indirect sales channels. The Group has a salesforce of more than 1,700 FTEs driving sales and Aftermarket growth through sales entities in 45 countries across Americas, EMEA and APAC as well as an extensive network of more than 10,000 dealers reaching customers in more than 100 countries. The Group is continuously strengthening its dealer network, and in recent years the Group has invested significant resources in strengthening its sales and service forces and supporting systems and processes. The Group is in constant dialogue with dealers and its close relationships ensure superior customer access. The sales and service organisation strives to serve customers based on their individual characteristics. More specifically, the high-end sales force is organised regionally around the ten strategic customer segments in order to understand both local and segment specific customer needs.

The Nilfisk Group has a strong portfolio of highly recognised and trusted global, regional and local brands, some of which carry 100+ years of legacy and play an important role in attracting and retaining customers in a fragmented market.

Products are delivered through a fast and reliable distribution setup with regional distribution centres in Americas and EMEA. The distribution of products is handled through the regional distribution centres as well as multiple local warehouses located in the majority of the countries, where the Group has its sales companies. This distribution setup ensured a delivery accuracy of approximately 92% for the six months ended 30 June 2017 which has increased from 82% for the six months ended 30 June 2013 (measured on a three months rolling average). The Group is targeting a consistent level of delivery accuracy of 95% while balancing efficiency and responsiveness with working capital requirements.

The Group is continuously working on increasing customer satisfaction in order to retain and attract new customers and the Group works actively to identify and target the most attractive customers. The Group measures its customer satisfaction on a continuous basis using a Net Promoter Score (NPS) survey tool to monitor feedback and ensure continuous dialogue with customers regarding improving opportunities. NPS is a metric which measures customer loyalty and is widely used globally among companies. The Nilfisk NPS survey covers 32 countries. The Nilfisk NPS has increased from January 2012 to June 2017 with more than 80% resulting in a consolidated overall NPS of 33. As the NPS score differs on a regional basis, in part due to cultural differences, the Group tracks progress in NPS, more than the actual NPS score and the Group's initiatives and responses are regionally focused. While product related parameters are key drivers of customer satisfaction, other important drivers of the higher customer satisfaction have been the increased proximity to the customer by increasing market presence and customer focus throughout the organisation.

Extensive range of premium products and a reputable aftermarket offering

According to the NPS survey, the most important product related criteria for customers when buying professional cleaning equipment is quality, performance and reliability. The Group is highly rated by customers on all three buying criteria, offering an extensive range of high performance, quality and reliable products and services primarily within the high-end segment targeting professional customers. The largest product line in the Group’s portfolio is Floorcare (scrubbers, sweepers, polishers, burnishers and outdoor machines), which accounted for 30% of revenue in 2016. Furthermore, the Group holds a strong position within Vacs (dry and wet & dry-use vacuum and industrial vacuum cleaners) and HPW (including ultra-high pressure washers and low pressure washers) offered to both professionals and consumers. These product lines accounted for 18% and 17% of revenue in 2016, respectively.

In addition to the sale of machines, the Group also provides value-added aftermarket offerings (service solutions, parts, accessories, and other), which accounted for 35% of revenue in 2016, ensuring high reliability for customers by maximising uptime and cost predictability. The aftermarket offering also serves to strengthen customer relationships thereby securing high customer retention as well as attracting new customers and creating further sales opportunities. It is central for the Group’s aftermarket offering to ensure a fast delivery of spare parts and quick dispatch of service technicians.

The Nilfisk Group is continuously working with its portfolio of products to ensure it has the most competitive offering. This is ensured through a structured product portfolio planning process and a customer insight driven product development process aimed at bringing products faster and more accurately to market. Additionally, the Group has introduced new innovative products and services, including TrackClean and EcoFlex, aimed at reducing customers’ total cost of cleaning, and in late 2017 or early 2018, the Group expects to introduce the Nilfisk Liberty A50.

In 2016, the Group spent 3.6% of revenue on product development and had more than 250 employees within this area. Product development is managed globally, however, based at four competence centres located in Denmark, Italy, the United States and China. Local product development resources have also been established at production facilities in Hungary, Mexico and China to support new projects in both the development and industrialisation phases.

Quality assurance is a key focus to the Group. Controls and programmes have been implemented throughout the back-end processes, including sourcing, manufacturing and distribution processes to ensure high product quality and reliability. The Group launched its technical failure report system in May 2012 and has been able to lower both response time and number of technical failures significantly since. Additionally, the focus on quality assurance has had a positive financial impact through declining warranty cost as a percentage of revenue.

Through its extensive portfolio of high quality, high performance and reliable products as well as aftermarket offering, the Group believes it is well-positioned to increase its sales across Americas, EMEA and APAC.

Low capital intensity through effective sourcing and assembly focused production

The Group believes it has a strong back-end setup through its sourcing model, standardised assembly-focused production and flexible manufacturing footprint across low-cost countries.

The sourcing organisation is focused on ensuring cost competitiveness through cross-functional global and regional category management teams negotiating commercial terms with individual suppliers within each specific product component category. The Group also makes continuous evaluations of whether it is most optimal for the Group to source a particular component or produce in-house. As the Group is continuously focusing on streamlining the product portfolio by reducing the number of product platforms and implementing a modular part strategy to increase scale advantages and reduce production complexity, the Group has established a close international cooperation between sourcing, product development and manufacturing with a view to ensure optimal product design while balancing the level of complexity. In order to further optimise its offering and increase profitability, complexity has been reduced by consolidating commercial product platforms by approximately 25% during the past two financial years.

The production is based on a standardised assembly-focused setup with approximately 95% of production value from own sites relating to assembly-only production. The Group ensures production scale advantages by generally dedicating each site to specific product platforms while serving the global market. Despite significant variation in product platform complexities and characteristics, the fundamental assembly process remains the same across platforms resulting in a competitive and standardised manufacturing process.

During the past decade, the Group has optimised its production footprint through factory consolidations and relocations from high-cost to low-cost countries, such as China, Hungary and Mexico. The Group has a total of 17 production sites in 10 countries with the main facilities located in Hungary, Italy, China, the United States and Mexico. Consequently, the Group has established a production footprint which ensures both cost competitiveness, closeness to market and strong regional capabilities with facilities in all major regions. As part of its overall strategy, Nilfisk focuses on continuously consolidating its manufacturing footprint to increase efficiency. The most important criteria for site location selection are product cost competitiveness, customer proximity, supplier base competitiveness and labour skills.

The Group believes that its back-end setup through its sourcing model, standardised assembly-focused production and flexible manufacturing footprint across low-cost countries is a competitive advantage, which is highly scalable and can be further leveraged going forward, as factories typically operate at one shift only, i.e. below maximum capacity. The Group’s production setup has limited capital expenditure and working capital (non-IFRS) needs. From 2012 to 2016 the Group has had tangible capital expenditures of between 1.3% and 2.2% of annual revenue and the Executive Management believes that the Group has available capacity to support future growth. The Group has reduced its working capital (non-IFRS) measured in percentage of revenue on a 12 month average basis from 20.0% for the year ended 31 December 2015 to 17.6% for the year ended 31 December 2016.

Experienced and proactive management team

The Group has an experienced management team which includes the Executive Management, Hans Henrik Lund, CEO and Karina Deacon, CFO, both with several years of experience in large international companies. Furthermore, the management team consists of the key employees Anders Terkildsen, Executive Vice President with the responsibility for EMEA, Andrew Ray, Executive Vice President with the responsibility for Americas, Jacob Blom, Executive Vice President with the responsibility for Human Resources, Jesper Terndrup Madsen, Executive Vice President with the responsibility for Global Operations, Lars Gjødsbøl, Executive Vice President with the responsibility for Products & Services, Morten Korsholm Mathiesen, Senior Vice President with the responsibility for Specialty Professional, Thomas Dragø Nielsen, Senior Vice President with the responsibility for Specialty Consumer and Serdar Ülger, anticipated to be appointed Senior Vice President with responsibility for APAC Sales as of 1 October 2017 (the "**Key Employees**").

The management team has a strong track record of hands-on management and leadership execution. In a challenging market environment, they have maintained and developed a competitive position by streamlining the Group's business through several strategic initiatives in recent years.

The Group's goal is to maintain a strong team known for its competence, commitment, dedication and innovation. Throughout the organisation, the Group's employees maintain a high level of expertise from years of experience and/or through continuous training at all levels.

Attracting, developing and retaining the right people to the Group is considered critical to the Group's long-term success and, therefore, being a preferred employer to relevant groups of potential employees is a high priority. Both the Group's general external branding and a high level of employee engagement are considered important in this respect. To support this, the Nilfisk Group is dedicating resources to the personal and professional development of its employees, thereby facilitating that individual employees can develop within the Nilfisk organisation. Examples of such initiatives are the regular employee engagement surveys and related follow-up activities, the launch of the next generation leadership development programme, the global sales academy and the Sales and Service Excellence Programmes. As a result of a long-term oriented employment culture, the Group has achieved a high retention rate of employees with more than 30% of all employees having more than ten years of employment with the Group.

7.3 Vision and strategy

The Group's vision is "*We lead intelligent cleaning to make your business smarter*". With this vision, the Group is committed to deliver products based on deep insights of the value cleaning brings to its customers, and to align its offerings around this. For 111 years, the Group has worked on bringing innovative cleaning solutions to the market. This started with the first vacuum cleaner in 1910, spanning over the first floorcare machine in 1955 to the launch of the Group's first autonomous scrubber, the Nilfisk Liberty A50, expected in late 2017 or early 2018.

The Group will continue to focus on intelligent solutions through embracing the best available new technologies and integrating them in the Group's offerings with the aim of providing products and services that meet its customers' needs. The Group finds it realistic to assume that revenue from autonomous products could constitute up to 10% of the Group's revenue in five to seven years. The focus on new technologies includes digitalisation to support the Group's customers throughout the entire lifetime of their use of the Group's products and services.

Throughout its history, the Group has adapted, and will continue to adapt, its portfolio of products, brands and organisation to ensure that the Group's resources are at all times focused on those products and brands that hold the greatest potential for growth, profitability and value creation. As part of this, the Group is also continuously making strategic reviews of its current business units or local activities (such as e.g. Outdoor).

In March 2015, Nilfisk launched the Accelerate strategy with the overall purpose of "*Growing our company to lead the industry*".

The Accelerate strategy should ensure that Nilfisk will simplify and grow its business, and is built on six key elements:

1. Grow market share. This will be achieved through all the elements of the strategy as well as through a number of specific initiatives. The Group aims to strengthen its high-end market position by focusing its resources, product development and innovation on the most attractive customer segments. The Group intends to leverage its deep knowledge of and position in the high-end segment and grow its mid-market position through further development of products and channels aimed at this segment. Although it is still a small part of the global professional cleaning equipment and services market, the Group will continue to invest in emerging markets to benefit from the expected above average growth in such areas. In addition to growing its existing business through organic growth the Group aims to continue to grow through acquisitions of businesses with strong strategic fit.

2. Strengthen front-end. A continuous strengthening of the front-end of the business will enable the Group to effectively serve customers to further grow its market share. The Group intends to do this through continuing investments in sales and service, including rolling out CRM and service management systems. The Group's Sales and Service Excellence programmes are also planned to be rolled out and continuously refined.

3. Drive competitive offerings. To support growth, the Group aims to continue to offer a competitive product and service offering through an innovative and customer-insight driven portfolio. Current examples of this are the Group's Nilfisk Liberty A50 autonomous scrubber, expected to be launched in late 2017 or early 2018, as well as the TrackClean fleet management system. The Group intends to continue delivering digitalised industry leading cleaning products and services to its customers as well as continue to support customers throughout the product life-cycle to optimise the value of clean. This will be done through digitalised products which collect relevant data and make this data available to customers in ways that deliver insights and adds value. Further, the Group aims to improve the customer experience by offering further digitalisation and automation of relevant customer interfaces. In the more traditional part of the product range, the Group works on simplifying the business and reducing time-to-market by increasing modularity and reducing the number of platforms. A 25% reduction in number of platforms has been achieved over the past two financial years.

4. Build strong brands. In a fragmented business-to-business industry, strong brands make a difference. The Group aims to further strengthen and leverage its two global brands Nilfisk and Viper, operating in the high-end and mid-market, respectively. Regional and local brands will be maintained and used tactically or transitioned.

5. Power supply chain performance. The supply chain is a vital part of the Group's competitive advantage and it is a strategic priority to continue to strengthen the supply chain. The Group has improved delivery performance significantly over the past number of years, and continues to work on further improvements. With supply chain being a part of the full customer experience, the Group continuously adapts to important customer needs. This is done by balancing and continuously optimising the cost and working capital (non-IFRS) of operating the supply chain.

6. Agile and commercial organisation. An agile and commercial organisation is a prerequisite for the Group's vision. To this end, the Group runs initiatives to improve customer orientation, agility and accountability, as well as generally improving and adding to the skills of the organisation. This includes programmes such as a leadership development programme aimed at the top 150 leaders and the establishment of a global sales academy.

Accelerate+

In order to release its full potential and to ensure that the Group is operationally set up to execute its strategy efficiently, the Group announced its "Accelerate+" initiative in August 2016. Accelerate+ aims at enhancing the top-line growth and deliver margin expansion through implementation of a new operating model and organisational structure aimed at a better alignment of the organisation to serve specific customer and market segments. Key Accelerate+ initiatives are:

- Carving out Specialty Professional and Specialty Consumer as two new operating segments from the geographically segmented professional business divisions. Specialty Professional comprises industrial vacuum cleaners, outdoor, restoration equipment, and specialised equipment for the food industry. Specialty Consumer comprises consumer vacuum cleaners and consumer high pressure washers.

- Aligning the way the Group structures its sales organisations with stronger segment focus.
- Bringing product development and product management together to better align with customer needs.
- Increasing transparency to support business leaders' decision making, de-layering and simplifying the organisation to enable faster decision-making, and centralising support functions to achieve scale and excellence.

The Accelerate+ initiative also includes a cost saving programme aimed at improving EBITDA with EUR 35 million (described in more detail in section 11.2.1)

Financial Policy
The Board of Directors is expected to adopt the following financial policy for the Nilfisk Group with respect to leverage ratio and dividends:

The Group's target is a leverage ratio at or below 2.5 (measured as net interest-bearing debt (non-IFRS) divided by EBITDA before special items (non-IFRS)).

The Group's dividend policy is to target a pay-out ratio of approximately one third of the financial year's reported consolidated profit for the year. The dividend to be paid in any specific year will in general be determined with a view to balance this pay-out ratio and the target for the Group's leverage ratio. The Company's first dividend payment is expected to be paid out in 2019 on the basis of the reported profit of the financial year ending 31 December 2018. There can be no assurance that in any given year a dividend will be proposed or declared or that the Group's financial performance will allow it to adhere to the dividend policy.

The Group seeks to allocate capital according to the following set of allocation principles:

1. Grow the business
2. Ordinary dividends consistent with the dividend policy
3. Excess cash distributed via share buybacks and/or dividends (ordinary and extraordinary)

The allocation principles are guidelines for how the Group intends to prioritise its capital where the numbering indicates the level of priority, i.e. grow the business has the highest priority while share buybacks and/or dividends in excess of the dividend policy have the lowest priority. There can be no assurance that in any given year capital will be allocated strictly according to these principles or that the principles and the prioritisation will not change over time.

7.4 Medium-term targets

The Nilfisk Group expects the following medium-term (i.e. three to five years) targets to apply with regard to organic revenue growth, EBITDA Margin before special items and RoCE:

- Organic revenue growth of 3% to 5% per annum.
- EBITDA Margin before special items of 13% to 15%.
- RoCE above 20%.

In preparing the medium-term targets, the Nilfisk Group has applied the following principal assumptions:

Revenue development from organic growth
The development of the global market in the cleaning equipment industry, and the Group's ability to generate organic growth, is assumed to be impacted by real GDP growth in the countries in which the Group's products

and services are sold. The organic growth target is based on the current real GDP outlook as announced by the International Monetary Fund (IMF) as well as the Group's relative revenue composition by country for the financial year ended 31 December 2016 which is expected to be approximately 2% per annum.

The competition in the cleaning equipment industry is assumed to remain strong. However, the Group expects that its competitive product offering, its global distribution network, its portfolio of quality brands and other of the Group's strengths as described in section 7.2 "*The Group's strengths*" combined with the strategic initiatives included in the Group's vision: "*We lead intelligent cleaning to make your business smarter*" as well as the Accelerate strategy and the Accelerate+ initiative, will enable the Group to increase revenue by 1% to 3% organically on top of the real GDP growth per annum.

In assessing the Group's growth potential as stated above, the Group has placed particular emphasis on the growth potential resulting from the Group's integration of new technologies in its product offerings, its Sales and Service Excellence programmes, its focus on the mid-market segment and strategic accounts as well as its efforts to increase its presence in selected emerging markets.

EBITDA Margin before special items
The Group's medium-term targets regarding the EBITDA Margin before special items is primarily based on the above assumptions concerning the development in the Group's revenue and the below assumptions regarding the cost of sales and overhead costs.

As the Group's cost composition includes significant fixed and semi-variable cost items within both the cost of sales and overhead costs, organic growth is assumed to have a positive impact on the EBITDA Margin before special items. In addition, the Accelerate+ initiative is expected to generate annual savings of EUR 35 million. The full cost saving potential of Accelerate+ is expected to be achieved as from December 2019 with full EBITDA (non-IFRS) impact from the financial year 2020.

To support growth in the medium-term and beyond, the Group plans to deploy additional resources in both the front-end and the back-end of the business. Resources are also assumed to be allocated to functions focusing on creating competitive advantages e.g. by further development of industry leading digitalised cleaning products and services generating additional value to the Group's customers through collection and analysis of data that are made available to customers through digitalised customer interfaces. In addition, overhead costs are expected to increase due to cost inflation and additional overheads to support growth. All of the above costs are assumed to impact the EBITDA Margin before special items.

The Group's medium-term expectations regarding the EBITDA Margin before special items does not include any impact from adoption of IFRS 16 "Leases" which, subject to EU endorsement, is expected to become effective 1 January 2019. The adoption is expected to have positive impact on the Group's EBITDA Margin before special items estimated in the range of 2-3%-points based on the Group's current use of leasing.

RoCE
The Group's return on capital Employed (RoCE) will primarily be impacted by the development of EBIT before special items (non-IFRS) and the development in the capital employed.

For the capital employed, the RoCE-target assumes that the Group's working capital as well as investments in fixed assets in the medium-term in general will develop in line with the growth in revenue.

The statements set forth above constitute forward-looking statements and are not guarantees of future financial performance. The Nilfisk Group's actual results could differ materially from those expressed or implied by these *forward-looking statements as a result of many factors, including but not limited to changes in the market landscape, the competitive situation, the regulatory framework in which the Group operates, technology changes or other changes outside of the Group's control and such other changes as described in* section 3 *"Special notice regarding forward looking statements" and section 1 "Risk Factors". Receiving Shareholders and future potential investors are urged not to place undue reliance on any of the statements set forth above.*

7.5 Mergers and acquisitions

Acquisitions are part of the Group's strategy, and the Group has extensive experience in acquiring and integrating companies. In general, the Group will look for acquisitions in businesses where:

1. There is a fit with the Group's professional segments;
2. Nilfisk has a proven business model;
3. There is primarily a front-end focus; and
4. The opportunity is within market segments, which are considered attractive by the Group.

When evaluating specific merger and acquisition opportunities, the Group will in general look for acquisitions which enable the Group to:

- Gain market positions and access to customers; or
- Add products that enable the Nilfisk Group to fill gaps in its product and services offering to customers; or
- Provide access to specific competencies; or
- Provide synergies from integration of the acquired company in relation to sales, sourcing, production, distribution, product development or otherwise.

In 2015 and 2016 and in the period ended 30 June 2017, the Group acquired six companies, the main ones being:

<u>Contractor</u>
In June 2015, Nilfisk acquired Contractor (Floor Cleaning Machines Ltd.), a provider of repair and preventive maintenance in the UK. The company is located in Manchester, UK, and primarily serves contract cleaners and retail customers throughout the UK. The company had approximately 40 employees and has since the acquisition been operated as a separate entity under the daily leadership of its previous management and owners. The purpose of the acquisition was to gain excellence in rainbow service (i.e. the servicing of both own equipment sold and equipment provided by other suppliers), support growth, increase value creation and to contribute to the consolidation of the cleaning equipment industry.

<u>Kerrick</u>
In July 2015, Nilfisk acquired Kerrick, a dealer in high pressure washers and vacuum cleaners with operations in New Zealand and Australia. Kerrick is a specialist in commercial and industrial cleaning equipment and has ten branches across New Zealand and Australia offering full workshop and service facilities. The purpose of the acquisition was to strengthen the Nilfisk Group's footprint in the Pacific region and further strengthen the Group's position within the professional cleaning business, in particular in the high pressure washer market.

<u>Hydro Tek</u>
In November 2015, Nilfisk acquired Hydro Tek Systems Inc., a manufacturer of professional high pressure washer located in California in the U.S. The company has a diverse product range, in particular within hot water petrol-based pressure washers. The company also has activities within water recovery and water treatment systems. Hydro Tek has sales spread across the United States through a dealer network. The purpose of the acquisition

was to grow the Nilfisk Group's business and create a strong position for the Nilfisk Group in the petroleum based professional high pressure washer business in Americas.

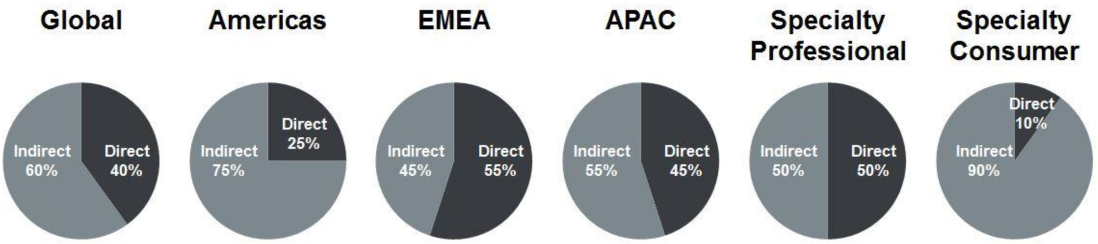
Pressure-Pro
In January 2016, Pressure-Pro. Inc. was acquired, a leading manufacturer of professional high pressure washer headquartered in Florida, U.S. Pressure-Pro manufactures both cold and hot water high pressure washer and has a nationwide dealer network in the United States. At the time of acquisition, Pressure-Pro had approximately 90 employees. The purpose of the acquisition was to strengthen the Nilfisk Group's market position within the petroleum based professional high pressure washer business in Americas and improve the offering to new and existing customers through an improved product offering and service.

The statements set forth above constitute forward-looking statements and are not guarantees of future financial performance. The Nilfisk Group's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described in section 3 *"Special notice regarding forward looking statements" and section 1 "Risk Factors". Receiving Shareholders and future potential investors are urged not to place undue reliance on any of the statements set forth above.*

7.6 Routes to market

In the professional cleaning equipment industry, there are two distinct routes to market, namely direct selling to end customers, and selling through dealers, also called indirect sales. The balance between these two distribution channels vary based on several factors, including customer size and segment, price of products and services being sold and market traditions. Globally, the Group's sales are split by approximately 40% through direct and 60% through indirect sales (dealers). However, differences exist as a larger share of products are sold through direct sales in EMEA and APAC than in Americas, Specialty Professional and Specialty Consumer.

Revenue by market route (%)



Source: Executive Management estimates

7.7 Competitive landscape

The professional cleaning equipment market is highly fragmented with more than 100 players and the four largest players accounting for approximately 40-45% of the global market based on 2016 total market value of the professional cleaning equipment within the product categories relevant to the Nilfisk Group. The global professional cleaning equipment market comprises the high-end, mid-market and low-end segments. Apart from the Nilfisk Group, the larger global players are HAKO, Kärcher and Tennant. In addition to these competitors, the industry includes many medium-sized and smaller players, who individually accounts for less than 3% of global market share each, however, some of which may have strong local or regional positions within specific customer or product segments.

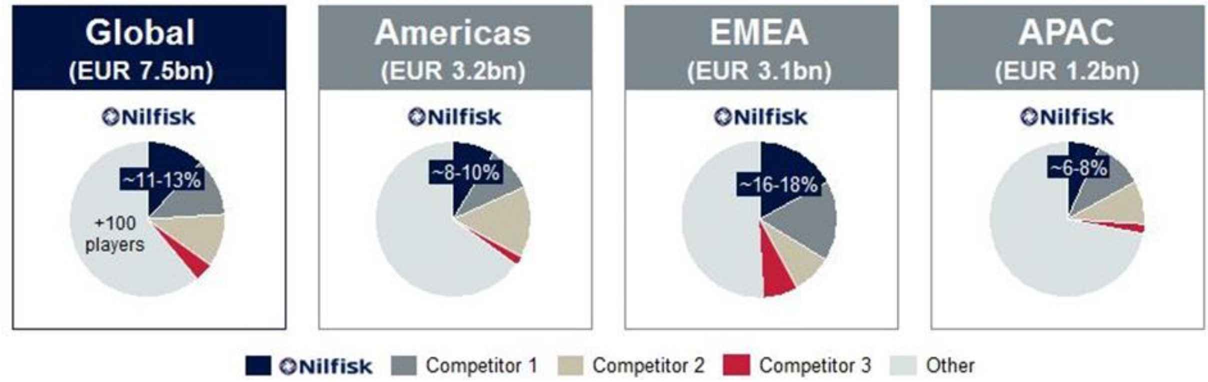
The Group believes that it holds a global market share of 11-13% based on 2016 revenue.

The Nilfisk Group has a strong market position within the high-end segment. The Executive Management believes that the Nilfisk Group is among the market leaders within the high-end segment with an estimated share of approximately 20-25% based on 2016 revenue. Overall, this segment accounted for approximately 91% of the Group's 2016 revenue derived from the professional market.

In the mid-market segment the Executive Management believes that the Nilfisk Group has a market share of approximately 2-4% based on 2016 revenue. Overall, this segment accounted for approximately 9% of the Group's 2016 revenue derived from the professional segment.

The following chart sets forth the estimated global and regional market shares, based on 2016 revenue, for professional cleaning products and services within the product categories relevant to the Group.

Nilfisk market position in the professional cleaning equipment market



Source: Executive Management estimates. The Executive Management estimates are based on 2016 total market value. Market includes professional cleaning equipment within floorcare equipment, vacuum cleaners, high pressure washers and aftermarket services.

7.8 The Nilfisk Group's offering and brands

7.8.1 Overview of offering and brands

The Nilfisk Group develops, assembles and sells a diverse range of cleaning products and services to both the professional and the consumer market. The Group's offering of products and services consists of:

- Floorcare
- Vacs
- HPW
- Aftermarket

The following table sets forth the Group's product lines and service offering and their share of revenue:

Product lines and service offering

Revenue in %	H1 2017	2016	2015
Floorcare	32%	30%	32%
Vacs	18%	18%	18%
HPW	18%	17%	15%
Aftermarket	32%	35%	35%

7.8.2 Floorcare

The Group develops, assembles and sells a comprehensive portfolio of products enabling mechanical and automatic floor cleaning and outdoor cleaning to a wide range of industries, including both commercial and industrial customers. The equipment is used by end-users in segments like contract cleaners, education, healthcare and retail. Floorcare is the largest product line based on revenue and accounted for 30% of total revenue in 2016. Floorcare is divided in the following product groups:

Scrubber dryers: Automatic cleaning machines that can clean and scrub floors. The models range from small upright scrubber dryers for small space cleaning to large engine powered ride-on machines. A scrubber dryer can be used almost anywhere for hard floor cleaning, and there are three overall model types: Walk-behind, stand-on or ride-on covering a range of models with different capacity within water tanks and running time. Scrubber dryers can be either corded or battery powered. The Group offers cleaning systems, which are adapted to the specific floors to be cleaned and the type of dirt to be removed. The Group has two scrubbing systems: disc (brush or pad) or cylindrical (brush only). The disc deck can be equipped with a brush or pad and has a high cleaning performance due to the larger contact surface providing a higher mechanical cleaning. Cylindrical decks are mainly used when sweeping capability is needed together with scrubbing. These are also equipped with a small hopper to collect smaller loose debris. The machines, depending on size and capacity, can be equipped with a wide range of accessories including e.g. brushes or pads, batteries and chargers, squeegee and deck blades in different materials, an overhead guard with warning light and front bumper as well as a mop holder and basket kit.

Sweepers: The Group's sweepers can be used for every kind of hard floor like concrete, epoxy-coated floors, tiles and asphalt both for indoor and outdoor applications. Typical application areas for sweepers are warehouse and distribution facilities, manufacturing areas, industries, parking areas and ramps as well as exhibition and convention centres and customers are found in a number of segments like retail, pharmaceutical and iron & metal. The mechanical system is designed to sweep up debris like larger waste elements, light materials, as well as heavy dust, and it controls the air quality of the returned air to the environment. The sweepers are manufactured in battery-powered and LPG (liquefied petroleum gas) driven versions for indoor use and petrol and diesel for outdoor applications.

Combination machines: A range of larger machines that feature sweeping, scrubbing and drying capabilities combined which means they are able to spray the cleaning solution, scrub or sweep or do both in a single pass. Large combination machines are typically used in heavy-duty industrial cleaning applications in segments like iron & metal, retail and contract cleaners dealing with large cleaning areas.

Single-disc machines (polishers): Smaller types of cleaning machines that are sold for a variety of cleaning applications with three versions being available: low speed for wet applications; high speed for polishing; and dual speed, which offers both capabilities.

Burnishers: Equipment used for maintenance of high gloss shine floors. The Group manufactures three versions within this product group: Corded for smaller areas, battery-powered walk-behinds and ride-ons for larger areas.

Carpet extractors: Machines for cleaning of high and light traffic carpeted areas. The machines not only remove dirt and water, but also meet standards to extend the life of the carpet.

Outdoor: Compact outdoor cleaning and maintenance machines that can be equipped for any of the five main maintenance tasks: Suction sweeping, street washing, green care, weed control and snow removal. Suction sweeping assignments are the key applications for the outdoor solutions with multiple attachments available. The utility vehicles have a range of special attachments that allows users to work outdoors, all year round. Sweeping and vacuuming in spring and autumn, mowing grass and lawn-edge cutting in the summer, sweeping snow, and spreading gravel, salt and sand in the winter. The vehicles offer 4-wheel drive for optimum grip and performance, and superior handling of heavy duty all season assignments. Key customers for these machines are municipalities and contractors, and typical applications are streets, city centres, pavements as well as industrial areas.

To support floorcare cleaning, various products and services are being offered, like TrackClean and ecoflex®. TrackClean is Nilfisk’s fleet management system that provides customers with remote access to every connected cleaning machine so that they can track and monitor how, when and where their cleaning machines are working in order to reduce operational costs and improve productivity. The ecoflex® system is designed to dynamically adjust water flow, detergent dispensing and brush pressure based on the specific level of cleaning required.

7.8.3 Vacs

The product line Vacs accounted for 18% of total revenue in 2016 and the Group develops, assembles and sells equipment to both the professional and the consumer market. For the professional market, the Vacs are divided into two product groups:

Commercial vacuum cleaners: The Group's range of Vacs covers a wide range from dry canister Vacs to uprights and portable backpacks, and can be divided into two main product groups: Dry Vacs and wet & dry Vacs. The Vacs have a compact design and are manoeuvrable and sturdy, and the Nilfisk Group's design is recognised worldwide; recently the Nilfisk VP600 commercial Vacs was awarded the Red Dot Award for Product Design 2016, recognised for its high design quality, and in 2015, the same product won the Purus Design Award 2015 in the machinery category. The Group has developed a wide range of patented filters to ensure powerful suction and efficient filtration. The motors are developed in consideration of optimising the vacuum capacity and at the same time ensuring low sound levels, to meet regulations and energy ratings, as well as enabling daytime cleaning in e.g. offices, hotels and schools.

Industrial vacuum cleaners: Single-phase wet & dry Vacs are mainly used for cleaning of manufacturing areas e.g. in the building & construction segment when picking up bigger amounts of dust. Other product groups within the industrial Vacs range are designed for cleaning in confined areas and for the removal of hazardous dust and fumes and are often used in industries within iron & metal manufacturing, food & beverage and pharmaceutical production. The highly specialised industrial Vacs solutions cover a wide range of applications including suction systems and filters to handle hazardous dust or cutting oil and emulsion along with shavings. The product line also includes pneumatic conveyors that transfer grains, powders, tablets and empty capsules from containers to process machines. The Group's ATEX-certified industrial Vacs are designed to prevent the triggering of any source of ignition, making vacuum cleaning operations safer.

In addition to the range of Vacs to the professional market, the Group develops, sources, assembles and markets domestic Vacs for the consumer market. These products and services are designed for private households focusing on compact design and optimised filtration. The product line consists of dry Vacs and wet & dry Vacs and covers a range of products from the 2–in–1 rechargeable stick Vacs to larger Vacs with patented filtration systems. An example of the latter is the Group's Elite series that has been endorsed by the British Allergy Foundation with the 'Seal of Approval' for house Dust Mite, Cat Allergen, Dog Allergen and Pollen.

7.8.4 HPW

HPW accounted for 17% of total revenue in 2016 and the equipment is produced for both the professional and consumer markets covering ultra-high pressure washers, high pressure washers and low pressure washers in mobile and stationary versions.

Mobile HPW are divided into hot water pressure washers and cold water pressure washers, and both groups are used in a wide range of settings including agriculture, automotive, building and construction, rental, food industry, offshore, manufacturing and warehousing. The double pass, labyrinth coil system used ensures that the hot water washer offers high outlet water temperatures at low running cost. The EcoPower boiler possesses a natural EcoMode where the thermostat is set to 60 degrees as opposed to full power, and fuel consumption is reduced by as much as 20%. Such applications are suited where high temperatures are not required such as car cleaning. The majority of the Group's pumps are reinforced wobble disc pumps using corrosion-free materials, such as brass pump heads. The pumps offer long working life and ease of maintenance. The Group's industrial class pumps are capable of running on seawater and also on high temperature water.

Stationary HPW systems are developed for fixed cleaning applications where it is critical to maintain high hygiene levels e.g. in a slaughter-house and industrial kitchen or processing plant in the food & beverage segment.

In addition to the range of pressure washers to the professional market, the Group develops, sources and assembles domestic high pressure washers for the consumer market focusing on compact design for basic outdoor cleaning tasks as well as larger machines for semi-professional outdoor cleaning.

7.8.5 Aftermarket

The Aftermarket accounted for 35% of total revenue in 2016. The Aftermarket comprises the Group’s sale of spare parts, accessories and consumables as well as service and maintenance to support customers in their use of Nilfisk equipment.

The Nilfisk Group offers a wide range of spare parts to all product groups. A large number of these have been identified as critical spare parts that need to be delivered quickly to customers if they face a machine breakdown. The Group seeks to maintain a maximum availability of these items and facilitate fast delivery of such items.

In addition, a variety of accessories are marketed covering all product groups, such as brushes, brooms, pads and blades for floorcare machines as well as batteries and chargers. For the Vacs range accessories include nozzles, hoses, filters and dust bags.

Having easy and quick access to professional service is a key factor for the Nilfisk Group’s professional customers in running their operations smoothly, predictably, and with maximum uptime. The Group employs more than 700 service technicians worldwide, who handle field service assistance to maintain and repair machines. The service offering comprises three alternative service contracts, Standard, Plus and Premium, in which customers can select between different levels of response time, extended warranties, service reports as well as spare parts and loan machines. Weekend coverage can be included.

7.8.6 Brand portfolio

The Group markets a large number of brands covering a wide range of applications and requirements. A total of 20 brands are marketed. Within the product lines, the Group organises its brand portfolio into three categories: global, regional and local brands. The global brands include the two key brands Nilfisk and Viper. In addition, there are a number of regional brands sold primarily in North America, including Advance and Clarke. A number of local brands are also sold in specific countries.

The table below sets forth selected Group brands by market segment and geographical reach.

Market segments	Global	Regional and local
High-end	Nilfisk	Advance by Nilfisk, Clarke True Blue Clean, Wap, Hydro Tek, ALTO, Nilfisk FOOD, Gerni Why compromise, Contractor
Mid-market	Viper	Kerrick, Pressure-Pro, Rottest
	Geographical reach	

The table below sets forth selected Group brands by product line and customer type

Product line	Professional		Consumer
Floorcare	Nilfisk, Viper	Advance by Nilfisk, Clarke True Blue Clean, Contractor, ALTO	
Vacs	Nilfisk, Viper	Advance by Nilfisk, Clarke True Blue Clean, Kerrick, ALTO	Nilfisk
HPW	Nilfisk	Hydro Tek, Gerni Why compromise, Pressure-Pro, Wap, Nilfisk FOOD, Rottest, Kerrick	Nilfisk, Gerni Why compromise, Wap
	Customer type		

7.9 Customers

The Group has a large and diverse professional customer base operating in a wide range of industries and in the public sector, ranging from large multi-national contract cleaners, facility management contractors and international hotel and retail chains to smaller businesses buying a single machine. The professional market accounted for approximately 90% of revenue in 2016. In addition, the consumer market accounted for approximately 10% of revenue in 2016.

Within the professional segment, contract cleaners accounted for approximately 16% of total revenue in 2016, institutional customers for approximately 31% of total revenue in 2016 and industrial customers for approximately 53% of total revenue in 2016. The customer base is varied and fragmented and there is limited dependency on single customers. Top-10 customers accounted for approximately 10% of the total revenue in 2016. Approximately 92% of the Group's total revenue in 2016 was branded by Nilfisk Group's brands, while the remainder was sold as OEM (private label) via the customers' brand. The three biggest OEM customers represent approximately 63% of the Group's revenue relating to its OEM business.

A deep customer understanding is key to identify, prepare for and act upon non-satisfied customer demands and utilise market opportunities. The Group measures the performance of each customer segment and adjusts its approach over time as market conditions change. Detailed customer understanding is a powerful mean to identify needs and enables the Group to design new products and services and marketing campaigns of relevance to the Group's customers. The Group has started a programme working with analysing customer segments in the professional market providing an in-depth knowledge of buying behavior and patterns in each segment.

The following ten customer segments have been chosen as key strategic segments by the Nilfisk Group:

Contract cleaners: is the largest customer segment; however, it consists of a highly fragmented customer base with a broad range of different business structures ranging from small family run businesses with just a few employees to multi-national corporations with international outlets. For contract cleaners, cleaning is a core business, and to ensure their competitiveness, the cleaning must be done as cost efficient as possible whilst delivering the agreed cleaning result.

Retail: ranges from very small convenience shops to larger chains of malls and hypermarkets. A clean and representative environment is key for the retail segment for customer attraction.

Automotive: car import centres and dealerships, fuel filling stations, carwash operations, garages, etc. Cleaning is considered a cost factor, and must be done quickly and efficiently to avoid downtime. A clean environment is most business critical for customer facing and selling sub-segments such as car dealers and rental companies.

Education: both private and publicly funded entities including schools, colleges and universities as well as day care services and nurseries. Cleaning is done every day and is essential to make a representative and positive learning environment.

Food & beverage: both wet and dry production, including slaughterhouses, fish factories, bakeries, restaurants and industrial kitchens as well as breweries and wineries. Cleaning in this segment is essential to ensure product quality and hygiene requirements. As a high level of hygiene is top priority, cleaning is highly business critical.

Building & construction: spans from large contracting companies to smaller and more specialised craft men firms. Cleaning involves heavy duty applications such as soiling and concrete dirt, but also collection of fine dust.

Healthcare: cleaning is considered business critical in this segment which includes hospitals, nursing and general practitioners, healthcare clinics and dental clinics.

Agriculture: cleaning is a mean to optimise production by e.g. avoiding pests. Applications include livestock farming, dairy farming, fishing, wine growing and forestry.

Iron & Metal: is mainly concerned with metallurgy and metal working and includes metal parts production, raw material production as well as production of motor vehicles. Cleaning is necessary to remove metal swarfs, materials, grease and oil to keep production running smoothly and safely.

Pharmaceutical: medicine production, cosmetics, chemical productions, biological production. Cleaning in this sector is about ensuring a consistent, high hygiene level in production as well as optimising the production process.

7.10 Organisation

As part of the Accelerate+ initiative launched in August 2016, a new operating model and organisational structure was implemented to reduce complexity and improve agility in order to support the execution of the Group's Accelerate strategy. This is ensured through enhanced alignment of the organisation to better serve specific customer and market segments.

Implementation of the new organisational structure involved the following key changes:

- Carving out Specialty Professional and Specialty Consumer as two new operating segments from the geographically segmented professional business divisions. Specialty Professional comprises industrial vacuum cleaners, outdoor, restoration equipment, and specialised equipment for the food industry. Specialty Consumer comprises consumer vacuum cleaners and consumer high pressure washers.
- Establishing dedicated regional sales organisations with a consistent model across countries focusing on Premium, Value and Service.
- Establishing a strong Products, Solutions & Marketing organisation, including product development in order to bring product development closer to customers. In a recent organisation change, this function has been split into Products & Services and Marketing to increase offering execution and the strategic focus of marketing activities.
- Establishing global centres of excellence to achieve scale and excellence.

Through the new organisation, the Nilfisk Group aims to achieve a closer customer relationship, increased transparency of the business as well as stronger accountability for financial results.

7.11 Production, sourcing of components, and distribution

The Group's manufacturing of products is to a large extent based on assembly, and only a limited number of components are manufactured in-house. Consequently, cost effective sourcing of components is important to the Group. Further, the Group distributes its products globally, and therefore efficient distribution is critical for the Group's operations. Below is a description of the most important and critical elements of this setup.

Manufacturing
The Nilfisk Group currently operates 17 production sites across 10 countries. Each of these is dedicated to specific product platforms in order to secure critical mass and establishing a focused supplier base in sufficient proximity to the production sites. The Group's back-end setup is highly scalable and can be further leveraged going forward, as factories typically operate at one shift only, and can be expanded to two or three shifts.

Below is an overview of the 17 production sites and the key products assembled at each site (see section 9 "*Property, plant and equipment*" for further information):

Site	Product lines
China, DongGuan	Floorcare, Vacs

Site	Product lines
China, Suzhou	Floorcare, Vacs, HPW
Denmark, Aalborg	HPW
Denmark, Lemvig	Floorcare
Germany, Bellenberg	HPW
Hungary, Nagykanizsa	HPW, Floorcare
Hungary, Szigetszentmiklós	Floorcare, Vacs
Italy, Guardamiglio	Floorcare
Italy, Zocca	Vacs
Mexico, Querétaro	Floorcare
Singapore*, Singapore	HPW
South Africa, Johannesburg	HPW, cleaning chemicals
Turkey, Istanbul	HPW
U.S., Brooklyn Park, MN	Floorcare
U.S., Fort Pierce, FL	HPW
U.S., Mukilteo, WA	Floorcare
U.S., Redlands, CA	HPW

* The site is expected to be closed in the fourth quarter of 2017.

The Group's general principle is that only one site globally assembles any specific product platform. The reason for this setup is, among other things, the fact that tooling casts for e.g. plastic components are costly to develop, and with the relatively low volumes in the industry, a duplication of these will often increase product cost over and beyond the benefit of producing closer to the market.

Across the production sites, the Group works on ensuring the same overall production philosophies, processes, and KPIs in order to pursue global best practices in production.

The current manufacturing footprint has been established partly through deliberate decisions on opening manufacturing sites in specific geographies, and partly based on historic acquisitions. Consequently, the Group continuously addresses opportunities to consolidate the manufacturing footprint.

Sourcing

With the assembly based manufacturing setup, ensuring a flexible, reliable and cost effective flow of quality components is critical. To ensure this, the Group runs a global procurement organisation. This organisation handles strategic activities and works closely with research and development and production to collectively ensure cost effective solutions as well as complexity reduction and modular product platform approaches. Within the strategic procurement activities, category managers aim to ensure the best possible portfolio of suppliers of specific component categories and negotiate commercial terms with the individual suppliers. The optimisation of the Group’s external direct spend is carried out in the context of structured category reviews with the aim of minimising total cost of ownership to the Group.

In addition to the sourcing of components for assembly of the Group’s products, the Group also to a limited extent relies on OEM (private label) sourcing of finished products from other manufacturers. This is predominantly within the smaller consumer products, but also to a very limited extent within the professional cleaning equipment.

Distribution

The distribution of products is generally handled through regional distribution centers serving specific parts of the Group's markets related to geographical areas, specific customer segments and/or spare and wear parts as well as multiple local warehouses. Only few shipments are delivered directly from factories to customers. The Group has the following regional distribution centers:

Distribution center	Role
Belgium, Antwerp	Regional distribution center for specific professional and consumer products, operated by third party
Belgium, Ghent	Regional distribution center focused on professional parts, operated by third party
Denmark, Brøndby	Regional distribution center for professional products and parts, operated in-house
Germany, Hamburg	Regional distribution center for consumer products and parts, operated by third party
Germany, Neu Ulm	Regional distribution center for specific professional products, operated by third party
U.S., Springdale, AR	Regional distribution center for both products and parts focused at Americas, operated in-house

The Group has a broad and strong network of dealers throughout the world. Generally, all relationships with dealers are non-exclusive and based on customary terms for the industry, except for a few smaller dealers that enjoy exclusivity in certain smaller geographical markets, not being deemed material for the Group's total revenue.

7.12 Research, technology and development

To support growth, it is Nilfisk's strategy to drive a market-backed and customer-led product focus with a view to ensure that the Group strengthen its offerings with competitive and impactful product launches. The Group's product development is based on customer-centric innovation such as quality, ease of use and total cost of ownership. In addition, time-to-market is a key factor in the process.

Approximately 3.6% of the Group's revenue in 2016 was spent on research and development. More than 250 of the Group's employees are working globally with a structured stage gate based development process resulting in a good number of new products each year. Product development is managed centrally, but based at four competence centres located in Denmark, Italy, the United States and China. Local research and development resources have also been established at production facilities in China, Hungary and Mexico to support new product projects in both the development and industrialisation phase.

In order to promote a stronger global alignment and further improve performance within product development functions, product development and product management operations for the product lines Floorcare, Vacs and HPW are consolidated within a joint organisational structure. This structure supports a strong link to the customers and the need for cross product line cooperation and interaction with other global structures and processes, e.g. global quality.

The Group has an ambition of providing leading technologies in the cleaning industry. In 2016, the Nilfisk Group announced The Horizon Programme, a strategic long-term innovation programme that aims to deliver intelligent cleaning offerings to make customers' businesses smarter. The programme focuses on bringing innovations to the market, driving innovation and the use of new technologies with the aim of fundamentally change the way to clean.

The first product within The Horizon Programme is the Nilfisk Liberty A50 autonomous scrubber dryer.
The scrubber has the latest sensor technology and has been developed in collaboration with Carnegie Robotics, a leading provider of advance robotics sensors and software. The completion and commercialisation of the new

autonomous scrubber is still ongoing, and Nilfisk has therefore adjusted the launch plans to allow time for further testing. The first units of the Nilfisk Liberty A50 are expected to be released in late 2017 or early 2018.

At the end of 2016, a separate function was established to create and implement a roadmap that supports the Group's development of intelligent products and services. Examples are an advanced fleet management system, "TrackClean", as well as value adding services. This function is also responsible for the Group's key technology development priorities. With the commitment to The Horizon Programme and the technological trends, the Group is placing more focus on technology and innovation.

The following themes will form the foundation of the Group's focus on intelligent offerings:

- Expand machine leadership position to stay at the forefront on product technology.
- Apply data intelligently, i.e. collect, consolidate, and make data available to enable intelligent activities.
- Autonomous cleaning to deliver increased efficiency of cleaning through autonomous offerings.
- Empower cleaners through smart interactions to ensure increased efficiency of cleaning output through user enablement.
- Intelligent maintenance and operations to achieve decreased maintenance and operational complexity through intelligent digitalisation that maximises operating equipment efficiency.
- Value-added services and insights, i.e. digitalised services deriving tailored recommendations from data, e.g., when and where to clean, documentation of clean, and adapting cleaning to surroundings.
- Leverage digitalisation and automation to improve customer experience based on deep partner knowledge to make cleaning available when, where, and as required for each partner.

In 2016, the Group has also invested in managing portfolio processes as well as improving product launch capabilities. A newly established centre of excellence is driving these capabilities.

7.13 Insurance

The Nilfisk Group's major insurance programmes are established as global master policies and are managed centrally. These include property damage/business interruption, public and product liability including professional indemnity, marine cargo, directors' and officers' liability, crime, auto, workers' compensation, employer's liability and travel.

The Executive Management believes that the Group carries insurance of a type customary for the industry in which it operates and at a level which is generally adequate.

7.14 IT systems

The Nilfisk Group has established an IT governance board consisting of members of Nilfisk's management and IT management to determine the direction and prioritisation of activities.

The Group's ERP landscape is based on three primary platforms; SAP in EMEA, LN Baan in Americas, and Navision in most of the countries in the APAC region. In addition, local ERP systems are applied in smaller countries. The system landscape supports current business but the Group plans to update its IT strategy, which will include a consideration of potential consolidation of the Group's future ERP landscape.

The Nilfisk Group has established a financial reporting and consolidation system that covers all of its operations. Through the Group's financial reporting system, Nilfisk, and following the Demerger, the Company will receive monthly reporting from all companies in the Group enabling tracking of all financial information within the Group.

The Nilfisk Group has harmonised its approach to customer relationship management. A common CRM system is being deployed to all major sales entities based on a global template. This also covers service business management where relevant. Likewise, the Group has a central web-site – with localisation in relevant countries – including e-commerce capabilities. The vast majority of the Group's country organisations are included in the Group's centrally managed global technical infrastructure allowing access to shared resources like mail, backup, intranet and hardware-resources.

IT-solutions are generally provided through outsourced datacenters or cloud-based services.

7.15 Health and Safety

Health and safety for the employees is important to the Group. The Executive Management believes that the Group's operations provide a low-risk and safe working environment. Typical accidents relate to slip/trip/fall accidents, heavy or incorrect lifting, or minor cuts and bruises from screwdrivers, knifes/cutters, etc. The Group's employees receive both introductory health and safety training, as relevant, and are provided with protecting equipment (such as safety footwear, eyewear or hearing protection). Incidents in production are continuously tracked and used to assess if any health and safety practices and processes need updating or strengthening.

7.16 Product Safety and Quality

There are regional, country and state legislation of relevance to the Nilfisk Group's products. The list below only outlines the main legislation from an EU and United States perspective, focusing in particular on CE marking directives and should, thus, not be considered an exhaustive list of relevant product legislation applicable to floorcare equipment, vacuum cleaners and high pressure washers.

Reference legislation EU

Regulation 1907/2006/EC concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH): Prohibits and restricts the use of chemicals in products with the aim to improve the protection of human health and the environment from the risks that can be posed by certain chemicals.

Directive 2014/35/EU on electrical equipment designed for use within certain voltage limits: The directive covers health and safety risks of electrical equipment operating within certain voltages, with a view to ensure a high level of protection for citizens.

Directive 2014/30/EU on electromagnetic compatibility: The directive aims to ensure that electrical and electronic equipment does not generate, or is not affected by, electromagnetic disturbance by limiting electromagnetic emissions from equipment.

Directive 2012/19/EU on waste electrical and electronic equipment (WEEE): The directive provides for the creation of collection schemes with the aim to increase the recycling of WEEE and/or re-use to reduce the negative environmental effects resulting from the generation and management of WEEE.

Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment: The directive restricts certain chemicals commonly used in electronic and electronic equipment, to improve the protection of human health and the environment.

Directive 2009/125/EC on ecodesign requirements for energy-related products: The directive and underlying regulations set out minimum mandatory requirements for the energy efficiency of products to improve the environmental performance.

Directive 2006/42/EC on machinery: One of the main legislations governing the harmonisation of essential health and safety requirements for machinery to guarantee a high level of protection for EU workers and citizens.

Directive 2000/14/EC on noise emission in the environment by equipment for use outdoors: The directive regulates the noise emissions from equipment especially used on construction sites or in parks and gardens.

Directive 94/62/EC on packaging and packaging waste: Addresses the environmental aspects of packaging and packaging waste and aims to prevent or reduce its impact on the environment.

Reference legislation the United States

NFPA 70, National Electrical Code: The code is the benchmark for safe electrical design, installation, and inspection aiming to protect people and property from electrical hazards.

NFPA 79: Electrical Standard for Industrial Machinery, providing safeguards for industrial machinery to protect operators, equipment, facilities, and work-in-progress from fire and electrical hazards.

CFR 1910 (Occupational Safety and Health Standards), which is part of the Occupational Safety and Health Act of 1970 (OSH Act), to assure safe and healthful working conditions for working men and women.

UL583 - Standard for Electric-Battery-Powered Industrial Trucks. These requirements cover electric powered industrial trucks with respect to a risk of fire, electric shock, and explosion.

UL558 - Standard for Industrial Trucks, Internal Combustion Engine-Powered. These requirements cover the fire safety aspects of industrial trucks with internal-combustion engines.

UL561 - Standard for Floor-Finishing Machines. These requirements cover electrically powered floor-finishing machines to be used in accordance with the National Electrical Code, NFPA 70.

UL 1017 Vacuum Cleaners, Blower Cleaners, and Household Floor Finishing Machines.

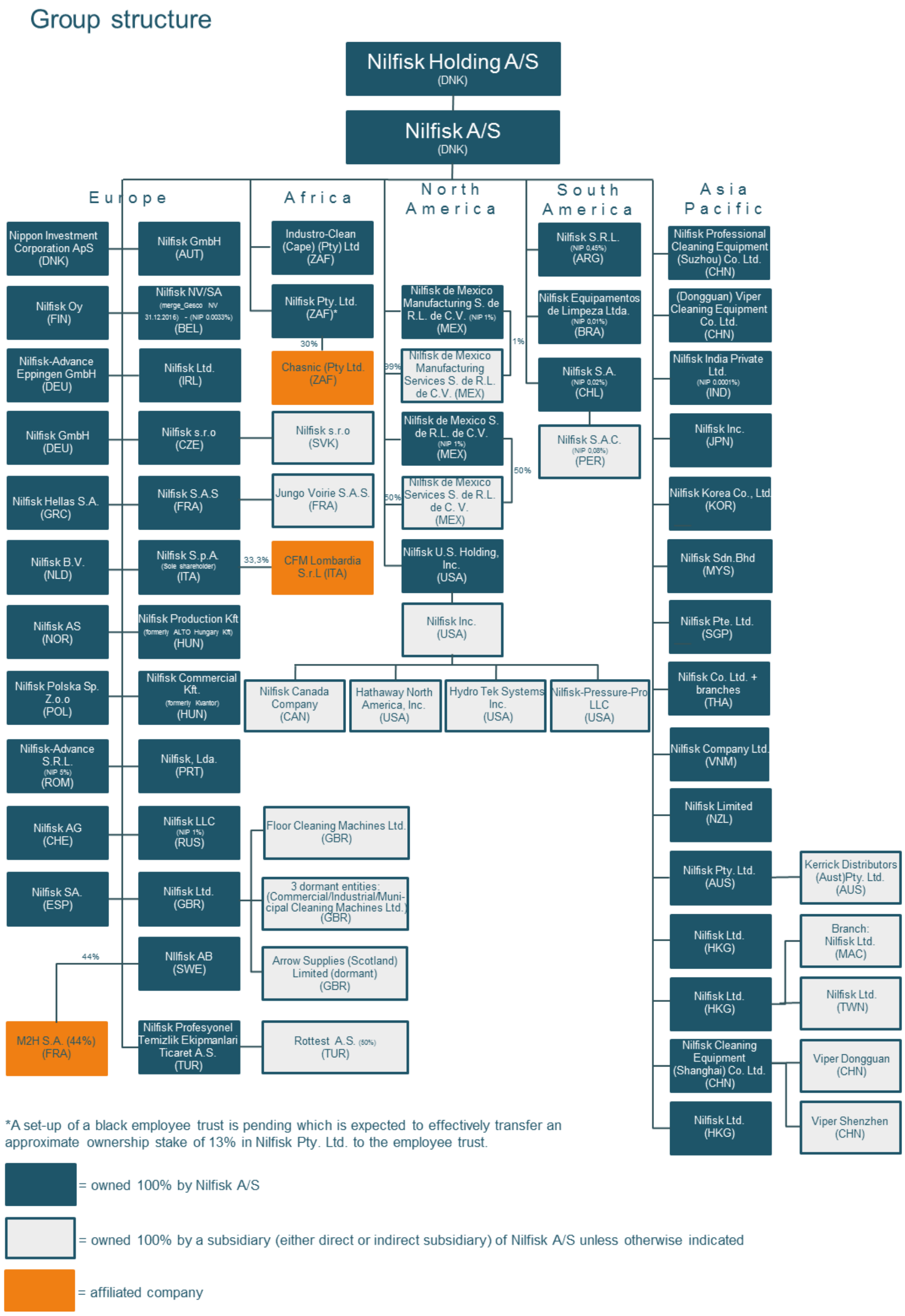
UL60335-2-79 Household and Similar Electrical Appliances - Safety - Part 2-79: Particular Requirements for High Pressure Cleaners and Steam Cleaners.

In addition to the above-mentioned product legislation, the Group is, among other, subject to international trade sanction regulation covering export, import and transport of products and services.

8. ORGANISATIONAL STRUCTURE

Nilfisk Holding will upon completion of the Demerger become the parent company of the Nilfisk Group holding all Shares of Nilfisk.

The Group's structure is set out below:



The Company expects to set up a sales company in Dubai jointly with a local partner. The Company expects to hold, directly or indirectly, 49% of the shares in the company.

With a view to simplify the corporate structure of the Nilfisk Group, and subject among other to a review of e.g. tax implications for the companies and shareholders involved, it is the intention to merge the Company and Nilfisk after completion of the Demerger. The continuing company will remain listed on Nasdaq Copenhagen.

The following table sets forth the material direct or indirect subsidiaries of the Nilfisk Group as at the date of this Demerger Statement:

Entity Name	**Country of incorporation**	**% ownership**
Nilfisk Professional Cleaning Equipment (Suzhou) Co. Ltd.	China	100%
Nilfisk A/S	Denmark	100%
Nilfisk S.A.S.	France	100%
Nilfisk GmbH & Co. KG	Germany	100%
Nilfisk Production Kft	Hungary	100%
Nilfisk S.p.A.	Italy	100%
Nilfisk Ltd.	United Kingdom	100%
Nilfisk, Inc.	United States	100%

9. PROPERTY, PLANT AND EQUIPMENT

Generally, the Group leases most of its production sites and office space.

The Nilfisk Group's headquarter is located in Brøndby, Denmark, where the Nilfisk Group leases office space of 8,447 square meters.

The Nilfisk Group owns a number of production sites, warehouses and/or sales offices of which the following are considered to be material:

- The assembly production, office and dormitory premises in Dongguan, China, constructed in 2000 and 2008 occupying 44,313 square meters;
- The assembly production, office and warehouse premises in Guardamiglio, Italy acquired in 1992 and occupying 10,688 square meters; and
- The assembly production, office and warehouse premises in Zocca, Italy, acquired in 2000 and 2002 and occupying 3,600 square meters.

Executive Management is of the view that the Group's lease contracts have been entered into on market terms.

Details of the Group's material leased sites are set forth below:

Location	Lease commencement	Lease expiration or termination provisions	Option for extension	Size (square meters)
Denmark (Brøndby, Kornmarksvej)	December 2014	The lease is non-terminable for Nilfisk until 31 July 2022, following which the lease can be terminated with 12 months' notice.	Not relevant	8,447
Denmark (Brøndby, Sognevej and Priorparken)		The lease comprises three lease agreements, two of which can be terminated with six months' written notice to 31 December or 30 June. The third is non-terminable for Nilfisk until 1 July 2019, following which the lease can be terminated with six months' notice to the first day of a month.	Not relevant	28,791
China (Suzhou)	February 2015	The lease expires in February 2018, however, the lease can be terminated by Nilfisk-Advance Professional Cleaning Equipment (Suzhou) Co., Ltd. by three months' prior written notice. The lessor has a right to forfeit security deposit and ask for compensation. If the lease is	Option for extension two months prior to the expiry.	21,426

Location	Lease commencement	Lease expiration or termination provisions	Option for extension	Size (square meters)
		terminated prior to February 2018, Nilfisk Professional Cleaning Equipment (Suzhou) Co. Ltd. has to pay rent for the remaining lease period calculated as the average rent for the previous three years.		
Hungary (Szigetszentmiklós)	September 2005	The lease has a fixed term to September 2020. Nilfisk-Advance Termelö, Tiszítóberendezés-gyártó Kft can, however, terminate the lease with one year notice, however, the lease cannot be terminated before September 2017. Upon termination during the fixed term, Nilfisk-Advance Termelö, Tiszítóberendezés-gyártó Kft is required to pay an aggregate amount for the remaining period of the fixed term, however, this amount is reduced progressively after September 2018.	Not relevant	25,004
Mexico (Querétaro)	September 2013	The lease expires on 31 October 2018, but can be terminated with 90 days prior written notice at any time on or after three years after the commencement date, provided Nilfisk Advance De Mexico Manufacturing, S. De R.L. De C.V. pays an early termination fee.	Option for extension for two consecutive periods of not less than two years each.	10,045
U.S. (Brooklyn Park)	April 2016	The lease expires on 31 August 2026. The lease can be partially terminated early under certain conditions and subject to payment of a fee and notice of 12 months.	Option for extension for two consecutive periods of five years each.	16,943
U.S. (Springdale)	April 2006	The lease expires on 30 April 2021 and is non-terminable until expiration.	Option for extension for two consecutive	21,622

Location	Lease commencement	Lease expiration or termination provisions	Option for extension	Size (square meters)
			periods of five years each.	

The lands on which the Group's main owned and leased property are situated are not subject to material or unusual easements that prevent or restrict the current business activities or that are believed to require major investments or costs going forwards. Further, the Executive Management is not aware of any environmental issues that may affect the continued use of the leased sites.

10. SELECTED FINANCIAL INFORMATION

The selected consolidated financial information for Nilfisk, comprising selected consolidated income statement items, balance sheet items and cash flow statement items for Nilfisk, shown below has been extracted from the consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 that are prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU and the consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 that are prepared in accordance with IFRS as adopted by the EU and additional requirements under the Danish financial statements act. The consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 has been audited by Deloitte Statsautoriseret Revisionspartnerselskab, and the consolidated interim financial statements for Nilfisk as for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 have been reviewed by Deloitte Statsautoriseret Revisionspartnerselskab.

The selected consolidated historical financial information for Nilfisk, in this Demerger Statement has been prepared in accordance with IFRS as adopted by the EU except for non-IFRS financial measures listed in section 11.11 "*Non-IFRS financial measures"* or otherwise stated.

Neither the reviewed consolidated interim financial statements of Nilfisk as for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016, nor the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 include activities, assets and liabilities of NKT related to the Nilfisk business which will be allocated to Nilfisk Holding upon completion of the Demerger. Such activities, assets and liabilities are deemed non-material, and the consolidated financial statements of Nilfisk represent in all material respect the financial position, the results of operations and cash flows of the Nilfisk Group as if the activities, assets and liabilities of NKT related to the Nilfisk business were included as of the dates referred to below.

Receiving Shareholders should read the following data together with the reviewed consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015, including the notes to the consolidated financial statements and section 11 "*Operating and Financial Review*" and section 12 "*Capital resources*".

	As at and for the period ended 30 June		**As at and for the period ended 31 December**	
	2017	**2016**	**2016**	**2015**
	(EUR million)			
Key figures				
Revenue	549	532	1,059	980
Gross profit	241	226	438	399
EBITDA before special items (non-IFRS)	71	60	117	98
EBITDA (non-IFRS)	64	60	97	98
EBIT before special items (non-IFRS)	51	40	76	64
Special items (non-IFRS)	-7	0	-22	0
EBIT	45	40	54	64
Profit for the period	29	25	30	42
Total assets	986	976	983	936
Goodwill	170	174	179	172
Equity	243	218	225	201
Working capital (non-IFRS)	184	194	142	173

	As at and for the period ended 30 June		As at and for the period ended 31 December	
	2017	2016	2016	2015
	(EUR million)			
Key figures				
Net interest-bearing debt (non-IFRS)*	278	316	266	301
Capital employed (non-IFRS)	521	534	491	502
Free cash flow excluding acquisitions and divestments (non-IFRS)	-22	3	74	20
Adjusted earnings per share (non-IFRS) (EUR)	1.1	0.9	1.1	1.5
Key ratios**				
Total revenue growth	3.2%	6.7%	8.0%	6.8%
Organic revenue growth	3.0%	0.9%	3.1%	0.4%
Gross Margin	43.8%	42.4%	41.3%	40.8%
EBITDA Margin before special items	12.9%	11.2%	11.0%	10.0%
EBITDA Margin	11.7%	11.2%	9.1%	10.0%
EBIT Margin before special items	9.4%	7.6%	7.2%	6.5%
EBIT Margin	8.1%	7.6%	5.1%	6.5%
Equity ratio	24.7%	22.5%	22.9%	21.4%
RoCE	16.6%	12.7%	14.6%	12.9%
FTEs end of period	5,776	5,673	5,607	5,545

* For information regarding the impact of the Demerger on the Group's net interest-bearing debt, see section 12 "*Capital resources*".

** See section 11.3 "*Overview of financial performance*" for a definition of key ratios.

This Demerger Statement contains certain financial measures that are not defined or recognised under IFRS, as adopted by the EU. For further information, including a reconciliation of the non-IFRS financial measures presented in this Demerger Statement to the nearest IFRS measure, see section 11.11 "*Non-IFRS Financial measures*".

11. OPERATING AND FINANCIAL REVIEW

The following is a discussion of the Group's results of operations for the six month periods ended 30 June 2017 and 30 June 2016 and the for the financial years ended 31 December 2016 and 2015, and the Group's financial condition as of the end of such six month periods and years respectively. This discussion should be read in conjunction with the selected historical consolidated financial information included in the section "Selected financial information", the reviewed consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 and the notes thereto; the latter two included in this Demerger Statement by reference, see section 21.4 "Cross Reference". Some of the information contained in the following discussion contains forward looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Receiving Shareholders and potential prospective future investors should read section 3 "Special Notice Regarding Forward Looking Statements" for a discussion of the risks and uncertainties related to those statements. Receiving Shareholders and potential prospective future investors should also read the section entitled "Risk Factors" for a discussion of certain factors that may affect the Group's business, results of operations or financial condition.

The selected consolidated historical financial information for Nilfisk included in this Demerger Statement has been prepared in accordance with IFRS as adopted by the EU except for non-IFRS financial measures listed in section 11.11 "*Non-IFRS financial measures"* or otherwise stated.

Neither the reviewed consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 nor the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 include activities, assets and liabilities of NKT related to the Nilfisk business which will be allocated to Nilfisk Holding upon completion of the Demerger. Such activities, assets and liabilities are deemed non-material, and the consolidated financial statements of Nilfisk represent in all material respect the financial position, the results of operations and cash flows of the Nilfisk Group as if the activities, assets and liabilities of NKT related to the Nilfisk business were included as of the dates stated.

This Demerger Statement contains certain financial measures that are not defined or recognised under IFRS, as adopted by the EU. For further information, including a reconciliation of the non-IFRS financial measures presented in this Demerger Statement to the nearest IFRS measure, see section 11.11 "*Non-IFRS Financial measures*".

11.1 Overview

Headquartered in Brøndby, Denmark, the Nilfisk Group has sales companies in 45 countries and sells its products in more than 100 countries through direct sales and a network of dealers. Production facilities are located in Americas, Europe and Asia.

The Group's offering is divided into three product lines: Floorcare, Vacs and HPW and one service offering: Aftermarket. The Group's revenue is primarily derived from the professional market segment, representing 90% of revenue in 2016, while the consumer segment accounted for 10% in 2016. The full offering of Floorcare, Vacs, HPW and Aftermarket is targeted to the professional market while the consumer market is targeted by Vacs and HPW products.

The products are sold under various brands, including the global brands Nilfisk and Viper, and a wide range of regional and local brands such as Advance, Clarke and Gerni.

Overview by product line and service offering

	Floorcare	Vacs	HPW	Aftermarket
Product details	Scrubber dryers, sweepers, combination machines, single-discs, burnishers, carpet extractors, outdoor machines	Commercial vacuum cleaners, industrial vacuum cleaners, consumer vacuum cleaners	Mobile and stationary high pressure washers for professionals (hot and cold water) and mobile cold water high pressure washers for consumers	Spare parts, accessories, consumables and service
Revenue 2016 (EUR million)	319	187	180	372
Share of Nilfisk Group revenue 2016, %	30%	18%	17%	35%
Global brands	Nilfisk Viper	Nilfisk Viper	Nilfisk	Nilfisk
Selected regional and local brands	Advance Clarke Contractor ALTO	Advance Clarke Kerrick ALTO	Pressure-Pro Hydro Tek Wap Rottest, Gerni Kerrick, Nilfisk Food	Advance, Contractor

The Group's sales activities have historically been organised in three main operating segments, which are primarily geographically defined. These operating segments are Americas, EMEA and APAC. Some smaller business units, comprising certain smaller specialty manufacturing and sales entities, also operating in these three geographical areas, were reported as "Other". The below table shows revenue by product line and service offering per operating segment based on the operating segment definitions used until 31 December 2016. As of 1 January 2017, the Nilfisk Group has adjusted its reporting structure to reflect the organisational changes implemented as part of the Accelerate strategy. For more information on the change of reporting structure, see section 11.5.2 "*New reporting structure as of 1 January 2017*".

Revenue by product line and service offering and operating segments in 2016

Amounts in EUR million	Floorcare		Vacs		HPW		Aftermarket		Total	
	Revenue	Share %	Revenue	Share %	Revenue	Share %	Revenue	Share %	Revenue	Share %
Americas	132	13%	29	3%	35	3%	95	9%	291	28%
EMEA	146	14%	135	13%	118	11%	224	21%	623	59%
APAC	27	2%	21	2%	19	2%	39	4%	106	10%
Other	14	1%	2	0%	8	1%	15	1%	38	3%
Total	**319**	**30%**	**187**	**18%**	**180**	**17%**	**372**	**35%**	**1,059**	**100%**

11.2 Principal factors affecting the Nilfisk Group's results of operations

The Group's results of operations have been affected in the period under review, and are expected to continue to be affected, by the following principal factors and other factors relating to the business:

11.2.1 Accelerate Strategy

In 2015, the Nilfisk Group launched the Accelerate strategy, which includes a range of initiatives aimed at driving the Group's growth and increasing market share. The Accelerate strategy focuses on growing revenue and improving the Group's competitiveness through initiatives related to strengthening the front-end, driving competitive offerings, building strong brands, powering supply chain performance, and driving an agile and commercial organisation.

To support the execution of the Accelerate strategy, a new operating model and organisational structure was launched in August 2016, named Accelerate+. This initiative reduces complexity and improves agility in order to support the execution of the Group's Accelerate strategy and facilitates the realisation of the Group's organic growth ambitions.

The Accelerate+ initiative also includes a cost saving programme which aims to improve profitability. The Executive Management expects the cost savings from the Accelerate+ initiative to gradually reduce the monthly cost run-rate and improve annual EBITDA (non-IFRS) by EUR 35 million. The full cost saving potential of Accelerate+ is expected to be achieved as from December 2019 with full EBITDA (non-IFRS) impact from the financial year 2020.

To realise the above cost savings, one-off restructuring costs of EUR 35 million are expected in the period 2016 to 2019. An additional cost of EUR 5 million related to implementation of the new operating model and organisational structure brings total restructuring costs to EUR 40 million. In addition, the cost saving programme is expected to include investments in tangible and intangible assets of EUR 12 million in the period 2017 to 2019.

Together, Accelerate and Accelerate+ are targeted at organic top-line growth and margin expansion through the following key initiatives:

Organic growth initiatives:

- Autonomous offerings through the Horizon programme;
- Sales and Service Excellence programmes to enable sales divisions to maximise topline growth;
- Increased focus on the mid-market segment to tap into growth potential, which has driven high double digit growth within the Viper brand over the past three years;
- Strategic accounts initiative targeting growth in large accounts, exemplified by high growth in U.S. large national accounts;
- Focus on selected emerging markets.

Margin expansion initiatives:

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

Nilfisk has entered into a framework outsourcing agreement with a third party under which the third party will undertake to optimise relevant processes for the Group, including with respect to global finance and accounting services and operational procurement services. There are no minimum commitments under the agreement, which will be initiated in the second half of 2017. The Group will continuously monitor the scope of cooperation under the agreement. The term of the outsourcing agreement is five years with two possible extensions of one year each. Nilfisk does not consider itself dependent on the agreement.

11.2.2 Acquisitions

Acquisitions have historically contributed to the growth of the Nilfisk Group's revenue, cash flows, assets and liabilities. In general, the Group will look for acquisitions in businesses where:

1. There is a fit with the Group's professional segments;
2. Nilfisk has a proven business model;
3. There is primarily a front-end focus; and
4. The opportunity is within market segments, which are considered attractive by the Group.

When evaluating specific merger and acquisition opportunities, the Group will in general look for acquisitions which enable the Group to:

- Gain market positions and access to customers; or
- Add products that enable the Nilfisk Group to fill gaps in its product and services offering to customers; or
- Provide access to specific competencies; or
- Provide synergies from integration of the acquired company in relation to sales, sourcing, production, distribution, product development or otherwise.

The impact of acquisitions on revenue in 2015, 2016 and the period ended 30 June 2017 can be specified as follows:

- In 2015, the Group's revenue amounted to EUR 980 million, an increase of EUR 62 million compared to 2014. A total of four acquisitions were completed in 2015, being Contractor, Kerrick, Hydro Tek and Smithson Equipment. These acquisitions had, at the time of the respective acquisitions, full-year annualised revenue of EUR 34 million. As the acquisitions were completed during 2015, and not at the beginning of the year, the Group's reported revenue growth for 2015 did not reflect the full annual revenue of the acquisitions; part of the effect was included in 2016. Acquisitions completed in 2015 thus contributed EUR 15 million, or 2%, to 2015 revenue growth and EUR 18 million, or 2%, to 2016 revenue growth. The full-year impact of acquisitions executed in 2014 contributed EUR 4 million to the Group's revenue growth in 2015. Thus, 2015 acquisition driven growth in total was EUR 19 million.
- In 2016, the Group's revenue amounted to EUR 1,059 million, an increase of EUR 79 million compared to 2015. The impact of acquisitions completed in 2015 added EUR 18 million to revenue growth in 2016. During 2016, two acquisitions were completed, being Pressure-Pro and Industro-Clean Cape, with combined full-year annual revenue of EUR 40 million. Pressure-Pro, the larger of the two acquisitions, was completed on 1 January 2016 and the acquired revenue from this acquisition is fully reflected in the revenue for 2016, while the acquisition of Industro-Clean Cape will impact reported revenue growth in both 2016 and 2017 as it did not have full year impact in 2016. Acquisitions in 2016 added EUR 38 million to revenue growth in 2016 and will, due to the full year effect of Industro-Clean Cape, add EUR 1 million to revenue growth in 2017. Thus, acquisition driven growth in 2016 amounted to EUR 56 million in total. Due to the divestment of the U.S. based Cyclone Technology business as per 1 October 2016, the net impact of acquisitions and divestments in 2016 was EUR -2 million.

- In the period ended 30 June 2017, the Group's revenue amounted to EUR 549 million, an increase of EUR 17 million compared to the period ended 30 June 2016. The impact of acquisitions completed in 2016 added EUR 1 million to revenue growth in the period ended 30 June 2017.

For further information on the acquisitions in 2015, 2016 and the period ended 30 June 2017, see section 7.5 "*Mergers and acquisitions*".

11.2.3 Volume and price development

In general, the development in the Group's revenue is determined by the impact of acquisitions, adjustments due to changes in foreign currency exchange rates and the development in the organic growth. At a more detailed level, the organic growth in revenue is impacted by the organic development in the number of units sold and the average sales price within each product line. Within each product line, including Floorcare, Vacs and HPW, there is a range of models that offer a variety of features, capacities, technical solutions and other characteristics and a corresponding range of prices. In addition to price changes on individual products and models, changes in the product mix between products and models with different price levels may impact revenue development.

It is the Executive Management's view that professional customers in general are increasingly focusing on total cost of cleaning. The Executive Management believes that the Group's broad and innovative product range combined with competitive prices and its efficient Aftermarket offering makes the Group well positioned to benefit from the total cost of cleaning-focusing trend.

For additional information on volume and price developments in 2016, see section 11.5.4 "*Revenue development per product line and service offering*".

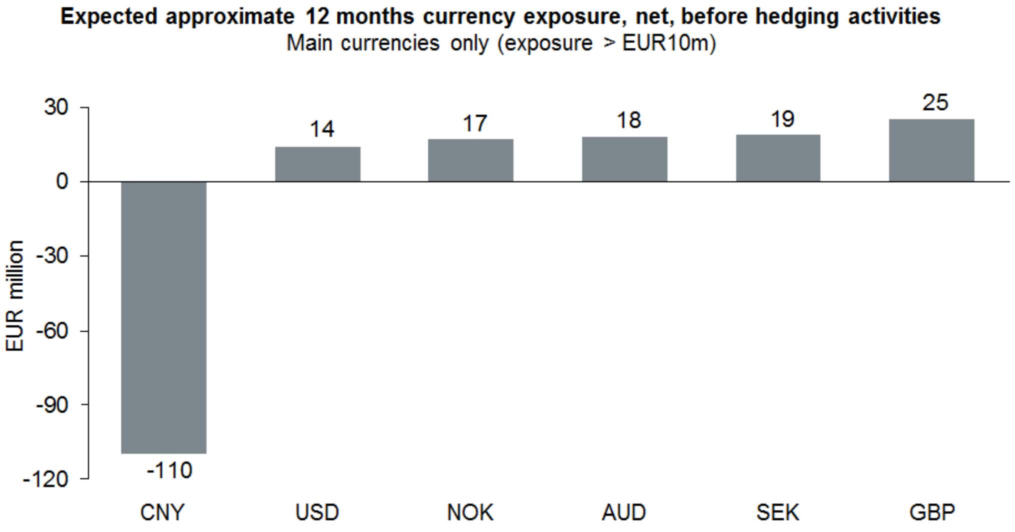
11.2.4 Changes in currency exchange rates

Items included in the financial statements of the Nilfisk Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in EUR.

With revenue and costs incurred in many countries denominated in various currencies, the financial performance of the Group is influenced by changes in currency exchange rates. The currency exposure affects the value, when measured in EUR, of the Group's revenue, costs, cash flows, assets, liabilities and key figures related to these measures.

Due to the limited historical and expected fluctuations in the rate between the Danish krone and the EUR, the Group's exposure to the Danish krone is considered immaterial. On this basis, the most significant currencies for the Group's revenue is the EUR (including DKK), the USD and the GBP, which accounted for 44%, 27% and 5%, respectively, of the Nilfisk Group's revenue in 2016.

On a net basis (exposures related to revenues combined with exposures related to costs), the Group's currency exposure is mainly related to CNY, GBP, SEK, AUD, NOK and USD, all of which have net currency exposures of more than EUR 10 million on a 12 months horizon. Only CNY has a negative exposure, i.e. the Group's earnings before hedging are negatively impacted by an increase in the value of CNY, while the Group's earnings before hedging are positively correlated with the value of the other main currencies. The illustration below shows the currency exposure of the main currencies over a 12 month period, using projected 2017-revenues and costs as basis. For this purpose, the exposure is defined as the exposure arising from cross-border transactions and does not include exposure on the translation of local profits in the Group's consolidated accounts.



The below table shows the impact that changes in currency exchange rates have had on the Nilfisk Group's revenue, gross profit and EBITDA before special items (non-IFRS) in the six month periods ended 30 June 2017 and 2016 and in the years 2016 and 2015. The table shows the impact on the Group's consolidated accounts as if the prior year's accounts of foreign subsidiaries had been translated to EUR using the current year's currency rates. As an example, the reported revenue in 2016 of EUR 1,059 million has been reduced by EUR 9 million due to changes in currency exchange rates, i.e. the 2016 revenue would have been EUR 9 million higher had there been no currency rate changes from 2015 to 2016. The impact of changes in the currency exchange rates is presented in the table below.

Impact of changes in currency exchange rates

EUR million and %	*H1 2017*	*H1 2016*	*2016*	*2015*
Reported revenue for the period	549	532	1,059	980
Impact on revenue from changes in currency exchange rates	3	-8	-9	43
Impact on revenue growth from changes in currency exchange rates, %	0.6%	-1.5%	-0.9%	4.7%
Reported gross profit for the period	241	226	438	399
Impact on gross profit from changes in currency exchange rates	1	-2	-4	17
Reported Gross Margin for the period	43.8%	42.4%	41.3%	40.8%
Gross Margin excluding the impact of changes in currency exchange rates	43.9%	41.7%	41.3%	40.4%
Reported EBITDA before special items (non-IFRS) for the period	71	60	117	98
Impact on EBITDA before special items (non-IFRS) from changes in currency exchange rates	0	0	-1	5
Reported EBITDA Margin before special items for the period	12.9%	11.2%	11.0%	10.0%
EBITDA Margin before special items excluding the impact of changes in currency exchange rates	13.0%	11.1%	11.1%	10.3%

The Group's hedging transactions are managed with a view to mitigate the impact of changes in currency exchange rates on the Group's net cash flows as measured in EUR in the medium-term, which typically entails a hedging horizon of around 12 months, although the hedging horizon could from time to time be shorter or longer than 12 months, depending on the cash flow projections, developments in the financial markets, and management judgement. Even though the currency hedging transactions improve the Nilfisk Group's ability to predict future financial performance in the short-term, it does not remove the longer-term impact from changes in currency exchange rates on the Nilfisk Group's competitiveness.

11.3 Overview of financial performance

Amounts in EUR million

	H1 2017	**H1 2016**	**2016**	**2015**
Revenue	549	532	1,059	980
Cost of sales	-308	-306	-621	-581
Gross profit	241	**226**	**438**	**399**
Research and development costs	-16	-15	-30	-28
Sales and distribution costs	-129	-121	-231	-217
Administrative costs	-42	-47	-93	-89
Other operating income, net	1	2	1	4
Operating profit before amortisation/impairment of acquisition-related intangibles and special items (non-IFRS)	55	**44**	**85**	**69**
Amortisation/impairment of acquisition-related intangibles	-3	-4	-9	-5
Special items (non-IFRS**)**	-7	0	-22	0
Profit before financial items and income taxes (EBIT)	**45**	**40**	**54**	**64**
Financial income	4	6	13	15
Financial expenses	-8	-13	-24	-23
Profit before income taxes	40	**33**	**43**	**56**
Income taxes	-11	-8	-13	-14
Profit for the period	29	**25**	**30**	**42**
Balance sheet as of the end of the period				
Assets				
Goodwill	170	174	179	172
Other intangible assets	114	123	118	110
Property, plant and equipment	59	61	62	58
Other non-current assets	42	39	40	38
Inventories	192	192	173	188
Receivables	230	216	204	187
Interest-bearing receivables	156	144	176	158
Income tax receivable	5	5	3	4
Cash at bank and in hand	20	21	28	21
Total assets	986	**976**	**983**	**936**
Equity and Liabilities				
Total equity	243	218	225	201
Deferred tax, pension and other non-current liabilities	30	27	32	28
Interest-bearing loans and borrowings, current and non-current*	454	492	470	480

	H1 2017	H1 2016	2016	2015
Trade payables and other liabilities	230	208	232	200
Income tax payable	11	10	5	6
Provisions	18	20	19	21
Total equity and liabilities	986	**976**	**983**	**936**

Key figures

EUR million	H1 2017	H1 2016	2016	2015
EBITDA before special items (non-IFRS)	71	60	117	98
EBITDA (non-IFRS)	64	60	97	98
EBIT before special items (non-IFRS)	51	40	76	64
EBIT	45	40	54	64
Working capital (non-IFRS)	184	194	142	173
Capital employed (non-IFRS)	521	534	491	502
Net interest-bearing debt (non-IFRS)	278	316	266	301
Adjusted earnings per share (EUR) (non-IFRS)	1.1	0.9	1.1	1.5
FTEs end of period	5,776	5,673	5,607	5,545

Key ratios

EUR million or %	H1 2017	H1 2016	2016	2015
Total revenue growth	3.2%	6.7%	8.0%	6.8%
Organic revenue growth	3.0%	0.9%	3.1%	0.4%
Gross Margin	43.8%	42.4%	41.3%	40.8%
EBITDA Margin before special items	12.9%	11.2%	11.0%	10.0%
EBITDA Margin	11.7%	11.2%	9.1%	10.0%
EBIT Margin before special items	9.4%	7.6%	7.2%	6.5%
EBIT Margin	8.1%	7.6%	5.1%	6.5%
Effective tax rate	28.0%	25.0%	31.4%	25.2%
Equity ratio	24.7%	22.5%	22.9%	21.4%
Cash conversion	9%	63%	143%	86%
RoCE	16.6%	12.7%	14.6%	12.9%

*For information regarding the impact of the Demerger on the Group's net interest-bearing debt, see section 12 "*Capital resources*".

Definition of key ratios

Key ratio	**Definition**
"Total revenue growth"	Increase in revenue from previous year to current year divided by revenue in previous year
"Organic revenue growth"	Change in comparable revenue from prior year to current year. Comparable revenue excludes the effect of acquisitions and divestments and the effect of changes in currency exchange rates. Foreign exchange changes are eliminated by converting prior year's non-EUR revenue into EUR by applying current year's exchange rates. Acquisitions are treated as having been integrated into the Group upon acquisition and the calculation of organic growth thus includes changes in actual revenue of the acquired businesses compared to revenue at the date of acquisition
"Gross Margin"	Gross profit as a percentage of revenue
"EBITDA Margin before special items"	Earnings before interest, tax, depreciation, amortisation, impairment and special items (non-IFRS) as a percentage of revenue
"EBITDA Margin"	Earnings before interest, tax, depreciation, amortisation and impairment as a percentage of revenue
"EBIT Margin before special items"	Earnings before interest, tax and special items (non-IFRS) as a percentage of revenue

"EBIT Margin"	Earnings before interest and tax as a percentage of revenue
"Effective tax rate"	Income taxes as a percentage of profit before income taxes
"Equity ratio"	Total equity excl. non-controlling interests as a percentage of total assets
"Cash conversion"	Cash flow from operations before financial items and income taxes as a percentage of EBITDA (non-IFRS)
"RoCE"	EBIT before special items (non-IFRS) as a percentage of the average of the capital employed (non-IFRS), calculated as the capital employed at the end of period and at the end of the preceding four quarters

11.4 Financial review for the six month period ended 30 June 2017 and 2016

11.4.1 Development in revenue for the Group

In the six month period ended 30 June 2017, the Nilfisk Group achieved total revenue of EUR 549 million, an increase of EUR 17 million or 3.2% compared to the total revenue of EUR 532 million in the six month period ended 30 June 2016.

Organic growth in revenue (non-IFRS) added EUR 16 million to the Group's revenue in the six month period ended 30 June 2017 compared to the revenue in the six month period ended 30 June 2016. The organic growth rate was 3.0% in the six month period ended 30 June 2017 compared to an organic growth rate of 0.9% in the six month period ended 30 June 2016. The organic growth rate in the six month period ended 30 June 2017 by operating segment was 7.9% in Americas, 3.6% in EMEA 1.0% in APAC, 2.5% in Specialty Professional and -7.9% in Specialty Consumer. The combined organic growth rate in the segments Americas, EMEA and APAC was 4.9% and the combined organic growth rate in Specialty Professional and Specialty Consumer was -2.9%.

In the six month period ended 30 June 2017, the impact from acquisitions, net of divestments, amounted to EUR 2 million of revenue growth, equivalent to -0.4% revenue growth in the six month period ended 30 June 2017. In the six month period ended 30 June 2016, the impact from acquisitions accounted for 7.2% revenue growth.

Changes in currency exchange rates had a positive impact on revenue growth of 0.6% in the six month period ended 30 June 2017, thus increasing total revenue in the six month period ended 30 June 2017 by EUR 3 million mainly due to positive changes in USD, partly offset by negative changes in GBP. In the six month period ended 30 June 2016, changes in currency exchange rates had a negative impact of 1.5% on revenue growth.

11.4.2 Development in revenue for the Group's operating segments

Prior to 1 January 2017, the Group's operation was split in three main sales operating segments being Americas, EMEA, and APAC, which were primarily geographically defined. Most of the Nilfisk Group's production and supply chain activities were included in the segment "Global Operations", while an additional operating segment named "Other" included items relating to the Nilfisk Group's smaller stand-alone production facilities and smaller sales entities. Global Operations is responsible for sourcing, production and logistics. Prior to 1 January 2017, the operating segments within sales bought products from Global Operations at internally determined prices and such internal prices allowed Global Operations to cover operating expenses and realise operating profits.

With effect from 1 January 2017, the Group has redefined its operating segments to align with a new operational model and organisational structure implemented during 2016. Certain products have been carved out from the geographically defined operating segments previously used, and such products are now reported as "Specialty Professional" and "Specialty Consumer". Therefore, as of 1 January 2017, the geographically defined operating segments Americas, EMEA and APAC are now defined entirely by certain professional products. The new carved-out segment Specialty Professional includes industrial vacuum cleaners and the outdoor and restoration equipment business, along with specialised equipment for the food industry. Specialty Consumer includes domestic vacuum cleaners and high pressure washers for the consumer markets.

Because the Specialty Professional and the Specialty Consumer segments were established with effect from 1

January 2017, the revenue stated for the segments prior to 1 January 2017 is partly based on management judgement and estimates and as such is subject to some uncertainty. Furthermore, as the segments' revenue for the six month period ended 30 June 2016 was recorded within the other segments, the above revenue for the six month period ended 30 June 2016 for Americas, EMEA and APAC is also subject to the same level of judgment and estimations as the revenue for the six month period ended 30 June 2016 for Specialty Professional and Specialty Consumer.

For information on the Group's organisation, see section 7.10 "*Organisation*". For more information on the definition of operating segments, please see section 11.1 "*Overview*".

Revenue composition and development by operating segments

Amounts in EUR million	H1 2017	H1 2016	Organic growth	Acquisition growth	FX-rates growth impact	Total growth
Americas	151	137	7.9%	0.0%	2.3%	10.2%
EMEA	237	229	3.6%	0.3%	-0.5%	3.4%
APAC	40	39	1.0%	0.0%	2.3%	3.3%
Total excluding specialty segments	**428**	**405**	**4.9%**	**0.2%**	**0.6%**	**5.7%**
Specialty Professional	62	63	2.5%	-5.3%	1.3%	-1.5%
Specialty Consumer	59	64	-7.9%	0.0%	-0.1%	-8.0%
Total specialty segments	**121**	**127**	**-2.9%**	**-0.4%**	**-1.2%**	**-4.8%**
Total	**549**	**532**	**3.0%**	**-0.4%**	**0.6%**	**3.2%**

In the six month period ended 30 June 2016, revenue in Americas amounted to EUR 137 million. In the six month period ended 30 June 2017, the segment's revenue increased to EUR 151 million, i.e. an increase of EUR 14 million or 10.2%. The main contributor to growth was organic growth of 7.9%, which was positively impacted by strong performance within U.S. national accounts, although this development was offset by a continued weak performance in the industrial segment. The hot water high pressure business realised strong growth, and Mexico and Canada also contributed positively to the overall development in Americas with strong growth rates.

In the six month period ended 30 June 2016, revenue in EMEA amounted to EUR 229 million. In the six month period ended 30 June 2017, the segment's revenue increased to EUR 237 million, i.e. an increase of EUR 8 million or 3.4%. The growth was primarily due to organic growth of 3.6% derived from mature markets such as Germany, Spain, the Netherlands, Belgium, United Kingdom, and Denmark in Western Europe and significant growth in Eastern Europe with especially Turkey contributing to the growth. The positive developments, however, were partly offset by lower organic growth in certain other markets in EMEA and the timing effect of sales in the private label business. In addition, macro economic factors continued to have a negative effect in the Middle East and North Africa.

In the six month period ended 30 June 2016, revenue in APAC amounted to EUR 39 million. In the six month period ended 30 June 2017, the segment's revenue increased to EUR 40 million, i.e. an increase of EUR 1 million or 3.2%. Organic revenue growth was 1.0% driven mainly by China and markets in South East Asia. Sales in Japan, Korea and Australia were below expectations.

In the six month period ended 30 June 2016, the combined total revenue in Americas, EMEA and APAC amounted to EUR 405 million. In the six month period ended 30 June 2017, the revenue for those segments increased to EUR 428 million, i.e. an increase of EUR 23 million or 5.7%.

In the six month period ended 30 June 2016, revenue in Specialty Professional amounted to EUR 63 million. In the six month period ended 30 June 2017, the segment's revenue decreased to EUR 62 million, i.e. a decrease of EUR 1 million or 1.5% mainly due to the impact of the divestment of the U.S. based Cyclone Technology activities as per 1 October 2016 which reduced revenue in the six month period ended 30 June 2017 by approximately EUR 3 million. Organic growth was 2.5% due to a strong performance within the industrial vacuum cleaners, particularly in Americas and EMEA supported by investments in sales and service, and an underlying positive investment climate in the manufacturing industries. This was offset mainly by a lower activity in the outdoor business.

In the six month period ended 30 June 2016, revenue in Specialty Consumer amounted to EUR 64 million. In the six month period ended 30 June 2017, the segment's revenue decreased to EUR 59 million, i.e. a decrease of EUR 5 million or 8.0% mainly due to negative organic growth of 7.9%. The main factors underlying the revenue development were organic revenue growth which was satisfactory in the large markets, Nordics and the Pacific regions but this was offset by the negative organic revenue growth due to the loss of a large single customer combined with a cold spring season affecting the main European markets.

In the six month period ended 30 June 2016, total revenue in the two specialty segments amounted to EUR 127 million. In the six month period ended 30 June 2017, the revenue for those segments decreased to EUR 121 million, i.e. a decrease of EUR 6 million or 4.8%.

11.4.3 Development in revenue split by geographical regions

The Nilfisk Group's revenue split on geographical regions, measured by the geographical location of the relevant sales company, is shown below.

Amounts in EUR million	Revenue H1 2017	Revenue H1 2016	Organic growth	Total growth
Americas	168	156	7.2%	7.6%
EMEA	328	327	1.1%	0.5%
APAC	53	50	4.4%	6.9%
Total	549	532	3.0%	3.2%

In the six month period ended 30 June 2016, revenue in the Americas geographical region amounted to EUR 156 million. In the six month period ended 30 June 2017, the region's revenue increased to EUR 168 million, i.e. an increase of EUR 12 million or 7.6%. The main contributor to growth was organic growth of 7.2%, which was positively impacted by strong performance within U.S. national accounts, although this development was offset by a continued weak performance in the industrial segment. The hot water high pressure business and the industrial vacuum cleaner business both realised strong growth, and Mexico and Canada also contributed positively to the overall development in Americas with strong growth rates.

In the six month period ended 30 June 2016, revenue in the EMEA geographical region amounted to EUR 327 million. In the six month period ended 30 June 2017, the region's revenue increased to EUR 328 million, i.e. an increase of EUR 1 million or 0.5%. Organic growth was 1.1% primarily due to strong organic growth in the mature markets such as Germany, Spain, the Netherlands, Belgium, United Kingdom and Denmark in Western Europe and significant growth in Eastern Europe with especially Turkey contributing to the growth. The positive developments, however, were partly offset by lower organic growth in certain other markets in EMEA, a negative organic revenue growth in the outdoor business and the timing effect of sales in the private label business and negative organic revenue growth in the consumer business. In addition, macro economic factors continued to have a negative effect in the Middle East and North Africa.

In the six month period ended 30 June 2016, revenue in the APAC geographical region amounted to EUR 49 million. In the six month period ended 30 June 2017, the region's revenue increased to EUR 53 million, i.e. an increase of EUR 4 million or 6.9%. Organic growth was 4.4% driven by professional organic revenue growth in China, in professional markets in the South East Asia, and in the consumer business markets in the Pacific region. Sales in the professional markets in Japan, Korea and Australia were below expectations.

11.4.4 Development in revenue per product line and service offering

The Nilfisk Group's product lines and service offerings are divided into four main offerings: Floorcare, Vacs, HPW and Aftermarket.

The composition and development of revenue by product line and service offering is shown below:

Revenue composition by product line and service offering

Amounts in EUR million	Revenue H1 2017	Revenue H1 2016	Organic growth	Total growth
Floorcare	178	167	6.8%	6.4%
Vacs	101	96	4.3%	4.5%
HPW	98	101	-3.2%	-3.0%
Aftermarket	172	167	2.4%	3.0%
Total	549	532	3.0%	3.2%

As described in Section 11.2.3 "*Volume and price development*", the Group's revenue is impacted by the underlying development in the number of products sold and the development in average sales prices. The main driver for changes in the average price of products sold are changes in mix of sold products between models within each product line and between the product lines, rather than price changes on individual models.

In the six month period ended 30 June 2016, revenue in Floorcare amounted to EUR 167 million. In the six month period ended 30 June 2017, the product line's revenue increased to EUR 178 million, i.e. an increase of EUR 10 million or 6.2%. The main contributing factor to the growth was a strong growth in Americas and EMEA, partly offset by declining sales in the outdoor business and the divestment of U.S. Cyclone Technology activities.

In the six month period ended 30 June 2016, revenue in Vacs amounted to EUR 96 million. In the six month period ended 30 June 2017, the product line's revenue increased to EUR 101 million, i.e. an increase of EUR 5 million or 4.5%. The increase was primarily due to growth in Specialty Professional and Americas, but partly offset by negative organic revenue growth in Specialty Consumer.

In the six month period ended 30 June 2016, revenue in HPW amounted to EUR 101 million. In the six month period ended 30 June 2017, the product line's revenue decreased to EUR 98 million, i.e. a decrease of EUR 3 million or 3.0%. The main contributor to the development was lower sales in Specialty Consumer, but partly offset by strong growth in Americas.

In the six month period ended 30 June 2016, revenue in Aftermarket amounted to EUR 167 million. In the six month period ended 30 June 2017, revenue in Aftermarket increased to EUR 172 million, i.e. an increase of EUR 5 million or 3.0%. The increase was primarily due to strong growth in Americas and EMEA, while APAC realised moderate growth.

11.4.5 Development in gross profit and Gross Margin

The Nilfisk Group's cost of sales comprises direct and indirect costs incurred in relation to production, including costs relating to the Group's purchase of raw materials, components, salaries, depreciation of production related equipment, etc. as well as direct costs related to the Aftermarket activities.

The below table shows how the Group's revenue, gross profit and Gross Margin, as shown in the income statements, are distributed by operating segments. The gross profit of Americas, EMEA and APAC segments is based on internally determined prices for products acquired from the production units, while the operating profit of these production units is reported under "Non-allocated". For Specialty Professional and Specialty Consumer gross profit includes full product profitability.

Because the Specialty Professional and the Specialty Consumer segments were established with effect from 1

January 2017, the gross profit stated for the segments prior to 1 January 2017 is partly based on management judgement and estimates and as such is subject to some uncertainty. Furthermore, as these segments' gross profit for the six month period ended 30 June 2016 was recorded within the other segments, the gross profit for the six month period ended 30 June 2016 for Americas, EMEA and APAC is also subject to the same level of judgment and estimations as the gross profit for the six month period ended 30 June 2016 for Specialty Professional and Specialty Consumer.

Revenue, gross profit and Gross Margin by operating segment

Amounts in EUR million	Revenue		Gross profit		Gross Margin	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Americas	151	137	42	38	27.9%	27.5%
EMEA	237	229	67	65	28.3%	28.6%
APAC	40	39	13	13	32.8%	32.6%
Total excluding specialty segments	428	405	122	116	28.6%	28.6%
Specialty Professional	62	63	31	32	50.4%	51.0%
Specialty Consumer	59	64	23	24	38.6%	36.7%
Total specialty segments	**121**	**127**	**54**	**56**	**44.6%**	**43.7%**
Non-allocated	-	-	64	55	-	-
Total	**549**	**532**	**241**	**226**	**43.8%**	**42.4%**

At Group level, the Gross Margin increased from 42.4% in the six month period ended 30 June 2016 to 43.8% in the six month period ended 30 June 2017.

In Americas, the Gross Margin increased from 27.5% in the six month period ended 30 June 2016 to 27.9% in the six month period ended 30 June 2017, mainly due to changes in product mix sales, as well as a focus on efficiency measures and cost reductions which in particular increased margins in the U.S. high pressure washer business and in Mexico.

In EMEA, the Gross Margin decreased from 28.5% in the six month period ended 30 June 2016 to 28.3% in the six month period ended 30 June 2017, mainly due to changes in product mix sales and declining margins in certain countries in Western Europe.

In APAC, the Gross Margin increased from 32.6% in the six month period ended 30 June 2016 to 32.8% in the six month period ended 30 June 2017, mainly due to changes in product mix sales and increased margins in the South East Asia, China and the Pacific region.

In total, for the Americas, EMEA and APAC segments, the Gross Margin was unchanged at 28.6% in the six month periods ended 30 June 2016 and 30 June 2017, respectively.

In Specialty Professional, the Gross Margin decreased from 51.0% in the six month period ended 30 June 2016 to 50.4% in the six month period ended 30 June 2017, mainly due to decreased margins in the outdoor business.

In Specialty Consumer, the Gross Margin increased from 36.7% in the six month period ended 30 June 2016 to 38.6% in the six month period ended 30 June 2017, mainly due to strong margin focus and efficiency gains.

In total Specialty Professional and Specialty Consumer, the Gross Margin increased from 43.7% in the six month period ended 30 June 2016 to 44.6% in the six month period ended 30 June 2017.

In the six month period ended 30 June 2017, the impact of the Accelerate+ cost saving programme was EUR 1 million, corresponding to an improvement in the Gross Margin of approximately 0.2%-points. The improvement was primarily related to sourcing. There was no impact from Accelerate+ on Gross Profit and Gross Margin in 2016.

11.4.6 Reconciliation to reporting structure applied prior to 1 January 2017

In connection with the change in the Group's operating structure as described earlier in this Demerger Statement, prior to 1 January 2017, the Group's operation was split in three main sales operating segments being Americas, EMEA, and APAC, which were primarily geographically defined. Most of the Nilfisk Group's production and supply chain activities were included in the segment Global Operations, while an additional operating segment named "Other" included items relating to the Nilfisk Group's smaller stand-alone production facilities and smaller sales entities. Prior to 1 January 2017, the operating segments within sales bought products from Global Operations at internally determined prices and such internal prices allowed Global Operations to cover operating expenses and realise operating profits.

With effect from 1 January 2017, certain products have been carved out from the geographically defined operating segments previously used, and such products are now reported as "Specialty Professional" and "Specialty Consumer". Therefore, as of 1 January 2017, the geographically defined operating segments Americas, EMEA and APAC are now defined entirely by certain professional products. The new carved-out segment Specialty Professional includes industrial vacuum cleaners and the outdoor and restoration equipment business, along with specialised equipment for the food industry. Specialty Consumer includes domestic vacuum cleaners and high pressure washers for the consumer markets. The gross profit of the segment historically reported as Global Operations is with effect from 1 January 2017 partly allocated to the relevant specialty segments and the gross profit related to production and supply chain activities supporting EMEA, Americas and APAC is reported in "Non-allocated". The "Other" segment is with effect from 1 January 2017 entirely included in the Specialty Professional segment.

Because the Specialty Professional and the Specialty Consumer segments were established with effect from 1 January 2017, the revenue and gross profit stated for the segments prior to 1 January 2017 is partly based on management judgement and estimates and as such is subject to some uncertainty. Furthermore, as the segments' revenue and gross profit for the six month period ended 30 June 2016 was recorded within the other segments, the revenue and gross profit for the six month period ended 30 June 2016 for Americas, EMEA, APAC and Non-allocated is also subject to the same level of judgment and estimations as the revenue and gross profit for the six month period ended 30 June 2016 for Specialty Professional and Specialty Consumer.

The below table shows the impact of implementing the new structure for the six month period ended 30 June 2017 with comparison figures for the six month period ended 30 June 2016.

Reconciliation to revenue and gross profit composition by operating segments applied before 1 January 2017

Amounts in EUR million	Revenue H1 2017	Revenue H1 2016	Gross profit H1 2017	Gross profit H1 2016
Americas, pre-2017 segmentation		144		43
Americas, carved-out to specialty segments		-7		-5
Americas, new segmentation	151	137	42	38
EMEA, pre-2017 segmentation		318		86
EMEA, carved-out to specialty segments		-89		-21
EMEA, new segmentation	237	229	67	65
APAC, pre-2017 segmentation		50		16
APAC, carved-out to specialty segments		-11		-3

APAC, new segmentation	40	39	13	13
Specialty Professional, pre-2017 segmentation		0		0
Carved-out from Americas, EMEA and APAC, and transferred from Other and Global Operations		63		32
Specialty Professional, new segmentation	62	63	31	32
Specialty Consumer, pre-2017 segmentation		0		0
Carved-out from Americas, EMEA and APAC, and transferred from Global Operations		64		24
Specialty Consumer, new segmentation	59	64	23	24
Other, pre-2017 segmentation		20		17
Other, carved-out to Specialty Professional		-20		-17
Other, new segmentation	0	0	0	0
Global Operations, pre-2017 segmentation		0		64
Transferred to specialty segments and to Non-allocated		0		-64
Global Operations, new segmentation	0	0	0	0
Non-allocated, pre-2017 segmentation		0		0
Transferred from Global Operations		0		55
Non-allocated, new segmentation	0	0	64	55
Total	**549**	**532**	**241**	**226**

In the six month period ended 30 June 2016, revenue in Americas, using the segmentation applied prior to 1 January 2017, amounted to EUR 144 million. By applying the new segmentation, for the six month period ended 30 June 2016, revenue of EUR 7 million has been carved-out from the Americas segment to the specialty segments, thereby resulting in revenue in Americas in the six month period ended 30 June 2016 of EUR 137 million. In the six month period ended 30 June 2016, gross profit in Americas, using the segmentation applied prior to 1 January 2017, amounted to EUR 43 million. By applying the new segmentation, for the six month period ended 30 June 2016, gross profit decreased by EUR 5 million due to the carve-out from the Americas segment to the specialty segments, thereby resulting in a gross profit in Americas in the six month period ended 30 June 2016 of EUR 38 million.

In the six month period ended 30 June 2016, revenue in EMEA, by using the segmentation applied prior to 1 January 2017, amounted to EUR 318 million. By applying the new segmentation, for the six month period ended 30 June 2016, revenue of EUR 89 million has been carved-out from the EMEA segment to the specialty segments, thereby resulting in revenue in EMEA in the six month period ended 30 June 2016 of EUR 229 million. In the six month period ended 30 June 2016, gross profit in EMEA, using the segmentation applied prior to 1 January 2017, amounted to EUR 86 million. By applying the new segmentation, for the six month period ended 30 June 2016, gross profit decreased by EUR 21 million due to the carve-out from the EMEA segment to the specialty segments, thereby resulting in a gross profit in EMEA in the six month period ended 30 June 2016 of EUR 65 million.

In the six month period ended 30 June 2016, revenue in APAC, by using the segmentation applied prior to 1 January 2017, amounted to EUR 50 million. By applying the new segmentation, for the six month period ended 30 June 2016, revenue of EUR 11 million has been carved-out from the APAC segment to the specialty segments, thereby resulting in revenue in APAC in the six month period ended 30 June 2016 of EUR 39 million. In the six month period ended 30 June 2016, gross profit in APAC, using the segmentation applied prior to 1 January 2017, amounted to EUR 16 million. By applying the new segmentation, for the six month period ended 30 June 2016, gross profit decreased by EUR 3 million due to the carve-out from the APAC segment to the specialty segments, thereby resulting in a gross profit in APAC in the six month period ended 30 June 2016 of EUR 13 million.

In the six month period ended 30 June 2016, by using the segmentation applied prior to 1 January 2017, no revenue or gross profit was recognised in Specialty Professional. By applying the new segmentation, for the six month period ended 30 June 2016, revenue of EUR 63 million has been carved-out from the other segments to the Specialty Professional segment, thereby resulting in revenue in Specialty Professional in the six month period ended 30 June 2016 of EUR 63 million. By applying the new segmentation, for the six month period ended 30 June 2016, gross profit in Specialty Professional amounted to EUR 32 million which was due to the carve-out from the other segments to the Specialty Professional segment and to the transfer of gross profit from the Global Operations segment.

In the six month period ended 30 June 2016, by using the segmentation applied prior to 1 January 2017, no revenue or gross profit was recognised in Specialty Consumer. By applying the new segmentation, for the six month period ended 30 June 2016, revenue of EUR 64 million has been carved-out from the other segments to the Specialty Consumer segment, thereby resulting in revenue in Specialty Consumer in the six month period ended 30 June 2016 of EUR 64 million. By applying the new segmentation, for the six month period ended 30 June 2016, gross profit in Specialty Consumer amounted to EUR 24 million which was due to the carve-out from the other segments to the Specialty Consumer segment and to the transfer of gross profit from the Global Operations segment.

In the six month period ended 30 June 2016, revenue in Other, by using the segmentation applied prior to 1 January 2017, amounted to EUR 20 million. By applying the new segmentation, for the six month period ended 30 June 2016, revenue of EUR 20 million has been carved-out from the Other segment to the specialty segments, thereby resulting in a revenue in Other in the six month period ended 30 June 2016 of EUR 0 million. In the six month period ended 30 June 2016, gross profit in Other, using the segmentation applied prior to 1 January 2017, amounted to EUR 17 million. By applying the new segmentation, for the six month period ended 30 June 2016, gross profit decreased by EUR 17 million due to a carve-out from the Other segment to the specialty segments, thereby resulting in a gross profit in Other in the six month period ended 30 June 2016 of EUR 0 million.

In the first six month of 2016, gross profit in Global Operations, using the segmentation applied prior to 1 January 2017, amounted to EUR 64 million. By applying the new segmentation, for the first six month of 2016, gross profit decreased by EUR 64 million due to the transfer from the Global Operations segment to the specialty segments and to Non-allocated, thereby resulting in a gross profit in Global Operations in the first six month of 2016 of EUR 0 million.

In the first six month of 2016, Non-allocated gross profit, using the segmentation applied prior to 1 January 2017, amounted to EUR 0 million. By applying the new segmentation, for the first six month of 2016, gross profit increased to EUR 55 million, mainly from carve-out from Global Operations.

11.4.7 Gross profit and gross margin with full allocation of operating profit to sales segments

As supplementary information, the below table shows the gross profit and Gross Margin for the six month period ended 30 June 2017 by operating segments where the product profit has been allocated in full to all operating segments, thereby showing the full group profit contribution of the operating segments Americas, EMEA, APAC, Specialty Professional and Specialty Consumer. The full allocation of product profit has been implemented only retrospectively from 1 January 2017. As comparative numbers for the same period in 2016 are not available for Americas, EMEA and APAC, but only for for the carved-out specialty segments, the below table does not include comparative numbers for the same period in 2016. The numbers are partly based on the Executive

Management's judgement.

Gross profit and Gross Margin by operating segment on fully allocated basis

Amounts in EUR million	Gross profit H1 2017	Gross margin H1 2017
Americas	64	42.5%
EMEA	106	44.6%
APAC	17	41.5%
Total excluding specialty segments	**187**	**43.6%**
Specialty Professional	31	50.4%
Specialty Consumer	23	38.6%
Total specialty segments	**54**	**44.6%**
Total Group	**241**	**43.8%**

On a fully allocated basis, in the six month period ended 30 June 2017, gross profit in Americas amounted to EUR 64 million, corresponding to a Gross Margin of 42.5%.

On a fully allocated basis, in the six month period ended 30 June 2017, gross profit in EMEA amounted to EUR 106 million, corresponding to a Gross Margin of 44.6%.

On a fully allocated basis, in the six month period ended 30 June 2017, gross profit in APAC amounted to EUR 17 million, corresponding to a Gross Margin of 41.5%.

On a fully allocated basis, in the six month period ended 30 June 2017, total gross profit excluding the specialty segments amounted to EUR 187 million, corresponding to a Gross Margin of 43.6%.

On a fully allocated basis, in the six month period ended 30 June 2017, gross profit in Specialty Professional amounted to EUR 31 million, corresponding to a Gross Margin of 50.4%.

On a fully allocated basis, in the six month period ended 30 June 2017, gross profit in Specialty Consumer amounted to EUR 23 million, corresponding to a Gross Margin of 38.6%

On a fully allocated basis, in the six month period ended 30 June 2017, gross profit in total the specialty segments amounted to EUR 54 million, corresponding to a Gross Margin of 44.6%.

On a fully allocated basis, in the six month period ended 30 June 2017, total Group gross profit amounted to EUR 241 million, corresponding to a Gross Margin of 43.8%.

11.4.8 Development in overhead costs

The Nilfisk Group's overhead costs comprise costs related to research and product development, sales and distribution and administration. Other operating income, net, is also included in overhead costs. The below table shows the composition of overhead costs in the six month period ended 30 June 2017 and the six month period ended 30 June 2016.

Overhead costs

EUR million	H1 2017	H1 2016
Research and development costs	16	15
Sales and distribution costs	129	121
Administrative costs	42	47

Other operating income, net	-1	-2
Total overhead costs	186	181
Total overhead costs as % of revenue	33.9%	34.1%

In total, overhead costs increased by EUR 5 million from EUR 181 million in the six month period ended 30 June 2016 to EUR 186 million in the six month period ended 30 June 2017, i.e. an increase of 2.6%. The increase was primarily due to an increase in research activities that cannot be capitalised, increased freight rates and further investments in front-end sales initiatives. The overhead cost ratio decreased from 34.1% in the six month period ended 30 June 2016 to 33.9% in the six month period ended 30 June 2017.

Below, each component of the overhead costs is discussed in more detail:

Research and development costs

In the six month period ended 30 June 2016, the Nilfisk Group's total amount spent on research and development amounted to EUR 19 million, which is equivalent to 3.7% of revenue in the six month period ended 30 June 2016. The amount comprised EUR 11 million related to staff involved with product development and EUR 8 million related to other development costs. Of the total spend of EUR 19 million, EUR 9 million were recognised as an expense in the income statement while EUR 10 million were capitalised in the balance sheet under intangible assets. In addition to the amount recognised as an expense, amortisation of previous years' capitalised development costs amounted to EUR 6 million. Therefore, the total amount recognised under research and development costs in the income statement in the six month period ended 30 June 2016 was EUR 15 million.

In the six month period ended 30 June 2017, the Nilfisk Group's total amount spent on research and development decreased from EUR 19 million in the six month period ended 30 June 2016 to EUR 16 million, which is equivalent to 3.0% of revenue in the six month period ended 30 June 2017. The spend comprised EUR 11 million related to staff involved with development and other development costs of EUR 5 million. Of the total spend of EUR 16 million, EUR 9 million has been recognised as an expense in the income statement while EUR 7 million has been capitalised in the balance sheet under intangible assets. In addition to the amount recognised as an expense, amortisation of previous years' capitalised development costs amounted to EUR 7 million. Therefore, the total amount recognised under research and development costs in the income statement in the six month period ended 30 June 2017 was EUR 16 million.

In line with the Group's focus on delivering digitalised industry leading cleaning products and services to its customers, the Group's research and development activities are increasingly diverted towards exploration of new technologies and solutions. In accordance with IFRS, the research activities cannot be capitalised but are expensed in the profit and loss statement.

Thus, the percentage of research and development costs which are capitalised relative to total research and development costs is expected to decrease in the future. In the short term, i.e. for the financial year 2017, the capitalisation percentage is expected to decrease by approximately 5-10%-points from the historical level slightly above 50%. This is equivalent to an additional cost of EUR 2-3 million in 2017.

On completion of the development work, the capitalised value of the development project is amortised on a straight-line basis over the estimated useful life of the asset from the date the asset is available for use. The amortisation period is usually 3-10 years.

Sales and distribution costs

In the six month period ended 30 June 2016, the Nilfisk Group's sales and distribution costs amounted to EUR 121 million, which is equivalent to 22.7% of revenue in the six month period ended 30 June 2016. The costs comprised of EUR 88 million (16.6% of revenue) related to selling and EUR 33 million (6.1% of revenue) related to distribution.

In the six month period ended 30 June 2017, the Nilfisk Group's sales and distribution costs amounted to EUR

129 million, which is equivalent to 23.5% of revenue in the six month period ended 30 June 2017. The costs comprised of EUR 94 million (17.2% of revenue) related to selling and EUR 34 million (6.2% of revenue) related to distribution.

The development in selling costs was impacted by investments in front-end initiatives like marketing and advertising, and costs related to implementation of systems supporting the sales growth initiatives. The increase in costs from these initiatives was partly compensated by staff reductions in the front-end.

Administrative costs

In the six month period ended 30 June 2016, the Nilfisk Group's administrative costs amounted to EUR 47 million, which is equivalent to 8.9% of revenue in the six month period ended 30 June 2016.

In the six month period ended 30 June 2017, the Nilfisk Group's administrative costs decreased by 9.9% to EUR 42 million, which is equivalent to 7.7% of revenue in the six month period ended 30 June 2017.

The positive development in overall administrative cost as a % of revenue reflects the ongoing focus on efficiency including the effects of the Accelerate+ cost saving programme which had a positive impact of EUR 7 million on overhead costs, primarily administrative, costs in the six month period ended 30 June 2017, whereas the programme had no impact in the six month period ended 30 June 2016. Thus, the savings related to Accelerate+ had a positive impact on overhead costs as % of revenue of 1.2% in the six month period ended 30 June 2017. For more information on the financial impact of the Accelerate+ programme, see section 11.6 "*Accelerate+ cost saving programme*".

11.4.9 Development in operating profit before amortisation/impairment of acquisition-related intangibles and special items (non-IFRS)

In the six month period ended 30 June 2016, the Nilfisk Group's operating profit before amortisation/impairment of acquisition-related intangibles and special items amounted to EUR 44 million, resulting from gross profit of EUR 226 million and overhead costs of EUR 181 million. In the six month period ended 30 June 2017, the operating profit before amortisation/impairment of acquisition-related intangibles and special items increased by 23.0%, or EUR 11 million, to EUR 55 million. The increase was due to the combined effect of an increase in gross profit of EUR 15 million which was partly offset by an increase in overhead costs of EUR 5 million as discussed above.

In the six month period ended 30 June 2017, the operating segments contributed with the following amounts to the total operating profit before amortisation/impairment of acquisition-related intangibles and special items: Americas by EUR 8 million, EMEA by EUR 19 million, APAC by EUR 2 million, Specialty Professional by EUR 7 million, Specialty Consumer by EUR 3 million and Non-allocated by EUR 16 million. The split of operating profit before amortisation/impairment of acquisition-related intangibles on operating segments includes profits and costs directly attributable to the operating segments. Overhead costs in the sourcing, production, logistics and headquarter functions are not allocated to operating segments but included in Non-allocated.

11.4.10 Development in EBITDA before special items (non-IFRS)

In the six month period ended 30 June 2016, the Nilfisk Group's EBITDA before special items amounted to EUR 60 million, which is equivalent to an EBITDA Margin before special items of 11.2% in the six month period ended 30 June 2016. In the six month period ended 30 June 2017, the Nilfisk Group's EBITDA before special items increased by EUR 11 million to EUR 71 million, which is equivalent to an EBITDA Margin before special items of 12.9% in the six month period ended 30 June 2017.

The development in EBITDA before special items in the six month period ended 30 June 2017 was positively impacted by revenue growth of 3.2% and an increase in the Gross Margin from 42.4% in the six month period ended 30 June 2016 to 43.8% in the six month period ended 30 June 2017.

EBITDA before special items was negatively impacted by an increase in overhead costs (excluding depreciation and amortisation) of EUR 5 million. As described in section 11.2.1 "*Accelerate – Strategy*", a cost saving programme was initiated in 2016. In the six month period ended 30 June 2017, EBITDA before special items was positively impacted by realised savings related to this programme due to EUR 8 million savings in overhead costs and cost of sales.

11.4.11 Development in EBITDA (non-IFRS)

In the six month period ended 30 June 2016, the Nilfisk Group's EBITDA amounted to EUR 60 million, which is equivalent to 11.2% of revenue in the six month period ended 30 June 2016. In the six month period ended 30 June 2017, the Nilfisk Group's EBITDA amounted to EUR 64 million, which is equivalent to an EBITDA Margin of 11.7% in the six month period ended 30 June 2017.

The development in EBITDA in the six month period ended 30 June 2017 was positively impacted by revenue growth of 3.2% and an increase in the Gross Margin from 42.4% in the six month period ended 30 June 2016 to 43.8% in the six month period ended 30 June 2017.

EBITDA was negatively impacted by an increase in overhead costs excluding depreciation and amortisation of EUR 5 million. As described in section 11.2.1 "*Accelerate – Strategy*", a cost saving programme was initiated in 2016. In the six month period ended 30 June 2017, EBITDA was positively impacted by realised savings related to this programme due to EUR 8 million savings in overhead costs and cost of sales.

11.4.12 Development in amortisation and impairment of acquisition-related intangibles

In the six month period ended 30 June 2016, no impairment was recognised while amortisation of acquisition-related intangibles was EUR 4 million. In the six month period ended 30 June 2017, no impairment was recognised while amortisation of acquisition-related intangibles was EUR 3 million.

11.4.13 Development in special items (non-IFRS)

In the six month period ended 30 June 2016, no special items were recognised. In the six month period ended 30 June 2017, special items amounted to EUR 7 million, related to restructuring as part of the Accelerate+ initiative and costs related to the Demerger.

Costs incurred in the six month period ended 30 June 2017 connected with the Accelerate+ initiatives include e.g. consultancy fees and supporting tools as well as organisational changes, alignment of facilities, and redundancy costs to staff where one-off related costs are paid out or will be paid out without the staff servicing the Nilfisk Group for the payment.

Costs related to the Demerger mainly relate to consultancy fees and costs of supporting tools as well as organisational changes in connection with the intended listing of Nilfisk.

11.4.14 Development in EBIT before special items (non-IFRS)

In the six month period ended 30 June 2016, the Nilfisk Group's EBIT before special items amounted to EUR 40 million, which is equivalent to an EBIT Margin before special items of 7.6%. In the six month period ended 30 June 2017, the Nilfisk Group's EBIT before special items increased to EUR 51 million, which is equivalent to an EBIT Margin before special items of 9.4% in the six month period ended 30 June 2017.

The development in EBIT before special items in the six month period ended 30 June 2017 was impacted by revenue growth of 3.2%, an increase in the Gross Margin from 42.4% in the six month period ended 30 June 2016 to 43.8% in the six month period ended 30 June 2017, an increase in overhead costs of EUR 5 million, an increase of EUR 1 million in amortisation/impairment of acquisition-related intangibles, and realised savings related to the Accelerate+ cost saving programme.

11.4.15 Development in EBIT

In the six month period ended 30 June 2016, the Nilfisk Group's EBIT amounted to EUR 40 million, which is equivalent to an EBIT Margin of 7.6%. In the six month period ended 30 June 2017, the Nilfisk Group's EBIT increased to EUR 45 million, which is equivalent to an EBIT Margin of 8.1% in the six month period ended 30 June 2017.

The increase in EBIT in the six month period ended 30 June 2017 was due to revenue growth of 3.2% and an increase in the Gross Margin from 42.4% in the six month period ended 30 June 2016 to 43.8% in the six month period ended 30 June 2017. A decrease of EUR 1 million in amortisation/impairment of acquisition-related intangibles had a minor positive impact on EBIT from the six month period ended 30 June 2016 to the six month period ended 30 June 2017.

In the six month period ended 30 June 2017, EBIT was negatively impacted by an increase in overhead costs of EUR 5 million and by an increase in special items (non-IFRS) of EUR 7 million compared to the six month period ended 30 June 2016, primarily related to restructuring costs incurred in connection with the organisational and structural changes executed as part of the Accelerate+ cost saving programme and the intended split from NKT. In the six month period ended 30 June 2016, EBIT was not impacted by special items (non-IFRS).

11.4.16 Development in financial income and financial expenses

Financial items, which comprise interest income and expenses, as well as financial fees and losses and gains on financial derivatives related to financial assets or liabilities, amounted to a net financial expense of EUR 7 million in the six month period ended 30 June 2016. In the six month period ended 30 June 2017, net financial items amounted to a net financial expense of EUR 4 million, i.e. an increase of EUR 3 million in net financial income and expenses. The decrease in net financial expenses related primarily to a change in the interest margin paid to NKT in relation to the cash-pool arrangement with NKT. While the Group's most significant currency exposures were neutralised by hedging activity, currency adjustments from unhedged cash flows caused a foreign exchange loss of EUR 2 million net in the six month period ended 30 June 2017 compared to EUR 1 million impact in the six month period ended 30 June 2016. This was within the expected range of the Nilfisk Group's hedging policy and should be seen in the context of the significant sales in foreign currency.

11.4.17 Development in income taxes

The Group's tax rate is impacted by the composition of the Nilfisk Group's taxable income in the countries in which the Group has activities.

In the six month period ended 30 June 2016 income taxes amounted to EUR 8 million. In the six month period ended 30 June 2017, income taxes increased to EUR 11 million as a result of increased profit before income taxes and the effect of change in profit split between countries in the Nilfisk Group. As a result, the Group's effective tax rate increased from 25.0% in the six month period ended 30 June 2016 to 28.0% in the six month period ended 30 June 2017.

11.4.18 Development in profit for the period

In the six month period ended 30 June 2017, the profit for the period for the Nilfisk Group amounted to EUR 29 million, which was an increase of EUR 4 million compared to EUR 25 million in the six month period ended 30 June 2016. The main reason for the increase was the increase in EBIT of EUR 4 million.

11.4.19 Development in selected balance sheet items

As at 30 June 2017, working capital (non-IFRS) amounted to EUR 184 million which was a decrease of EUR 10 million compared to 30 June 2016. The development in working capital (non-IFRS) was mainly a result of an increase of EUR 13 million in trade payables, due to high production activity involving suppliers with longer payment terms, and an increase of EUR 10 million in other current liabilities, partly compensated by an increase in trade receivables of EUR 12 million. The level of inventories was largely unchanged.

As at 30 June 2017, the Group's net interest-bearing debt (non-IFRS) amounted to EUR 278 million compared to EUR 316 million as at 30 June 2016, i.e. a decrease of EUR 38 million. The decrease was primarily due to lower debt to NKT. The net interest-bearing debt (non-IFRS) consists of interest-bearing debt of EUR 453 million and interest-bearing receivables and cash at bank and in hand of EUR 176 million in total. Interest-bearing receivables consist primarily of intercompany loans to NKT and funds held in the cash pool arrangement provided by NKT. The debt is predominantly based on floating interest rates. For information regarding the impact of the Demerger on the Group's net interest-bearing debt, see section 12 "*Capital resources*".

Capital employed (non-IFRS) at 30 June 2017 amounted to EUR 521 million, which was a decrease of EUR 13 million compared to EUR 534 million at 30 June 2016. The decrease was primarily due to the above development in working capital (non-IFRS) and an increase of EUR 25 million in equity, mainly related to the Group's profit for the year.

11.4.20 Liquidity and capital resources

The Group's cash flow from operating activities is derived from EBIT, adjusted for profit on sale of non-current assets used and increase in provisions and non-cash items included in EBIT, and changes in working capital (non-IFRS).

The below table shows the consolidated cash flows of Nilfisk for the six month period ended 30 June 2017 and the six month period ended 30 June 2016.

Cash flow for the six month periods ended 30 June

Amounts in EUR million	**H1 2017**	**H1 2016**
Profit before financial items and income taxes (EBIT)	44	40
Depreciation, amortisation and impairment	20	19
Profit on sales of non-current assets, used and increases in provisions and other non-cash operating items, etc.	-3	-1
Changes in working capital	-55	-20
Cash flow from operations before financial items and income taxes	6	38
Financial income received	3	5
Financial expenses paid	-6	-12
Income tax paid	-8	-5
Cash flow from operating activities	-5	26
Acquisition of non-controlling interests	0	0
Acquisition of businesses	0	-31
Investments in property, plant and equipment	-7	-11
Disposal of property, plant and equipment	1	1
Intangible assets and other investments	-11	-12
Cash flow from investing activities	-17	-53
Changes in current interest-bearing receivables	16	13
Changes in current interest-bearing loans and borrowings	7	171
Changes in non-current interest-bearing loans and borrowings	-9	-156

Dividends paid	0	0
Cash flow from financing activities	14	28
Net cash flow for the period	-8	0
Free cash flow excluding acquisitions and divestments (non-IFRS)	-22	3

In the six month period ended 30 June 2016, the Group's cash flow from operations before financial items and income taxes was EUR 38 million. In the six month period ended 30 June 2017, the Group's cash flow from operations before financial items and income taxes decreased by EUR 32 million to EUR 6 million.

The decrease in cash flow from operations before financial items and income taxes in the six month period ended 30 June 2017 was primarily due to an increase in working capital of EUR 55 million, in particular impacted by higher inventories, which increased by EUR 19 million, and higher receivables, which increased by EUR 26 million compared to 31 December 2016. The negative change in working capital for the six month period ended 30 June 2017 was mainly because the working capital at 31 December 2016 was impacted by one-off improvements of EUR 24 million. For additional information regarding working capital as of 31 December 2016, please see section 11.5.17 "*Development in selected balance sheet items*"

Cash flow related to financial income and expenses, net, amounted to an outflow of EUR 3 million in the six month period ended 30 June 2017, which is an improvement of EUR 4 million compared to the six month period ended 30 June 2016. Income tax payments was EUR 8 million in the six month period ended 30 June 2017, compared to EUR 5 million in the six month period ended 30 June 2016.

In the six month period ended 30 June 2017 no cash was used for acquisitions of businesses, whereas in the six month period ended 30 June 2016, acquisition of businesses including non-controlling interests amounted to a net cash outflow of EUR 31 million, which was primarily related to the acquisition of Pressure-Pro in the United States, acquired effective 1 January 2016. Please see section 11.2.2 "*Acquisitions*" for information about the Group's acquisitions. Acquisition of non-controlling interests in the six month period ended 30 June 2016 related to purchase of a minority shareholder's 49% equity ownership in Nilfisk Chile thereby increasing the Company's ownership to 100%.

In the six month period ended 30 June 2016, the cash outflow regarding investments in property, plant and equipment was EUR 11 million. In the six month period ended 30 June 2017, the cash outflow regarding investments in property, plant and equipment decreased by EUR 4 million to EUR 7 million. In both years, the investments primarily related to tools and equipment, both finished and under construction, equipment leased to Nilfisk customers classified as operating leases under IFRS, as well as leasehold improvements.

Investments in intangible assets and other investments amounted to EUR 12 million in the six month period ended 30 June 2016 and decreased slightly by EUR 1 million to EUR 11 million in the six month period ended 30 June 2017.

Cash flow from financing activities amounted to an inflow of EUR 28 million in the six month period ended 30 June 2016. In the six month period ended 30 June 2017, cash flow from financing activities was an inflow of EUR 14 million. The amount was the combined result of cash inflow of EUR 16 million related to changes in current interest-bearing receivables, a cash inflow of EUR 7 million related to changes in current interest-bearing loans and borrowings, and a cash outflow of EUR 9 million related to changes in non-current interest-bearing loans and borrowings. The Nilfisk Group did not pay dividends in either of the accounting periods under review.

The Group's free cash flow excluding acquisitions and divestments (non-IFRS) amounted to an inflow of EUR 3 million in the six month period ended 30 June 2016 and and a cash outflow of EUR 22 million in the six month period ended 30 June 2017. Thus, free cash flow excluding acquisitions and divestments (non-IFRS) changed by EUR 25 million from the six month period ended 30 June 2016 to the six month period ended 30 June 2017, primarily as a result of a decrease of EUR 31 million in cash flow from operating activities as discussed above.

The Group's cash conversion (non-IFRS) amounted to 63% for the six month period ended 30 June 2016 and 9% in the six month period ended 30 June 2017. The decrease from the six month period ended 30 June 2016 to the six month period ended 30 June 2017 was primarily a result of an increase in cash outflow of EUR 35 million related to changes in working capital (non-IFRS) as discussed above.

Net cash flow was EUR 0 million in the six month period ended 30 June 2016 whereas net cash flow for the period was negative by EUR 8 million in the six month period ended 30 June 2017.

11.5 Financial review of the financial years 2016 and 2015

11.5.1 Development in revenue

In 2016, the Nilfisk Group achieved total revenue of EUR 1,059 million, an increase of EUR 79 million or 8.0% compared to the total revenue of EUR 980 million in 2015. The increase in revenue was due to a combination of organic growth, acquisition driven growth and the impact of changes in currency exchange rates.

Organic growth in revenue (non-IFRS) added EUR 32 million to the Group's revenue in 2016. The organic growth rate was 3.1% in 2016 compared to an organic growth rate of 0.4% in 2015. The organic growth rate in 2016 by operating segment was 2.8% in Americas, 5.1% in EMEA, while APAC was negative by 6.5%.

In 2016, the impact from acquisitions amounted to EUR 56 million of revenue growth, equivalent to 5.8% of the revenue growth in 2016 compared to 0.7% in 2015.

Divestments executed in 2016, which related to the disposal of the smaller non-core Cyclone Technology business in the United States with an annual revenue of EUR 4-5 million effective on 30 September 2016, had an insignificant impact on revenue development in 2016.

Changes in currency exchange rates had a negative impact on revenue of 0.9% in 2016, thus reducing total revenue in 2016 by EUR 9 million.

Revenue composition and development by operating segments used until 31 December 2016

Amounts in EUR million	2016	2015	Organic growth	Acquisition growth	FX-rates growth impact	Total growth
Americas	291	236	2.8%	20.0%	0.6%	23.4%
EMEA	623	600	5.1%	0.7%	-1.9%	3.9%
APAC	106	108	-6.5%	5.4%	-1.3%	-2.4%
Other	38	36	3.8%	-3.6%	6.9%	7.1%
Total	1,059	980	3.1%	5.8%	-0.9%	8.0%

Revenue development in operating segments

In the financial reporting for 2015 and 2016, the Group's revenue has been split in three main sales operating segments, which are primarily geographically defined, and an additional operating segment named “Other”. The geographically defined operating segments are Americas, EMEA and APAC.

In 2015, revenue in Americas amounted to EUR 236 million. In 2016, the segment's revenue increased to EUR 291 million, i.e. an increase of EUR 55 million or 23.4%. The main contributor to growth was acquisitions which accounted for 20.0% growth, while organic growth was 2.8%. The acquisitive growth related to the acquisition on 1 November 2015 of Hydro Tek in the U.S. and the acquisition effective on 1 January 2016 of Pressure-Pro in the U.S. The organic growth was primarily driven by strong sales to national accounts in U.S. during the second half of 2016, growth in the Aftermarket area, as well as a strong development in Mexico impacted by a large order.

In 2015, revenue in EMEA amounted to EUR 600 million. In 2016, the segment's revenue increased to EUR 623 million, i.e. an increase of EUR 23 million or 3.9%. The growth was primarily due to organic growth of 5.1%, while acquisitions added 0.7% and changes in currency exchange rates had a negative impact of 1.9% on the segment's revenue development. Countries driving the growth were in particular France, Spain as well as Nilfisk's private label business. Also sales companies in Eastern Europe realised strong growth. The United Kingdom saw a positive development within the professional market whereas the consumer market remained rather weak. Certain markets in e.g. Turkey, the Middle East and North Africa were impacted by economic and geopolitical factors, while South Africa was influenced by a weak economy.

In 2015, revenue in APAC amounted to EUR 108 million. In 2016, the segment's revenue decreased to EUR 106 million, i.e. a decrease of EUR 3 million or 2.4%. The main factors underlying the revenue development was negative organic growth of 6.5% partly compensated by positive growth from acquisitions of 5.4% which relates to the two acquisitions in 2015 of Kerrick operating in New Zealand and Australia and Smithson Equipment in Australia. The negative organic growth was mainly impacted by lower sales in China of the outdoor product range in 2016 compared to 2015. Excluding the impact of outdoor sales, organic growth for the APAC region was 0.1%.

In 2015, revenue in Other amounted to EUR 36 million. In 2016, the segment's revenue increased to EUR 38 million, i.e. an increase of EUR 2 million or 7.1%. The main contributing factor to the growth was revenue increases in Nilfisk Food and restoration equipment businesses.

11.5.2 New reporting structure as of 1 January 2017

With effect as of 1 January 2017, the Nilfisk Group has redefined its operating segments to align with the new organisational structure implemented by Accelerate+. For further information see section 11.4.2 "*Development in revenue for the Group's operating segments*".

For comparison purposes, the revenue composition based on the new segmentation is provided below.

Revenue composition by new operating segments

Amounts in EUR million	Revenue 2016	Revenue 2015	Organic growth	Total growth
Americas, pre-2017 segmentation	291	236	2.8%	23.4%
Americas, carved out to specialty segments	-16	-15	-	1.8%
Americas, new segmentation	275	221	2.6%	24.4%
EMEA, pre-2017 segmentation	623	600	5.1%	3.9%
EMEA, carved out to specialty segments	-155	-151	-	-1%
EMEA, new segmentation	468	449	5.4%	4.2%
APAC, pre-2017 segmentation	106	108	-6.5%	-2.4%
APAC, carved out to specialty segments	-25	-35	-	-
APAC , new segmentation	81	73	1.1%	11.0%
Other, pre-2017 segmentation	38	36	3.8%	7.1%
Other, carved out to specialty segments	-38	-36	-	-
Other, new segmentation	0	0	-	-
Specialty segments, pre-2017 segmentation	-	-	-	-
Specialty segments, carved out from other segments	235	237	-	-
Specialty segments, new segmentation	235	237	0.6%	-0.8%
Total	1,059	980	3.1%	8.0%

In connection with the change in the Group's operating structure as described above, the Group has effective as of 1 January 2017 adapted its data registrations and reporting segments to secure continued alignment between the new operating structure and the Group's reporting. As the Group's accounting registrations prior to 2017 were set up to support the previously applied reporting segmentation, the revenue carved out to the specialty segments in 2015 and 2016 and the adjusted revenue in the remaining operating segments are best estimates based on existing accounting data.

In 2015, on an adjusted basis, revenue in Americas amounted to EUR 221 million. In 2016, the segment's adjusted revenue increased to EUR 275 million, i.e. an increase of EUR 54 million or 24.4%. The main contributions to the growth were increased revenue from the acquisitions of Hydro Tek and Pressure-Pro both in the United States, as described further in section 11.5.1 "*Development in revenue – Revenue development in operating segments*".

In 2015, on an adjusted basis, revenue in EMEA amounted to EUR 449 million. In 2016, the segment's revenue increased to EUR 468 million, i.e. an increase of EUR 19 million or 4.2%. The main contributing factor to the growth was organic growth of 5%.

In 2015, on an adjusted basis, revenue in APAC amounted to EUR 73 million. In 2016, the segment's revenue increased to EUR 81 million, i.e. an increase of EUR 8 million or 11.0%. The main contributors to the growth were the 2015 acquisitions of Kerrick in New Zealand and Australia and Smithson Equipment in Australia.

In 2015, on an adjusted basis, revenue in the specialty segments amounted to EUR 237 million. In 2016, the revenue decreased to EUR 235 million, i.e. a decrease of EUR 2 million or -0.8%. The operating segment's revenue development from 2015 to 2016 was negatively impacted by lower sales of outdoor products in China.

Where nothing else is stated in this Demerger Statement, financial information provided herein is presented on the basis of the segmentation reporting applied in the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 and not on the basis of the new segmentation which has been applied from 1 January 2017.

11.5.3 Development in revenue split by geographies

The Nilfisk Group's revenue split on geographies is shown below.

Amounts in EUR million	Revenue 2016	Revenue 2015	Organic growth	Total growth
Americas region	326	274	2.9%	18.9%
EMEA region	620	594	5.0%	4.2%
APAC region	113	112	-6.5%	-1.1%
Total	1,059	980	3.1%	8.0%

In 2015, revenue in the Americas region amounted to EUR 274 million. In 2016, the segment's revenue increased to EUR 326 million, i.e. an increase of EUR 52 million or 18.9%. The main contributor to growth was acquisitions which accounted for 17.9% growth, while organic growth was 2.9%. The acquisitive growth related to the acquisition on 1 November 2015 of Hydro Tek in the U.S. and the acquisition effective on 1 January 2016 of Pressure-Pro in the U.S. The organic growth was primarily driven by strong sales to national accounts in the U.S. during the second half of 2016, growth in the Aftermarket area, as well as a strong development in Mexico impacted by a large order.

In 2015, revenue in the EMEA region amounted to EUR 594 million. In 2016, the segment's revenue increased to EUR 620 million, i.e. an increase of EUR 26 million or 4.2%. The growth was primarily due to organic growth of 5.0%, while acquisitions added 0.7%. Countries driving the growth were in particular France, the Netherlands, Spain as well as Nilfisk's private label business. Also sales companies in Eastern Europe realised strong growth. Certain markets in e.g. Turkey, the Middle East and North Africa had negative organic growth as they were impacted by economic and geopolitical factors, while South Africa was influenced by a weak economy.

In 2015, revenue in the APAC region amounted to EUR 112 million. In 2016, the segment's revenue increased to EUR 113 million, i.e. an increase of EUR 1 million or 1.1%. The main factors underlying the revenue development was negative organic growth of 6.5% partly compensated by positive growth from acquisitions of 5.4% which related to the two acquisitions in 2015 of Kerrick operating in New Zealand and Australia and Smithson Equipment operating in Australia. The negative organic growth was mainly impacted by lower sales in China of the outdoor product range in 2016 compared to 2015.

11.5.4 Development in revenue per product line and service offering

The Nilfisk Group's product lines and service offering are divided into four main offerings: Floorcare, Vacs, HPW and Aftermarket.

The composition and development of revenue by product line and service offering is shown below:

Revenue composition by product line and service offering

Amounts in EUR million	Revenue 2016	Revenue 2015	Organic growth	Total growth
Floorcare	319	317	3.3%	0.6%
Vacs	187	178	5.7%	5.0%
HPW	180	142	4.7%	26.9%
Aftermarket	372	343	0.9%	8.6%
Total	1,059	980	3.1%	8.0%

As described in Section 11.2.3 "*Volume and price development*", the Group's revenue is impacted by the underlying development in the number of products sold and the development in average sales prices. The main driver for changes in the average price of products sold are changes in mix of sold products between models within each product line and between the product lines, rather than price changes on individual models.

In 2015, revenue in Floorcare amounted to EUR 317 million. In 2016, the product line's revenue increased to EUR 319 million, i.e. an increase of EUR 2 million or 0.6%. The main contributing factor to the growth was a strong growth in EMEA and a moderate growth in Americas, but partly offset by declining sales of the outdoor product range in China.

In 2015, revenue in Vacs amounted to EUR 178 million. In 2016, the product line's revenue increased to EUR 187 million, i.e. an increase of EUR 9 million or 4.7%. The increase was primarily due to strong growth in EMEA, and a modest growth in Americas.

In 2015, revenue in HPW amounted to EUR 142 million. In 2016, the product line's revenue increased to EUR 180 million, i.e. an increase of EUR 38 million or 26.9%. The main contributors to the development were the full-year impact of the acquisition made during 2015 and the acquisition made in the beginning of 2016, both in the United States. Organic growth of 5.0% also contributed to the total growth of HPW.

In 2015, revenue in Aftermarket amounted to EUR 343 million. In 2016, revenue in Aftermarket increased to EUR 372 million, i.e. an increase of EUR 29 million or 8.6%. The main contribution to the growth was the full-year impact of acquisitions made during 2015.

11.5.5 Development in gross profit and Gross Margin

The Nilfisk Group's cost of sales comprises direct and indirect costs incurred in relation to production, including costs relating to the Group's purchase of raw materials, components, salaries, depreciation of production related equipment, etc. as well as direct costs related to the Aftermarket activities.

The below table shows revenue, gross profit and Gross Margin per operating segment used until 31 December

2016. In order to show the distribution of the full operating profit on operating segments, an additional operating segment “Global Operations” is shown. Global Operations is an organisational entity in the Nilfisk Group responsible for sourcing, production and logistics. The customer facing operating segments, i.e. Americas, EMEA, APAC and Other bought products from Global Operations at internally decided prices and such internal prices allowed Global Operations to cover operating expenses and realise operating profits.

Revenue, gross profit and Gross Margin by operating segments used until 31 December 2016

Amounts in EUR million	Revenue		Gross profit		Gross Margin	
	2016	2015	2016	2015	2016	2015
Americas	291	236	83	65	28.6%	27.4%
EMEA	623	600	168	157	27.0%	26.2%
APAC	106	108	31	32	29.1%	29.9%
Other	38	35	23	21	60.3%	59.4%
Global Operations	0	0	133	124	-	-
Total	1,059	980	438	399	41.3%	40.8%

On a Group level, the Gross Margin increased from 40.8% in 2015 to 41.3% in 2016.

In Americas, the Gross Margin increased from 27.4% in 2015 to 28.6% in 2016, mainly due to improved margins in the United States.

In EMEA, the Gross Margin increased from 26.2% in 2015 to 27.0% in 2016, mainly due to increased margins in France, Germany, the United Kingdom, Denmark and Spain.

In APAC, the Gross Margin decreased from 29.9% in 2015 to 29.1% in 2016, mainly due to declining margins in China and Australia. However, most of the other APAC countries managed to improve their margins.

In Other, the Gross Margin increased marginally from 59.4% in 2015 to 60.3% in 2016.

In Global Operations, the gross profit increased from EUR 124 million in 2015 to EUR 133 million in 2016 due to a number of factors such a favourable development in procurement of components for production (procurement initiatives and general raw material price development), internal pricing (increase in pricing to sales entities), improvements from product reengineering and efficiency, quality assurance cost as well as freight rates.

11.5.6 Development in overhead costs

The Nilfisk Group’s overhead costs comprise costs related to research and product development, sales and distribution and administration. Other operating income, net, is also included in overhead costs. The below table shows the composition of overhead costs in 2016 and 2015.

Overhead costs

EUR million	2016	2015
Research and development costs	30	28
Sales and distribution costs	231	217
Administrative costs	93	89
Other operating income, net	-1	-4
Total overhead costs	353	331
Total overhead costs as % of revenue	33.3%	33.7%

In total, overhead costs increased by EUR 22 million from EUR 331 million in 2015 to EUR 353 million in 2016, i.e. an increase of 7%. The increase was primarily due to an increase of EUR 13 million in sales and distribution costs while there were smaller cost increases in relation to research and development costs and administration costs.

Below, each component of the overhead costs is discussed in more detail.

Research and development costs
In 2015, the Nilfisk Group's total amount spent on research and development amounted to EUR 35 million, which is equivalent to 3.5% of revenue in 2015. The amount comprised EUR 20 million related to staff involved with product development and EUR 15 million related to other development costs. Of the total spend of EUR 35 million, EUR 17 million were recognised as an expense in the income statement while EUR 18 million were capitalised in the balance sheet under intangible assets. In addition to the amount recognised as an expense, depreciation of previous years' capitalised development costs amounted to EUR 11 million. Therefore, the total amount recognised under research and development costs in the income statement in 2015 was EUR 28 million.

In 2016, the Nilfisk Group's total amount spent on research and development increased from EUR 35 million in 2015 to EUR 38 million, which is equivalent to 3.6% of revenue in 2016. The spend comprised EUR 21 million related to staff involved with development and other development costs of EUR 17 million. Of the total spend of EUR 38 million, EUR 18 million has been recognised as an expense in the income statement while EUR 20 million has been capitalised in the balance sheet under intangible assets. In addition to the amount recognised as an expense, depreciation of previous years' capitalised development costs amounted to EUR 12 million. Therefore, the total amount recognised under research and development costs in the income statement in 2015 was EUR 30 million.

On completion of the development work, the capitalised value of the development project is amortised on a straight-line basis over the estimated useful life of the asset from the date the asset is available for use. The amortisation period is usually 3-10 years.

Sales and distribution costs
In 2015, the Nilfisk Group's sales and distribution costs amounted to EUR 217 million, which is equivalent to 22.2% of revenue in 2015. The costs comprised of EUR 163 million (16.6% of revenue) related to selling and EUR 55 million (5.6% of revenue) related to distribution.

In 2016, the Nilfisk Group's sales and distribution costs amounted to EUR 231 million, which is equivalent to 21.8% of revenue in 2016. The costs comprised of EUR 171 million (16.2% of revenue) related to selling and EUR 60 million (5.6% of revenue) related to distribution.

The development in selling costs was impacted by investments in front-end initiatives like marketing and advertising, and costs related to implementation of systems supporting the sales growth initiatives. The increase in costs from these initiatives was partly compensated by staff reductions in the front-end.

Administrative costs
In 2015, the Nilfisk Group's administrative costs amounted to EUR 89 million, which is equivalent to 9.1% of revenue in 2015.

In 2016, the Nilfisk Group's administrative costs increased by 4% to EUR 93 million, which is equivalent to 8.8% of revenue in 2016. The cost of administration as a percentage of revenue thus decreased marginally.

The positive development in administrative cost as a percentage of revenue reflects the ongoing focus on efficiency including the effects of the Accelerate+ cost saving programme, which had a positive impact of EUR 2 million on administrative costs in 2016 whereas the programme had no impact in 2015. Thus, the savings related to Accelerate+ had a positive impact on the total overhead costs as % of revenue of 0.2% in 2016. For more information on the financial impact of the Accelerate+ programme, see section 11.6 "*Accelerate+ cost saving* *programme*".

11.5.7 Development in operating profit before amortisation/impairment of acquisition-related intangibles and special items (non-IFRS)

In 2015, the Nilfisk Group's operating profit before amortisation/impairment of acquisition-related intangibles and special items amounted to EUR 69 million, resulting from gross profit of EUR 399 million and overhead costs of EUR 331 million. In 2016, the operating profit before amortisation/impairment of acquisition-related intangibles and special items increased by 24%, or EUR 16 million, to EUR 85 million. The increase was due to the combined effect of an increase in gross profit of EUR 38 million and partly offset by an increase in overhead costs of EUR 22 million as discussed above.

11.5.8 Development in EBITDA before special items (non-IFRS)

In 2015, the Nilfisk Group's EBITDA before special items amounted to EUR 98 million, which is equivalent to an EBITDA Margin before special items of 10.0% in 2015. In 2016, the Nilfisk Group's EBITDA before special items increased by EUR 19 million to EUR 117 million, which is equivalent to an EBITDA Margin before special items of 11.0% in 2016.

The development in EBITDA before special items in 2016 was positively impacted by revenue growth of 8% and an increase in the Gross Margin from 40.8% in 2015 to 41.3% in 2016. Increasing by 23%, revenue growth was particularly strong in Americas, which in combination with an increase in Americas' Gross Margin added EUR 19 million to gross profit and thus impacted EBITDA before special items positively.

EBITDA before special items was negatively impacted by an increase in overhead costs excluding depreciation and amortisation of EUR 20 million. As described in section 11.2.1 "*Accelerate – Strategy*", a cost saving programme was initiated in 2016. In 2016, EBITDA before special items was positively impacted by realised savings related to this programme due to EUR 2 million savings in overhead costs. Excluding the positive impact from the cost saving programme, the EBITDA Margin before special items was 10.8% of revenue in 2016.

11.5.9 Development in EBITDA (non-IFRS)

In 2015, the Nilfisk Group's EBITDA amounted to EUR 98 million, which is equivalent to 10.0% of revenue in 2015. In 2016, the Nilfisk Group's EBITDA amounted to EUR 97 million, which is equivalent to an EBITDA Margin of 9.1% in 2016.

The development in EBITDA in 2016 was positively impacted by revenue growth of 8% and an increase in the Gross Margin from 40.8% in 2015 to 41.3% in 2016. Increasing by 23%, revenue growth was particularly strong in Americas, which in combination with an increase in Americas' Gross Margin added EUR 19 million gross profit and thus impacted EBITDA positively.

EBITDA was negatively impacted by an increase in overhead costs excluding depreciation and amortisation of EUR 20 million. As described in section 11.2.1 "Accelerate – Strategy", a cost saving programme was initiated in 2016. In 2016, EBITDA was positively impacted by realised savings related to this programme due to EUR 2 million savings in overhead costs. Excluding the positive impact from the cost saving programme, EBITDA Margin was 8.9% of revenue in 2016.

EBITDA in 2016 was furthermore impacted negatively by special items (non-IFRS) excluding depreciation and amortisation of EUR 20 million, primarily related to restructuring costs incurred in connection with the organisational and structural changes executed as part of the Accelerate+ cost saving programme. In 2015, EBITDA was not impacted by special items (non-IFRS).

11.5.10 Development in amortisation and impairment of acquisition-related intangibles

In 2015, no impairment was recognised while amortisation of acquisition-related intangibles was EUR 5 million.

In 2016, impairment of EUR 2 million was recognised in one of Nilfisk's smaller entities while amortisation of acquisition-related intangibles was EUR 7 million. The increase in amortisation was a result of the acquisitions made in 2015 and 2016.

11.5.11 Development in special items (non-IFRS)

In 2015, no special items were recognised. In 2016, special items amounted to EUR 22 million, which primarily comprised restructuring costs of EUR 15 million incurred in connection with the organisational and structural changes and cost saving program executed as part of the Accelerate+ initiative. In addition, the U.S. based Cyclone Technology was divested in 2016 resulting in a loss of EUR 3 million which was accounted for under Special items. Special items also included write-down of other current and non-current assets in the amount of EUR 3 million.

11.5.12 Development in EBIT before special items (non-IFRS)

In 2015, the Nilfisk Group's EBIT before special items amounted to EUR 64 million, which is equivalent to an EBIT Margin before special items of 6.5%. In 2016, the Nilfisk Group's EBIT before special items increased to EUR 76 million, which is equivalent to an EBIT Margin before special items of 7.2% in 2016.

The development in EBIT before special items in 2016 was positively impacted by revenue growth of 8% and an increase in the Gross Margin from 40.8% in 2015 to 41.3% in 2016. Increasing by 23%, revenue growth was particularly strong in Americas, which in combination with an increase in Americas' Gross Margin impacted gross profit and thus EBIT before special items positively.

In 2016, EBIT before special items was negatively impacted by an increase in overhead costs of EUR 22 million and by an increase of EUR 4 million in amortisation/impairment of acquisition-related intangibles. In 2016, EBIT before special items was furthermore positively impacted by realised savings related to the Accelerate+ cost saving programme due to EUR 2 million savings in overhead costs.

11.5.13 Development in EBIT

In 2015, the Nilfisk Group's EBIT amounted to EUR 64 million, which is equivalent to an EBIT Margin of 6.5%. In 2016, the Nilfisk Group's EBIT decreased to EUR 54 million, which is equivalent to an EBIT Margin of 5.1% in 2016.

The development in EBIT in 2016 was positively impacted by revenue growth of 8% and an increase in the Gross Margin from 40.8% in 2015 to 41.3% in 2016. Increasing by 23%, revenue growth was particularly strong in Americas, which in combination with an increase in Americas' Gross Margin impacted gross profit and thus EBIT positively.

In 2016, EBIT was negatively impacted by an increase in overhead costs of EUR 22 million and by an increase of EUR 4 million in amortisation/impairment of acquisition-related intangibles. In 2016, EBIT was furthermore positively impacted by realised savings related to the Accelerate+ cost saving programme due to EUR 2 million savings in overhead costs.

In 2016, EBIT was negatively impacted by special items (non-IFRS) of EUR 22 million, primarily related to restructuring costs incurred in connection with the organisational and structural changes executed as part of the Accelerate+ cost saving programme. In 2015, EBIT was not impacted by special items (non-IFRS).

11.5.14 Development in financial income and financial expenses

Financial items, which comprise interest income and expenses, as well as financial fees and losses and gains on financial derivatives related to financial assets or liabilities, amounted to a net financial expense of EUR 8 million in 2015. In 2016, net financial items amounted to a net financial expense of EUR 11 million, i.e. an additional net expense of EUR 3 million. The increase in net financial expenses related primarily to a negative development of EUR 5 million in relation to gains and losses on derivative financial instruments, which in 2015 generated a net gain of EUR 4 million but in 2016 a net loss of EUR 1 million. This development was partly offset by a positive development of EUR 3 million in relation to gains and losses on foreign exchange positions, i.e. from a net loss of EUR 2 million in 2015 to a net gain of EUR 1 million in 2016. While the Nilfisk Group's most significant currency exposures were neutralised by hedging activity, currency adjustments from unhedged cash flows caused modest foreign exchange gains or losses. The EUR 1 million net gain in 2016 is within the expected range of the Nilfisk Group's hedging policy and should be seen in the context of the significant sales in foreign currency.

11.5.15 Development in income taxes

The Group's tax rate is impacted by the composition of the Nilfisk Group's taxable income in the countries in which the Group has activities.

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

11.5.16 Development in profit for the year

In 2016, the profit for the year for the Nilfisk Group amounted to EUR 30 million, which was a decrease of EUR 12 million compared to EUR 42 million in 2015. The main reason for the decrease was the decrease in EBIT of EUR 10 million, a negative change of EUR 3 million in financial items whereas income taxes was largely unchanged from 2015 to 2016.

11.5.17 Development in selected balance sheet items

As at 31 December 2016, working capital (non-IFRS) amounted to EUR 142 million which was a decrease of EUR 32 million compared to 31 December 2015. The development in working capital (non-IFRS) was mainly a result of a decrease of EUR 15 million in inventories, an increase of EUR 20 million in trade payables and an increase of EUR 12 million in other current liabilities. The decrease in working capital (non-IFRS) from these items was partly compensated by an increase of EUR 16 million in receivables which was due to the effect of acquisitions and organic growth. The reduction in inventories was due to both a decrease in the stock of raw materials, consumables and goods for resale and a decrease in the stock of finished goods.

The working capital (non-IFRS) level as at 31 December 2016 was impacted by certain factors that caused the working capital (non-IFRS) to be unusually low. These factors include production being pushed into 2017 because of the late Easter in 2017 and an unusual low level of inventory as at 31 December 2016 due to strong demand in the last months of the year, thus tapping into the normal level of safety-stock. The Executive Management estimates that the working capital (non-IFRS) level as at 31 December 2016 was reduced by approximately EUR 24 million because of such unusual factors.

As at 31 December 2016, the Group's net interest-bearing debt (non-IFRS) amounted to EUR 266 million compared to EUR 301 million as at 31 December 2015, i.e. a decrease of EUR 35 million. The decrease was primarily due to the decrease of EUR 32 million in working capital (non-IFRS). The net interest-bearing debt (non-IFRS) consists of interest-bearing debt of EUR 470 million and interest-bearing receivables and cash at bank and in hand of EUR 204 million in total. Interest-bearing receivables consist primarily of intercompany loans to NKT and funds held in the cash pool arrangement provided by NKT. The debt is predominantly based on floating interest rates.

Capital employed (non-IFRS) at 31 December 2016 amounted to EUR 491 million, which was a decrease of EUR 11 million compared to EUR 502 million at the end of 2015. The decrease was primarily due to the above development in working capital (non-IFRS) and an increase of EUR 24 million in equity, mainly related to the Group's profit for the year.

11.5.18 Liquidity and capital resources

The Group's cash flow from operating activities is derived from EBIT, adjusted for profit on sale of non-current assets used and increase in provisions and non-cash items included in EBIT, and changes in working capital (non-IFRS).

The below table shows the consolidated cash flows of Nilfisk for the years 2016 and 2015.

Cash flow for the years ended 31 December		
Amounts in EUR million	**2016**	**2015**
Profit before financial items and income taxes (EBIT)	54	64
Depreciation, amortisation and impairment	43	34
Profit on sales of non-current assets, used and increase in provisions and other non-cash operating items	2	-6
Changes in working capital	39	-8
Cash flow from operations before financial items and income taxes	**138**	**84**
Financial income received	11	11
Financial expenses paid	-22	-22
Income tax paid	-13	-14
Cash flow from operating activities	**115**	**60**
Acquisition of non-controlling interests	-3	0
Acquisition of businesses	-29	-29
Divestment of businesses	0	1
Investments in property, plant and equipment	-21	-22
Disposal of property, plant and equipment	3	3
Intangible assets and other investments	-23	-22
Cash flow from investing activities	**-73**	**-68**
Changes in current interest-bearing receivables	-18	-10
Changes in current interest-bearing loans and borrowings	-26	159
Changes in non-current interest-bearing loans and borrowings	9	15
Dividends paid	0	-172
Cash flow from financing activities	**-35**	**-9**
Net cash flow for the year	**7**	**-16**
Free cash flow excluding acquisitions and divestments (non-IFRS)	**74**	**20**

In 2015, the Group's cash flow from operations before financial items and income taxes was EUR 84 million. In 2016, the Group's cash flow from operations before financial items, and income taxes increased by EUR 54 million to EUR 138 million.

The increase in cash flow from operations before financial items and income taxes was primarily due to a cash inflow of EUR 39 million from changes in working capital compared to a cash outflow of EUR 8 million in 2015. As discussed above, the positive development in working capital (non-IFRS) was primarily due to a reduction in funds tied up in inventories and an increase in trade payables.

Cash flow related to financial income and expenses, net, amounted to an outflow of EUR 11 million in 2016, which is at level with 2015. Also income tax payments of EUR 13 million in 2016 is at level with income tax payments in 2015.

Acquisition of businesses, amounted to a net cash outflow of EUR 29 million in 2016, which was primarily related to the acquisition of Pressure-Pro in the United States, which was acquired effective 1 January 2016. In 2015, the amount spent on acquisitions was also EUR 29 million and related to acquisitions of four companies as discussed in section 11.2.2 "*Acquisitions*". In 2016, acquisition of non-controlling interests amounted to EUR 3 million, which was related to the acquisition of the remaining 49% of the shares in the Group's subsidiary in Chile, thereby increasing Nilfisk's ownership to 100%.

In 2015, the cash outflow regarding investments in property, plant and equipment was EUR 22 million. In 2016, the cash outflow regarding investments in property, plant and equipment decreased slightly by EUR 1 million to EUR 21 million. In both years, the investments primarily related to tools and equipment, both finished and under construction, equipment leased to Nilfisk customers classified as operating leases under IFRS as well as leasehold improvements.

Investments in intangible assets and other investments amounted to EUR 22 million in 2015 and increased slightly by EUR 1 million to EUR 23 million in 2016.

Cash flow from financing activities amounted to an outflow of EUR 9 million in 2015. The amount was the combined result of a dividend payment of EUR 172 million related to the financial year 2014 and a net increase in interest-bearing loans and borrowings of EUR 164 million. In 2016, cash flow from financing activities was an outflow of EUR 35 million. The Nilfisk Group did not pay dividends in 2016 related to the financial year 2015.
The Group's free cash flow excluding acquisitions and divestments (non-IFRS) amounted to an inflow of EUR 20 million in 2015 and EUR 74 million in 2016. Thus, free cash flow excluding acquisitions and divestments (non-IFRS) changed by EUR 54 million from 2015 to 2016, primarily as a result of changes in working capital (non-IFRS), and in particular due to a reduced inventory level by the end of 2016.

The Group's cash conversion (non-IFRS) amounted to 86% 2015 and 143% in 2016. The increase from 2015 to 2016 was primarily a result of a cash inflow of EUR 39 million from changes in working capital (non-IFRS) and more specifically a reduction in funds tied up in inventories and an increase in trade payables.

Net cash flow for the year was negative by EUR 16 million in 2015 whereas net cash flow was positive by EUR 7 million in 2016.

11.6 Accelerate+ cost saving programme

In addition to the new operating model and organisational structure initiated in August 2016, Accelerate+ includes a cost saving programme with the target of realising EUR 35 million in annual EBITDA (non-IFRS) improvements. The full cost saving potential of Accelerate+ is expected to be achieved as from December 2019 with full EBITDA (non-IFRS) impact from the financial year 2020. The Accelerate+ cost saving programme includes the following key initiatives:

- Overhead reductions, e.g. structural changes and efficiencies (targeted impact of EUR 17 million)
- Efficiency initiatives within Global Operations, e.g. through production footprint, sourcing initiatives, and process optimisation (targeted impact of EUR 12 million)
- Other initiatives, e.g. complexity reductions and price management (targeted impact of EUR 6 million)

During the second half of 2016 a number of detailed initiatives were developed. Some levers are under implementation while others will be launched continuously until the end of 2019. In 2016 and the six month period ended 30 June 2017, respectively, operating profit before amortisation/impairment of acquisition-related intangibles and special items (non-IFRS) was positively impacted by cost savings related to Accelerate+ of approximately EUR 2 million and EUR 8 million, respectively, which was related to overhead cost savings.

To realise the cost savings, one-off restructuring costs of EUR 35 million are expected in the period 2016 to 2019. An additional cost of EUR 5 million related to implementation of the new operating model and organisational structure brings total restructuring costs to EUR 40 million. Such restructuring costs are included in the income statement under special items (non-IFRS) and consequently, they are not included in EBITDA before special items (non-IFRS). In 2016, EUR 15 million, including the above EUR 5 million implementation cost, were incurred and in the six month period ended 30 June 2017 EUR 5 million were incurred.

The cost saving programme is expected to include investments in tangible and intangible assets of EUR 12 million in the period 2017 to 2019. No investments related to Accelerate+ have been made in 2016. Investments in the six month period ended 30 June 2017 related to Accelerate+ amount to EUR 2 million.

The exact impact and timing of the levers are not known but the table below shows the estimated timing and the expected financial impact.

Accelerate+ cost saving programme						
Amounts in EUR million	**2016**	**H1 2017**	**2017**	**2018**	**2019**	**Full potential end-2019***
Expected annualised accumulated impact on EBITDA before special items (non-IFRS) related to levers executed prior to the end of each period	11	17	17-19	25-30	35	35
Expected impact on reported EBITDA before special items (non-IFRS) in the income statement for the period	2	8	17-18	20-25	25-32	35

Amounts in EUR million	**2016**	**H1 2017**	**2017**	**2018**	**2019**	**Total accumulated 2019**
Expected restructuring costs for the period (reported under Special items (Non-IFRS))	10	5	8-10	8-10	5-9	35

Implementation costs for the period (reported under Special items (Non-IFRS))	5	0	0	0	0	5
Expected Accelerate+ capex investments for the period	0	2	2-3	4-6	3-5	12

* All levers related to the cost saving programme are expected to be executed by 31 December 2019 with full EBITDA (non-IFRS) impact from the financial year 2020.

The Nilfisk Group may prove unable to implement the planned initiatives effectively and hence may not realise the targeted earning improvements and the costs and investments required to implement Accelerate+ may be higher than expected.

11.7 Financial indebtedness

In connection with the Demerger, the Facility Agreements will replace the Nilfisk Group's existing funding facilities, which have been established as part of the overall funding established by NKT. For a description of the future funding facilities see section 23.1 "*Facility Agreements*". For information regarding the impact of the Demerger on the Group's net interest-bearing debt, see section 12 "*Capital resources*".

The Nilfisk Group believes that, as at the date of this Demerger Statement, its working capital is adequate to meet the Group's financing requirements for at least twelve months after the first date of trading on Nasdaq Copenhagen, which is expected to be on 12 October 2017.

11.8 Contractual obligations, commitments and contingent liabilities

As at 30 June 2017, the Nilfisk Group's net pension obligations amounted to EUR 7 million, compared to EUR 8 million as at 31 December 2016. The Nilfisk Group provides pension plans to its employees in the countries in which it is market practice to do so. Most of the Nilfisk Group's pension plans are defined contribution plans. However, the Nilfisk Group provides defined benefit pension plans in certain countries, primarily in the United Kingdom. In some countries, the Group's defined benefit pension plans are unfunded. The funded defined benefit pension plans are funded by payments from Group companies and by payments from employees to funds independent of the Group. For information on contractual obligations in terms of off-balance sheet arrangements, see section 11.10 "*Off-balance sheet arrangements*".

11.9 Goodwill and goodwill impairment

See sections 11.4.12 and 11.5.10 "*Development in amortisation and impairment of acquisition-related intangibles*".

11.10 Off-balance sheet arrangements

The Nilfisk Group has entered into various operating lease arrangements in relation to operating assets, including cars, machinery and properties. The future minimum lease payments calculated as of 31 December 2016 are set out in the below table.

EUR million	**2017**	**2018-2021**	**After 2021**	**Total**
Premises	16	37	8	61
Cars	9	11	0	20
Other	1	2	0	3
Total	**26**	**50**	**8**	**84**

11.11 Non-IFRS financial measures

This Demerger Statement contains non-IFRS financial measures. The non-IFRS financial measures presented herein are not defined as or measures of financial performance under IFRS as adopted by the EU, but are measures used by the Nilfisk Group to monitor the performance of its business and operations. None of these measures have been audited or reviewed, and they may not be indicative of the Group's historical results of operations, nor are such measures meant to be predictive of the Group's future results of operations. Nilfisk has presented these non-IFRS financial measures in the Demerger Statement because they are considered both an important supplement measure of the Group' performance and widely used by investors in comparing performance between companies. Unless otherwise indicated, tables with financial measures included in this Demerger Statement are presented on an IFRS basis.

Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS financial measures contained in this Demerger Statement and they should not be considered as a substitute for financial measures computed in accordance with IFRS.

The following definitions apply throughout the Demerger Statement and include reconciliations from the relevant IFRS financial measures to the defined non-IFRS financial measures:

Organic growth in revenue (non-IFRS)

Organic growth in revenue is defined as change in revenue from the previous year to the current year caused by changes in volume of sale and changes in prices, i.e. the growth in total revenue except for the impact from acquisitions, net of any divestments, and changes in currency rates in order to analyse the underlying trends in financial performance.

The following tables present the adjustments made to change in revenue to arrive at organic growth in revenue:

Organic growth in the period ended 30 June 2017

EUR million	
Revenue in the first six months of 2017	549
Revenue in the first six months of 2016	532
Change in revenue	17
Impact from acquisitions and divestments, net	-2
Impact from changes in currency rates	3
Organic growth in revenue (non-IFRS)	16

Organic growth in the period ended 31 December 2016

EUR million	
Revenue in 2016	1,059
Revenue in 2015	980
Change in revenue	79
Impact from acquisitions and divestments, net	56
Impact from changes in currency rates	-9
Organic growth in revenue (non-IFRS)	**32**

EBITDA (non-IFRS)

EBITDA is defined as earnings before interest, tax, depreciation, amortisation and impairment. The Executive

Management considers EBITDA to be a useful measure to monitor the underlying performance because by excluding such depreciation, amortisation and impairment, the measure is not impacted by capital investments when measuring performance.

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

EUR million	H1 2017	H1 2016	2016	2015
Profit before financial items and income taxes (EBIT)	45	40	54	64
Amortisation of intangible assets	12	13	26	21
Impairment of intangible assets	0	0	3	1
Depreciation on property, plant and equipment	7	7	14	13
EBITDA (non-IFRS)	**64**	**60**	**97**	**98**

Special items **(non-IFRS)**

Special items are defined as non-recurring income and expenses that are not considered to be a part of the Group's ordinary operations such as restructuring projects and gains and losses on divestments. The Executive Management considers adjustments for special items to be a useful measure to monitor the underlying performance as items of a non-recurring nature are important to understand underlying performance.

The following table provides a specification of special items:

EUR million	H1 2017	H1 2016	2016	2015
Accelerate+ initiatives	-5	0	-15	0
Loss on divestment of business	0	0	-3	0
Write-down/impairment	0	0	-3	0
Costs related to demerger from NKT	-2	0	0	0
Special items (non-IFRS)	**-7**	**0**	**-22**	**0**
Impairment charges included in special items	0	0	2	0
Special items, excluding impairment (non-IFRS)	**-7**	**0**	**-20**	**0**

EBITDA before special items (non-IFRS)

EBITDA before special items is defined as earnings before interest, tax, depreciation, amortisation, impairment and special items. The Executive Management considers EBITDA before special items to be a useful measure to monitor the underlying performance as it excludes special items which are non-recurring by nature when measuring underlying performance.

The following table presents the adjustments made to EBITDA to arrive at EBITDA before special items:

EUR million	H1 2017	H1 2016	2016	2015
EBITDA (non-IFRS)	64	60	97	98
Special items, excluding impairment (non-IFRS)	7	0	20	0
EBITDA before special items (non-IFRS)	**71**	**60**	**117**	**98**

EBIT before special items (non-IFRS)

EBIT before special items is defined as earnings before interest, tax and special items. The Executive

Management considers EBIT before special items to be a useful measure to monitor the underlying performance as it excludes special items which are non-recurring by nature.

The following table presents the adjustments made to EBIT to arrive at EBIT before special items:

EUR million	**H1 2017**	**H1 2016**	**2016**	**2015**
EBIT	45	40	54	64
Special items (non-IFRS)	7	0	22	0
EBIT before special items (non-IFRS)	**51**	**40**	**76**	**64**

***Operating profit before amortisation/impairment of acquisition-related intangibles and special items* (non-IFRS)**

Operating profit before amortisation/impairment of acquisition-related intangibles and special items is defined as earnings before interest, tax, amortisation/impairment of acquisition-related intangibles and special items. The Executive Management considers operating profit before amortisation/impairment of acquisition-related intangibles and special items to be a useful measure to monitor the underlying performance because by excluding amortisation/impairment related to acquisitions as well as special items, the performance measure is not impacted by the effect of business combinations or the impact of special items which are non-recurring by nature.

The following table provides a reconciliation of profit before financial items and income taxes (EBIT) to operating profit before amortisation/impairment of acquisition-related intangibles and special items:

EUR million	**H1 2017**	**H1 2016**	**2016**	**2015**
Profit before financial items and income taxes (EBIT)	**45**	**40**	**54**	**64**
Amortisation/impairment of acquisition-related intangibles	3	4	9	5
Special items (non-IFRS)	7	0	22	0
Operating profit before amortisation/impairment of acquisition-related intangibles and special items (non-IFRS)	**55**	**44**	**85**	**69**

Adjusted earnings per share (Adjusted EPS) (non-IFRS)

Adjusted earnings per share is defined as earnings attributable to equity holders of Nilfisk divided by the expected number of Shares outstanding immediately following completion of the Demerger in order to provide the Receiving Shareholders with a relevant measure.

The following table provides a calculation of adjusted earnings per share:

	H1 2017	**H1 2016**	**2016**	**2015**
Profit attributable to equity holders of Nilfisk (EUR million)	29	25	30	42
Number of shares of Nilfisk	5,000,000	5,000,000	5,000,000	5,000,000
Basic earnings per share of Nilfisk (EUR)	5.8	5.0	5.9	8.4
Expected number of Shares in Nilfisk Holding immediately following completion of the Demerger	27,126,369	27,126,369	27,126,369	27,126,369
Adjusted earnings per Share (non-IFRS) (EUR)	**1.1**	**0.9**	**1.1**	**1.5**

Adjusted dividends per share (non-IFRS)

Adjusted dividends per share is defined as dividends paid by Nilfisk divided by the expected number of Shares outstanding immediately following completion of the Demerger in order to provide the Receiving Shareholders with a relevant measure.

The following table provides a calculation of adjusted dividends per share:

	H1 2017	H1 2016	2016	2015
Dividends paid by Nilfisk (EUR million)	0	0	0	172
Number of shares of Nilfisk	5,000,000	5,000,000	5,000,000	5,000,000
Dividends per share of Nilfisk (EUR)	0	0	0	34.4
Expected number of Shares in Nilfisk Holding immediately following completion of the Demerger	27,126,369	27,126,369	27,126,369	27,126,369
Adjusted dividends per Share (non-IFRS) (EUR)	**0.0**	**0.0**	**0.0**	**6.3**

Free cash flow, excluding acquisitions and divestments (non-IFRS)

Free cash flow, excluding acquisitions and divestments is defined as free cash flow (non-IFRS) plus cash flow from acquisition of businesses and non-controlling interests, and less cash flow from divestment of businesses. The Executive Management considers the measure useful in order to analyse the underlying trends in cash flow before acquisitions and divestments which are less predictable in terms of timing and impact.

The following table provides a reconciliation of cash flow from operating activities and of cash flow from investing activities to free cash flow and free cash flow, excluding acquisitions and divestments:

EUR million	H1 2017	H1 2016	2016	2015
Cash flow from operating activities	-5	26	115	60
Cash flow from investing activities	-17	-53	-73	-68
Free cash flow (non-IFRS)	**-22**	**-28**	**42**	**-8**
Acquisition of non-controlling interests	0	0	3	0
Acquisition of businesses	0	31	29	29
Divestment of businesses	0	0	0	-1
Free cash flow, excluding acquisitions and divestments (non-IFRS)	**-22**	**3**	**74**	**20**

Working capital (non-IFRS)

Working capital is defined as inventories and trade receivables, other trade related assets less trade payables and other trade related liabilities. The Executive Management considers working capital to be a useful measure to monitor the capital requirement and analyse the composition of financial performance.

The following table provides a specification of working capital:

EUR million	H1 2017	H1 2016	2016	2015
Inventories	192	192	173	188
Trade receivables	203	191	178	164
Other current assets	31	30	28	27
Trade payables	-125	-112	-129	-109

EUR million	H1 2017	H1 2016	2016	2015
Other current liabilities	-116	-106	-109	-97
Working capital (non-IFRS)	**184**	**194**	**142**	**173**

Net interest-bearing debt (NIBD) (non-IFRS)

Net interest-bearing debt is defined as current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash at bank and in hand. The Executive Management considers net interest-bearing debt to be a useful measure to monitor the capital resources. For information regarding the impact of the Demerger on the Group's net interest-bearing debt, see section 12 "*Capital resources*".

The following table provides a specification of net interest-bearing debt:

EUR million	H1 2017	H1 2016	2016	2015
Leasing receivables	4	7	6	9
Cash at bank and in hand	20	21	28	21
Loans to NKT	33	34	37	31
Cash pool, NKT	118	103	133	118
Total interest-bearing assets (non-IFRS)	**175**	**165**	**204**	**179**
Loans from NKT	182	185	191	182
Bank and other short-term debt	3	3	3	2
Cash pool, NKT	268	293	276	296
Total interest-bearing liabilities (non-IFRS)	**453**	**481**	**470**	**480**
Net interest-bearing debt (non-IFRS)	**278**	**316**	**266**	**301**

Capital employed (non-IFRS)

Capital employed is defined as total equity plus net interest-bearing debt (non-IFRS). The Executive Management considers capital employed to be a useful measure to monitor the capital requirement and analyse the composition of financial performance.

The following table provides a specification of capital employed:

EUR million	H1 2017	H1 2016	2016	2015
Total equity	243	218	225	201
Net interest-bearing debt (non-IFRS)	278	316	266	301
Capital employed (non-IFRS)	**521**	**534**	**491**	**502**

11.12 Critical accounting estimates and judgements

The reviewed consolidated interim financial statements of Nilfisk as for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 contain information that is pertinent to the discussion and analysis of the Group's results of operations and financial conditions set forth in this section. The preparation of the reviewed consolidated interim financial statements of Nilfisk as for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 is in conformity with IFRS as adopted by the EU and additional disclosure requirements under the Danish financial statements act and requires the Group to make judgements, estimates and assumptions that may affect the amounts reported. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expected future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it either involves significant estimation uncertainty or its application requires significant judgement.
Significant estimation uncertainty exists if the following two criteria are met:

- The policy requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made; and
- Different estimates that reasonably could have been used or changes in the estimates that are reasonably likely to occur from period to period would have a material impact on the audited consolidated financial statements of Nilfisk.

Significant judgement on application of an accounting policy exists if:

- Application of the policy requires a significant degree of judgement based on individual facts and circumstances; and
- A different judgement would have a material impact on the audited consolidated financial statements of Nilfisk.

The Group believes that the accounting methods and policies listed below are the most likely to be affected by these estimates and judgements. Although the Group believes these policies to be the most significant, other accounting policies also have a significant effect on the consolidated financial statements of Nilfisk, and certain of these policies may also require the use of estimates and judgements. See Note 1 of the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 for an overview of significant accounting estimates and judgements while notes 2-8 include details of the accounting policies applied.

The main areas considered affected by these estimates and judgements are:

- Long-term incentive programmes;
- Impairment tests;
- Write-down of inventories; and
- Credit risks.

11.13 Quantitative and qualitative disclosure about market risk

For a discussion of the Nilfisk Group's foreign exchange risk, interest rate risk, operational credit risk, liquidity and risk management, see note 6.7 to the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016. See also ''*Principal Factors Affecting Nilfisk Group's results of operations - Changes in currency exchange rates*'' above.

11.14 State, economic, tax, monetary or political initiatives

The Group is not aware of any state, economic, tax, monetary or political initiatives which have had or which, in the opinion of the board of directors of NKT or the executive management of Nilfisk, may reasonably be expected to have a material direct or indirect impact on the Group’s business, reputation, financial position or results of operations.

11.15 Summary of the key financial development from 2014 to 2015

The historical financial data for the Nilfisk Group included and discussed in this Demerger Statement relate to

2015, 2016 and the six month period ended 30 June 2017 only.

Solely for information purposes, below is a summary of the Group's key financial development from 2014 to 2015. The below information is a summary of key selected financial information of the Nilfisk Group excluding activities, assets and liabilities of the Nilfisk business within NKT as disclosed in note 2.1 "Segment information" in the audited annual report for NKT for 2015.

The numbers presented below are not adjusted for certain reclassification adjustments made in the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015. As such, the numbers presented below cannot be reconciled to the financial numbers for 2015 presented elsewhere in the Demerger Statement.

The Nilfisk Group realised organic revenue growth of 0% from 2014 to 2015. This development was driven by growth of 0% in Americas, 1% growth in EMEA and -3% growth in APAC. Organic growth was adjusted for the impact of the divested floor sanding activities in Americas (divested on 1 April 2014), which equated to 1%-point on overall organic growth. Nominal growth was 7% due to positive effects from changes in currency exchange rates and acquisitions.

In 2015, Gross Margin was 40.8%, a decrease of 0.2%-points compared to a Gross Margin of 41.0% in 2014. The development was positively impacted by annual price increases which, however, were offset by changes in product mix, especially related to the consumer business. In addition, cost of sales was negatively impacted by increased sourcing and salary costs, driven by an unfavourable change in the currency exchange rate for CNY, while procurement initiatives impacted positively.

Overhead costs amounted to EUR 331 million in 2015, an increase of EUR 36 million compared to EUR 295 million in 2014. The overhead costs ratio increased from 32.2% in 2014 to 33.7% in 2015, primarily driven by increased distribution costs from delivery issues in Europe and port strikes in the United States. Furthermore, the increase related to the investments in front-end, including 140 new sales and service people, while savings from administration and facility cost impacted positively.

EBITDA before special items (non-IFRS) amounted to EUR 98 million in 2015 compared to EUR 107 million in 2014. The EBITDA Margin before special items decreased to 10.0% in 2015 from 11.7% in 2014.

The Nilfisk Group increased working capital (non-IFRS) with EUR 13 million from EUR 160 million in 2014 to EUR 173 million in 2015. The increase in working capital (non-IFRS) was mainly due to an increase in inventories of EUR 10 million driven by exchange rates, acquisitions and inventory build-up in Nilfisk's subsidiaries as well as an increase in trade receivables of EUR 10 million due to acquisitions and exchange rate effects.

12. CAPITAL RESOURCES

12.1 Capitalisation and indebtedness

The Nilfisk Group's total net interest-bearing debt (non-IFRS) at 30 June 2017 was EUR 278 million and consisted primarily of intercompany loans from NKT of EUR 450 million, intercompany loans to NKT of EUR 151 million and cash at bank and in hand of EUR 20 million as presented in the consolidated financial statements of Nilfisk as at and for the period ended 30 June 2017. Of the gross interest-bearing debt EUR 271 million was short-term debt and EUR 182 million was long-term debt.

EUR 117 million of the intercompany loans to NKT, i.e. a liability of NKT, will be allocated to Nilfisk Holding as part of the Demerger. The remaining intercompany loans to and from NKT will be refinanced in connection with the Demerger by loans obtained under the Facility Agreements with three separate banks. For further information see section 23.1 "*Facility Agreements*".

A number of factors may influence the adequacy of the capital resources, including the matters discussed in section 14 "*Consolidated prospective financial information*" and in section 1 "*Risk Factors*".

The following table sets out the Group's capitalisation and indebtedness as at the dates mentioned. The table should be read in conjunction with the reviewed consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements for the financial year 2016 and the notes thereto included by reference in this Demerger Statement and in conjunction with section 11 "*Operating and Financial Review*":

EUR million	**At 30 June 2017 adjusted for the effects of the Demerger and the Facility Agree-ments***	**30 June 2017**	**31 December 2016**
Leasing receivables	4	4	6
Cash	20	20	28
Loans to NKT	0	33	37
Cash pool, NKT	0	118	133
Total interest-bearing assets (non-IFRS)	**24**	**175**	**204**
Loans from NKT	0	182	191
Bank and other long-term debt	416		
Bank and other short-term debt	3	3	3
Cash pool, NKT	0	268	276
Total interest-bearing liabilities (non-IFRS)	**419**	**453**	**470**
Net interest-bearing debt (non-IFRS)	**395**	**278**	**266**
Other information			
Cash and cash equivalents	20	20	28
Undrawn uncommitted credit lines	30	4	4

EUR million	At 30 June 2017 adjusted for the effects of the Demerger and the Facility Agree-ments*	30 June 2017	31 December 2016
Undrawn committed credit lines	109	131	133
Total uncommitted credit facility***	33	7	7
Total committed credit facility**	525	430	430

*The adjustment includes adjustment for (i) the contribution of a debt of EUR 117 million to Nilfisk Holding in connection with the Demerger and (ii) refinancing of the said debt and intercompany loans existing prior to the Demerger between Nilfisk and NKT.
** The Total committed credit facility as at 30 June 2017 adjusted for the effects of the Demerger and the Facility Agreements consists of EUR 450 million in a committed revolving credit facility for general purposes and a EUR 75 million acquisition credit facility expiring 31 December 2018.
*** Uncommitted facilities relate to short term funding of the day-to-day business in some of Nilfisk's subsidiaries.

The estimated financial income and financial expenses in 2016 adjusted for the effects of the Group's capitalisation and indebtedness following the Demerger (assuming static over time) is EUR 7 million and EUR 17 million, respectively, compared with EUR 13 million reported financial income and EUR 24 million reported financial expenses in 2016.

Other than as specifically set out above, all of the Group's interest-bearing liabilities are unsecured and unguaranteed. Guarantor for the interest-bearing liabilities stated to be guaranteed, is NKT. Such guarantees will upon completion of the Demerger, be replaced by similar guarantees issued by the Company. See section 4.7.2 *"Statutory joint and several liability"* for further information on the parental guarantees issued by NKT and the transfer thereof to Nilfisk Holding.

For information regarding anticipated sources of funds needed to fulfil commitments referred to in section 5.4 "*Investments of the Nilfisk Group" see section* section 5.4 "*Investments of the Nilfisk Group".*

The Nilfisk Group may in the future need additional capital and may seek to obtain further financing through raising new equity capital or debt financing.

The Group has no reason to believe that there has been any material change to its actual capitalisation since 30 June 2017, other than changes resulting from the ordinary course of business. Upon completion of the Demerger, changes will occur as a result of the Group making first draw down under the Facility Agreements, as reflected in the table above.

13. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

13.1 Research and development

The Nilfisk Group is a product development oriented business. The intellectual property rights of the Nilfisk Group primarily consist of trademarks (and marks used in trade), designs, copyrights, patents and utility models.

13.1.1 Policies and strategies for intellectual property

The Nilfisk Group's policies for intellectual property are primarily aimed at protecting new technologies and products by filing appropriate applications and seeking intellectual property protection in countries considered important markets for the technologies or the relevant products, balanced against the often considerable costs associated with obtaining and maintaining intellectual property rights protection.

13.1.2 Trademarks

The Nilfisk Group's trademark portfolio consists of a variety of different marks used both globally, regionally and/or locally – with some marks restricted to specific product classes for specific markets only. The portfolio consists of core marks applicable for the Nilfisk Group's commercially branded products (e.g. Nilfisk, Advance, Gerni, Viper, Clarke and Wap), technology/solution/programme brands (e.g. EcoFlex® and TrackClean) and product-specific naming.

In the spring of 2015, the Group introduced a corporate brand change globally, changing the names of the Nilfisk Group entities from Nilfisk-Advance to Nilfisk and initiating a clean-up of the Group's trademark registrations with the aim of cutting trademark maintenance costs. The initiative has resulted in a reduction of almost 50% of the trademark portfolio. While none of the 'abandoned' marks have been deregistered, the planned portfolio exclusion will be continuously executed upon renewal.

13.1.3 Design and copyrights

The current design portfolio consists of almost 80 registered and pending designs, and four pending applications on copyrights.

13.1.4 Patents and utility models

The current patent portfolio consists of almost 130 patent families and nearly 210 granted patents/utility models. Currently, pending patent and utility model applications amounts to nearly 80 with a total of almost 290 active cases.

Protection reflects the research and development focus areas and stretches globally, with primary focus on optimising filter cleaning systems, sound level, technical functionality and improvement and autonomous functions.

13.1.5 Licences

Licences to the Nilfisk Group's intellectual property rights have been granted to external licensees, primarily for trading under the Nilfisk Group's brands. Such licences (exclusive or non-exclusive) usually cover both registered and unregistered intellectual property rights and internet domains. Examples of external granted licenses are the Clarke American Sanders and Clarke brands granted to Amano Pioneer Eclipse Corporation, in connection with the divestiture by Nilfisk of its Sanders business in 2014. When formalising business relationships, such as partnerships, the Nilfisk Group usually aims for specified/separately owned intellectual property rights combined with license exclusivity in order to avoid the impact of co-ownership/joint intellectual property rights.

While most licences cover trademarks and designs, only a modest number of current licence agreements cover patent licenses specifically.

Licences are commonly applied to any type of cooperation agreement with e.g. OEM (private label), customers, suppliers and dealers.

14. CONSOLIDATED PROSPECTIVE FINANCIAL INFORMATION

14.1 Statement by NKT's board of directors and the executive management of Nilfisk

The Group's consolidated prospective financial information for 2017 has been prepared solely for the purpose of this Demerger Statement. In preparing the consolidated prospective financial information for 2017, NKT has applied the accounting policies as are expected to be applied by the Group following the Demerger, which are in accordance with IFRS and set out in the notes to the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 incorporated into this Demerger Statement by reference, see section 21.3 "*Cross Reference*". The consolidated prospective financial information for 2017 is based on a number of assumptions, many of which are outside of NKT's and, after completion of the Demerger, the Group's, control or influence. The principal assumptions upon which the consolidated prospective financial information are described under section 14.3 "*Methodology and assumptions"*.

The consolidated prospective financial information for 2017 represents the best estimates of NKT's board of directors and the Executive Management as at the date of this Demerger Statement. The Group's actual results of operations for 2017 may differ from the consolidated prospective financial information for 2017, since anticipated events may not occur as expected. The variation may be material. The Receiving Shareholders and prospective future investors should read the consolidated prospective financial information for 2017 in this section in conjunction with section 1 "*Risk Factors*" and section 3 "*Special notice regarding forward-looking statements*".

Brøndby, 18 September 2017

NKT A/S' board of directors

Jens Due Olsen *Chairman*	René Svendsen-Tune *Deputy Chairman*
Jens Maaløe	Anders Runevad
Jutta af Rosenborg	Lars Sandahl Sørensen
Niels Henrik Dreesen	René Engel Kristiansen
Gitte Toft Nielsen	

Executive management of Nilfisk A/S

Hans Henrik Lund *CEO*	Karina Deacon *CFO*

14.2 Independent Auditors' Report on Consolidated Prospective Financial Information

To Receiving Shareholders

We have examined the consolidated prospective financial information of the Group for the period 1 January 2017 – 31 December 2017 as contained in section 14.4 "*Consolidated prospective financial information*".

The consolidated prospective financial information has been prepared based on the significant assumptions disclosed in section 14.3 "*Methodology and assumptions*", and in accordance with the accounting policies in respect of recognition and measurement as are expected to be applied by the Group following the Demerger as described in the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015.

The purpose of the consolidated prospective financial information is to reflect the expected financial effect of the Group's action plans for the period 1 January 2017 – 31 December 2017. Actual results are likely to be different from those forecasted since planned events or the results thereof often do not occur as assumed. Such variation may be material.

Our report has been prepared solely for the Receiving Shareholders in connection with the Demerger.

Management's responsibility

NKT's board of directors and the executive management of Nilfisk are responsible for the preparation of the consolidated prospective financial information on the basis of the significant assumptions disclosed in section 14.3 "*Methodology and assumptions*", and in accordance with the accounting policies in respect of recognition and measurement as are expected to be applied by the Group following the Demerger as described in the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015. In addition, NKT's board of directors and the executive management of Nilfisk are responsible for the assumptions underlying the consolidated prospective financial information.

Auditor's responsibility

Our responsibility is to express a reasonable assurance opinion about whether the consolidated prospective financial information has been prepared, in all material respects, on the basis of the assumptions disclosed and consistently with the accounting policies of the Group.

We conducted our examinations in accordance with ISAE 3000 DK Assurance Engagements other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation.
Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1, and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Account-ants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

As part of our examinations, we tested whether the consolidated prospective financial information was prepared on the basis of the assumptions disclosed and the accounting policies of the Group, and this included checking the figures provided in the consolidated prospective financial information for consistency.

Our examinations did not include an assessment as to whether the assumptions applied are valid, or whether the consolidated prospective financial information is realisable, and, accordingly, we do not express an opinion in this respect.

Conclusion
In our opinion, the consolidated prospective financial information for the period 1 January 2017 – 31 December 2017 have been prepared, in all material respects, on the basis of the assumptions disclosed in section 14.3 "*Methodology and assumptions*", of the Demerger Statement and in accordance with the accounting policies as are expected to be applied by the Group following the Demerger as described in the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015.

Copenhagen, 18 September 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration no. 33 96 35 56

Lars Siggaard Hansen	Sumit Sudan
State Authorised Public Accountant	State Authorised Public Accountant

14.3 Methodology and assumptions

The consolidated prospective financial information for the year ending 31 December 2017 included in this Demerger Statement has been prepared in accordance with applicable Danish laws and regulations. Such information is the responsibility of NKT, and following completion of the Demerger, the Company.

The consolidated prospective financial information is necessarily based upon a number of assumptions and estimates that, while prepared with numerical specificity and considered reasonable, are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond NKT's, and following completion of the Demerger, the Company's, control, and upon assumptions with respect to future business decisions that are subject to change.

The expectations as to future developments may deviate substantially from actual developments. The Group's actual results of operations for the year ending 31 December 2017 are likely to differ from the consolidated prospective financial information for 2017 since anticipated events may not occur as expected. The variation may be material. Accordingly, Receiving Shareholders and prospective future investors should treat this information with caution and should not place undue reliance on it.

Methodology and assumptions
The consolidated prospective financial information for the year ending 31 December 2017 reflects the Group's actual performance through 30 June 2017, which is based on the financial information through 30 June 2017, and estimates and assumptions concerning the Group's performance through 31 December 2017. The consolidated prospective financial information has been prepared on the basis of Nilfisk's accounting policies as are expected also to be applied by the Company following completion of the Demerger, which are in accordance with IFRS as adopted by the EU and are set out in the notes to the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015, incorporated into this Demerger Statement by reference. The consolidated prospective financial information for the year ending 31 December 2017 has been prepared in conjunction with the Group's normal budgeting and forecasting procedures.

The consolidated prospective financial information for the year ending 31 December 2017 has been prepared on the basis of a large number of assumptions and estimates, which are subject to numerous and significant uncertainties. Certain of the assumptions, estimates, uncertainties and contingencies relating to the consolidated prospective financial information are wholly or partially within NKT's and, following completion of the Demerger, the Company's, control, while others are outside of its control, including those related to changes in market, legal, fiscal, political or economic conditions, changes in currency exchange rates and actions by competitors and customers. The key principal assumptions and estimates made in preparing the consolidated prospective financial information are presented below; however, the list is not exhaustive and it is possible that one or more of the assumptions or estimates will fail to materialise or prove to be incorrect. The Group's actual results of operations could also deviate materially from the consolidated prospective financial information as a result of other factors, including, but not limited to, those described under section 1 "*Risk Factors*" and section 3 "*Special Notice Regarding Forward-looking Statements*". For additional information regarding factors that could have a substantial effect on the Group's results of operations, see *section 11.2* "*Principal factors affecting Nilfisk Group's results of operations*".

For the purpose of preparing the consolidated prospective financial information for the year ending 31 December 2017, the following principal assumptions have been applied:

Revenue

The Group's revenue may be impacted by organic growth, net growth from acquisitions and divestments, and changes in exchange rates for the currencies of the Group's sales. Thus, the Group's estimate concerning revenue growth for the year ending 31 December 2017 is principally based upon and assumes:

- The market growth in the cleaning equipment industry is assumed to be impacted positively by real GDP growth in the countries in which the Group's products and services are sold. The revenue projections are based on the assumption that real GDP growth in Nilfisk's markets will continue to be positive but low by historical standards. (Outside of the Group's control).

- In addition to real GDP growth, the market growth is impacted by price changes for the products and services offered by the cleaning equipment industry. For 2017, such price changes are assumed to be positive but lower than general inflation rates. Thus, price changes are assumed to have a slightly positive impact on the market growth. (Partly within the Group's control).

- The Group expects that its competitive product offering, the new focused front-end organisation as well as other Accelerate and Accelerate+ initiatives, e.g. initiatives focused at growing revenue in the mid-market segment and from the Aftermarket offering, will enable the Group to slightly increase its market share. (Partly within the Group's control).

- The Group expects to achieve higher than average organic growth rates across its geographically defined operating segments while the Specialty Professional segment is expected to achieve organic growth approximately in line with Group average and the Specialty Consumer segment is expected to achieve an organic growth rate below Group average. (Partly within the Group's control).

- Any acquisitions to be executed in 2017 will add to the Group's revenue but the magnitude, timing and financial effects of such acquisitions are uncertain and consequently, such acquisitions are not included in the consolidated prospective financial information for the year ending 31 December 2017. (Partly within the Group's control). The full-year impact on revenue growth in 2017 from acquisitions and divestments executed in 2016 is insignificant.

- The Group assumes that currency exchange rates in the second half of 2017 will be largely in line with the exchange rates seen in the later part of the first half of 2017. (Outside of the Group's control).

The Group's expectations regarding revenue in 2017 does not assume any material impact from changes in the market landscape, competitive situation (and any additional impact this may have on pricing) or regulatory changes in existing product areas or markets. (Outside of the Group's control). Any negative development of this nature may have a material adverse impact on revenue growth.

EBITDA Margin before special items

The Group's expectations regarding the development in EBITDA Margin before special items for the year ending 31 December 2017 is primarily based on the below assumptions concerning the development in the Group's Gross Margin and overhead costs.

Assumption regarding Gross Margin

- The Gross Margin is assumed to be positively impacted by initiatives aimed at improving efficiency within sourcing, logistics, production, and inventory management, of which some are included in Accelerate+. (Partly within the Group's control).

- Changes in product mix are assumed to have a minor net negative impact on the Gross Margin. (Partly within the Group's control).

- Price changes and inflation on items included in cost of sales, and in particular in raw material prices, are expected to have a combined negative impact on Gross Margin. (Partly within the Group's control).

In total, optimisation initiatives and price changes are expected to have a positive impact on Gross Margin and thereby the EBITDA Margin before special items.

Assumptions regarding overhead costs

- As part of the Accelerate+ initiative, the Group has implemented a simplified and de-layered organisation and has centralised certain support functions to achieve scale and excellence. The savings achieved from these initiatives are expected to impact the Group's EBITDA Margin before special items positively. (Partly within the Group's control).

- As the Group has operational leverage due to the level of fixed and semi-fixed costs, organic growth has a positive impact on the EBITDA Margin before special items. (Partly within the Group's control).

- Overhead costs are expected to increase due to inflation and other cost increases such as the increased overhead costs following the Demerger and the effects of other initiatives implemented in 2016. Overhead costs are therefore expected to impact EBITDA Margin before special items negatively. (Partly within the Group's control).

- To support growth, the Group is deploying additional resources in both the front-end and the back-end of the business. Additional sales staff is expected to be added in selected geographies and within selected business areas to support growth while the Group also allocates resources to create competitive advantages e.g. by further development of digital technologies. The costs from additional resources is expected to impact the Group's EBITDA Margin before special items negatively. (Partly within the Group's control).

In total, the assumptions regarding overhead costs are expected to have a slightly negative impact on the EBITDA Margin before special items.

The combined net impact from the expected development in Gross Margin and overhead costs is expected to have a positive impact on the Group's EBITDA Margin before special items.

14.4 Consolidated Prospective Financial Information

Based principally on the assumptions and methodology as set out above, the expectations for the Group's performance for the year ending 31 December 2017 in relation to revenue growth and EBITDA Margin before special items are described below:

- Revenue growth is expected to be positively impacted by organic growth, i.e. growth excluding acquisitions in the range of 2% to 4%.
- Changes in currency exchange rates are expected to have a minor negative impact on revenue in the range of -1% to 0%.
- The EBITDA Margin before special items is expected to be in the range of 11.0% to 11.5%.

15. BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND KEY EMPLOYEES

15.1 Board of Directors

Nilfisk Holding's Board of Directors will be responsible for the Nilfisk Group's overall and strategic management and supervise the Company's activities, management and organisation. The Board of Directors will appoint and dismiss the members of the Executive Management, who will be responsible for the day-to-day operations.

In accordance with article 11.1 of the Company's Articles of Association, the Company's general meeting shall elect not less than five and not more than eight members to the Board of Directors. In addition, the Board of Directors will consist of a number of members elected by the Group's employees in accordance with applicable laws.

The members of the Board of Directors elected by the General Meeting are elected for a term of one year. Members of the Board of Directors may be re-elected. Board members elected by the employees are elected for terms of four years and they hold the same rights and obligations as any member of the Board of Directors elected by the general meeting.

The Board of Directors elects its chairman (the **''Chairman''**) and a deputy chairman (the **''Deputy Chairman''**).

It is considered in the best interest of Nilfisk Group and the Receiving Shareholders that the current members of the board of directors of NKT during a transitional period continues in the Board of Directors in order *inter alia* to ensure a smooth transition process.

Consequently, at the General Meeting, upon approval of the Demerger, the following persons are proposed to be elected to the Board of Directors or join the Board of Directors as employee representatives:

Name	**Position**	**Independence assessment***	**Year of first appointment of NKT**	**Year of first appointment of the Company**	**Expiration of term**
Jens Due Olsen	Chairman	Independent	2006	2017	2018
René Svendsen-Tune	Deputy Chairman	Independent	2016	2017	2018
Jens Maaløe	Board member	Not independent**	2004	2017	2018
Jutta af Rosenborg	Board member	Independent	2015	2017	2018
Anders Runevad	Board member	Independent	2016	2017	2018
Lars Sandahl Sørensen	Board member	Independent	2013	2017	2018
Gitte Toft Nielsen	Group Employee representative	Not independent	2014	2017	2018
Yvonne Markussen	Group employee representative	Not independent	Not elected to the board of directors of NKT	2017	2018
Michael Gamtofte	Group employee representative	Not independent	Not elected to the board of directors of NKT	2017	2018

*The assessment of independence is based on the criteria set out in the Corporate Governance Recommendations (as defined below).
** Jens Maaløe is not considered an independent member of the Board of Directors under the Corporate Governance Recommendations (as defined below) due to his seniority with the NKT board of directors.

Gitte Toft Nielsen currently serves as group employee representative on the board of directors of NKT and Yvonne Markussen and Michael Gamtofte are both alternate group employee representatives on the board of directors of NKT. Gitte Toft Nielsen, Yvonne Markussen and Michael Gamtofte will, at completion of the Demerger, instead become members of the Board of Directors as group employee representatives.

In the opinion of NKT, the proposed members of the Board of Directors possess the professional skills and experience required to serve as members of the Board of Directors and to supervise and manage a company with shares admitted to trading and official listing on Nasdaq Copenhagen. It is considered in the best interest of Nilfisk Group and the Receiving Shareholders that the current general meeting elected members of the board of directors of NKT during a transitional period continues in the Board of Directors in order *inter alia* to ensure a smooth transition process.

Biographies
The following section assumes that the General Meeting elects the persons to the Board of Directors proposed by NKT's board of directors.

Jens Due Olsen (Danish nationality) is expected to be elected as member of the Board of Directors at the General Meeting and is expected to be appointed Chairman upon the Board of Directors constituting itself immediately following the General Meeting.

Jens Due Olsen is chairman of the board of directors of NKT. In addition, Jens Due Olsen is chairman of the board of directors of Nilfisk, NKT Cables A/S, KMD Holding ApS, AI Keyemde 2 ApS, AI Keyemde 3 ApS, KMD A/S, KMD Holdco 4 A/S, Bladt Holding A/S, Bladt Industries A/S, Bladt Industries Holding A/S, Børnebasketfonden and is chairman of the advisory board of Auris Luxembourg III S.A. Jens Due Olsen is a member of the board of directors Gyldendal A/S, Royal Unibrew A/S, Cryptomathic A/S, KMD Holding 4 A/S and KMD Holding ApS. Furthermore, Jens Due Olsen is the sole-proprietor of Due Advice v/Jens Due Olsen, limited partner of NKB Opportunity K/S and limited partner at NKB Opportunity Komplementar ApS. Finally, Jens Due Olsen is CEO of JDO Invest ApS and JDO Invest 2 ApS.

Over the past five years, Jens Due Olsen has been chairman of the board of directors of Cheminova A/S, Atchikrealtime Holding ApS, Auriga Industries A/S, Realtime A/S, Kompan A/S, Amrop A/S and Kompan Holding A/S (dissolved upon merger in 2015) and member of the board of directors and deputy chairman of the board of directors of PFA Holding A/S and PFA Pension, Forsikringsaktieselskab. Jens Due Olsen has also been member of the board of directors of Bladt Holding A/S, Bladt Industries A/S, Bladt Industries Holding A/S, Heptagon Advanced Micro Optics Inc., Industriens Pensionsforsikring A/S, Pierre.dk Investment ApS, Pierre.dk Autolakering A/S, EG A/S and EG Holding A/S (dissolved upon merger in 2014).

Jens Due Olsen holds an MSc in economics from the University of Copenhagen, Denmark.

René Svendsen-Tune (Danish nationality) is expected to be elected as a member of the Board of Directors at the General Meeting and is expected to be appointed Deputy Chairman upon the Board of Directors constituting itself immediately following the General Meeting.

René Svendsen-Tune is deputy chairman of the board of directors in NKT and chairman of the board of directors of Polewall AS, Norway. In addition, René Svendsen-Tune is CEO of GN Store Nord A/S and GN Audio A/S.

Over the past five years, René Svendsen-Tune has been member of the board of directors of GN Store Nord A/S, GN Audio A/S, GN Hearing A/S and Soliton Systems Development Center Europe A/S. Furthermore, René Svendsen-Tune has been Executive Vice President of Nokia Siemens Networks/Nokia and CEO of Teleca AB Sweden.

René Svendsen-Tune holds a BSc Eng. (hon.) from The Engineering Academy of Denmark.

Jens Maaløe (Danish nationality) is expected to be elected as a member of the Board of Directors at the General Meeting.

Jens Maaløe is member of the board of directors of NKT. In addition, Jens Maaløe is chairman of the board of directors of NKT Photonics A/S, Terma Aerostructures A/S and Innovationsfonden and a member of the board of directors of Poul Due Jensens Fond and Grundfos Holding A/S. Furthermore, Jens Maaløe is CEO of Terma A/S and a member of the Central Board of the Confederation of Danish Industries.

Over the past five years, Jens Maaløe has been chairman of the board of directors of Terma Ejendomme Skive A/S (dissolved by liquidation in 2015), member of the board of directors of Topdanmark Forsikring A/S, Topdanmark A/S and Danske Forsikring A/S (dissolved by merger in 2015).

Jens Maaløe holds a Ph.D in radar technology and an MSc E.Eng from The Technical University of Denmark.

Jutta af Rosenborg (Danish nationality) is expected to be elected as a member of the Board of Directors at the General Meeting.

Jutta af Rosenborg is a member of the board of directors of NKT, Aberdeen Asset Management PLC, JPMorgan European Investment Trust plc and PGA European Tour. In addition, Jutta af Rosenborg is chairman of the board of directors of Det Danske Klasselotteri A/S and chairman of the audit committee and the remuneration committee of NKT.

Over the past five years, Jutta af Rosenborg has been deputy chairman of the board of directors of Auriga Industries A/S and member of the board of directors of Cheminova A/S, Investeringsforeningen C WorldWide and Zealand Pharma A/S.

Jutta af Rosenborg holds an MSc in Business Economics and Auditing from Copenhagen Business School, Denmark.

Anders Runevad (Swedish nationality) is expected to be elected as a member of the Board of Directors at the General Meeting.

Anders Runevad is a member of the board of directors of NKT, but is expected to step down from this position at the General Meeting. In addition, Anders Runevad is chairman of the board of directors of Vestas Shared Service A/S, Vestas Mediterranean A/S, Vestas Americas A/S, Vestas Central Europe A/S, Vestas Asia Pacific A/S, Vestas Manufacturing A/S, Vestas India Holding A/S and Wind Power Invest A/S. Anders Runevad is deputy chairman of the board of directors of MHI Vestas Offshore Wind A/S, and a member of the board of directors of Vestas Middle East A/S and General Counsel of the Confederation of Danish Industries. Furthermore, Anders Runevad is CEO of Vestas Wind Systems A/S.

Over the past five years, Anders Runevad has been chairman of the board of directors of Vestas Northern Europe A/S.

Anders Runevad holds an MSc E.Eng. from the University of Lund, Sweden.

Lars Sandahl Sørensen (Danish nationality) is expected to be elected as a member of the Board of Directors at the General Meeting.

Lars Sandahl Sørensen is a member of the board of directors of NKT. In addition, Lars Sandahl Sørensen is a member of the board of directors of A/S af 3. juni 1986, Wexøe A/S, Wexøe Holding A/S, Skaarup Imcase A/S, Industriens Fond, Det Rytmiske Musikhus' Fond, SAS Management Denmark A/S and SAS Danmark A/S. In addition, Lars Sandahl Sørensen is Group Director, Chief Operating Officer of SAS AB, CEO of Sandahl Sørensen Holding ApS, and the sole-proprietor of Sandahl v/Lars Sandahl Sørensen.

Over the past five years, Lars Sandahl Sørensen has been chairman of the board of directors of Det Danske Madhus A/S, Damvad Gruppen A/S in bankruptcy (Lars Sandahl Sørensen stepped down from the company's board of directors on 22 June 2015 and bankruptcy proceedings commenced 30 July 2015), DDM Holding 1 A/S and DDM Holding 2 A/S.

Lars Sandahl Sørensen holds an MSc Int. Business and Management from Kansai Gaidai University, Japan.

Gitte Toft Nielsen (Danish nationality) will join the Board of Directors at completion of the Demerger as a group employee representative.

Gitte Toft Nielsen is a member of the board of directors of NKT, but will step down from this position upon completion of the Demerger. Gitte Toft Nielsen is a finance assistant at Nilfisk.

Gitte Toft Nielsen holds a basic vocational training in office skills.

Yvonne Markussen (Danish nationality) will join the Board of Directors at completion of the Demerger as a group employee representative.

Yvonne Markussen is an alternate group employee representative member of the board of directors of NKT. This position will terminate upon completion of the Demerger.

Yvonne Markussen is an assistant within the salary function at Nilfisk.

Yvonne Markussen holds a basic vocational training as a clerk with emphasis on accounting.

Michael Gamtofte (Danish nationality) will join the Board of Directors at completion of the Demerger as a group employee representative.

Michael Gamtofte is an alternate group employee representative member of the board of directors of NKT. This position will terminate upon completion of the Demerger.

Michael Gamtofte is Vice President – Corporate Responsibility and Global IP at Nilfisk and holds an MSc.E.E. from The Technical University of Denmark.

Michael Gamtofte is also chairman of the board of directors of M2A Holding IVS and vice-chairman of the board of directors of Siora IVS, Michael Gamtofte is also a member of the management board of M2A Holding IVS and Siora IVS.

Over the past five years, Michael Gamtofte has been chairman of the board of directors and member of the management board of MIGA Holding IVS (dissolved upon compulsory dissolution).

15.2 Executive Management

Pursuant to article 12 of the Articles of Association, the Board of Directors shall appoint the members of the Executive Management. The Executive Management shall consist of one or more persons, who are responsible for the day-to-day management of the Nilfisk Group's business.

It is expected that the Board of Directors will, immediately upon approval of the Demerger by the General Meeting and the election of the members of the Board of Directors, appoint the following persons as members of the Executive Management:

Name	Position	Year of first employment with the Group	Year of appointment to current position in the Group
Hans Henrik Lund	CEO	2017	2017
Karina Deacon	CFO	2016	2016

In the opinion of NKT, the expected members of the Executive Management possess the professional skills and experiences required for their proposed positions in the Company and to manage a company with shares admitted to trading and official listing on Nasdaq Copenhagen.

Biographies
The following description assumes that the Board of Directors appoints the aforesaid persons to make up the Executive Management of the Company:

Hans Henrik Lund (Danish nationality) was appointed President and CEO of Nilfisk effective 1 August 2017 and he is expected to be appointed as President and CEO of Nilfisk Holding upon completion of the Demerger. Prior to joining Nilfisk Hans Henrik Lund was CEO of the Finnish lighting company Helvar Oy and prior hereto he has held positions as GM Product Marketing in Microsoft and VP Product Marketing and VP Accessories with Nokia Oy.

Over the past five years, Hans Henrik Lund has been chairman of RDYN 17.9.2012 A/S.

Hans Henrik Lund holds an MSc in Mechanical Engineering from Aalborg University, a Ph.D in Material Science from Aalborg University and an MBA in Organisation and Business Management from Aarhus BSS (Business and Social Sciences), Denmark.

Karina Deacon (Danish nationality) has been Group CFO of Nilfisk since she joined the company in January 2016 and she is expected to be appointed as Group CFO of Nilfisk Holding upon completion of the Demerger. Prior to joining Nilfisk Karina Deacon was Regional CFO for Central Europe and Eastern Europe at ISS A/S and Group CFO at Saxo Bank A/S.

Karina Deacon is a member of the board of directors of DOVISTA A/S.

Over the past five years, Karina Deacon has been chairman of Saxo Privatbank A/S, deputy chairman of the board of directors of Fondsmæglerselskabet Sirius Kapitalforvaltning A/S (dissolved by merger in 2012), and a member of the board of directors of Fonden for Brørup Sparekasse, Capital Four Management

Fondsmæglerselskab A/S, Saxo Treasury A/S, Dit Studie ApS (dissolved by merger in 2015), Albuen 5A A/S (dissolved by merger in 2012), Saxo Privatbank A/S, FS East OY, ISS Haldus Oü, ISS Facility Services Kft, Profit Komfort Kft, ISS Romania Group S.R.L, ISS Austria Holding GmbH, ISS Israel Comprehensive Business Services Ltd, ISS Ashmoret Ltd, ISS Tesis Yönetim Hizmetleri A.S., ISS Facility Services S.R.L, Saxo Bank Ltd, Saxo Capital Markets Pte Ltd, Fitness DK Holding A/S, Fitness DK A/S, Parken Sport & Entertainment A/S, Lalandia A/S, Lalandia Billund A/S, and Accomodation Services A/S.

Karina Deacon holds an MSc in Business Economics and Auditing from Aarhus BSS (Business and Social Sciences), Denmark.

15.3 Key Employees

The Group's Key Employees are comprised by a number of experienced senior officers, who support the Executive Management in the day-to-day management of the Group within their functional areas.

The following senior officers are Key Employees:

Name	Position	Year of first employment with the Group	Year of appointment to current position in the Group
Anders Terkildsen	EVP - EMEA	1998	2005
Andrew Ray	EVP - Americas	2016	2016
Jacob Blom	EVP - Human Resources	2016	2016
Jesper Terndrup Madsen	EVP - Global Operations	2015	2017
Lars Gjødsbøl	EVP - Products & Services	2003	2017
Morten Korsholm Mathiesen	SVP – Specialty Professional	1996	2016
Thomas Dragø Nielsen	SVP – Specialty Consumer	1995	2016
Serdar Ülger	Expected to be appointed Senior Vice President with responsibility for APAC Sales as of 1 October 2017 (currently Senior General Manager with responsibility for East and South East Europe)	2005	2014

Biographies

Anders Terkildsen (Danish nationality) joined Nilfisk in 1998, and he has since 2005 been Executive Vice President – EMEA.

Anders Terkildsen is a limited partner and CEO of AT Equity ApS.
Anders Terkildsen holds an MBA in General Management and Finance from University of San Francisco, United States.

Andrew Ray (American nationality) has since he joined Nilfisk in 2016 been Executive Vice President, Americas. Prior to joining Nilfisk Andrew Ray was Chief Commercial Officer at Getinge Surgical Workflows Getinge AB, Global President Sales and Service, President and CEO North America for Getinge Infection Control Getinge AB and Global General Manager at Covidien Plc.

Andrew Ray holds a Bachelor of Arts from Michigan State University, the United States.

Jacob Blom (Danish nationality) has since he joined Nilfisk in 2016 been Executive Vice President – Human Resources. Prior to joining Nilfisk Jacob Blom was Senior Vice President at NCC AB, Senior Vice President at NCC Construction A/S and Vice President and Senior Director at TDC A/S.

Jacob Blom has within the past five years been a member of the board of directors of Bygdirekte A/S (dissolved by liquidation in 2015), and owner of JB Consulting (dissolved).

Jacob Blom holds a Graduate Diploma in Organisation & Leadership from Copenhagen Business School, Denmark.

Jesper Terndrup Madsen (Danish nationality), joined Nilfisk in 2015. Since 2017, Jesper Terndrup Madsen has been Executive Vice President with responsibility for Global Operations. Prior to joining Nilfisk, Jesper Terndrup Madsen was Vice President at Royal Copenhagen A/S.

Jesper Terndrup Madsen has within the past five years been a member of the board of directors of Royal Copenhagen Thailand Ltd., Søren Jensen Holding A/S and Søren Jensen Rådgivende Ingeniørfirma A/S.

Jesper Terndrup Madsen holds MSc in Economics & Business Administration from Aarhus BSS (Business and Social Sciences), Denmark.

Lars Gjødsbøl (Danish nationality), joined Nilfisk in 2003. Since 2008, Lars Gjødsbøl has been Executive Vice President, and since 2017 with responsibility for Products & Services.

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

Over the past five years, Lars Gjødsbøl has been a member of the board of directors of Genan A/S.

Lars Gjødsbøl holds an MSc in Business Administration and Commercial Law from Copenhagen Business School, Denmark.

Morten Korsholm Mathiesen (Danish nationality), joined Nilfisk in 1996. Since 2016, Morten Korsholm Mathiesen has been Senior Vice President with responsibility for Specialty Professional.

Morten Korsholm Mathiesen holds a Graduate Diploma in Business Administration from Slagelse Business School, Denmark.

Thomas Dragø Nielsen (Danish nationality), joined Nilfisk in 1995. Since 2016, Thomas Dragø Nielsen has been Senior Vice President with responsibility for Specialty Consumer.

Thomas Dragø Nielsen holds an MSc in International Business Economics from the University of Aalborg, Denmark.

Serdar Ülger (Turkish nationality), joined Nilfisk in 2005. Serdar Ülger has since 2014 been Senior General Manager with responsibility for East and South East Europe and subject to obtaining required visa and work permit in China, he will be appointed Senior Vice President with responsibility for APAC Sales as of 1 October 2017.

Serdar Ülger holds an MSc in Computer Engineering from Bosphorus University, Turkey.

15.4 Business address

The business address of the members of the Board of Directors and the members of the Executive Management and Key Employees, apart from Andrew Ray, Morten Korsholm Mathiesen, and Thomas Dragø Nielsen is Kornmarksvej 1, DK-2605 Brøndby, Denmark. The business address of Andrew Ray is 9435 Winnetka Ave N, Brooklyn Park, MN 55445, U.S., the business address of Serdar Ülger is Şerifall mh., Bayraktar Bulv., Şehit Sok., No:7, 34775, Ümraniye, Istanbul, Turkey, the business address of Morten Korsholm Mathiesen is Via Porrettana 1991, 41059 Zocca, Italy, and the business address of Thomas Dragø Nielsen is Industrivej 1, DK-9560 Hadsund, Denmark.

15.5 Statement on past records

During the past five years, none of the proposed members of the Company's Board of Directors or the expected members of the Executive Management nor the Key Employees have been: (i) convicted of fraudulent offenses; (ii) directors or officers of companies that have entered into bankruptcy, receivership or liquidation, other than as set out in section 15.1 "*Board of Directors*", section 15.2 "*Executive Management*" and section 15.3 "*Key Employees*" above; or (iii) subject to any public incrimination and/or sanctions by statutory regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of an issuer's board of directors, executive board or supervisory body or being in charge of an issuer's management or other affairs.

15.6 Statement on conflict of interest

There are no family ties among the proposed members of the Board of Directors, the expected members of the Executive Management or the Key Employees. None of the proposed members of the Board of Directors, the expected members of the Executive Management or the Key Employees have positions in other companies that could result in a conflict of interest vis-a-vis such companies, either because a company within the Group has an equity interest in such company or because the Group and the company concerned have an ongoing business relationship, save that a majority of the proposed members of the Board of Directors will also remain members of the board of directors of NKT, with which the Company will, *inter alia*, enter into the Demerger Agreement.

15.7 Lock-up

None of the proposed members of the Board of Directors, the expected members of the Executive Management or the Key Employees have undertaken any lock-up restrictions or other restrictions limiting their ability to dispose of Shares received by them in their capacity of Receiving Shareholders in the Demerger. Reference is made to section 18.2 for a description of the shareholdings in NKT held by the aforesaid persons as of the date of this Demerger Statement.

16. REMUNERATION AND BENEFITS

16.1 Compensation of the Company's Board of Directors, Executive Management and Key Employees

16.1.1 Compensation of the Company's Board of Directors

Subject to the General Meeting's approval of the Demerger, it is proposed that the General Meeting approves, in accordance with section 139 of the Danish Companies Act, the remuneration policy (the **"Remuneration Policy"**) described in section 17.4 "*Remuneration Policy*".

Assuming the Remuneration Policy is adopted by the General Meeting, members of the Board of Directors will receive fixed annual fees, which are presented for approval by the Company's shareholders at the annual general meeting. Remuneration to the members of the Board of Directors may not include share or warrant related incentive programmes.

As part of the General Meeting's approval of the Demerger, it is proposed that the members of the Board of Directors for 2017, consistent with the proposed Remuneration Policy, receive a proportionate part of a fixed annual fee of EUR 40,301 for the financial year 2017 while the Chairman will receive a proportionate part of three times the fixed annual fee and the Deputy Chairman will receive a proportionate part of two times the fixed annual fee for their extended duties.

Subject to approval by the General Meeting, the chairman of the Audit Committee will receive a proportionate part of a fixed annual fee of EUR 26,868 for the financial year 2017, whereas the committee's second member will receive a proportionate part of a fixed annual fee of EUR 13.434 for the financial year 2017 and the chairmen of the Remuneration Committee and the Nomination Committee will each receive a proportionate part of a fixed annual fee of EUR 13,434 for the financial year 2017 and the second member of each committee will receive a proportionate part of a fixed annual fee of EUR 6,717 for the financial year 2017.

The proportionate fees for 2017 to the Board of Directors and the respective committee members mentioned above will correspond to 12/52 of the respective fixed annual fees stated.

In addition, the members of the Board of Directors are entitled to reimbursement of travel and accommodation expenses relating to their participation in board meetings and are also entitled to have relevant training reimbursed.

No member of the Board of Directors is entitled to any kind of compensation upon resignation as a member of the Board of Directors. NKT has not, and the Company will not upon the Demerger being completed, allocate funds or make provisions for any pension benefits, severance scheme or the like for the members of the Board of Directors and will have no obligation to do so.

The proposed members of the Board of Directors have not received fees from the Company in 2016, but have received the aggregate amount of EUR 674,823 from NKT in 2016 relating to their positions in NKT's board of directors and board committees.

16.1.2 Compensation of and key terms with the Company's Executive Management

The expected members of the Executive Management have not received any remuneration from the Company for the financial year 2016, but have received compensation from the Group in 2016 as described below:

The compensation to the Executive Management consists of base salary, customary benefits and a performance-related cash bonus with a maximum bonus of 70% of the annual base salary for Hans Henrik Lund and a maximum bonus of 40% for Karina Deacon. Hans Henrik Lund is not entitled to any pension contributions in addition to his annual base salary, whereas Karina Deacon is entitled to a pension contribution of 12% of her annual base salary. Hans Henrik Lund has been granted certain one-time benefits in connection with taking up the employment, including reimbursement of certain school fees and relocation costs up to a maximum of EUR 80,000 grossed up to cover any personal income taxes associated herewith. In addition, a one-off payment equivalent to three months' base salary will be made to Hans Henrik Lund no later than 30 September 2017.

The Executive Management will be subject to the remuneration policy described in section 17.4 "*Remuneration Policy*".

Karina Deacon has for 2016 been granted a right to purchase 9,240 shares (stock options) in Nilfisk. For additional information regarding the stock options, see section 18 "*Employees and shareholdings*". Stock options will not be granted for 2017, instead a cash compensation of EUR 96,859 was paid to Karina Deacon.

In connection with publication of this Demerger Statement, Karina Deacon is entitled to a bonus equivalent to nine months' base salary.

Both members of the Executive Management are expected to be offered to participate in the new long-term incentive programme expected to be resolved and implemented following the Demerger. For additional information regarding the new long-term incentive programme, see section 18.3.4 "*Long-term incentive programme*".

The following table sets forth an overview of the compensation (base salary and cash bonus, excluding customary benefits and share-based compensation) paid by Nilfisk to each of the members of the Executive Management in 2016 and the expected base salary for 2017 to be paid by Nilfisk and Nilfisk Holding. Hans Henrik Lund was appointed CEO of Nilfisk effective as of 1 August 2017. Karina Deacon was appointed CFO of Nilfisk effective as of 20 January 2016. The compensation paid for the Executive Management in 2016 and expected to be paid in 2017, does not include compensation and severance pay to the former CEO of Nilfisk.

	(EUR) 2017	**2016**	
	Base salary (Expected)	**Base salary**	**Cash bonus**
Hans Henrik Lund	500,410*	-**	-
Karina Deacon	387,431	356,815***	142,726

*Hans Henrik Lund has not been employed with the Group for the entire financial year 2017.

**Hans Henrik Lund was not employed in the Group in 2016.

***Karina Deacon was not employed with the Group for the entire financial year 2016.

Nilfisk Holding may dismiss Hans Henrik Lund with 18 months' notice and Karina Deacon with 12 months' notice. Hans Henrik Lund may terminate his position with nine months' notice and Karina Deacon may terminate her position with six months' notice. The members of the Executive Management are not entitled to severance pay.

The members of the Executive Management are subject to certain non-competition and non-solicitation of customers and suppliers restrictions for a period running from the expiry of their notice periods under their respective employment contracts. The period for Hans Henrik Lund is two years and for Karina Deacon 12 months. The non-competition clauses apply in the geographical area where the activities of the Nilfisk Group take place and cover all business carried out by the Nilfisk Group. Under Danish mandatory law, non-competition clauses cannot be enforced after expiry of the notice period if termination is initiated by the employer without the member of the Executive Management having given reasonable cause for the dismissal.

The Nilfisk Group has not granted any loans, issued any guarantees or undertaken any other obligations to or on behalf of the members of the Executive Management.

16.1.3 Compensation of and key terms with the Company's Key Employees

The Key Employees have not received any remuneration from the Company for the financial year 2016, but have received compensation from the Group in 2016 as described below:

The compensation to the Key Employees consists of a base salary, customary benefits and a performance-related cash bonus with a maximum bonus in 2017 of 40% for Morten Korsholm Mathiesen and Thomas Dragø Nielsen, 30% for Jacob Blom, 25% for Jesper Terndrup Madsen and Lars Gjødsbøl, 50% for Andrew Ray and 30% for Anders Terkildsen. For Serdar Ülger the maximum bonus in 2017 is 30% pursuant to his current employment contract, which will increase to 40% for the period commencing 1 October 2017 under the contract expected to enter into force as of 1 October 2017.

In 2017, Anders Terkildsen and Lars Gjødsbøl are each entitled to a pension contribution of 12% of their annual base salary. Jacob Blom is entitled to a pension contribution of 10% of his annual base salary, Andrew Ray is entitled to a pension contribution of 3% of his salary, however, not to exceed a fixed amount of USD 25,000 (EUR 23,040). Jesper Terndrup Madsen is entitled to a pension contribution of 10% of his annual base salary. Thomas Dragø Nielsen is entitled to a pension contribution of 8% of his annual base salary and a 2% contribution to a benefit package and Morten Korsholm Mathiesen is entitled to a pension contribution of a fixed amount of EUR 6,000. Serdar Ülger is neither entitled to pension contributions pursuant to his current employment contract nor pursuant to the contract expected to enter into force on 1 October 2017.

Anders Terkildsen and Lars Gjødsbøl have received stock options granting them a right to purchase shares in Nilfisk. Anders Terkildsen and Lars Gjødsbøl have received stock options for 2013, 2014, 2015 and 2016. In total, Anders Terkildsen has the right to purchase 20,686 shares and Lars Gjødsbøl has the right to purchase 24,227 shares. For additional information regarding the stock options, see section 18 "*Employees and shareholdings*". Stock options will not be granted for 2017 and instead a cash compensation totaling EUR 202,961 was paid to those Key Employees, who have previously been granted stock options.

Morten Korsholm Mathiesen, Jesper Terndrup Madsen, Serdar Ülger and Thomas Dragø Nielsen have received phantom shares granting them a right to a potential cash payment. Morten Korsholm Mathiesen, Serdar Ülger and Thomas Dragø Nielsen have phantom shares granted in 2012, 2013, 2014, 2015 and 2016 and Jesper Terndrup Madsen has phantom shares granted in 2015 and 2016. In total, Morten Korsholm Mathiesen has 4,750 outstanding phantom shares, Serdar Ülger has 4,500 outstanding phantom shares, Thomas Dragø Nielsen has 5,500 outstanding phantom shares and Jesper Terndrup Madsen has 2,250 outstanding phantom shares. For additional information regarding the phantom shares, see section 18.3.3 "*Phantom share programme*". Phantom shares were not offered for 2017.

Upon completion of the Demerger and listing of the Shares on Nasdaq Copenhagen, Anders Terkildsen and Lars Gjødsbøl are each entitled to a bonus equivalent to six months' base salary.

The Key Employees are expected to be offered to participate in the new long-term incentive programme expected to be resolved and implemented following the Demerger. For additional information regarding the new long-term incentive programme, see section 18.3.4 "*Long-term incentive programme*".

For 2016, the total compensation to the Key Employees consisted of a combination of:

- Base salary in the aggregate amount of EUR 1,539,097
- Cash bonus payments in the aggregate amount of EUR 485,898
- Stock options or phantom shares
- Pension contributions in the aggregate amount of EUR 133,608
- Customary benefits

For 2017, the aggregate base salary for the Key Employees is expected to amount to approximately EUR 2.2 million. As two of the Key Employees joined the Group during 2016, 2017 will be the first year, where all Key

Employees will receive salary from the Group throughout the year.

Nilfisk may dismiss each Key Employee (including Serdar Ülger pursuant to the contract expected to enter into force as of 1 October 2017) with 12 months' notice and the Key Employee may terminate his position with six months' notice, except that i) Nilfisk, Inc may terminate Andrew Ray without cause with 90 days' notice and Andrew Ray may terminate his employment with Nilfisk, Inc. with 30 days' notice for good cause and 90 days' notice for any reason, ii) Nilfisk-Advance S.p.A. and Morten Korsholm Mathiesen may terminate the employment in accordance with the terms set forth in the National Bargaining Agreement for Executives of Industrial Companies, and iii) pursuant to Serdar Ülger's current employment contract, Nilfisk may terminate Serdar Ülger with six months' notice and Serdar Ülger may teminate his employment by informing Nilfisk according to Turkish labour legislation.

The Key Employees are not entitled to severance pay (this also applies with respect to Serdar Ülger both under his current employment contract and under the contract expected to enter info force as of 1 October 2017), except that Andrew Ray is entitled to continue to receive salary, bonus and benefits for 12 months from the date of termination, if terminated without cause or if Andrew Ray terminates the employment for good cause. The severance pay is equal to one month's base salary for each completed year of service up to a maximum of six months' base salary.

Anders Terkildsen and Lars Gjødsbøl are subject to certain non-competition restrictions for a period of 12 months from the expiry of their notice periods under their respective employment contracts, and Jesper Terndrup Madsen is subject to certain non-competition restrictions for a period of 6 months from the expiry of his notice period. Under Danish mandatory law, non-competition clauses cannot be enforced after expiry of the notice period if termination is initiated by the employer without the Key Employee having given reasonable cause for the dismissal. Nilfisk must pay compensation to Anders Terkildsen and Lars Gjødsbøl during the term of the restrictions if they are terminated by Nilfisk without the termination being caused by their breach or if Nilfisk has caused their termination. Andrew Ray is subject to certain non-solicitation and non-competition restrictions for a period of 12 months following the termination of his employment. The restrictions cover activities of Nilfisk, Inc. and the non-competition restriction is limited to activities in the United States. Morten Korsholm Mathiesen is subject to a non-competition restriction for a period of 12 months following the date of termination of the employment. The restriction covers activities of Nilfisk-Advance S.p.A. and its subsidiaries and the non-competition restriction is limited to activities in the European Union. As consideration for the non-competition restriction Nilfisk-Advance S.p.A. shall in addition to the base salary pay an annual gross amount equal to EUR 15,000 from the effective date of the employment and until the date of termination of such employment. Serdar Ülger is (both pursuant to his current employment contract and pursuant to the contract expected to enter into force as of 1 October) subject to certain non-solicitation and non-competition restrictions for a period of 24 months following the termination of his employment. The restrictions cover activities of the Nilfisk Group and are limited to activities in the regions of Marmara, Middle Anatolin and Aegean.

Nilfisk has not granted any loans, issued any guarantees or undertaken any other obligations to or on behalf of the Key Employees.

16.2 Statement on loans etc.

Neither NKT nor any member of the Nilfisk Group has granted any loans, issued any guarantees or undertaken any pension or other commitments to any of the proposed members of the Board of Directors or the expected members of the Executive Management or the Key Employees for the financial years 2016 or 2017, other than as set out above in sections 16.1.2 *"Compensation of and key terms with the Company's Executive Management"* and 16.1.3 *"Compensation of and key terms with the Company's Key Employees".*

17. BOARD PRACTICES

It is expected that the Board of Directors will adopt internal rules and procedures concerning board practises and committees in accordance with the description set out in this section and elsewhere in this Demerger Statement.

17.1 Board Practices and Committees

The Board of Directors will convene at least five times per year. Extraordinary board meetings shall be convened when requested by a member of the Board of Directors, a member of the Executive Management or by the Company's auditor.

The members of the Executive Management have a right to be present and to speak at meetings of the Board of Directors, unless otherwise resolved by the Board of Directors. The Executive Management must provide the Board of Directors with financial and operational reporting packages and the Board of Directors must be informed about important matters that have occurred between the meetings of the Board of Directors.

The Board of Directors must annually revise and update the overall strategy, business and action plan of the Company and approve the annual budget for the next financial year. The Board of Directors must annually perform a self-assessment to assess the competencies of the Board of Directors and its individual members and assess the Board of Directors' performance and achievements.

The Board of Directors forms a quorum when more than half of its members are represented. No resolution can be passed unless more than half of all members, including the Chairman or the Deputy Chairman, are represented. Any decisions are made by simple majority. In the event of equal votes, the Chairman shall have the casting vote. See article 14.2 of the Company's Articles of Association.

The Board of Directors must establish an Audit Committee, a Remuneration Committee and a Nomination Committee (as defined below). All of the committees report to the Board of Directors.

17.1.1 Audit Committee

The Audit Committee will be a committee charged solely with preparing the resolutions to be taken by the Board of Directors. The committee will work in accordance with its terms of reference. The terms of reference shall be updated and approved annually by the Board of Directors. Minutes of meetings are submitted to the Board of Directors.

Assuming that the General Meeting adopts the proposal made by NKT's board of directors for election of the Board of Directors, it is expected that the Audit Committee will upon completion of the Demerger consist of Jutta af Rosenborg as chairman and Jens Maaløe as the other member.

The Audit Committee will hold a minimum of four meetings annually and monitors the Company's accounting and internal controls, and establishes conditions and a framework for the work of the external auditors.

The work of the Audit Committee shall be defined in an annual plan approved by the Board of Directors.

The tasks of the Audit Committee will include:

- To inform the entire Board of Directors of the outcome of the statutory audit, including the process for presentation of accounts;
- To monitor the financial reporting process and submit recommendations to ensure its integrity. This includes verifying compliance with existing legislation, standards and other regulations for listed companies relating to presentation and publication of financial reporting;
- To monitor whether the Company's internal control system, internal audits if any, and risk management systems function effectively;

- To monitor the statutory auditing of the annual financial statements, etc. taking into account the result of the most recent quality control of the auditor;
- To monitor and review the independence of auditors, including in particular the supply of further services to the Nilfisk Group; and
- To be responsible for the procedure for selecting and make recommendations to the Board of Directors concerning election of auditors.

17.1.2 Remuneration Committee

The Remuneration Committee will be a committee charged solely with preparing resolutions to be taken by the Board of Directors. The Committee will work in accordance with its terms of reference. The terms of reference shall be updated and approved annually by the Board of Directors. Minutes of meetings are submitted to the Board of Directors.

Assuming that the General Meeting adopts the proposal made by NKT's board of directors for election of the Board of Directors, it is expected that the Remuneration Committee will upon completion of the Demerger consist of Jutta af Rosenborg as chairman and Jens Maaløe as the other member.

The Committee shall convene when it is deemed necessary or appropriate in relation to the Company's needs, but a minimum of once annually.

The tasks of the Remuneration Committee will include:

- To update, prepare and submit the remuneration policy for the Board of Directors and the Executive Management to the Board of Directors for approval when deemed necessary, however, at least once a year;
- To prepare and submit the general guidelines on incentive pay for the Executive Management and the Board of Directors to the Board of Directors for approval prior to final approval by the annual general meeting as required by the Danish Companies Act;
- To submit proposals to the Board of Directors regarding remuneration for members of the Board of Directors prior to approval by the annual general meeting;
- On behalf of the Board of Directors, to implement and agree customary adjustments to the payment and employment terms of the Executive Management and the executive management of Nilfisk, including remuneration, customary bonus agreements as well as employee benefits, car arrangements and severance agreements, while the entering into of new agreements and establishment or adjustment of share-based incentive schemes is negotiated by the Committee and submitted to the Board of Directors for approval or determined by the Committee pursuant to specific mandate from the Board of Directors; and
- To ensure that the remuneration (and other benefits accruing to the Board of Directors and Executive Management) are consistent with the Company's remuneration policy and with the assessment of the individual's contribution.

17.1.3 Nomination Committee

The Nomination Committee will be a committee charged solely with preparing resolutions to be taken by the Board of Directors. The Committee shall work in accordance with its terms of reference. The terms of reference shall be updated and approved annually by the Board of Directors. Minutes of meetings shall be submitted to the Board of Directors.

Assuming that the General Meeting adopts the proposal made by NKT's board of directors for election of the Board of Directors, it is expected that the Nomination Committee will upon completion of the Demerger consist of Lars Sandahl Sørensen as chairman and Jens Due Olsen as the other member.

The Nomination Committee shall convene when it is deemed necessary or appropriate in relation to the Company's needs, however at least twice a year.

The tasks of the Nomination Committee will include:

- To continuously assess the Board of Director's relevant competencies. As part of this, the Nomination Committee annually issues a recommendation to the Board of Directors;
- To propose a competence profile for the Board of Directors, in which the Committee lists suitable criteria for selection of Board members;
- To ensure that the performances and results of the Board of Directors as a whole and its individual members, along with the Board's collaboration with the Executive Management, are evaluated and the findings of such evaluation are presented for discussion to the Board of Directors;
- To continuously assess the composition, expert knowledge and experience of the Executive Management, along with the performance and results of its duties, and issue recommendations to the Board of Directors on any need for changes in the Executive Management; and
- To ensure that succession plans exist for the Executive Management, including considering the adequate size of the Executive Management.

17.1.4 Description of procedures and internal control over financial reporting

The Board of Directors and the Executive Management are ultimately responsible for the Group's risk management and internal controls in relation to its financial reporting, and approve the Group's general policies in this regard. The Audit Committee assists the Board of Directors in overseeing the reporting process and the most important risks. The Executive Management is responsible for the effectiveness of the internal controls and risk management and for the implementation of such controls aimed at mitigating the risk associated with the financial reporting.

While the Nilfisk Group continues to improve the procedures and internal controls, NKT and the Executive Management believes that the Group's reporting and internal control systems enable it to be compliant with disclosure obligations applying to issuers whose shares are admitted to trading and official listing on Nasdaq Copenhagen.

As part of the overall risk management, the Nilfisk Group has set up internal control systems, which will be reviewed regularly by the Board of Directors to ensure that these systems are appropriate and sufficient in relation to the Group's activities and operations.

The Group's procedures and internal controls are planned and executed to ensure a reasonable level of comfort that the financial reporting is reliable and in compliance with internal policies and gives a true and fair view of the Group's financial performance, the financial position and material risks. The procedures and controls are furthermore planned with a view to support the quality and efficiency of the Group's business processes and the safeguarding of the Group's assets. The evaluation of the risks includes an assessment of the likelihood that an error will occur and whether the financial impact of such error would be material.

In addition to the above, the control environment comprises, among other things, the following elements:

- Weekly sales forecast prepared by all sales units projecting current months' revenue compared with budgeted performance and previous year performance. The weekly forecast is reported to the Executive Management and the Key Employees.

- Consolidated monthly financial reports, including income statement, balance sheet and cash flow statement and developments with respect to working capital (non-IFRS) compared with budgeted performance and previous year performance. Explanations of material deviations together with key performance indicators are prepared by the Group’s financial controllers based on reporting from all business units. The monthly financial information package is reported to the Board of Directors, the Executive Management and the Key Employees.
- Business reviews. Monthly meetings between the Key Employees and the Executive Management focusing on current monthly performance.
- Quarterly Business Reviews. Quarterly meetings between the Executive Management, the Key Employees and selected business managers at which the overall financial performance is discussed and priorities and plans for the coming months are discussed.
- Budgets and financial plans. The Group applies an overall planning cycle comprising annual budgets and regular updating of financial plans for the year. The budget process is a “bottom-up” process that results in a budget approved by the Board of Directors, including an income statement, balance sheet and cash flow statement.
- Self-assessments of internal controls are performed by each business unit and reported to the Nilfisk’s Group's Financial Reporting and Control every six months. The self-assessments are tested by the financial controllers in connection with controller visits.
- The Group’s financial controllers regularly visit the Group’s operating subsidiaries. These visits take place according to a plan for the year and in accordance with defined control procedures and standards. The findings and conclusions of controller visits are reported to the Executive Management, the respective local managements, the Audit Committee, the external Auditors and to other relevant recipients.
- Other material investments in intangible and tangible assets are requested in a predefined format and approved by the relevant Key Employee and a member of Executive Management, and, depending on the nature and size of the investment, by the Board of Directors.

The Board of Directors will implement a whistleblower policy for the Nilfisk Group shortly after completion of the Demerger.

17.2 Corporate Governance

Upon completion of the Demerger, the Board of Directors will adopt a set of corporate governance principles that will make up the Company’s corporate governance policy with effect from the date of admission of the Shares to trading and official listing on Nasdaq Copenhagen. The Company’s corporate governance statement will upon adoption be available on its website. Information included on the Company’s website does not form part of and is not incorporated by reference into this Demerger Statement, unless otherwise specifically stated herein.

It is expected that Nilfisk Holding will comply with 46 of the 47 recommendations set out in the recommendations on Corporate Governance of the Danish Committee on Corporate Governance, issued on 6 May 2013, as updated in November 2014 (the "Corporate Governance Recommendations"). The recommendation, with which the Company is not expected to comply is that the Company’s Articles of Association are not expected to stipulate a retirement age for members of the Board of Directors as the Company does not want to limit shareholders’ possibility of nominating candidates.

17.3 Role of Board of Directors and Executive Management

As is practice in Denmark, powers to manage the Company will be distributed between the Board of Directors and the Executive Management, which are independent of one another.

The members of the Executive Management are appointed by the Board of Directors. The Executive Management handles day-to-day management, while the Board of Directors supervises the work of the Executive Management and is responsible for the general strategic direction of the Group. The primary tasks for the Board of Directors are to ensure that the Company has a strong management team, an adequate organisational structure, efficient business processes, optimal capital structure, transparent bookkeeping and practices and responsible asset management.

17.4 Remuneration Policy

In accordance with section 139 of the Danish Companies Act, it is proposed that upon the General Meeting's approval of the Demerger, a Remuneration Policy of the Company is approved.

Pursuant to the proposed Remuneration Policy, each member of the Board of Directors and the Executive Management will be entitled to receive an annual remuneration. The Remuneration Policy lays down the principles governing remuneration of, and provides general guidelines for incentive pay to, the members of the Board of Directors and Executive Management as required under the Danish Companies Act and the Corporate Governance Recommendations.

The overall object of the Remuneration Policy is to ensure alignment of interest between the Company and its board of directors, executive management and shareholders, and with the object to constantly maintain the motivation of the Boards of Directors and Executive Management for achieving the targets set by the Company.

The Board of Directors shall consider the members' remuneration at frequent intervals based on recommendations from the Remuneration Committee of the Board of Directors. During the formulation of these recommendations, the Remuneration Committee is guided by relevant comparisons with other companies.

Members of the Board of Directors will receive a fixed annual fee. The annual general meeting must approve the remuneration paid to members of the Board of Directors for a specific financial year. Members of the Board of Directors will not receive incentive pay. Expenses such as travel and accommodation relating to meetings of the Board of Directors and relevant training will be reimbursed by the Company.

The Board of Directors shall deal with and decide on the remuneration of the Executive Management based on proposals submitted by the Remuneration Committee. The remuneration of the Executive Management shall be considered annually in relation to that of other comparable companies.

The remuneration package to the Executive Management shall consist of a fixed base salary, a short-term cash bonus and a long-term incentive scheme (share based or bonus based). Further, the Executive Management will receive special non-monetary benefits such as company car, phone, etc. Expenses incurred by the Executive Management relating to travel, conferences, training etc. are reimbursed by the Company.

The pension contribution for the Executive Management may comprise a maximum of 15% of the fixed base salary.

The period of notice for the members of the Executive Management may not exceed 18 months. In connection with significant changes in the Company’s ownership structure, these notice periods may be extended for a transitional period by six months.

17.5 Communication and interaction with investors and other stakeholders

In order to maintain a high and consistent level of information and to be proactive and open in the communication with shareholders and related stakeholders within the boundaries of applicable stock exchange regulations, the Company will upon completion of the Demerger adopt an investor relation policy. Furthermore, the Group has adopted a corporate social responsibility ("**CSR**") policy with a view to ensure that the business of the Nilfisk Group is conducted in a responsible manner and that sustainable solutions are always targeted. The Company’s investor relations and CSR policies will be accessible on its website.

In addition, the Board of Directors will adopt a set of internal rules aimed e.g. at ensuring that the disclosure of information complies with the applicable stock exchange regulations. All company announcements shall be published through Nasdaq Copenhagen, and shall subsequently be accessible from the Company's website.

The Company will publish quarterly and annual reports. Stock analysts, investors and the press will be invited to a Nilfisk Holding-hosted presentation following disclosure of quarterly and full-year results.

Not later than eight weeks before the contemplated date of the annual general meeting, the Company will publish the date of the meeting and the deadline for submitting requests for specific proposals to be included on the agenda. In accordance with the Articles of Association, general meetings will be convened by the Board of Directors with at least three weeks' and not more than five weeks' notice. Notices convening general meetings will be published by postings on the Company's website or by other means.

Every shareholder will be entitled to have specific business considered at the annual general meeting, provided a written request to that effect is submitted to the Board of Directors no later than six weeks prior to the meeting. At general meetings, the attending shareholders will be able to ask questions of the Board to Directors and the Executive Management.

The Company is expected to adopt contingency procedures in the event of takeover bids according to which the Board of Directors will not without the acceptance of the general meeting attempt to counter the takeover bid by making decisions that in effect prevent shareholders from deciding on the takeover bid themselves.

17.6 Audit

The external auditors will be appointed for a term of one year by the annual general meeting upon recommendation by the Audit Committee. The framework for the auditors' duties, including their remuneration, audit and non-audit tasks, is agreed annually between the Board of Directors and the auditors based on a recommendation from the Audit Committee.

17.7 Service contracts with the members of the Board of Directors

No service contracts have been entered into or will be entered into between the Nilfisk Group and the members of the Company's Board of Directors providing for benefits upon termination of employment.

17.8 Service contracts with the members of the Executive Management

For the description of the main terms of the service contracts entered into with the members of the Executive Management see section 16.1.2 *"Compensation of and key terms with the Company's Executive Management"*.

18. EMPLOYEES AND SHAREHOLDINGS

18.1 Employees

As at 30 June 2017, the Nilfisk Group had 5.776 employees working across all the Group's sites and offices. The following table sets forth the number of employees by category on the dates presented.

Number of FTEs split by category	As at 31 December	
	2016	2015
Sales & Service	1,787	1,838
Customer Service	417	440
Backoffice	1,149	1,216
Operation	2,254	2,051
Total	**5,607**	**5,545**

The following table sets forth the Nilfisk Group's number of employees by geography and company category on the dates presented.

Number of FTEs split by operating segments and category	As at 31 December	
	2016	2015
Americas	588	549
EMEA	1,844	1,879
APAC	509	556
Global Operations	2,263	2,140
Other, including headquarter	403	421
Total	**5,607**	**5,545**

18.2 Shareholdings

The proposed members of the Board of Directors, the expected members of the Executive Management and the Key Employees have as of the date of this Demerger Statement the following holdings of shares in NKT, and will - provided such shareholdings are not disposed of in full or in part or increased prior to the Record Date - obtain one Share for each such share held in NKT upon completion of the Demerger:

Name	No. of shares held in NKT as of the date of the Demerger Statement	No. of Shares to be received in Demerger*
Jens Due Olsen	1,500	1,500
René Svendsen-Tune	2,000	2,000
Jens Maaløe	515	515
Jutta af Rosenborg	0	0
Anders Runevad	0	0
Lars Sandahl Sørensen	685	685
Gitte Toft Nielsen	0	0
Yvonne Markussen	0	0
Michael Gamtofte	141	141
Hans Henrik Lund	0	0
Karina Deacon	449	449
Anders Terkildsen	0	0
Andrew Ray	0	0
Jacob Blom	0	0

Name	No. of shares held in NKT as of the date of the Demerger Statement	No. of Shares to be received in Demerger*
Jesper Terndrup Madsen	0	0
Lars Gjødsbøl	0	0
Morten Korsholm Mathiesen	0	0
Thomas Dragø Nielsen	50	50
Serdar Ülger	0	0

*On the basis of the number of shares held in NKT provided this is not changed prior to the Record Date

As the shares in NKT are publicly traded on Nasdaq Copenhagen, other employees of the Nilfisk Group may hold shares in NKT, which entitle them to receive Shares in the Company upon completion of the Demerger; however, no such employee has reported shareholdings in NKT of 5% or more (see section 19 "*Major Shareholders*").

18.3 Incentive programmes

The Nilfisk Group uses the following types of incentive programmes, which are described in further detail below:

- Annual short-term bonus programme
- Stock option programme
- Phantom share programme

18.3.1 Annual short-term bonus programme

As part of the Group's efforts to sustain a strong corporate culture with focus on key corporate values and recognition of individual performance, a general bonus scheme has been established for certain key employees.

The scheme is linked to the Group's financial performance and personal performance criteria, defined on an individual basis.

The specific measures included in the bonus calculation varies over time but typically include the following three main drivers of shareholder value:

- Growth, measured primarily by the organic growth rate;
- Profitability, measured primarily by developments in operating profit before amortisation/impairment of acquisition-related intangibles and special items (non-IFRS), EBITDA before special items (non-IFRS) or other measures linked to the Group's profitability;
- Capital employed (non-IFRS), measured primarily by developments in working capital (non-IFRS), net interest-bearing debt (non-IFRS) or other measures, or a combination of measures, linked to the amount of capital tied up in the business.

The bonuses of individual employees are linked to the level of fulfilment of annual goals or targets defined and agreed individually for each person's functional area. Such goals or targets could be financial or operational, and some may be objective and measurable while others may be subject to management judgement.

For information on bonuses paid to Executive Management and Key Employees in 2016, see section 16.1.2 *"Compensation of and key terms with the Company's Executive Management"* and section 16.1.3 *"Compensation of and key terms with the Company's Key Employees"*.

18.3.2 Stock option programme

A total of five former and current key employees, including members of the Executive Management and of the Key Employees, have been granted the right to purchase shares (stock options) in Nilfisk.

Stock options have been granted for 2013, 2014, 2015 and 2016 and a total of 102,460 shares may be purchased based on the stock options, where 11,000 relate to stock options granted for 2013 not yet exercised, 30,224 relate to stock options granted for 2014 not yet exercised, 35,532 relate to stock options granted for 2015 not yet exercised and 25,704 relate to stock options granted for 2016 not yet exercised.

Each stock option granted for 2013, 2014 and 2015 is subject to a vesting period of approximately 36 months and can be exercised, in whole or in part, to purchase shares during a period of four weeks after publication of the latest annual financial statements of NKT in each of the years 2017-2019 for the 2014 grant and the years 2018-2020 for the 2015 grant. In respect of the 2013 grant, the stock options can be exercised during a three-month period after publication of the latest annual financial statements of NKT in each of the years 2016-2018. Each stock option granted for 2016 is subject to a vesting period of approximately 42 months running from 1 January 2016 and can be exercised, in whole or in part, to purchase shares during a period of four weeks after publication of the second quarter interim financial statements of NKT in each of the years 2019-2021. As a consequence of the Demerger, it has been agreed with each of the participants that following the Demerger, exercise will be linked to the publication of the financial statements of Nilfisk Holding and not NKT.

The stock options granted for each year entitle the participants to purchase shares once only, and any partial exercise will result in a lapse of the remaining part of that stock option. After the expiry of the last exercise period any unexercised stock options will automatically lapse without further notice or compensation.

The strike (purchase) price is for each share in Nilfisk having a nominal value of DKK 100 fixed at DKK 904.40 for the grant for 2016, DKK 908.30 or DKK 932.50 for the 2015 grant, DKK 843.40 for the 2014 grant and DKK 789 for the 2013 grant.

In the event that a participant resigns from his/her position with Nilfisk (or a subsidiary), the participant's stock options will lapse on the date of such notice of resignation. However, if the notice period expires after 1 January in the year of the first exercise period, however, 1 July in respect of the grant for 2016, and the participant has not yet exercised the stock option, the participant will be entitled to exercise the stock option in the first exercise period following the notice of resignation, provided that such period falls within the notice period. For the 2013 grant the participant was entitled to exercise in the first exercise period following the notice of resignation, in the event that the notice of resignation was given after 1 January in the year of the first exercise period. The stock options will not lapse in the event of the participant's retirement due to age or resignation due to physical or mental disability where the participant's capacity for work has been reduced by two thirds or more.

If Nilfisk dismisses the participant before 1 January in the year of the first exercise period, however, 1 July in respect of the grant for 2016, the participant will be entitled, in the first exercise period following such notice of dismissal, to exercise the stock option in respect of a proportionate number of shares, pro rata to the number of full months elapsed from 1 January in the grant year until the effective date of termination divided by the full vesting period of 36 months. In respect of the grant for 2016 the participant will be entitled, in the first exercise period following such notice of dismissal, to exercise the stock options in respect of a proportionate number of shares, pro rata to the number of full months elapsed from 1 January 2016 until the effective date of termination divided by the full vesting period of 42 months. If, as a result of the participant's material breach, Nilfisk dismisses the participant on notice or summarily, the participant's right to the stock options will lapse at the time of such notice or summary dismissal.

Nilfisk is upon exercise of the stock options entitled to settle in cash. This does not apply to the 2013 grant if Nilfisk is an independently listed company. If at the time of exercise, Nilfisk is not an independently listed company, the value will be calculated as the difference between the market price at the time of receipt of notice to exercise and the strike price, multiplied by the number of shares that the participant wishes to acquire. The market price will be calculated as the value of Nilfisk (at the time of the latest financial year-end prior to the exercise date), divided by the total number of shares at any time. The value of Nilfisk will be determined based on the consolidated earnings before interest, tax, depreciation and amortisation (EBITDA (non-IFRS)), multiplied by a (constant) factor of 5.5, less Nilfisk's net interest-bearing debt (non-IFRS) at the end of the financial year. The (constant) factor is 8.0 in respect of the grant for 2016. In calculating the value of Nilfisk, the net interest-bearing debt (non-IFRS) will be adjusted (i.e. reduced) by all dividends paid to NKT after 1 January of the year the stock options were granted, however, 1 January 2016 in respect of the grant for 2016. If at the time of the exercise, Nilfisk is an independently listed company the market price for the 2014, 2015 grants and the grant for 2016 will instead be determined as the market price of the shares on the stock market upon exercise. Being a subsidiary of Nilfisk Holding, Nilfisk will not be an independently listed company after the Demerger and it has been agreed with each of the participants that the market price of the shares of Nilfisk Holding will be used in the event of cash settlement upon exercise. For the grant for 2016 the total value of the options calculated at the time of exercise and based on the amount that Nilfisk would have to pay in case of cash settlement can in no event exceed 200% of the annual base salary of each participant in 2016.

If Nilfisk's principal shareholder decides to sell Nilfisk or its activities (except for any stock-exchange listing) and the ownership interest in Nilfisk's principal shareholder is reduced to below 50%, or if Nilfisk's principal shareholder in some other manner loses its management control of Nilfisk, Nilfisk will, unless the parties agree otherwise, calculate the value of the stock options as at the date prior to the date of such sale, irrespective of whether the exercise date has occurred or not. The calculated value of the stock options, less statutory taxes and duties, will be paid to the participants as cash pay the following month. The calculated value will be determined as the participant's share of the proceeds from the sale of shares based on the participant's proportionate number of the shares (based on the stock options) at the time of the sale pro rata to Nilfisk's total number of shares. The mechanism described in case of Nilfisk's dismissal of the participant will apply when determining the proportionate number of shares and will consequently for the 2013, 2014 and 2015 grants be calculated based on the number of full months elapsed from 1 January in the grant year until the date of the triggering event divided by the full vesting period of 36 months. For the grant for 2016 the proportionate number of shares will be calculated based on the number of full months elapsed from 1 January 2016 until the date of the triggering event divided by the full vesting period of 42 months. The total calculated value of all outstanding options issued after 1 January 2014 cannot exceed 11 times the annual cash salary (less pension and bonus, etc.) in respect of each participant.

If Nilfisk is a listed company on the date of exercise, and if the volume of stock-exchange trade in Nilfisk's shares is so small that it is expected to be difficult for the participants to sell the shares acquired under the stock options at a price that has not been significantly negatively affected by the volume traded, it is the intention of Nilfisk, if requested by the participant, during the first six months after the exercise period to help the participant sell the shares, e.g. through Nilfisk's direct purchase of the shares.

18.3.3 Phantom share programme

The phantom share programme was introduced several years ago for a number of key employees and each year the Executive Management decides which employees should be offered participation in the programme. The phantom share programme has not been offered in 2017. The phantom share programme grants the participants the right to a potential cash payment and grants no rights to acquire shares in Nilfisk. The programme is an alternative to a part of the participants' bonus under the annual bonus programme. The Executive Management and the Key Employees (except from Morten Korsholm Mathiesen, Thomas Dragø Nielsen, Serdar Ülger and Jesper Terndrup Madsen), see sections 15.2 "*Executive Management*" and 15.3 "*Key Employees*", have not been offered participation in the phantom share programme.

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

The phantom shares can be exercised by the participants in May following the four year vesting period or the subsequent two years in May, meaning for example that the phantom shares granted for 2016 can be exercised in May 2020, 2021 or 2022 (each an exercise period). The phantom shares may only be exercised once.

When a batch of phantom shares is granted each year, the batch has an initial hurdle rate calculated on the basis of EBITDA (non-IFRS) and net interest-bearing debt (non-IFRS) in the latest full financial year. The hurdle rate for the exercise periods is then calculated by adding 0.667% per calendar month, excluding nine months of the grant year from the calculation.

The individual participant's bonus is calculated as the Bonus Percentage (as defined below) multiplied by the EQV (as defined below) for the calendar year ending immediately prior to the exercise period where the phantom shares are exercised less the applicable Hurdle EQV in line with the following formula:

Bonus = Bonus Percentage * (EQV - Hurdle EQV exercise period 1, 2 or 3)

where

- "**Bonus Percentage**" is calculated as the number of phantom shares divided by all issued shares of Nilfisk on December 31 of the calendar year immediately prior to the exercise period where the phantom shares are exercised.
- "**EQV**" means the equity value of Nilfisk calculated as (EBITDA (non-IFRS) *5.5) less NIBD and based on the Annual Accounts ending on December 31 of the calendar year immediately prior to the exercise period where the phantom shares are exercised.
- "**EBITDA** (non-IFRS)" means the consolidated earnings before interest, tax, depreciation and amortisation as calculated in accordance with the Annual Accounts.
- "**NIBD**" means consolidated net interest-bearing debt (non-IFRS), including debt owed to affiliated companies less all free cash at hand and cash deposited in bank accounts as prepared by Nilfisk based on the Annual Accounts.
- "**Hurdle EQV**" means a prefixed equity value that the EQV has to exceed for a given exercise period before bonus is payable. The size of the Hurdle EQV depends on in which exercise period the employee decides to exercise. For the 2016 grant of phantom shares the Hurdle EQV was DKK 2,248 million for exercise period one, DKK 2,390 million for exercise period two and DKK 2,532 million for exercise period three.
- "**Annual Accounts**" means the audited, consolidated annual account of Nilfisk prepared in accordance with the accounting principles applied by Nilfisk.

If prior to exercise of the phantom shares NKT sells more than 50% of the shares of Nilfisk to a third party unaffiliated with NKT (a sale event), the phantom shares shall be deemed automatically and immediately exercised based on the actual number of phantom shares earned up until the time of the sale event. EQV shall be calculated as the purchase price per share paid by the third party multiplied by the total number of issued shares of Nilfisk at the time of the sale event. If the sale event takes place during an exercise period, the Hurdle EQV of that exercise period shall apply and if not then the Hurdle EQV of the first coming exercise period after the sale event shall apply. Bonus shall be paid to the participants no later than three months after the date when the sale event becomes final and binding and the purchaser has paid the purchase price.

It shall not be seen as a sale event if Nilfisk is publicly listed on a stock exchange (in part, or as a whole). For the purpose of calculating the bonus when phantom shares are exercised and Nilfisk is publicly listed EQV shall be calculated based on the weighted average share price of the shares of Nilfisk traded on the stock exchange during the month prior to the exercise period where the phantom shares are exercised multiplied by the number of issued shares of Nilfisk. Being a subsidiary of Nilfisk Holding, Nilfisk will not be independently listed on a stock exchange in connection with the Demerger and it has been communicated to the participants that the EQV will be calculated based on the weighted average share price of the shares of Nilfisk Holding on the stock exchange during the month prior to the exercise period where the phantom shares are exercised multiplied by the number of shares issued in Nilfisk Holding.

18.3.4 Long-term incentive programme

Following the Demerger, it is expected that the Board of Directors will establish a long-term incentive programme (**"LTI"**) during 2017. The final content will be announced to the market when implemented.

The Executive Management, the Key Employees and a limited number of additional employees are expected to be eligible under the LTI and the LTI is expected to consist of either a grant of restricted shares, a grant of stock options, a grant of the cash value of such instruments or a combination hereof. Options will have a maximum duration of five years. Options will be subject to continued employment and will vest after three years. The exercise price of options is expected to be the fair market value of a share at grant plus a hurdle rate equal to 8% p.a. in three years.

Each eligible person is expected to participate in the LTI with a value at grant equal to a maximum of 40% of the annual base salary. However, the total number of options etc. granted under the 2017 LTI cannot exceed 1% of the existing share capital of the Company.

The LTI programme is expected to include a cap on the potential exercise gain equal to five times the participant's annual base salary at the time of grant.

19. MAJOR SHAREHOLDERS

The initial shareholder structure of Nilfisk Holding will be identical to the shareholder structure of NKT as at the Record Date. Therefore, this section refers to the major shareholders of NKT.

NKT only has one share class and all shares carry the same voting rights. Likewise, the Company will only have one share class and all shares will carry the same voting rights.

As at the date of this Demerger Statement, NKT has received notification that the shareholders holding 5% or more of NKT's share capital and/or voting rights are:

- ATP, directly holding 6.49% of NKT's capital and voting rights.
- Nordea Funds Oy, directly holding 5.01% of NKT's capital and voting rights
- KIRKBI Invest A/S, directly holding 5.00% of NKT's capital and voting rights
- Ferd A/S, directly holding 5.00% of NKT's capital and voting rights

Other than as set out above, NKT is not aware of any person who, directly or indirectly, owns an interest in NKT's share capital or voting rights that is notifiable under Danish law.

NKT does not have knowledge of any arrangements, the operations of which may result in a change of control of the Company.

20. RELATED PARTY TRANSACTIONS

The Board of Directors and the Executive Management are considered related parties of Nilfisk Holding as they will exercise a significant influence on the Company's operations. Related parties also include such persons' relatives as well as undertakings in which such persons have significant interests.

Except as set out below or in relation to compensation and benefits received as a result of membership of the Board of Directors, employment with the Nilfisk Group or shareholdings in the Company, the Group has not undertaken any significant transactions with members of the Board of Directors and the Executive Management, or undertakings outside of the Group, in which related parties have interests. For information on remuneration paid to the members of the Board of Directors and Executive Management, see section 15 "*Board of Directors, Executive Management and Key Employees*". For a description of Group's incentive programmes, see section 18.3 "*Incentive Programmes*".

Until completion of the Demerger, NKT and other members of the NKT Group are also considered related parties of the Nilfisk Group. An overview of transactions and balances with related parties is shown below.

EUR million	**H1 2017**	**2016**	**2015**
Fee for services provided by NKT, including legal, tax, insurance and treasury services to the Nilfisk Group	0.7	1.5	1.4
Purchase price for Nilfisk Group acquiring the shares of the U.S.-based Nilfisk Pressure-Pro from NKT in 2016	0.0	8.6	0.0
Dividend paid to NKT (2015 related to the financial year 2014)	0.0	0.0	172.2
Fees to NKT for issuing certain parent guarantees, see section 4.7.2 "*Statutory joint and several liability*" for a description of the parental guarantees	0.0	0.1	0.3
Tax contribution paid by the Nilfisk Group to NKT	0.5	0.0	2.2
Income tax payable net to NKT (receivable to NKT 2016), end of period	3.2	0.2	-1.1
Fee for indirect sourcing services provided by Nilfisk Group to NKT	0.3	0.4	0.4
Fee for tax services provided by Nilfisk Group until mid-2016 for all NKT Group companies. From then on, NKT took over providing such services, including to the Nilfisk Group	0.0	0.1	0.1
Interest income and derivative gains received from NKT	0.6	2.1	6.0
Interest expenses and derivative losses paid to NKT	4.2	16.2	12.5
Interest-bearing receivables from NKT, end of period	151.3	169.7	149.3
Interest-bearing loans and borrowings from NKT, end of period	450.1	467.2	478.4
Derivative financial instruments, receivable from NKT end of period	5.3	6.4	7.7
Derivative financial instruments, debt to NKT end of period	5.8	4.1	4.6
Other current debt to NKT, end of period	0.0	1.5	0.0
Goods sold to associated companies	8.1	19.4	19.0
Goods purchased from associated companies	0.7	1.5	1.5
Dividends received from associated companies	0.0	1.3	0.9
Trade receivables from associated companies, end of period	6.5	2.5	4.1
Trade payables to associated companies, end of period	0.0	0.0	0.0

Following the Demerger, the Company and NKT will be parties to the Demerger Agreement, see section 4.7.1 "*The Demerger Agreement".*

21. FINANCIAL INFORMATION CONCERNING NILFISK'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES; DIVIDENDS

21.1 Introduction to financial information

The reviewed consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 are included in this Demerger Statement by reference. Such audited and reviewed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements under the Danish financial statements act and IAS 34, Interim Financial Reporting, as adopted by the EU, respectively.

The reviewed consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 do not include activities, assets and liabilities of NKT related to the Nilfisk business which will be allocated to Nilfisk Holding upon completion of the Demerger. Such activities, assets and liabilities are deemed non-material, and the consolidated financial statements of Nilfisk represent in all material respect the financial position, the results of operations and cash flows of the Nilfisk Group as if the activities, assets and liabilities of NKT related to the Nilfisk business were included as of the relevant dates.

21.2 Significant accounting judgements and estimates

When preparing the consolidated financial statements, the Executive Management makes a number of accounting estimates, judgements and assumptions which form the basis for recognition and measurement of income, expenses, assets and liabilities.

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

21.3 Rounding Adjustments and Percentages

Rounding adjustments have been made in calculating some of the financial information included in this Demerger Statement. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Certain percentages presented in the tables in this Demerger Statement reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

21.4 Cross reference

The additional information explicitly listed in the table below has been incorporated by reference into this Demerger Statement pursuant to article 28 of the Prospectus Regulation as also set out in section 19 of the Danish Executive Order on Prospectuses. Direct and indirect references in the reports to other documents or websites are not incorporated by reference and do not form part of this Demerger Statement. The reports speak only as at the date of their respective publications and have not been updated for purposes of this Demerger Statement. Receiving Shareholders and potential future investors should assume that the information in this Demerger Statement as well as the information incorporated by reference herein is accurate as at the date on the front cover of those documents only. The business, financial condition, cash flows and results of operations as presented in the consolidated financial statements of Nilfisk may have changed since those dates. Receiving Shareholders and potential future investors are encouraged to read the information incorporated by reference in conjunction with the cautionary statements in section 3 "*Special Notice Regarding Forward-looking Statements*" and in conjunction with section 1 "*Risk Factors*" in this Demerger Statement.

The additional information incorporated by reference into this Demerger Statement is exclusively set out in the cross reference table below, and is available for inspection at NKT’s address Vibeholms Allé 25, 2605 Brøndby, Denmark, Nilfisk's address: Kornmarksvej 1, 2605 Brøndby, Denmark and at www.nilfisk.com.

Disclosure element reference - The reviewed consolidated financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016:

Income statement	page 11
Statement of comprehensive income	page 11
Balance sheet	page 12
Cash flow statement	page 13
Statement of changes in equity	page 13
Notes	page 14
Group management's statement	page 18
Independent auditor's review report	page 19

Disclosure element reference - The audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015:

Consolidated income statement and statement of comprehensive income	page 36
Consolidated balance sheet	page 37
Consolidated cash flow statement	page 38
Consolidated statement of changes in equity	page 39
Notes to the consolidated financial statements	page 41
Parent company income statement	page 105
Parent company balance sheet	page 106

21.5 Dividend policy

Upon completion of the Demerger, the Board of Directors plans to adopt a dividend policy with a target pay-out ratio of approximately one third of the financial year's reported consolidated profit for the year. The Company's first dividend payment is expected to be paid out in 2019 on the basis of the reported profit of the financial year ending 31 December 2018. As an alternative or in addition to making dividend payments, the Board of Directors may initiate share buybacks. A decision by the Board of Directors to engage in share buybacks, if any, will be made in accordance with the factors applicable to dividend payments set forth below.

The payment of dividends, if any, will in general be determined with a view to balance the pay-out ratio mentioned above and the target for the Group's leverage ratio and will further depend on a number of factors, including future revenue, profits, financial conditions, the Group's leverage ratio, general economic and business conditions, future prospects, strategic initiatives such as acquisition activities or large scale investments decided upon by the Board of Directors, and such other factors as the Board of Directors may deem relevant as well as applicable legal and regulatory requirements. In addition, the terms and conditions of the Facility Agreements restrict the Company's ability to declare and pay dividends if a default has occurred or will occur under the Facility Agreements as a consequence of such dividend payments, including any breach of the requirements to the Company's maximum leverage in the Facility Agreements. See section 10 ''*Operating and Financial Review*", section 12 "*Capital resources*" and section 23.1 "*Facility Agreements*''. There can be no assurance that in any given year a dividend or share buyback will be proposed or declared or that the Company's financial performance will allow it to adhere to the dividend policy or any increase in the pay-out ratio. The Company's ability to pay dividends or buy back shares may be impaired as a result of various factors, including materialisation of any of the risks described in this Demerger Statement. See section 1 "*Risk Factors*". Furthermore, the dividend policy is subject to change as decided by the Board of Directors from time to time.

Dividends paid to the Company's shareholders generally will be subject to withholding tax, while share buybacks will be deemed a sale of shares for Danish tax purposes and as a general rule will not be subject to Danish withholding tax. For a description of Danish withholding taxes and certain other tax considerations relevant to the purchase or holding of the Shares, see section 28.10 ''Taxation''.

Statements relating to the dividend policy constitute forward-looking statements. Forward-looking statements are not guarantees of future financial performance and actual dividends or share buybacks could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described in section 1 "*Risk Factors*" and section 3 ''*Special Notice Regarding Forward-looking Statements*''.

21.5.1 Dividends

In accordance with the Danish Companies Act, ordinary dividends, if any, are declared with respect to a financial year at the annual general meeting in the following year, at the same time as the statutory annual report, which includes the audited financial statements for that financial year, is approved. Further, the general meeting may resolve to distribute interim dividends or authorise the Board of Directors to decide on the distribution of interim dividends. Any resolution to distribute interim dividends within six months after the date of the Company's latest adopted annual report must be accompanied by the statement of financial position from the Company's latest annual report or an interim statement of financial position, which must be reviewed by the Company's auditor. If the decision to distribute an interim dividend is passed more than six months after the date of the Company's latest adopted annual report, an interim statement of financial position must be prepared and reviewed by the

Company's auditor. The statement of financial position or the interim statement of financial position, as applicable, must show that the Company has sufficient funds available for distribution.

Dividends may not exceed the amount recommended by the Board of Directors for approval by the general meeting. Moreover, dividends, including interim dividends, may only be made out of distributable reserves, may not exceed an amount that is considered sound and adequate with regard to the financial condition of the Company and may not be to the detriment of the Company's creditors and otherwise must satisfy such other factors, as the Board of Directors may deem relevant. Upon completion of the Demerger, the Board of Directors is intended to be authorised to distribute interim dividends, but it is currently not expected that the Board of Directors will do so.

21.5.2 Historical dividends

As the Company will be established at completion of the Demerger, the Company has not paid out dividends.

In respect of the financial year 2014 Nilfisk declared and paid a dividend to NKT, i.e. an intercompany dividend, of EUR 172 million (equal to an adjusted dividend per share (non-IFRS) of EUR 6.3, calculated on the basis of the number of Shares outstanding upon completion of the Demerger). Nilfisk did not pay out dividends in respect of the financial years 2015 and 2016.

21.6 Legal and arbitration proceedings etc.

The Group is not aware of any pending or threatened litigation or disputed claims, arbitration, government, administrative, arbitration or regulatory cases, policies or factors which have had or which, in the opinion of the board of directors of NKT or the executive management of Nilfisk, may reasonably be expected to have a material impact on the Group's business, reputation, financial position or results of operations. Reference is made to section 4.7.2 *"Statutory joint and several liability"* for a discussion of certain legal proceedings which NKT Cables and NKT are involved in and which may, due to the statutory joint liability provided for in section 254(2) of the Danish Companies Act, affect Nilfisk Holding upon completion of the Demerger.

21.7 Significant changes in the group's financial or trading position

No significant changes have occurred in the Group's financial and trading position since 30 June 2017.

21.8 Names and address of the Company's independent auditors

It is expected that

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 København S
Denmark

will be elected as independent auditors of Nilfisk Holding at the General Meeting, expected to be held 10 October 2017.

The reviewed consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 and the audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015, included by reference in this Demerger Statement, have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and IFRS as adopted by the EU and additional disclosure requirements under the Danish financial statements act, respectively, and has been reviewed or audited by Deloitte Statsautoriseret Revisionspartnerselskab as stated in their report appearing therein. Deloitte Statsautoriseret Revisionspartnerselskab is a member of FSR-Danish Auditors (FSR—danske revisorer). No other information included in this Demerger Statement has been audited or reviewed.

Deloitte Statsautoriseret Revisionspartnerselskab is represented by Lars Siggaard Hansen, State Authorised Public Accountant, and Sumit Sudan, State Authorised Public Accountant, both members of FSR – Danish Auditors.

The review report included in the consolidated interim financial statements of Nilfisk for the six month period ended 30 June 2017 with comparison numbers for the six month period ended 30 June 2016 was signed by Lars Siggaard Hansen and Sumit Sudan. The independent auditors' report included in audited consolidated financial statements of Nilfisk for the financial year ended 31 December 2016 with comparison numbers for the financial year ended 31 December 2015 were signed by Lars Siggaard Hansen and Sumit Sudan. The independent auditors' report included in Nilfisk's parent financial statements prepared in accordance with the Danish financial statements act as at and for the year ended 31 December 2015 was signed by Lars Siggaard Hansen and Sumit Sudan.

22. ADDITIONAL INFORMATION

The following is a summary of material information relating to the Company's share capital, including a summary of certain provisions of the Company's Articles of Association, which are anticipated to apply when the Demerger becomes effective, as well as a brief description of certain provisions of the Danish Companies Act. This summary does not purport to be exhaustive and should be read in conjunction with the full text of the Company's Articles of Association as well as in the context of applicable Danish law. See “Appendix A: Articles of Association of Nilfisk Holding”.

22.1 Registered share capital

Upon completion of the Demerger, the Company's share capital will be DKK 542,527,380, divided into 27,126,369 Shares with a nominal value of DKK 20 each. The Shares will be denominated in DKK. The Shares will not be divided into share classes and all Shares will have equal rights in respect of voting rights, pre-emption rights, redemption, conversion and in respect of eligibility to receive dividend or proceeds in the event of dissolution and liquidation. No Shares will carry special rights, restrictions or limitations. All Shares will be issued and fully paid up. Each Share will entitle its holder to one vote at general meetings and to receive distributed dividends.

Upon completion of the Demerger, other than as set out in sections 18.3 *"Incentive programmes"*, the Company will not have any convertible securities, exchangeable securities or warrants in issue.

22.1.1 Authorisation to increase share capital

The Board of Directors will, subject to the General Meeting's approval, pursuant to the Company's Articles of Association be granted authorisation to increase the share capital of the Company.

In accordance with article 3.1 of the Company's Articles of Association, the Board of Directors is, until 9 October 2022, authorised to increase the share capital at market price in one or more issues of new shares with pre-emption rights for the existing shareholders of the Company by up to a maximum amount of DKK 200,000,000 (10,000,000 Shares of nominal DKK 20 each). The increase may be carried out through the issue of Shares for cash consideration, conversion of debt or payment in values other than cash.

Further, in accordance with article 3.2 of the Company's proposed Articles of Association, the Board of Directors is, until 9 October 2022, authorised to increase the share capital at market price in one or more issues of new shares without pre-emption rights for the existing shareholders of the Company by up to a maximum amount of DKK 100,000,000 (5,000,000 Shares of nominal DKK 20 each). The increase may be carried out through the issue of Shares for cash consideration, conversion of debt or payment in values other than cash.

Pursuant to article 4.1 of the Company's Articles of Association, the Board of Directors is for a period of five years until 9 October 2022, entitled to issue warrants up to a nominal amount of DKK 20,000,000 (1,000,000 Shares of nominal DKK 20 each) , in one or several transactions and without pre-emptive rights for existing shareholders. The warrants are to be issued to the employees and management of the Group. The Board of Directors shall determine the exercise price of the warrants and the time limits for exercising warrants. In relation to this, the Board of Directors is also authorised to effect the consequential increase of the share capital of the Company.

In accordance with article 5.1 of the Company's Articles of Association, the Board of Directors is for a period of five years until 9 October 2022, entitled, by one or more issues, to raise loans against bonds or other financial instruments with a right for the lender to convert his claim to nominally DKK 100,000,000 (5,000,000 Shares of nominal DKK 20 each) as a maximum (convertible loans). In relation to this, the Board of Directors is also authorised to effect the consequential increase of the share capital of the Company. The subscription shall take place without pre-emption rights for the existing shareholders and the convertible loans shall be offered at a subscription price and a conversion price that correspond in aggregate to at least the market price of the Shares at the time of the decision of the Board of Directors. The time limit for conversion may be fixed for a longer period than five years after the raising of the convertible loan. The terms for the raising of convertible loans shall be determined by the Board of Directors, including loan terms and the rules for conversion of the loans as well as the holder's legal position in case of capital increase, capital decrease, raising of new convertible loans, dissolution, merger or demerger of the Company before the expiration of the right of conversion. Time and terms for the capital increase shall be decided by the Board of Directors observing the rules in accordance with article 5.2 of the Articles of Association.

The authorisations to the Board of Directors according to articles 3.1, 3.2, 4.1 and 5.1 can only be utilised to increase the share capital by a total maximum of nominally DKK 200,000,000, and the authorisations to the Board of Directors according to articles 3.2, 4.1 and 5.1 can only be utilised to increase the share capital by a total maximum of nominally DKK 100,000,000.

Shares issued pursuant to the Board of Directors' authorisations shall be issued in the name of the holder and shall be registered in the holder's name in the Company's register of shareholders, shall be negotiable instruments, no restrictions shall apply to the transferability of the new shares, shall be registered with VP Securities and will thus be subject to the rules of VP Securities and shall in every respect carry the same rights as the existing Shares.

22.2 Authorisation to acquire treasury shares

Upon completion of the Demerger and subject to the general meeting's approval, the Board of Directors will be authorised for a period of five years from the general meeting to purchase treasury shares to the extent that the Company's holding of treasury shares at no time exceeds 10% of the Company's share capital. From the time the Company's Shares are listed, the purchase price may not deviate by more than 10% from the quoted price on Nasdaq Copenhagen at the time of the purchase.

At completion of the Demerger, the Company will not hold any treasury shares.

22.3 Authorisation to distribute interim dividends

Upon completion of the Demerger and subject to the General Meeting's approval, the Board of Directors will be authorised to distribute interim dividends, but currently has no plan to do so in the near future. The authorisation is not limited (by amount or otherwise) except as set out in the Danish Companies Act.

For further details on dividends and the Company's dividend policy, see section 21.5 "*Dividend Policy*".

22.4 Articles of Association

22.4.1 Object

Pursuant to article 1.2 of the Articles of Association, the Company's objectives are to carry out manufacturing business and trade. Further, the Company may participate with capital in other enterprises in situations where this, in the opinion of the Board of Directors, may contribute towards promoting the objectives of the Company.

22.4.2 Provisions concerning members of the Company's Board of Directors and the Executive Management

In accordance with article 11.1 of the Articles of Association, the Board of Directors shall consist of no fewer than five and no more than eight members elected by the general meeting. In addition, the Board of Directors shall consist of members elected by the Nilfisk Group's employees in accordance with applicable regulation. The members of the Board of Directors elected by the general meeting will be elected for a term of one year and may be re-elected. Board members elected by the employees will be elected for terms of four years and they hold the same rights and obligations as any member of the Board of Directors elected by the general meeting.

In order to form a quorum, more than half of the board members, including the chairman or the deputy chairman, must be represented at the meeting. All decisions shall be made by simple majority of votes. If the votes are even, the vote of the chairman determines the outcome.

The Company will be bound by the signature of the chairman together with one other member of the Board of Directors or together with one member of the Executive Management; the deputy chairman together with two members of the Board of Directors or together with one member of the Executive Management; two members of the Executive Management jointly; or by the entire Board of Directors.

The Board of Directors may grant power of procuration.

22.4.3 General meetings and voting rights

The Company's general meetings of shareholders shall be held in the Capital Region of Copenhagen ("*Region Hovedstaden*").

The Company's annual general meeting shall be held in due time for the annual report to be received by the Danish Business Authority before the applicable time limit and before the end of April each year. Not later than eight weeks before the contemplated date of the annual general meeting, the Board of Directors shall publish the date of the general meeting and the deadline for submitting requests for specific business to be included in the agenda.

Extraordinary general meetings shall be held when resolved by the general meeting or determined by the Board of Directors or when requested by one of the Company's auditors. Furthermore, the Board of Directors shall convene an extraordinary general meeting within two weeks of receipt of a written request from shareholders representing at least 5% of the share capital containing specific proposals for the business to be transacted at such extraordinary general meeting.

General meetings shall be convened by the Board of Directors with at least three weeks' and not more than five weeks' notice by publishing a notice on the website of the Company, www.nilfisk.com. Furthermore, a notice of the general meeting shall be forwarded by e-mail to all shareholders entered in the register of shareholders of the Company who have so requested.

The notice shall specify the time and place of the general meeting and the agenda containing the business to be transacted at the general meeting. If a proposal to amend the Articles of Association is to be considered at the general meeting, the main contents of the proposal shall be specified in the notice.

Each shareholder will be entitled to have specific business transacted at the annual general meeting. If a proposal for a specific agenda item is received no later than six weeks prior to the annual general meeting, the shareholder shall be entitled to have the proposed item included in the agenda for the annual general meeting in question.

The right of a shareholder to attend a general meeting and to vote shall be determined relative to the Shares held by the shareholder at the date of registration. The date of registration is one week before the general meeting. The Shares held by each shareholder are determined at the date of registration based on the number of Shares held by that shareholder as registered in the Company's register of shareholders and on any notification of ownership received by the Company for the purpose of registration in the Company's register of shareholders, which has not yet been registered.

At the general meeting each Share of the nominal value of DKK 20 shall entitle the holder thereof to one vote.

Any shareholder who is entitled to attend the general meeting pursuant to the Company's proposed Articles of Association and who wishes to attend the general meeting shall request an admission card no later than three calendar days before the date of the general meeting. A shareholder may, subject to having requested an admission card in accordance with the Company's Articles of Association, attend in person or by proxy, and the shareholder or the proxy may attend together with an advisor.

The right to vote may be exercised by a written and dated instrument of proxy in accordance with applicable laws. A shareholder who is entitled to participate in the general meeting pursuant to the Articles of Association may vote by correspondence in accordance with the provisions of the Danish Companies Act. Such votes by correspondence must be received by Computershare A/S not later than at 10 a.m. two working days before the General Meeting. Votes by correspondence cannot be withdrawn.

22.4.4 Resolutions by the general meetings and amendments to the Articles of Association

All matters at the general meeting shall in general be decided by the general meeting by simple majority, except where otherwise required under the Danish Companies Act or the Articles of Association.

The provisions in the Articles of Association relating to a change of the rights of shareholders or a change to the capital are no more stringent than required by the Danish Companies Act.

22.5 Registration of Shares

The Shares will be delivered in book-entry form through allocation to accounts with VP Securities through a Danish bank or other institution authorised as custodian.

The Shares will be issued in dematerialised form through VP Securities. The address of VP Securities is Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark.

The Shares will be issued in the name of the holder and shall be recorded in the holder’s name in the Company's register of shareholders through the holder’s custodian bank. The Company's register of shareholders will be kept by Computershare A/S, Central Business Register (CVR) No. 27 08 88 99.

22.6 Transfer of Shares

The Shares will be negotiable instruments and no restrictions under the Company's Articles of Association or Danish law will apply to the transferability of the Shares.

22.7 Pre-emption rights

Under Danish law, shareholders of the Company generally have pre-emption rights if the general meeting of the Company resolves to increase the share capital by cash payment. However, the pre-emption rights of the shareholders may be derogated from by a majority comprising at least 2/3 of the votes cast and of the share capital represented at the general meeting, provided the share capital increase is made at market price. The Board of Directors will be authorised to increase the Company's share capital in one or more issues at market price without pre-emption rights to the Company's shareholders. See section 22.1.1 “*Authorisation to increase share capital*.”

The exercise of pre-emption rights may be restricted for shareholders resident in certain jurisdictions, including but not limited to the United States, Canada, Japan and Australia, unless the Company decides to comply with applicable local requirements. Consequently, United States holders and certain other holders of Shares may not be able to exercise their pre-emption rights or participate in a rights offer, as the case may be, unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available.

The Company intends to evaluate at the time of any issue of Shares subject to pre-emption rights or in a rights offer, as the case may be, the cost and potential liabilities associated with complying with any local requirements, including any registration statement in the United States, as well as the indirect benefits to the Company of enabling the exercise of non-Danish shareholders of their pre-emption rights to Shares or participation in any rights offer, as the case may be and any other factors considered appropriate at the time, and then to make a decision as to whether to comply with any local requirements, including filing any registration statement in the United States. No assurances are given that local requirements will be complied with or that any registration statement would be filed in the United States or elsewhere so as to enable the exercise of such holders' pre-emption rights or participation in any rights offer.

22.8 Redemption and conversion provisions

Except as provided for in the Danish Companies Act (see section 28.9 "*Mandatory redemption of shares*"), no shareholder will be under an obligation to have his or her Shares redeemed in whole or in part by the Company or by any third party, and none of the Shares carry any redemption or conversion rights or any other special rights.

22.9 Dissolution and liquidation

In the event of dissolution and liquidation of the Company, the shareholders will be entitled to participate in the distribution of assets in proportion to their nominal shareholdings after payment of the Company's creditors.

22.10 Takeover bids

The Articles of Association does not contain provisions that will be likely to have the effect of delaying, deferring or preventing a change in control of the Company. Consistent with the Corporate Governance Recommendations, the Board of Directors is expected upon completion of the Demerger to adopt a set of guidelines for the handling of takeover bids.

22.11 Disclosure of Major Shareholdings

Holders of shares in Danish companies with shares admitted to trading and official listing on Nasdaq Copenhagen are, pursuant to the Danish Securities Trading Act section 29, required to give simultaneous notice to the company and the Danish FSA of the shareholdings in the company immediately, when the shareholding reaches, exceeds or falls below thresholds at intervals of 5, 10, 15, 20, 25, 50 or 90% and limits of 1/3 or 2/3 of the voting rights or nominal value of the total share capital.

Holders of shares in a company mean a natural or legal person who, directly or indirectly, holds (i) shares in the company on behalf of himself and for his own account, (ii) shares in the company on behalf of himself, but for the account of another natural or legal person, or (iii) share certificates, where such holder is considered a shareholder in relation to the underlying securities represented by the certificate.

The duty to notify set forth above further applies to natural and legal persons who are entitled to acquire, sell or exercise voting rights which are:

a) held by a third party with whom that natural or legal person has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer in question (common duty to inform for all parties to the agreement);
b) held by a third party under an agreement concluded with that natural or legal person providing for the temporary transfer of the voting rights in question in return for consideration;
c) attached to shares which are lodged as collateral for that natural or legal person, provided the person controls the voting rights and declares an intention of exercising them;
d) attached to shares in which that natural or legal person has a lifelong right of disposal;
e) held, or may be exercised within the meaning of (a) to (d), by an undertaking controlled by that person or entity;
f) attached to shares deposited with that natural or legal person and which the person can exercise at his own discretion in the absence of specific instructions from the shareholders;
g) held by a third party in its own name on behalf of that person; or

h) exercisable by that person through a proxy where that person may exercise the voting rights at his discretion in the absence of specific instructions of the shareholder.

The duty to notify set forth above also applies to anyone, who directly or indirectly holds (a) financial instruments that afford the holder a right to purchase existing shares (e.g., share options); and/or (b) financial instruments based on existing shares and with an economic effect equal to that of the financial instruments mentioned in (a), regardless of them not affording the right to purchase existing shares (e.g., cash-settled derivatives linked to the value of the shares in question). Holding of these kinds of financial instruments counts towards the thresholds mentioned above and may, thus, trigger a duty to notify by themselves or when accumulated with a shareholding.

The notification must be made immediately and within the same trading day (before midnight) of the transaction and in accordance with the provisions of the Executive Order no. 1256 of 4 November 2015 and must disclose the number of voting rights and shares held directly or indirectly following the transaction. The notification must further state the transaction date on which the threshold was reached or no longer reached and the identity of the shareholder as well as the identity of any natural or legal person with the right to vote on behalf of the shareholder and, in the case of a group structure, the chain of controlled undertakings through which voting rights are effectively held. The information must be notified to the company and simultaneously submitted electronically to the Danish FSA. Failure to comply with the notification requirements is punishable by fine.

When an obligation to notify rests on more than one natural or legal person, the notification may be made through a joint notification. However, use of a joint notification does not exempt the individual shareholders or natural or legal persons from their responsibilities in connection with the obligation to notify or the contents of the notification.

After receipt of the notification, the company must publish the contents of the notification. Furthermore, the general duty of notification under the Danish Companies Act section 55 in respect of notification of significant holdings applies, namely when the limit of 100% of the share capital's voting rights or nominal value of the company are reached or are no longer reached. Section 58 of the Danish Companies Act provides that a company must publish information related to major shareholdings received pursuant to section 55 of the Danish Companies Act in an electronic public register of shareholders, which is kept by the Danish Business Authority.

22.12 Short-Selling

The Short Selling Regulation (236/2012/EU) includes certain notification requirements in connection with short selling and imposes restrictions on uncovered short selling of shares admitted to trading on a trading venue (including Nasdaq Copenhagen).

When a natural or legal person reaches or falls below a net short position of 0.2% of the issued share capital of a company that has shares admitted to trading on a trading venue, such person must notify the relevant competent authority, which in Denmark is the Danish FSA. The obligation to notify, moreover, applies in each case where the short position reaches 0.1% above the 0.2% threshold. In addition, when a natural or legal person reaches or falls below a net short position of 0.5% of the issued share capital of a company that has shares admitted to trading on a trading venue and each 0.1% above that, such person must make a public announcement of its net short position.

A natural or legal person is prohibited from entering into a short sale of a share admitted to trading on a trading venue unless one of the following conditions is satisfied: (i) the natural or legal person has borrowed the share or has made alternative provisions resulting in a similar legal effect, (ii) the natural or legal person has entered into an agreement to borrow the share or has another absolutely enforceable claim under contract or property law to be transferred ownership of a corresponding number of securities of the same class so that settlement can be effected when it is due or (iii) the natural or legal person has an arrangement with a third party under which that third party has confirmed that the share has been located and has taken measures vis-à-vis third parties necessary for the natural or legal person to have reasonable expectation that settlement can be effected when it is due. Certain exemptions apply to the prohibition, such as in the case of market-makers or in relation to the carrying out of a stabilisation permitted under the Safe Harbour Regulation (2273/2003/EC).

23. MATERIAL CONTRACTS

Except as disclosed below, there are no contracts, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Group is a party that: (i) are, or may be, material to it and that have been entered into in the two years immediately preceding the date of this Demerger Statement; or (ii) contain any obligations or entitlements that are, or may be, material to the Group as of the date of this Demerger Statement.

23.1 Facility Agreements

Nilfisk entered into three bilateral Facility Agreements on 10 July 2017 (the ‘‘**Facility Agreements**’’) with Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, Danske Bank A/S and HSBC Bank plc, respectively, as lenders. Under the Facility Agreements, the lenders provide committed credit facilities with a final maturity date on 10 July 2020 (the ‘‘**Final Maturity Date’’**).

Pursuant to the terms of the Facility Agreements, Nilfisk may request a 12-month extension of the Final Maturity Date prior to each of the first anniversary and the second anniversary of the Facility Agreements, such extensions being subject to the approval of the lenders.

The Facility Agreements include revolving facilities in the aggregate amount of EUR 450 million which will be available for drawing from completion of the Demerger (the ‘‘**Demerger Facilities**’’) and revolving facilities in the aggregate amount of EUR 75 million which will be available in the event of a future acquisition (the “**Acquisition Facilities**”). Part of the Acquisition Facilities must be utilised on or prior to 30 June 2018 and the remaing on or prior to 31 December 2018. The Demerger Facilities are available for refinancing of certain existing intercompany debts owed by Nilfisk to NKT and for general corporate purposes, including distribution of dividends, while the Acquisition Facilities are committed to support the Nilfisk Group’s active acquisition strategy.

The Demerger Facilities and Acquisition Facilities bear interest at a base rate plus a margin. The base rate is a variable rate based on the interbank market rate. The margin is adjusted based on the Group's leverage.

Under the Facility Agreements, Nilfisk has made a number of customary representations and warranties on the date of execution of the Facility Agreements, certain of which are deemed to be repeated in certain circumstances thereafter. In addition, the Facility Agreements contain certain covenants in respect of the future maintenance and conduct of the Group’s business (subject to agreed exceptions), including, among others, various restrictive covenants such as restrictions on providing security (negative pledge), subsidiary financial indebtedness, granting of loans on guarantees and, change of business, and requirements to provide financial and certain other information to the lenders.

The Group may not enter into any merger, make any new acquisitions or investments in companies, businesses, shares or similar assets, or make any dividend payments or redemptions of share capital if a default has occurred or such action would result in the Group’s default under the Facilities Agreement, including any breach of the financial covenant.

The Facility Agreements include a financial covenant relating to the Group's leverage whereby the Group's net debt to EBITDA before special items may not exceed certain levels.

The facilities under the Facility Agreements may become wholly or partly pre-payable on the occurrence of certain customary events. Such events include (but are not limited to) change of control or breach of sanctions. A ‘‘change of control’’ includes various situations where a person or group of persons acting in concert gains direct or indirect control of Nilfisk.

The Facility Agreements contain customary events of default subject to specified exceptions, materiality, grace periods, baskets, thresholds, qualifications and remedy periods. An event of default will i.a. occur in case of non-payment of principal or interest, breach of financial or other covenants, material breach of representations and warranties, cross-default above a certain agreed threshold amount, certain insolvency and bankruptcy events and judgements against the Group in excess of a certain agreed threshold and a customary material adverse change clause.

Indebtedness under the Facility Agreements may be voluntarily wholly or partly prepaid, subject to giving notice and certain minimum amounts and customary breakage costs.

The first utilisation under the Facility Agreements will take place in connection with completion of the Demerger and will among other be used to settle the net amount of intercompany loans from and to NTK existing prior to the Demerger.

It is the Nilfisk Group's policy to operate with fixed interest rates for 25-75% of the Group's net debt. Consequently, no later than the first day of official listing of and trading in the Shares on Nasdaq Copenhagen, the Nilfisk Group will enter into interest rate swaps to convert part of the floating base rate under the Facility Agreements to fixed rates.

23.2 Demerger Agreement

For information about the Demerger Agreement, see section 4.7.1 *"The Demerger Agreement"*

24. THIRD PARTY INFORMATION AND EXPERT STATEMENTS AND DECLARATIONS OF ANY INTEREST

This Demerger Statement contains market data. This information has been obtained from publicly available information, including websites as well as NKT's and the Executive Management's knowledge of the markets. NKT confirms that information sourced from third parties has been accurately reproduced and that to the best of the NKT's knowledge and belief, and so far as can be ascertained from the information published by such third party, no facts have been omitted which would render the information provided inaccurate or misleading. NKT does not make any representation as to the accuracy of information provided by third parties. Thus, developments in the Nilfisk Group’s activities may deviate from the market developments stated in this Demerger Statement. Neither NKT nor the Company assume any obligation to update such information. If information has been obtained from third parties. NKT confirms that such information has been accurately reproduced and to the best of NKT’s knowledge and belief, and in so far as can be ascertained from the information published by such third party, no facts have been omitted which would render the information provided inaccurate or misleading.

25. DOCUMENTS ON DISPLAY

The documents listed below have been published in connection with or prior to the publication of this Demerger Statement:

- Demerger Plan, which describes, amongst other things, the effects of the Demerger, the effective date and the consideration for shares in NKT, with attached draft articles of association of Nilfisk Holding and draft opening balance/demerger balance sheet of NKT and Nilfisk Holding, respectively;
- Statement by the valuers on the creditors' position;
- Nilfisk's and its material subsidiaries' annual reports for 2016 and 2015;
- Nilfisk' audited consolidated financial statements for the financial year ended 31 December 2016; and
- Nilfisk' interim report as at and for the six month period ended 30 June 2017.

The documents, along with the notice and agenda for the General Meeting, when that is convened, will be available for inspection at the offices of NKT at Vibeholms Allé 25, 2605 Brøndby, Denmark and (except for Nilfisk's and its material subsidiaries' annual reports for 2016 and 2015) on the websites www.nkt.dk and www.nilfisk.com.

In addition, Nilfisk Holding's Articles of Association are set out in Appendix A and the Demerger Plan in Appendix B.

26. INFORMATION ON HOLDINGS

For information on material investments held by the Nilfisk Group in other companies, see section 8 "*Organisational Structure*".

PART II. TERMS OF THE DEMERGER

27. KEY INFORMATION

27.1 Working capital statement

The Nilfisk Group believes that, as at the date of this Demerger Statement, its working capital is adequate to meet the Group's financing requirements for at least twelve months after the first date of trading on Nasdaq Copenhagen, which is expected to be on 12 October 2017, including in respect of the Nilfisk Group's potential significant future investments, as mentioned in section 5.4 "Investments of the Nilfisk Group".

27.2 Capitalisation and indebtedness

See section 12 "*Capital resources*".

27.3 Interest of natural or legal persons involved in the Demerger

Nordea Danmark, filial af Nordea Bank AB (publ), Sverige is among the lenders under the Facility Agreements. For additional information on the Facility Agreements, see section 23.1 "*Facility Agreements*". Furthermore, Nordea Funds OY, Danish Branch holds a shareholding of 5.01% in NKT A/S.

Members of the Board of Directors, Executive Management and Key Employees who hold shares in NKT on the Record Date will receive one Share in the Company upon completion of the Demerger for each share held at the Record Date in NKT.

Additionally, certain members of the Executive Management and certain of the Key Employees participate in the Group's stock option programme and therefore have a direct economic interest in the Demerger.

For information on remuneration and benefits payable to the members of the Board of Directors, Executive Management and Key Employees see section 16 "*Remuneration and benefits*".

Except for this, NKT is not aware of any interests, including conflicting ones, which are material to the Demerger.

27.4 Reasons for the Demerger and use of proceeds

For information on the reasons for the Demerger see section 4 "*Description of the Demerger*".

Upon completion of the Demerger, the Receiving Shareholders will receive one Share of nominal DKK 20 in Nilfisk Holding for each one share of nominal DKK 20 such shareholder holds in NKT as of the Record Date. Neither the Company nor NKT will receive any proceeds from Demerger.

28. INFORMATION ABOUT THE SECURITIES TO BE ADMITTED TO TRADING

28.1 Type and class of the Shares

The Company will have only one class of shares.

Application has been made for the Shares to be admitted to official listing on Nasdaq Copenhagen under the ISIN code DK0060907293. The first day of official listing of and trading in the Shares on Nasdaq Copenhagen is expected to be 12 October 2017.

28.2 Governing law and jurisdiction

The Shares will be issued in accordance with Danish law.

The Demerger Statement has been prepared in compliance with the standards and requirements of Danish law, including the rules issued by Nasdaq Copenhagen.

Any dispute that may arise as a result of the Demerger is subject to the exclusive jurisdiction of the Danish courts.

28.3 Registration

The Shares will be registered in book-entry form electronically with VP Securities, Weidekampsgade, 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark. All Shares are registered on accounts with account holding banks in VP Securities. Investors that are not residents of Denmark may use a VP Securities member directly or their own bank's correspondent bank as their account holding bank or arrange for registration and settlement through Clearstream, 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg, or Euroclear, 1, Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

The Company's register of shareholders will be kept by Computershare A/S, Central Business Register (CVR) No. 27 08 88 99.

28.4 Currency

The Shares will be denominated in DKK.

28.5 Rights attached to the Shares

28.5.1 Dividend rights

Each Share entitles its holder to receive distributed dividends and will confer on the holder the right to receive dividends from the financial year 2017.

The Company's dividends, if declared, will be paid in DKK to the shareholders' accounts set up through VP Securities. No restrictions on dividends or special procedures apply to holders of Shares who are not residents of Denmark. See section 28.10 "*Taxation*" below for a summary of certain tax consequences in relation to dividends or distributions to holders of Shares. The expected dividend policy of the Company is described in section 21.5 "*Dividend Policy*". Dividends not claimed by shareholders will be forfeited in favour of the Company, normally after three years, under the general rules of Danish law or statute of limitations.

The Articles of Association does not contain provisions on cumulative payments of dividend.

28.5.2 Voting rights

The Shares will be issued with a nominal value of DKK 20 each. Each Share gives the holder the right to one vote at the Company's general meetings.

28.5.3 Dissolution and liquidation

In the event of dissolution and liquidation of the Company, the shareholders will be entitled to participate in the distribution of assets in proportion to their nominal shareholdings after payment of the Company's creditors.

28.5.4 Preemptive rights

Under Danish law, the shareholders generally have pre-emption rights if the general meeting of the Company resolves to increase the share capital by cash payment. However, the pre-emption rights of the shareholders may be derogated from by a majority comprising at least 2/3 of the votes cast and of the share capital represented at the general meeting if the share capital increase is made at market price. The Board of Directors is authorised to increase the Company's share capital in one or more issues without pre-emption rights to the Company's shareholders. See section 22.1.1 "*Authorisation to increase share capital*".

28.5.5 Redemption and conversion provisions

Except as provided for in the Danish Companies Act, see section 28.9 "*Mandatory redemption of shares*", no shareholder is under an obligation to have his Shares redeemed in whole or in part by Nilfisk Holding or by any third party, and none of the Shares carry any redemption or conversion rights or any other special rights.

28.6 Resolutions, authorisations and approvals of the Demerger

The Demerger Plan has been approved by the Board of Directors of NKT on 11 September 2017 and this Demerger Statement, has been approved by the board of directors of NKT on 18 September 2017. Completion of the Demerger is subject to approval by the General Meeting. See section 4 "*Description of the Demerger*".

28.7 Negotiability and transferability of the Shares

The Shares will be negotiable instruments and no restrictions under Danish law will apply to the transferability of the Shares.

The Company’s Articles of Association do not contain any transfer restrictions.

28.8 Mandatory tender offers

The Danish Securities Trading Act (Part 8) and the Executive Order no. 562 of June 2, 2014 include rules concerning public offers for the acquisition of shares admitted to trading on a regulated market (including Nasdaq Copenhagen).

If a shareholding is transferred, directly or indirectly, in a company with one or more share classes admitted to trading on a regulated market or an alternative market place, to an acquirer or to persons acting in concert with such acquirer, the acquirer must give all shareholders of the company the option to dispose of their shares on identical terms if the acquirer gains a controlling interest as a result of the transfer.

A controlling interest exists if the acquirer, directly or indirectly, holds more than one third of the voting rights in the company, unless it can be clearly proven in special cases that such ownership does not constitute a controlling interest. An acquirer who does not hold more than one third of the voting rights in a company nevertheless has a controlling interest when the acquirer has:

- the right to control more than one third of the voting rights in the company according to an agreement with other investors;
- the right to control the financial and operational affairs of the company according to the articles of association or agreement; or
- the right to appoint or dismiss a majority of the members of the supervisory body and this body has controlling influence over the company.

Warrants, call options and other potential voting rights, which may currently be exercised or converted, must be taken into account in the assessment of whether the acquirer holds a controlling interest. Voting rights attached to treasury shares must be included in the calculation of voting rights. Exemptions from the mandatory tender offer rules may be granted under special circumstances by the Danish FSA.

28.9 Mandatory redemption of shares

Where a shareholder holds more than 90% of the shares in a company and a corresponding proportion of the voting rights, such shareholder may, pursuant to the Danish Companies Act, section 70, decide that the other shareholders have their shares redeemed by that shareholder. In this case, the other shareholders must be requested, under the rules governing notices for general meeting, to transfer their shares to the shareholder within four weeks. If the redemption price cannot be agreed upon, the redemption price must be determined by an independent expert appointed by the court in the jurisdiction of the company's registered office in accordance with the provisions of the Danish Companies Act. Specific requirements apply to the contents of the notice to the other shareholders regarding the redemption. If not all minority shareholders have transferred their shares to the acquiring shareholder within the four-week deadline, as soon as possible the acquiring shareholder shall unconditionally deposit in favour of the relevant minority shareholders an amount corresponding to the redemption price for those shares not transferred in accordance with the Danish Act on the right for debtors to release themselves from obligations by way of deposit.

Furthermore, where a shareholder holds more than 90% of the shares in a company and a corresponding proportion of the voting rights, the other shareholders may require such shareholder to acquire their shares pursuant to section 73 of the Danish Companies Act. If the redemption price cannot be agreed upon, the redemption price is determined by an independent expert appointed by the court in the jurisdiction of the company's registered office in accordance with the provisions of the Danish Companies Act. The redemption offer is, inter alia, required to be communicated through the Danish Business Authority's IT system at the time of notification of the four-week period. Redemption of the remaining shareholders will be carried out at the time of the expiry of the four-week period even if the redemption price remains subject to final determination by an expert, provided that funds representing the redemption price have been deposited by the majority shareholder.

28.10 Taxation

28.10.1 Danish tax considerations

The following is a summary of certain Danish income tax considerations relating to the Demerger and the Shares.

The summary is for general information only and does not purport to constitute exhaustive tax or legal advice. It is specifically noted that the summary does not address all possible tax consequences relating to the Demerger and the Shares. The summary is based solely upon the tax laws of Denmark in effect on the date of this Demerger Statement. Danish tax laws may be subject to change, possibly with retroactive effect.

The summary does not cover investors to whom special tax rules apply, and, therefore, may not be relevant, for example, to investors subject to the Danish Tax on Pension Yields Act (i.e. pension savings), professional investors, certain institutional investors, insurance companies, pension companies, banks, stockbrokers and investors with tax liability on return on pension investments. The summary does not cover taxation of individuals and companies who carry on a business of purchasing and selling shares, however, section 4.9.3 "Danish tax considerations relating to the Danish Receiving Shareholders" includes *some specific mention of shares held in a professional capacity. The summary only sets out the tax position of the direct owners of the Shares and further assumes that the direct investors are the beneficial owners of the Shares and any dividends thereon. Sales are assumed to be sales to a third party. For shareholders residing outside Denmark, this summary further assumes that the shareholder does not have a permanent establishment in Denmark.*

Shareholders are advised to consult their tax advisors regarding the applicable tax consequences of the Demerger, acquiring, holding and disposing of the Shares based on their particular circumstances. Shareholders who may be affected by the tax laws of other jurisdictions should consult their tax advisors with respect to the tax consequences *applicable to their particular circumstances as such consequences may differ significantly from those described herein.*

28.10.2 Tax considerations relating to the Shares

The following includes a summary of certain Danish tax considerations relating to the Shares. The summary is subject to the general reservations outlined above.

28.10.3 Taxation of Danish tax resident shareholders

Sale of Shares (Individuals)
In 2017, gains from the sale of shares are taxed as share income at a rate of 27% on the first DKK 51,700 (for cohabiting spouses, a total of DKK 103,400) and at a rate of 42% on share income exceeding DKK 51,700 (for cohabiting spouses over DKK 103,400). Such amounts are subject to annual adjustments and include all share income (i.e., all capital gains and dividends derived by the individual or cohabiting spouses, respectively).

Gains and losses on the sale of shares admitted to trading on a regulated market are calculated as the difference between the purchase price and the sales price. The purchase price is generally determined using the average method, which means that each share is considered acquired for a price equivalent to the average acquisition price of all the shareholder's shares in the issuing company.

Losses on the sale of shares admitted to trading on a regulated market can only be offset against other share income deriving from shares admitted to trading on a regulated market, (i.e., received dividends and capital gains on the sale of shares admitted to trading on a regulated market). Unused losses will automatically be offset against a cohabiting spouse’s share income deriving from shares admitted to trading on a regulated market and additional losses can be carried forward indefinitely and offset against future share income deriving from shares admitted to trading on a regulated market.

Losses on shares admitted to trading on a regulated market may only be set off against gains and dividends on other shares admitted to trading on a regulated market as outlined above if the Danish tax authorities have received certain information relating to the shares before expiry of the tax return filing deadline for the income year in which the shares were acquired. This information is normally provided to the Danish tax authorities by the securities dealer.

Sale of Shares (Companies)
For the purpose of taxation of sales of shares made by shareholders, a distinction is made between Subsidiary Shares, Group Shares, Tax-Exempt Portfolio Shares and Taxable Portfolio Shares:

“**Subsidiary Shares**” are generally defined as shares owned by a corporate shareholder holding at least 10% of the nominal share capital of the issuing company.

“**Group Shares**” are generally defined as shares in a company in which the shareholder of the company and the issuing company are subject to Danish joint taxation or fulfil the requirements for international joint taxation under Danish law.

“**Tax-Exempt Portfolio Shares**” are generally defined as shares not admitted to trading on a regulated market owned by a corporate shareholder holding less than 10% of the nominal share capital of the issuing company. As the shares in NKT are listed and as Nilfisk Holding will be listed in connection with the Demerger, the rules on tax-exempt portfolio shares are not applicable to Shares in Nilfisk Holding and shares in NKT.

“**Taxable Portfolio Shares**” are defined as shares that do not qualify as Subsidiary Shares, Group Shares or Tax-Exempt Portfolio Shares. Shares in Nilfisk Holding will be listed in connection with the Demerger and NKT's shares are listed and would thus qualify as taxable portfolio shares if the shareholder holds less than 10% of the share capital.

Gains or losses on disposal of Subsidiary Shares, Group Shares and Tax-Exempt Portfolio Shares are not included in the taxable income of the shareholder.

Special rules apply with respect to Subsidiary Shares and Group Shares in order to prevent exemption through certain holding company structures just as other anti-avoidance rules may apply. These rules will not be described in further detail.

Capital gains from the sale of Taxable Portfolio Shares admitted to trading on a regulated market are taxable at a rate of 22% irrespective of ownership period. Losses on such shares are deductible.

Gains and losses on Taxable Portfolio Shares admitted to trading on a regulated market are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year’s taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year. Thus, taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realised. If the Taxable Portfolio Shares are sold or otherwise disposed of before the end of the income year, the taxable income of that income year equals the difference between the value of the Taxable Portfolio Shares at the beginning of the income year and the realisation sum. If the Taxable Portfolio Shares are acquired and realised in the same income year, the taxable income equals the difference between the acquisition sum and the realisation sum. If the Taxable Portfolio Shares are acquired in the income year and not realised in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income years.

A change of status from Subsidiary Shares/Group Shares/Tax-Exempt Portfolio Shares to Taxable Portfolio Shares (or vice versa) is for tax purposes deemed to be a disposal of the shares and a reacquisition of the shares at market value at the time of change of status.

Dividends (Individuals)
Dividends paid to individuals who are tax residents of Denmark are taxed as share income, as described above. All share income must be included when calculating whether the amounts mentioned above are exceeded.

Dividends paid to individuals are generally subject to 27% withholding tax.

Dividends (Companies)
Dividends paid on Taxable Portfolio Shares are subject to the standard corporation tax rate of 22% irrespective of ownership period.

The withholding tax rate is 22%. If the distributing company withholds a higher amount, the shareholder can claim a refund of the excess tax. A claim for repayment must be filed within two months. Otherwise, the excess tax will be credited in the corporate income tax for the year.

Dividends received on Subsidiary Shares and Group Shares are tax-exempt (and exempt from withholding tax) irrespective of ownership period subject to certain anti-avoidance rules that will not be described in further detail.

28.10.4 Taxation of shareholders residing outside Denmark

Sale of Shares (Individuals and Companies)
Shareholders not resident in Denmark are normally not subject to Danish taxation on any gains realised on the sale of shares, irrespective of the ownership period, subject to certain anti-avoidance rules that will not be described in further detail.

Dividends (Individuals)
The Danish government intends to introduce a new model regarding taxation of dividends whereby dividends at the time of distribution will be taxed at a final tax rate based on each shareholder's specific circumstances. Hence, information about the shareholders must be disclosed prior to the distribution in order for the dividend-paying companies to calculate and withhold the correct amount of tax for each shareholder. The new model is intended to eliminate fraud and make it easier for the tax authorities to verify that no withholding tax is wrongfully refunded.

No bill for the new model has yet been presented, and it has not yet been announced when the new model will be implemented. Thus, it cannot be ruled out that the rules below will be changed in the nearest future.

Under Danish law, dividends paid in respect of shares are generally subject to Danish withholding tax at a rate of 27%. If the withholding tax rate applied is higher than the applicable final tax rate for the shareholder, a request for a refund of Danish tax in excess hereof can be made by the shareholder in the following situations:

1. Double taxation treaty

In the event that the shareholder is a resident of a state with which Denmark has entered into a double taxation treaty and the shareholder is entitled to the benefits under such treaty, the shareholder may generally, through certain certification procedures, seek a refund from the Danish tax authorities of the tax withheld in excess of the applicable treaty rate, which is typically 15%. Denmark has a large network of tax treaties. A shareholder's entitlement to a reduced tax rate under an applicable tax treaty is subject to a Danish anti-avoidance rule that will not be described in further detail.

2. Credit under Danish tax law

If the shareholder holds less than 10% of the nominal share capital of the company and the shareholder is tax resident in a state which has a double tax treaty or an international agreement, convention or other administrative agreement on assistance in tax matters with Denmark according to which the competent authority in the state of the shareholder is obligated to exchange information with Denmark, dividends are subject to tax at a rate of 15%. If the shareholder is tax resident outside the EU, it is an additional requirement for eligibility for the 15% tax rate that the shareholder together with related shareholders holds less than 10% of the nominal share capital of the company. Note that the reduced tax rate does not affect the withholding rate, why the shareholder must also in this situation claim a refund as described above in order to benefit from the reduced rate.

A request for refund must be accompanied by certain documentation. Generally, a refund of tax withheld in excess of the applicable treaty rate shall be paid within six months following the Danish tax authorities' receipt of the refund claim. If the refund is paid later than six months after the receipt of the claim, interest will be calculated on the amount of refund. The six month deadline can be suspended, if the Danish tax authorities are unable to determine whether the taxpayer is entitled to a refund based on the taxpayer's affairs. If the deadline is suspended accordingly, computation of interest is also suspended.

*Dividends (Companies)*The Danish government intends to introduce a new model regarding taxation of dividends whereby dividends at the time of distribution will be taxed at a final tax rate based on each shareholder's specific circumstances. Hence, information about the shareholders must be disclosed prior to the distribution in order for the dividend-paying companies to calculate and withhold the correct amount of tax for each shareholder. The new model is intended to eliminate fraud and make it easier for the tax authorities to verify that no withholding tax is wrongfully refunded.

No bill for the new model has yet been presented, and it has not yet been announced when the new model will be implemented. Thus, it cannot be ruled out that the rules below will be changed in the nearest future.

Dividends received on Subsidiary Shares are exempt from Danish tax (including withholding tax) provided the taxation of the dividends is to be waived or reduced in accordance with the Parent-Subsidiary Directive (2011/96/EU) or in accordance with a tax treaty with the jurisdiction in which the company investor is resident. Further, dividends received on Group Shares – not being Subsidiary Shares – are exempt from Danish tax (including withholding tax) provided the company investor is a resident of the EU or the EEA and provided the taxation of dividends should have been waived or reduced in accordance with the Parent-Subsidiary Directive (2011/96/EU) or in accordance with a tax treaty with the country in which the company investor is resident had the shares been Subsidiary Shares. The aforesaid tax exemption for dividends on Subsidiary Shares and Group Shares is subject to a Danish anti-avoidance rule that will not be described in further detail.

Dividend payments on Taxable Portfolio Shares (and Subsidiary Shares and Group Shares, if not tax-exempt) will be subject to tax at the rate of 22%. However, the applicable withholding rate on such dividends is 27%, meaning that any foreign corporate shareholder can request a refund of at least 5%. Furthermore, the foreign corporate shareholder can make a request for a refund of Danish tax in the following situations:

1. Double taxation treaty

In the event that the shareholder is a resident of a state with which Denmark has entered into a double taxation treaty and the shareholder is entitled to the benefits under such treaty, the shareholder may generally, through certain certification procedures, seek a refund from the Danish tax authorities of the tax withheld in excess of the applicable treaty rate, which is typically 15%. Denmark has a large network of tax treaties. A shareholder's entitlement to a reduced tax rate under an applicable tax treaty is subject to a Danish anti-avoidance rule that will not be described in further detail.

2. Credit under Danish tax law

If the shareholder holds less than 10% of the nominal share capital in the company and the shareholder is resident in a jurisdiction which has a double taxation treaty or an international agreement, convention or other administrative agreement on assistance in tax according to which the competent authority in the state of the shareholder is obligated to exchange information with Denmark, dividends are generally subject to a tax rate of 15%. If the shareholder is tax resident outside the EU, it is an additional requirement for eligibility for the 15% tax rate that the shareholder together with related shareholders holds less than 10% of the nominal share capital of the company. Note that the reduced tax rate does not affect the withholding rate, why the shareholder must also in this situation claim a refund as described above in order to benefit from the reduced rate.

With respect to payment of refunds and documentation, reference is made to the above description "*Dividends (Individuals)*", which applies equally to corporate shareholders residing outside Denmark.

28.10.5 Share transfer tax and stamp duties

No Danish share transfer tax or stamp duties are payable on transfer of the Shares.

28.10.6 Withholding tax obligations

An issuer of shares is subject to Danish withholding tax obligations in accordance with applicable Danish laws.

28.10.7 Tax consequences of the Demerger

For a description of the tax consequences arising as a result of the Demerger see section 4.9 "*Danish tax effects of the Demerger*".

28.11 Certain United States federal income tax considerations relating to the ownership of Shares

The following is a summary of certain United States federal income tax consequences of the receipt, ownership and disposition of Shares by a U.S. Holder (as defined in section 4.10 "Certain United States federal income tax considerations relating to the Demerger"). This summary deals only with U.S. Holders of shares in NKT that receive Shares in the Demerger and that will hold Shares as capital assets. The discussion does not cover all aspects of United States federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the ownership or disposition of Shares by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-United States or other tax laws. This summary also does not address tax considerations applicable to investors that own or will own (directly, indirectly or by attribution) 5% or more of the voting stock of NKT or the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under United States federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that hold their shares in NKT, or will hold Shares, as part of straddles, hedging transactions or conversion transactions for United States federal income tax purposes, persons that have ceased to be United States citizens or lawful permanent residents of the United States, investors that hold their shares in NKT, or will hold Shares, in connection with a trade or business conducted outside of the United States, United States citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar). See section 4.10 "Certain United States federal income tax considerations relating to the Demerger" for a summary of certain United States federal income tax consequences of the Demerger and receipt of Shares by a U.S. Holder.

The United States federal income tax treatment of a partner in an entity or arrangement treated as a partnership for United States federal income tax purposes that holds shares in NKT, or will hold Shares, will depend on the status of the partner and the activities of the partnership. Entities or arrangements treated as partnerships for United States federal income tax purposes holding shares in NKT, or that will hold Shares, should consult their tax advisors concerning the United States federal income tax consequences to them and their partners of the receipt, ownership and disposition of Shares.

Except as otherwise noted, the summary assumes that each of NKT and the Company is not PFIC for United States federal income tax purposes and that NKT has never been a PFIC; however, the Company and NKT can provide no assurances that this is the case. If either NKT or the Company were to become a PFIC, materially adverse consequences could result for U.S. Holders.

This summary is based on the tax laws of the United States, including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the Treaty, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF UNITED STATES FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-UNTED STATES AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

28.11.1 Taxation of Shares

Dividends

1. General.

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for United States federal income tax purposes), before reduction for any Danish withholding tax paid by the Company with respect thereto, generally will be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. The Company does not maintain calculations of its earnings and profits in accordance with United States federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to Shares will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate United States federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty, and certain other requirements are met.

2. Dividends paid in DKK.

Dividends paid in DKK will be included in income in a USD amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the DKK are converted into USD at that time. If dividends received in DKK are converted into USD on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

3. Effect of Danish withholding taxes.

Any Danish withholding taxes in respect of distributions would be subject to treatment as discussed above in section 4.10.3 "*Taxable distribution - Effect of Danish Withholding Taxes*". As a result, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of a distribution may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

Sale or other disposition

Upon a sale or other disposition of Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. Non-corporate U.S. Holders are generally subject to reduced rates of tax on long-term capital gain and the deductibility of capital losses is subject to limitations under the Code. Any gain or loss generally will be United States source.

The amount realised on a sale or other disposition of Shares for an amount in DKK generally will be the USD value of this amount on the settlement date, in the case of a cash basis U.S. Holder, or the trade date in the case of an accrual basis U.S. Holder, of such sale or disposition. On the settlement date, the accrual basis U.S. Holder generally will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the USD value of the amount received based on the exchange rates in effect on the trade date and the settlement date. However, in the case of Shares traded on an established securities market, accrual basis U.S. Holders may elect to determine the USD value of the amount realised on the sale or other disposition of the Shares based on the exchange rate in effect on the settlement date, and no exchange gain or loss will be recognised at that time. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Passive foreign investment company considerations

A non-U.S. corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules”, either (i) at least 75% of its gross income is “passive income” or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Each of the Company and NKT does not believe that it should be treated as, and does not expect to become, a PFIC for U.S. federal income tax purposes, but the Company and NKT’s possible status as PFICs must be determined annually and therefore may be subject to change. If the Company were to be treated as a PFIC, U.S. Holders of Shares would be required (i) to pay a special United States addition to tax on certain distributions and gains on sale, (ii) to pay tax on any gain from the sale of Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain, and (iii) comply with additional reporting requirements in respect of their Shares. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described above under “*Taxation of Shares—Dividends—General*”.

Certain elections may be available that would result in alternative treatment of the Shares. U.S. Holders should consult their tax advisors regarding the potential application of the PFIC regime.

Information reporting and backup withholding

Payments of dividends and other proceeds with respect to the Shares by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of their Shares, including requirements related to the holding of certain "specified foreign financial assets".

29. TERMS AND CONDITIONS OF THE DEMERGER

29.1 Terms of the Demerger

Upon completion of the Demerger, the Receiving Shareholders will receive one Share of nominal DKK 20 in Nilfisk Holding for each one share of nominal DKK 20 such shareholder holds in NKT at the Record Date.

The issue of Shares in Nilfisk Holding is expected to take place on 10 October 2017 and the Shares are expected to be delivered in book-entry form through the facilities of VP Securities, Euroclear and Clearstream on or around 16 October 2017. Receiving Shareholders will be registered by name in Nilfisk Holding's register of shareholders.

Immediately after settlement of the Demerger, Receiving Shareholders will receive a notification of the number of Shares allocated to them in Nilfisk Holding. Thus, Receiving Shareholders do not have to take any action in connection with the issue of the Shares.

Application has been made for the Shares to be admitted to trading and official listing on Nasdaq Copenhagen. Subject to approval of Nasdaq Copenhagen, the first day of trading in, and official listing of, the Shares registered in the permanent ISIN on Nasdaq Copenhagen is expected to be on 12 October 2017.

Following approval of the Demerger by the General Meeting and registration of the same with the Danish Business Authority, the Demerger cannot be revoked (save following a final court ruling to this effect).

29.2 Proceeds

Neither NKT nor Nilfisk Holding will receive any proceeds on account of the Demerger. Further, NKT will not receive any Shares in Nilfisk Holding upon completion of the Demerger.

29.3 Completion of the Demerger

The Demerger will be completed, subject to approval by the General Meeting, upon registration of the Demerger with the Danish Business Authority in accordance with section 269 of the Danish Companies Act.

29.4 Subscription period

Not applicable.

29.5 Expected timetable of principal events

Expected timetable of principal events	
Date of publication of Demerger Plan	11 September 2017
Date of publication of Demerger Statement	18 September 2017
Anticipated date of General Meeting for the purpose of approving the Demerger, including electing the Board of Directors	10 October 2017
Registration of the Demerger with the Danish Business Authority	10 October 2017
Last day of trading in NKT's shares including the Nilfisk Group (the Cut Off Date)	11 October 2017 at 5:00 p.m. CET
First day of trading in and official listing of the Shares on Nasdaq Copenhagen under the permanent ISIN	12 October 2017
Record Date	13 October 2017 at 5:59 p.m. CET
Delivery of the Shares to the Receiving Shareholders	16 October 2017

The above timetable, including the date of the General Meeting, the Record Date and the Cut Off Date, is subject to change. Any changes will be announced via Nasdaq Copenhagen.

29.6 Financial Calendar

Nilfisk Holding's financial year runs from 1 January through 31 December. Nilfisk Holding will publish financial reports on a quarterly basis. It is currently expected that Nilfisk Holding will publish its financial reports according to the following schedule:

Interim report as at and for the nine months ended 30 September 2017	15 November 2017
Annual report for 2017	28 February 2018
Annual general meeting	23 March 2018
Interim report as at and for the three months ending 31 March 2018	16 May 2018
Interim report as at and for the six months ending 30 June 2018	14 August 2018
Interim report as at and for the nine months ending 30 September 2018	14 November 2018

The above financial calendar is subject to changes. Any changes will be announced via Nasdaq Copenhagen.

29.7 Reductions of subscriptions

Not applicable.

29.8 Minimum and/or maximum applications amounts

Not applicable.

29.9 Withdrawal of subscriptions

Not applicable. No subscriptions are made in relation to the Demerger.

29.10 Payments

Not applicable. No payments are made in relation to the Demerger.

29.11 Publication of the completion of the Demerger

It is expected that completion of the Demerger will be announced through Nasdaq Copenhagen on 10 October 2017.

29.12 Procedure for the exercise of pre-emption rights

Not applicable. No pre-emption rights are issued in relation to the Demerger.

29.13 Jurisdictions in which the Demerger will be announced and restrictions applicable to the Demerger

29.13.1 General

No action has been or will be taken in Denmark or in any country or jurisdiction by NKT that would or is intended to permit a public offering of the Shares or the possession, circulation or distribution of this Demerger Statement or any other offering material relating to the Company or the Shares offered hereby in any jurisdiction where action for any such purpose may be required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Demerger Statement nor any other material or advertisements made public in connection with the Demerger may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

29.13.2 United States

The Shares have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction in the United States.

The Shares generally should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and persons who receive securities in the Demerger (other than “affiliates” as described in the paragraph below) may resell them without restriction under the Securities Act.

Under the United States securities laws, persons who are deemed to be affiliates of NKT or Nilfisk as of the date and time at which the Demerger becomes effective may not resell the Nilfisk Holding Shares received pursuant to the Demerger without registration under the Securities Act, except pursuant to an applicable exemption form, or in a transaction not subject to, the registration requirements of the Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. NKT shareholders who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisors prior to any re-sale of Shares received pursuant to the Demerger.

29.13.3 European Economic Area

This Demerger Statement has been prepared in connection with the issue of the Shares and admission to trading and official listing of the Shares on Nasdaq Copenhagen and on the basis that no offer to the public of the Shares will be made in that connection, neither in Denmark nor in any other member state of the EEA.

29.13.4 United Kingdom

NKT represents, warrants and agrees that:

a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act ("FSMA") in connection with the issue or sale of the Shares in circumstances in which Section 21(1) of FSMA does not apply to the Company; and

b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

29.14 Pre-allotment information

Upon completion of the Demerger, the Company's share capital will be DKK 542,527,380, divided into 27,126,369 Shares with a nominal value of DKK 20 each. The Receiving Shareholders will receive one share of nominal DKK 20 in Nilfisk Holding for each one share of nominal DKK 20 such shareholder holds in NKT as of the Record Date.

29.15 Plan of distribution

Upon completion of the Demerger, the Receiving Shareholders will receive one share of nominal DKK 20 in Nilfisk Holding for each one share of nominal DKK 20 such shareholder holds in NKT as of the Record Date.

29.16 Overallotment information

Not applicable. There is no overallotment of the Shares in relation to the Demerger.

29.17 Pricing

Not applicable.

29.18 Placing

Not applicable.

29.19 Lock-up

The Company will not undertake any lock-up relating to issue of new shares in the Company, acquisition of treasury shares etc. However, other than as a consequence of the anticipated resolution and implementation of a new long-term incentive programme as mentioned in section 18.3.4 "*Long-term incentive programme*", there are no current plans to issue new shares in the Company, acquire treasury shares or otherwise to propose a reduction of the Company's share capital.

With a view to simplify the corporate structure of the Nilfisk Group, and subject among other to a review of e.g. tax implications for the companies and shareholders involved, it is the intention to merge the Company and Nilfisk shortly after completion of the Demerger. The continuing company will remain listed on Nasdaq Copenhagen.

30. ADMISSION TO TRADING

The first day official listing of the Shares on Nasdaq Copenhagen is expected to be on 12 October 2017.

No price stabilisation activities will be undertaken in relation to the Demerger.

Neither NKT nor Nilfisk has entered into a market maker agreement in relation to the Demerger.

31. EXPENSE OF THE DEMERGER

Most of the expenses in relation to the Demerger and admission to trading and official listing of Nilfisk Holding's Shares on Nasdaq Copenhagen are payable by NKT.

In addition, certain expenses in relation to the Demerger and admission to trading and official listing of Nilfisk Holding's Shares on Nasdaq Copenhagen as well as certain other related costs are payable by the Company. These expenses are expected to be approximately EUR 500,000.

None of NKT or Nilfisk Holding will charge expenses to the Receiving Shareholders in relation to the Demerger. Receiving Shareholders will have to bear customary transaction and handling fees charged by their account-holding banks.

32. ADDITIONAL INFORMATION

- Legal advisor to NKT and Nilfisk Holding: Kromann Reumert, Sundkrogsgade 5, DK-2100 Copenhagen Ø, Denmark
- U.S. legal advisor to NKT and Nilfisk Holding: Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom
- Auditors to NKT and Nilfisk Holding: Deloitte Statsautoriseret Revisionspartnerselskab, Weidekampsgade 6, DK- 2300 København S, Denmark
- Verification advisor: Plesner, Amerika Plads 37, DK-2100 Copenhagen Ø, Denmark

33. GLOSSARY

ABB HV Cables	The ABB Group's global high voltage cable system business, being a wholly owned business of ABB, Ltd., which was conditionally acquired by NKT Cables in September 2016
Accelerate	The strategy of the Nilfisk Group launched by Nilfisk in March 2015
Accelerate+	The initiatives announced in August 2016 to release the full potential of the Accelerate strategy
Acquisition Facilities	Revolving facilities in the aggregate amount of EUR 75 million included in the Facility Agreements
Aftermarket	Aftermarket consists of spare parts, accessories, consumables, maintenance and service contracts
Americas	The Americas region (North and South America)
APAC	The Asia and Pacific region
Articles of Association	The Articles of Association of the Company proposed to be adopted at the General Meeting
ATP	Arbejdsmarkedets Tillægspension
Audit Committee	The audit committee of the Company
AUD	Australian dollars
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab, Weidekampsgade 6, DK-2300 København S, Denmark
Board of Directors	The Board of Directors of the Company at any given date
CAD	Canadian dollars
Capital Region	The Capital Region of Denmark, "Region Hovedstaden"
Capital resources	Shall have the meaning as stated in section 12 "*Capital resources*".
CE standards	European Conformity standards
Chairman	The chairman of the Board of Directors
Clearstream	Clearstream Banking, S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg
CNY	Chinese yuan
Code	United States Internal Revenue Code of 1986, as amended
Company or Nilfisk Holding	A Danish limited liability company to be incorporated under Danish law upon completion of the Demerger having the name Nilfisk Holding A/S and which will hold 100% of the shares in Nilfisk
Contractor	Floor Cleaning Machines Ltd.
Corporate Governance Recommendations	The recommendations on Corporate Governance of the Danish Committee on Corporate Governance, issued on 6 May 2013, as updated in November 2014
CRM	Customer relationship management
CSR	Corporate social responsibility

Cut Off Date	11 October 2017 at 5:00 p.m. CET (subject to change)
Danish Business Authority	Erhvervsstyrelsen
Danish Companies Act	Consolidated Act no. 1089 of 14 September 2015, as amended, on public and private limited companies
Danish Executive Order on Prospectuses	Executive order no. 1257 of 6 November 2015, as amended, on prospectuses for securities admitted to trading in a regulated market and for offering to the public of securities of at least EUR 5,000,000
Danish FSA	The Danish Financial Supervisory Authority, "Finanstilsynet"
Danish Language Demerger Statement	The Danish language version of the Demerger Statement
Danish Merger Tax Act	Consolidated Act no. 1017 of 24 August 2015, as amended, on mergers, demergers and contributions of assets etc.
Danish Securities Trading Act	Consolidated Act no. 251 of 21 March 2017, as amended, on Securities Trading
Demerger	The statutory partial demerger of NKT as described in the Demerger Plan
Demerger Agreement	The agreement regulating the relationship between NKT and Nilfisk Holding after the Demerger
Demerger Facilities	Revolving facilities under the Facility Agreements in the amount of EUR 450 million
Demerger Statement	The Demerger Statement, which has been approved by the Danish FSA
Demerger Plan	The plan for the Demerger approved by NKT's board of directors and published by NKT on 11 September 2017
Deputy Chairman	The deputy chairman of the Board of Directors
DKK	Danish Kroner
EMEA	Europe, Middle East and Africa
English Language Demerger Statement	This Demerger Statement as published in the English language, including a Danish translation of the summary
Executive Management	The executive management of the Company at any given time
ERP systems	Enterprise resource planning system
EU	The European Union
EUR	The euro, the lawful currency of the participating member states in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community.
Euroclear	Euroclear Bank S.A./N.A., 1, Boulevard de Roi Albert II, B-1210 Brussels, Belgium
Facility Agreements	The three bilateral facility agreements Nilfisk entered into on 10 July 2017 with Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, Danske Bank A/S and HSBC Bank plc, respectively, as lenders.

Final Maturity Date	The final maturity date provided for under the Facility Agreements, being 10 July 2020
Floorcare	Floorcare equipment marketed by the Group
FSMA	United Kingdom Financial Services and Markets Act
FSR-Danish Auditors	FSR - danske revisorer. Sectoral association for certified auditors in Denmark
FTE	Full-time equivalent
FY	Financial Year
GBP	Pounds sterling/the currency of Great Britain
GDP	Gross domestic product
General Meeting	The general meeting of NKT anticipated to take place on 10 October 2017 for the purpose, *inter alia*, of approving the Demerger
Global Operations	An organisational entity in the Nilfisk Group responsible for sourcing, production and logistics
Group or Nilfisk Group	Nilfisk A/S including its subsidiaries and, as of completion of the Demerger, including Nilfisk Holding A/S
HPW	High pressure washers marketed by the Group
HUF	Hungarian Forint
Hydro Tek	Hydro Tek Systems Inc.
H1	Six month period of a year ending 31 December
IFRS	International Financial Reporting Standards
Industro-Clean Cape	Industro-Clean (Cape) Proprietary Ltd.
ISIN	International Security Identification Number
IRS	United States Internal Revenue Service
J.P. Morgan	J.P. Morgan Securities Ltd.
Kärcher	Alfred Kärcher GmbH & Co. KG together with its subsidiaries and affiliates
Kerrick	Kerrick Distributors (Aust) Pty Ltd.
Key Employees	Anders Terkildsen, Executive Vice President with the responsibility for EMEA, Andrew Ray, Executive Vice President with the responsibility for Americas, Jacob Blom, Executive Vice President with the responsibility for Human Resources, Jesper Terndrup Madsen, Executive Vice President with the responsibility for Global Operations, Lars Gjødsbøl, Executive Vice President with the responsibility for Products & Services, Morten Korsholm Mathiesen, Senior Vice President with the responsibility for Specialty Business, Thomas Dragø Nielsen, Senior Vice President with the responsibility for Specialty Consumer and Serdar Ülger, anticipated to be appointed Senior Vice President with responsibility for APAC Sales as of 1 October 2017.
LTI	The long-term incentive programme anticipated to be resolved by the Board of Directors during 2017
MXN	Mexican Peso

Nasdaq Copenhagen	Nasdaq Copenhagen A/S, company reg. no. 19042677
Nilfisk	Nilfisk A/S, a Danish limited liability company with company registration no. 62572213
Nilfisk Professional	
Cleaning Equipment	
(Suzhou) Co. Ltd.	China based subsidiary of Nilfisk
Nilfisk Holding Tax Group	Nilfisk Holding and other Danish resident companies directly or indirectly controlled by Nilfisk Holding
Nilfisk, Inc.	U.S. based subsidiary of Nilfisk
Nilfisk-Advance Termelö,	
Tiszítóberendezés-gyártó Kft	Hungary based subsidiary of Nilfisk
Nilfisk Advance De Mexico	
Manufacturing, S. De R.L. De C.V.	Mexico based subsidiary of Nilfisk
Nilfisk Production Kft	Hungary based subsidiary of Nilfisk
Nilfisk Ltd.	United Kingdom based subsidiary of Nilfisk
Nilfisk S.A.S.	France based subsidiary of Nilfisk
Nilfisk S.p.A	Italy based subsidiary of Nilfisk
Nilfisk U.S. Holding, Inc.	U.S. based subsidiary of Nilfisk
NKT Cables	NKT Cables Group A/S, a Danish limited liability company with company registration no. (CVR) 15515872 and its subsidiaries at any given point in time
NKT	NKT A/S, a Danish limited liability company with company registration no. (CVR) 62725214, being the holder of 100% of the shares in Nilfisk A/S at the date of this Demerger Statement
NKT Group	NKT and its subsidiaries at any given point in time
NKT Tax Group	NKT and other Danish resident companies directly or indirectly controlled by NKT
NKT Photonics	NKT Photonics A/S, a Danish limited liability company with company registration no. (CVR) 10048265
NOK	Norwegian Kroner
Nomination Committee	The nomination committee of the Company
NPS	Net Promoter Score; a metric which measures customer loyalty to a brand by measuring the percentage of the customer base who will recommend the brand to others (promoters) subtracted by the percentage who will not (detractors)
PFIC	Passive foreign investment company
Pressure-Pro	Pressure-Pro. Inc
Prospectus Directive	Directive 2003/71/EC (and amendments thereto)
Prospectus Regulation	Commission Regulation (EC) no. 809/2004 of 29 April, 2004

Receiving Shareholders	Registered shareholders in NKT as of the Record Date
Record Date	13 October 2017 at 5:00 p.m. CET (subject to change)
Remuneration Committee	The Company's remuneration committee
RoCE	Return on capital employed
Securities Act	United States Securities Act of 1933
SEK	Swedish Kroner
SGD	Singapore Dollars
Shares	27,126,369 shares with a nominal value of DKK 20 each in Nilfisk Holding to be issued upon completion of the Demerger
SKAT	The Danish tax authorities
SKAT's Ruling	SKAT's approval of the Demerger being tax-exempt issued on 1 November 2016 and supplemented on 7 December 2016
Smithson Equipment	A cleaning equipment dealer located in Brisbane, Australia. Acquired in 2015. Now Nilfisk Pty Ltd.
Specialty Consumer	The Group's business which is carved out from the geographically segmented professional business divisions comprising consumer vacuum cleaners and consumer high pressure washers as well as industrial vacuum cleaners and business within outdoor, and restoration equipment and specialised equipment to the food industry
Specialty Professional	The Group's business which is carved out from the geographically segmented professional business divisions comprising industrial vacuum cleaners, outdoor, restoration equipment and specialised equipment to the food industry
U.S. or United States	United States of America
Tennant	Tennant Company together with its subsidiaries and affiliates
TP	Transfer pricing
Treaty	Income tax treaty between the United States and Denmark
USD	United States Dollars
U.S. Holder	See section 4.10
Vacs	Vacuum cleaners marketed by the Group
VP Securities	VP Securities A/S, a Danish limited liability company with company registration no. 21599336
ZAR	South African Rand

APPENDIX A: ARTICLES OF ASSOCIATION OF NILFISK HOLDING A/S UPON COMPLETION OF THE DEMERGER

Name and Objectives of the Company

Article 1

1.1
The name of the Company is Nilfisk Holding A/S.

1.2
The objectives of the Company are to carry out manufacturing business and trade. The Company may participate with capital in other enterprises in situations where this, in the opinion of the Board of Directors, may contribute towards promoting the objectives of the Company.

Share Capital and Shareholders

Article 2

2.1
The Company has a share capital of DKK 542,527,380. The share capital is fully paid up.

2.2
The shares shall be issued through VP Securities and divided into shares of DKK 20 each in accordance with the statutory provisions on the issuing of listed securities. Rights regarding the shares must be notified to VP Securities according to the relevant rules.

2.3
None of the shares have special rights. No shareholder shall be obliged to redeem his shares in full or in part.

2.4
The shares of the Company are shares registered in the name of the shareholder in the Company's register of shareholders. The Company's register of shareholders is maintained by an external registrar, Computershare A/S (Company Registration no. 27 08 88 99).

Authority to Increase the Share Capital

Article 3

3.1
The share capital may, by resolution of the Board of Directors, be increased by a maximum nominal amount of DKK 200,000,000 (10,000,000 shares of DKK 20 each) at market price through one or more issues of new shares. This authorization shall be valid until October 9, 2022. The increase may be carried out through the issue of shares for cash consideration, conversion of debt or payment in values other than cash. The capital increase shall be carried out through the issue of shares, giving existing shareholders pre-emptive rights.

3.2
The share capital may, by resolution of the Board of Directors, be increased by a maximum nominal amount of DKK 100,000,000 (5,000,000 shares of DKK 20 each) at market price through one or more issues of new shares. This authorization shall be valid until October 9, 2022. The increase may be carried out through the issue of shares for cash consideration, conversion of debt or payment in values other than cash. The capital increase shall be carried out through the issue of shares, without giving existing shareholders pre-emptive rights.

3.3
New shares issued in accordance with the authorizations in articles 3.1 and 3.2 shall carry dividends from such time as may be decided by the Board of Directors, but not later than for the financial year in which the increase in share capital takes place. The shares shall be negotiable instruments and registered in the name of the shareholder. The new shares shall, with regards to rights, redemption and negotiability, in all respects be subject to the same terms as the existing shares.

3.4
The foregoing authorizations to the Board of Directors under articles 3.1 and 3.2 and the authorizations to the Board of Directors under articles 4.1 and 5.1, below, can, subject to the limitations set forth therein, be utilized to increase the share capital by a total maximum of nominally DKK 200,000,000, and the authorizations to the Board of Directors under articles 3.2, above, and 4.1 and 5.1, below, can, subject to the limitations set forth therein, be utilized to increase the share capital by a total maximum of nominally DKK 100,000,000.

Authority to Issue Warrants

Article 4

4.1
In the period up to October 9, 2022 the Board of Directors is authorized to issue warrants, in one or several transactions and without pre-emptive rights for existing shareholders, up to a nominal amount of DKK 20,000,000 (1,000,000 shares of nominal DKK 20 each) to the employees and management of the Company and companies consolidated with the Company and at an exercise price and with time limits for exercising which are determined by the Board of Directors. In the period up to October 9, 2022 the Board of Directors is furthermore authorized to resolve a capital increase, in one or several transactions, without preferential right of subscription for existing shareholders and against payment in cash, by up to a nominal amount of DKK 20,000,000 in connection with exercise of the warrants.

4.2
In the case of capital increases pursuant to the above, the new shares shall be negotiable instruments and shall be shares registered in the name of the shareholder and shall in all respects rank equally with the Company's existing shares, also with respect to redemption and restrictions in negotiability. The new shares shall carry a right to dividend from the time decided by the Board of Directors, but not later than from the financial year following the capital increase.

4.3
The Board of Directors shall determine the details of the conditions applicable to the warrants issued and the capital increases resolved in accordance with the authorization in article 4.

Authority to Raise Convertible Loans

Article 5

5.1
For a period of five years until October 9, 2022 the Company may, by the decision of the Board of Directors, by one or more issues raise loans against bonds or other financial instruments with a right for the lender to convert his claim to a nominal amount of DKK 100,000,000 (5,000,000 shares of nominal DKK 20 each) as a maximum (convertible loans). Convertible loans may be raised in DKK or the equivalent in foreign currency computed at the rates of exchange ruling on the day of loan. The Board of Directors is also authorized to effect the consequential increase of the capital. Convertible loans may be raised against payment in cash or in other ways. The subscription shall take place without pre-emption rights for the shareholders and the convertible loans shall be offered at a subscription price and a conversion price that correspond in aggregate to at least the market price of the shares at the time of the decision of the Board of Directors. The time limit for conversion may be fixed for a longer period than five years after the raising of the convertible loan. The terms for the raising of convertible loans shall be determined by the Board of Directors, including loan terms and the rules for conversion of the loans as well as the holder's legal position in case of capital increase, capital decrease, raising of new convertible loans, dissolution, merger or demerger of the Company before the expiration of the right of conversion. Time and terms for the capital increase shall be decided by the Board of Directors observing the rules in article 5.2.

5.2
If the Board of Directors exercises the authorization granted in article 5.1, the new shares shall be shares registered in the name of the shareholder and carry dividend as of a date to be fixed by the Board of Directors. No restrictions shall apply as to the pre-emption right of the new shares, and they shall rank pari passu with the existing shares with respect to rights, redeemability and negotiability. The Board of Directors is authorized to make the necessary amendments to these Articles of Association in connection with the capital increases.

Dividend

Article 6

6.1
Dividend is paid through transfer to the accounts designated by the shareholders in accordance with the rules for VP Securities.

6.2
Dividend that has not been withdrawn three years after the day it was due and payable shall accrue to the Company.

6.3
The Board of Directors is authorized to decide on the distribution of extraordinary dividends in accordance with the Danish Companies Act.

General Meeting

Article 7

7.1
Within the limits established by law, the General Meeting shall have supreme authority in all Company matters.

7.2
General Meetings shall be held in the Danish Capital Region (Region Hovedstaden) at a place decided by the Board of Directors.

7.3
General Meetings shall be called by the Board of Directors not earlier than five weeks and not later than three weeks before the General Meeting by publishing a notice on the Company’s website, www.nilfisk.com. The notice shall also be forwarded by e-mail to all shareholders entered in the Company’s register of shareholders who have so requested.

7.4
Notices calling a General Meeting shall include the agenda of the meeting and the substantial part of the proposals for amendments of the Articles of Association. Where required under the Danish Companies Act, the notice calling the meeting shall comprise the full wording of the proposal for the amendment to the Articles of Association.

7.5
Proposals for resolutions at the Annual General Meeting may be submitted in writing by any shareholder, but such proposals must be received by the Company's Board of Directors no later than six weeks before the General Meeting. A proposal which is received by the Board of Directors later than six weeks before the Annual General Meeting can be placed on the agenda if the Board of Directors assesses that the request is made in sufficient time for the issue to be placed on the agenda.

7.6
The Annual General Meeting shall be held before the end of April of each year.

7.7
An Extraordinary General Meeting shall be held at the request of the General Meeting, the Board of Directors, or the auditor chosen by the General Meeting. An Extraordinary General Meeting shall be called no later than two weeks after shareholders owning at least 5% of the share capital have requested such General Meeting in writing for the consideration of a specific issue.

7.8
The Company shall in a consecutive period of three weeks, beginning not later than three weeks before the General Meeting, including the day of the holding of such General Meeting, make the following information available to the shareholders on the Company’s website (www.nilfisk.com):

1. The notice convening the General Meeting
2. The total share capital and voting rights at the time of the notice
3. The documents which are to be submitted at the General Meeting, including for the Annual General Meeting the audited annual report containing annual results and group results with the management’s and auditor’s reports
4. Agenda together with the full proposals
5. The necessary forms to be used for voting by proxy and voting by letter, unless such forms are sent directly to the shareholders. If, due to technical difficulties, such forms cannot be made available on the internet, the Company will advise on its website how such forms may be obtained in paper form. In such cases the Company will send the form to any shareholders who request it.

7.9
The complete annual report shall only be forwarded to the shareholders in electronic form. The annual report will be published on the Company’s website (www.nilfisk.com) and will be forwarded by electronic mail to any registered shareholders who have requested it and informed the Company of their e-mail address. The procedure for sending the report by e-mail and any special system requirements necessary will be published on the Company’s website.

Article 8

The agenda for the Annual General Meeting shall comprise:

1. Report by the Board of Directors on the Company’s activities in the past year

2. Presentation of the annual report, containing the annual and consolidated accounts, the statements of the management and the Board of Directors, the auditor’s report, and reviews for the year
3. Adoption of the audited annual report
4. Proposal by the Board of Directors for the distribution of profit or cover of loss
5. Resolution regarding discharge of obligations of the management and the Board of Directors
6. Remuneration of the Board of Directors
7. Election of Board Members
8. Election of one or more public accountants
9. Any other proposals from the Board of Directors or the shareholders

Article 9

9.1
General Meetings shall be conducted by a chairman appointed by the Board of Directors, who does not have to be a shareholder and who shall decide all questions regarding the way in which business is transacted and votes are carried out, with due consideration for the rules of the Danish Companies Act.

9.2
Any shareholder shall be entitled to attend the General Meeting if the shareholder, not later than three calendar days before the General Meeting, has requested to have an admission card handed over at the Company's office or in such other manner as described in the notice calling the meeting. The admission card, upon which the shareholder’s number of votes is indicated, is handed over to the shareholder on the basis of the registered ownership in the shareholders register on the registration date, which is one week before the General Meeting, as well as on the basis of the notification that the Company has received with the intention of being registered in the shareholders register on the registration date at the latest, if such notifications have not already been registered in the shareholders register.

9.3
The right to vote at the General Meeting belongs to shareholders registered in the Company's shareholders register or shareholders having reported and documented their acquisition. Only persons who are shareholders on the registration date, which is one week before the General Meeting, have the right to attend and vote at the General Meeting. Any share amount of DKK 20 shall carry one vote at the General Meeting.

9.4
Shareholders are entitled to be present at the General Meeting by proxy or with an adviser, just as a proxy may be present with an adviser. Voting rights can be exercised by proxy when upon delivery of the proxy the agent has received an admission card. The agent must produce a written and dated proxy.

9.5
The language at General Meetings shall be Danish or English without any simultaneous interpretation to and from English/Danish, as the case may be. All documents prepared for use by the General Meeting at or after the General Meeting shall be in English.

9.6
Shareholders have the right to vote in writing. A written vote shall be unequivocally identifiable, including the statement of the shareholder’s name and VP-reference number. In order to maintain its validity a written vote shall be in the possession of Computershare A/S (Company registration Number 27 08 88 99) not later than 10 am two working days before the General Meeting. Forms for voting in writing shall be made available to the shareholders in accordance with article 7.8.

9.7
Minutes shall be kept of the proceedings at General Meetings, which shall be signed by the chairman of the meeting. The minutes (or a certified copy of the minutes) shall be available for inspection by the shareholders no later than two weeks after

the General Meeting. The results of voting at the meeting shall be announced on the Company's website no later than 2 weeks after the General Meeting.

Article 10

All matters at the General Meeting shall in general be decided by the General Meeting by simple majority, except where otherwise required under the Danish Companies Act or these Articles of Association.

Board of Directors and Management

Article 11

11.1
The Board of Directors shall be elected by the General Meeting, except for any members of the Board of Directors who are elected by the employees according to the Danish Companies Act. The part of the Board of Directors that is elected by the General Meeting shall consist of at least five and not more than eight members.

11.2
The Members of the Board of Directors elected by the General Meeting shall resign each year at the Annual General Meeting. Re-election may take place.

11.3
The Members of the Board of Directors shall receive an annual fee fixed by the General Meeting. The Board of Directors may delegate special duties to one or several of its members and decide that a fee is to be received for the performance of such duties.

Article 12

The Board of Directors shall employ a management consisting of one or several managers.

Article 13

13.1
The Board of Directors and the management shall be responsible for the management and organization of the Company's business in accordance with the rules of the Danish Companies Act.

13.2
The management shall be responsible for the day-to-day management of the Company in accordance with the guidelines and directions established by the Board of Directors. The day-to-day management shall not include transactions of an unusual nature or of significant importance considering the affairs and conditions of the Company.

13.3
The Board of Directors has, in accordance with the Companies Act section 139, prepared a set of general guidelines for the Company's use of incentive pay to the Board of Directors and the management. The guidelines have been presented to and adopted at the General Meeting. The guidelines have been published on the Company's website (www.nilfisk.com).

Article 14

14.1
From among its members the Board of Directors shall appoint a chairman and a deputy chairman, who shall act as chairman in the chairman's absence.

14.2
The Board of Directors shall prepare a set of rules of procedures setting out the rules for its duties. Unless otherwise provided by the rules of procedure for the Board of Directors, any decisions are made by simple majority. In case of parity of votes the chairman shall have the casting vote. No valid resolution can be passed unless more than half of all members, including the chairman or the deputy chairman, are represented.

14.3
A minute book shall be kept and signed by the represented members of the Board of Directors.

14.4
The Company's corporate language shall be English.

Power to bind the Company

Article 15

15.1
The power to bind the Company shall be vested in: the chairman together with one other member of the Board of Directors or together with one manager; the deputy chairman together with two members of the Board of Directors or together with one manager; two managers jointly; or by the entire Board of Directors.

15.2
The Board of Directors may grant power of procuration.

Electronic Communication

Article 16

The Company may use electronic exchange of documents and electronic mails (e-mails) when communicating with its shareholders. This includes, but is not limited to: giving notice to shareholders of Annual and Extraordinary General Meetings, along with the complete proposals for amendment of the Articles of Association; forwarding the agenda and the annual report, etc.; and providing other general information to the shareholders. The Company may always use ordinary mail as an alternative to electronic communication. The shareholders are responsible for ensuring that the Company is in possession of the correct electronic contact details. The shareholders may request information on the system requirements and on the procedure to be followed when communicating by electronic means by contacting the Company.

Audit

Article 17

17.1

The General Meeting elects one or more state-authorized public accountants to serve as auditors until next year's General Meeting.

17.2
The auditors shall keep an audit report book to be submitted at every board meeting. Any additions to this book shall be signed by all the members of the Board of Directors.

Annual Report

Article 18

18.1
The Company's financial year shall be the calendar year. The annual accounts and consolidated accounts contained in the annual report shall be laid out in a structured manner in accordance with the legislation and shall give a true and fair view of the Company's and the Group's assets and liabilities, their financial position and profit/loss.

18.2
The annual report and any interim reports are prepared and presented in English. The Board of Directors can decide that the annual report and interim financial reports are also prepared in Danish or that a summary hereof is prepared in Danish.

APPENDIX B: DEMERGER PLAN

DEMERGER PLAN

for **NKT A/S**

CONTENTS

SCHEDULES

Schedule 1	Demerger Balance Sheet
Schedule 2	Draft Articles of Association for the receiving company

The English text is a translation of the Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text prevails.

The undersigned board of directors of NKT A/S (**NKT** or the **Transferring Company**) hereby draws up the following plan for a partial, tax exempt demerger (the **Demerger**) of NKT.

1. BASIS OF THE DEMERGER

1.1 Upon completion of the Demerger, part of the assets and liabilities of NKT (as the Transferring Company) will be transferred to a new limited liability company (aktieselskab) to be incorporated under the name of "Nilfisk Holding A/S" (**Nilfisk Holding** or the **Receiving Company**). The incorporation of the Receiving Company will be completed at registration of the Demerger with the Danish Business Authority, cf. Section 269 of the Danish Companies Act.

1.2 The assets and liabilities comprised by the transfer from the Transferring Company to the Receiving Company are the following:

- i. NKT's shares in Nilfisk A/S (**Nilfisk**), company registration no. (CVR) 62572213, equal to 5,000,000 shares of nom. DKK 100 each and representing 100 pct. of the outstanding share capital in Nilfisk;
- ii. The group functions of NKT directly related to Nilfisk's business;
- iii. NKT's obligations pursuant to parental guarantees issued by NKT on behalf of Nilfisk or any subsidiaries thereof;
- iv. NKT's liabilities arising out of the demerger statement to be published by NKT via Nasdaq Copenhagen A/S in connection with the Demerger;
- v. The further assets and liabilities that appear from the opening balance sheet of the Demerger set out in Schedule 1.

2. DEMERGER DATE

2.1 The Demerger shall be effective from 1 January 2017, whereupon the above-mentioned assets and liabilities shall be deemed transferred to the Receiving Company for accounting purposes.

3. ARTICLES OF ASSOCIATION, REGISTERED OFFICE AND NAME

3.1 Draft Articles of Association of Nilfisk Holding are attached as Schedule 2 to the demerger plan.

3.2 The registered office of the Transferring Company is situated on Vibesholms Allé 25, DK, 2605 - Brøndby. The registered office of the Receiving Company is to be situated on Kornmarksvej 1, DK-2605 Brøndby.

3.3 The Transferring Company has the name "NKT A/S" and the secondary name "Aktieselskabet Nordiske Kabel og Traadfabrikker". The name of the Receiving Company shall be "Nilfisk Holding A/S". In connection with the Demerger, the Receiving Company will not take over the name or secondary names of the Transferring Company.

4. CONSIDERATION TO THE SHAREHOLDERS OF THE TRANSFERRING COMPANY

4.1 Upon completion of the Demerger, the shareholders of NKT will receive 1 (one) share of nom. DKK 20 in the Receiving Company for each 1 (one) share of nom. DKK 20 such shareholder holds in the Transferring Company.

4.2 The shareholders of the Transferring Company eligible to receive shares in the Receiving Company as part of the Demerger will be those of the NKT's shareholders that hold shares in NKT as of 13 October 2017 at 5:59 p.m. (the **Record Date**). The Record Date is subject to change. Any change in the Record Date will announced by NKT via Nasdaq Copenhagen A/S.

5. SHARES IN THE RECEIVING COMPANY

5.1 The shares in the Receiving Company confer on the holders the right to receive dividend as from the financial year beginning on 1 January 2017, and other rights as from the time when the Demerger takes legal effect pursuant to Section 268 of the Danish Companies Act.

5.2 The shareholders of the Transferring Company will be registered by name in the Receiving Company's register of shareholders as soon as possible following the registration of the Demerger with the Danish Business Authority.

5.3 The shares in Nilfisk Holding are issued via VP Securities and will upon completion of the Demerger become listed on Nasdaq Copenhagen A/S.

6. SPECIAL BENEFITS TO MEMBERS OF THE COMPANIES' MANAGEMENT

6.1 No special benefits are granted to the members of the Transferring or Receiving Companies' management in connection with the Demerger.

7. TAX STATUS OF THE DEMERGER

7.1 The Danish tax authorities (**SKAT**) have granted an approval that the Demerger shall be a tax-exempt demerger pursuant to the provisions of the Danish Merger Tax Act (in Danish: *"fusionsskatteloven"*). SKAT's approval is subject to the fulfilment of and compliance with certain conditions and material assumptions made in connection with the approval, including that (i) the shares in the Receiving Company shall become listed on a regulated market in connection with the Demerger; and (ii) the shares in the Transferring Company will remain listed on a regulated market after the Demerger.

7.2 If any of the conditions set out in SKAT's approval or any of the material assumptions underlying SKAT's approval are not fulfilled or are no longer fulfilled during the first three years after the Demerger has been approved by the general meeting, SKAT shall be so informed and this may lead SKAT to revoke its approval that the Demerger be a tax-exempt demerger pursuant to the provisions of the Danish Merger Tax Act.

Brøndby 11 September 2017

The board of directors of NKT A/S:

Jens Due Olsen
Chairman

René Svendsen-Tune
Deputy Chairman

Jens Maaløe

Anders Runevad

Jutta of Rosenborg

Lars Sandahl Sørensen

Niels Henrik Dreesen

René Engel Kristiansen

Gitte Toft Nielsen