

**Nilfisk
Advance**

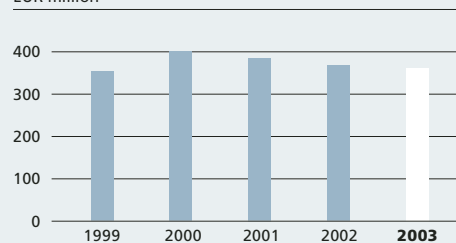
setting standards

Contents

Financial Highlights	3
Geared for expansion	4
Financial Review	10
Management's Report and Auditor's Report	13
Accounting Policies	14
Income Statement	17
Balance Sheet	18
Consolidated Statement of Cash Flows	20
Equity	21
Notes	22
Board and Management	29
Nilfisk-Advance Group	30
Subsidiaries	31

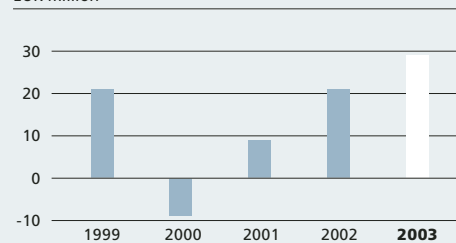
Net sales

EUR million



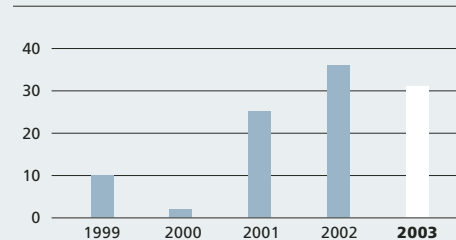
EBITA

EUR million



Cash flow from operating activities

EUR million



Definitions of earnings measures

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortization of goodwill and other acquired intangibles.

EBITA

Earnings Before Interest, Tax and Amortization of goodwill and other acquired intangibles.

EBIT

Earnings Before Interest and Tax.

Financial Highlights

Amounts in EUR '000

	GROUP				
	1999	2000	2001	2002	2003
Income Statement:					
Net sales	353,927	400,632	386,877	367,769	363,471
EBITDA	29,571	161	17,754	28,798	37,109
EBITA	21,226	(8,640)	8,979	20,656	29,259
EBIT	15,548	(16,263)	1,448	12,796	21,839
Financial items	(7,138)	(10,693)	(6,864)	(4,478)	(1,850)
Income before tax	8,410	(27,010)	(5,416)	8,318	19,989
Net result	6,411	(28,754)	(6,704)	7,701	19,926
Net income, Nilfisk-Advance A/S share	6,331	(29,465)	(7,227)	7,631	19,944
Balance Sheet:					
Intangibles	93,824	100,532	95,589	87,484	78,059
Other non-current assets	41,135	42,341	38,510	32,721	32,648
Total non-current assets	134,959	142,873	134,099	120,205	110,707
Current assets	187,358	192,142	186,329	154,120	139,630
Total assets	322,317	335,015	320,428	274,325	250,337
Shareholders equity	102,359	112,228	108,705	101,698	109,145
Minority interests	402	2,412	2,703	464	485
Provisions	14,673	14,967	14,314	12,120	10,594
Net interest bearing debt	86,573	119,988	100,580	81,166	62,667
Cash flow:					
Cash flow from operating activities	10,022	1,798	24,947	36,036	30,603
Free cash flow	(10,264)	(18,153)	20,756	19,026	19,977
Development expenses:					
Product development expenses incl. capitalised projects	9,607	8,399	8,216	9,104	11,272
Financial ratios:					
EBIT %	4.4	(4.1)	0.4	3.5	6.0
Return on equity	7.0	(27.5)	(6.5)	7.3	18.9
Equity %	31.8	33.5	33.9	37.1	43.6
Cash Flow Per Share (in EUR)	3.3	0.5	6.2	9.0	7.7
Other data:					
Average number of shares (1,000 shares)	3,000	3,333	4,000	4,000	4,000
Average number of employees	2,572	2,421	2,253	2,116	2,049

Figures in brackets are losses or negative amounts

Definitions of financial ratios

EBIT %:

EBIT x 100

Net sales

Return on equity:

Nilfisk-Advance A/S share of the Group's income x 100

Average shareholders' equity

Equity %:

Shareholders equity end of year x 100

Total assets end of year

Cash Flow Per Share (in EUR)

Cash flow from operating activities

Average number of shares

Geared for expansion



President and CEO
Johan Molin



Nilfisk-Advance realized sales growth of well over 5% in 2003, equivalent to approx. EUR 18.7 million when adjusted for declining foreign-exchange rates. Underpinned by several new product launches, the improvement was generated by sales growth in all three primary markets, the USA (+10%), Europe (+2%) and Asia-Pacific (+9%). In our view, these growth rates outpaced the general market trend.

The effects of exchange-rate movements, which reduced turnover by about EUR 23.0 million, were ascribable mainly to the US dollar (-16%) and several Asian currencies that track the dollar. Including the exchange-rate movements, the sales decreased with 1% to EUR 363.5 million.

Nilfisk-Advance realized operating income (EBITA) of EUR 29.3 million, equal to 8.0% of net sales, compared to EUR

20.7 million, or 5.6%, the year before. The enhanced performance reflected primarily the completion of the restructuring activities started in 2001 in the American operations of Nilfisk-Advance, which restored profitability to the level of the other market regions. In addition in 2003, we could see the effects of our strong commitment to product development aimed to introduce better products with a lower cost point, our outsourcing initiatives, centralized IT services, improved efficiency in administrative routines and more targeted sales and marketing efforts.

Supplier to the global market

Nilfisk-Advance supplies cleaning machines to the global market. Customers are serviced by sales companies in 29 countries in close interaction between the Group's manufacturing companies in Denmark, Sweden, Italy and the USA – and an extensive network of exclusive dealers.

Nilfisk-Advance is among the five largest global suppliers of professional cleaning machines used for scrubbing, sweeping, polishing and vacuum cleaning both hard and carpeted floors. Our peers are Tennant (USA), Incentive (Alto) (Denmark), Kärcher (Germany) and Interpump (Italy). The aggregate market share held by the big five is estimated at up to 40% of the world market, while many smaller producers cover the remainder.

In 2003, the breakdown of sales was 61% to Europe, where we achieved moderate growth relative to 2002, 29% to the US market, which saw favorable growth when adjusted for exchange rate developments, and 10% to the Asia-Pacific region, which also generated handsome growth when adjusted for exchange rate developments. All product types are in principle sold on all geographical markets.

The market for cleaning machines in 2003

Nilfisk-Advance sells products to the commercial market, consisting of cleaning and facility management companies, institutions, schools, supermarkets, hotels and retail stores. In this market, we registered emerging growth in the American and Asian markets in 2003, while the market trend was flat in Europe. For 2004, we expect rising growth in the USA and Asia, while the European market will continue to be characterized by limited growth.



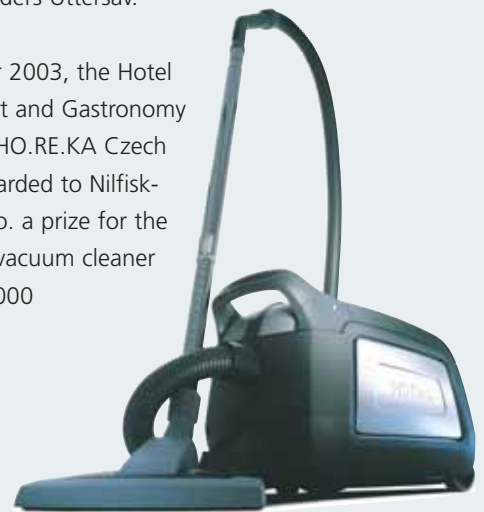
Innovative product development

In mid September 2003, Nilfisk-Advance added a completely new design of low-sound vacuum to its range of commercial vacuum cleaners targeted at professional operators for use in environments like offices, hotels, hospitals, libraries and other public buildings.

The GD 2000 was developed to optimise vacuum cleaning in several areas - primarily for the people who actually use the machine, but also for those in its vicinity during use.

"The developmental breakthrough was achieved with assistance from specialists in optimised acoustics and sound engineering. This has now resulted in a commercially viable solution to the noise problem - ie. a solution that can be technically mass-produced and that is attractively priced. In addition to quietness there are other valid reasons why contract cleaners should seriously consider Nilfisk-Advance's new GD 2000 range when investing in new vacuum cleaners. The most important of these is the DIY serviceability. The motor is contained in an easily replaceable cassette, which means continued cleaning availability while the motor is being serviced, explains Group Product Manager Anders Uttersav.

In November 2003, the Hotel Management and Gastronomy Association HO.RE.KA Czech Republic awarded to Nilfisk-Advance s.r.o. a prize for the commercial vacuum cleaner Nilfisk GD 2000





The industrial market, which includes companies in manufacturing, retail sales and distribution, buys primarily the larger machines that can handle scrubbing, sweeping and vacuum cleaning of floor areas exposed to heavy and soiling traffic. For this market, Nilfisk-Advance also offers a range of specialized – frequently customized – vacuum cleaners to be used in specific product premises such as the semiconductor, metalworking and food industries. We registered cautious development in the industrial market in 2003, but expect to see signs of real growth in 2004.

After-sales services such as repairs and spare part sales are significant competitive parameters, and play a significant role when Nilfisk-Advance decides which sales channels to use in each particular country. Nilfisk-Advance's sales sub-

sidaries and our extensive network of dealers jointly handle after-sales service. Nilfisk-Advance's approach to specific markets is based on the "Be global - Act local" strategy.

Consumers are serviced on all markets by Nilfisk-Advance's licensed dealers. We realized a volume increase in the sales of consumer products in 2003, and expect to see growth in 2004.

Manual work is increasingly being automated and outsourced to professional cleaning contractors, who run their business with focus on costs, safety and health, hygiene and quality standards. Thus, we see interesting potential in positioning Nilfisk-Advance as the standard setting supplier of machines to the professional cleaning market.

Significant events in 2003

Nilfisk-Advance has strengthened all R&D departments in recent years, and at the end of 2003, approx. 90 full-time employees were committed to product development.

In addition, 2003 saw a distinct increase in R&D expenses – from EUR 9.1 million in 2002 to EUR 11.3 million in 2003. As a result, Nilfisk-Advance was able to bring a large number of new professional products to market in 2003, including

- a range of new ride-on scrubber/dryers (BR 600/700/800)
- new sweepers (SR 1300 and SR 1500)

- a combined sweeper-scrubber-dryer (CR 1100/1200/1400)
- new industrial vacuum cleaners (Single Phase and 3-Phase)
- a new commercial low-noise vacuum (GD2000)

We introduced the mini vacuum “Nilfisk Go” to the consumer market and our new low-noise vacuum GD 2000 to the commercial market.

Major benefits from E-business

In Denmark, the final field for the 2003 E-business Award consisted of 10 companies. Nilfisk-Advance became one of two winners for achieving major rationalisation benefits through application of e-solutions.

A few years ago, we at Nilfisk-Advance would probably have looked rather sceptical if someone had told us we would be proclaimed ‘E-business Frontrunner 2003. In actual fact, our e-business project was driven by the necessity to streamline our business systems rapidly in order to get ourselves into the black. The system, which is now in an operational phase, has improved both our own and our customers’ performance. We have streamlined our business systems for order handling and our routines for distribution of sales and service support materials, and we have become a more focused company. The results include very significant savings as well as an improved presence with our customers. For example, we have been able to transfer manpower resources away from back-end tasks to front-end field sales. And we have to admit, that the system helps us to service our customers more efficiently than our personal service could do alone, points out project manager Mår Klinge Jacobsen.



As one of our market positioning efforts, Nilfisk-Advance expanded the sales organization from 25 to 29 countries. In the fall of 2003, Nilfisk-Advance took a majority stake in a Greek company that was established jointly with our long-standing dealer. The existing representative office in Poland was converted to a wholly owned company, and a new wholly owned company was established in Russia as well. In the Czech Republic, Nilfisk-Advance became a majority owner of a company established jointly with the agency business of NF Products s.r.o.

We continued outsourcing non-core activities throughout 2003, thus ensuring that Nilfisk-Advance's own manufacturing sites handle only the assembly of our sophisticated machines, while subcontractors take over other manufacturing processes.

Our two central logistics centers, now in full operation, have reduced our total inventory and distribution costs significantly and shortened delivery times. In practice, the logistics center in Plymouth, USA, serves American and Canadian customers, while the logistics center in Brøndby, Denmark, serves all other markets. Together with our e-business system, which allows customers to place orders and track them through our order processing systems online, the two logistics centers have helped Nilfisk-Advance achieve a higher level of customer satisfaction

In addition, two shared service centers, one at the American production facility and the other at headquarters in Denmark, have helped optimize all administrative routines and reduce related costs. The centers provide IT- and partly financial services to all of Nilfisk-Advance's business units.

Focus on new market possibilities



The latest countries to be added to Nilfisk-Advance's portfolio of sales companies are Greece, Poland, Russia and the Czech Republic, all of which represent promising growth potential.

The four new sales companies brings the Group's international portfolio of sales companies to a total of 31 and Nilfisk-Advance is gearing itself for growth in markets where the company has till now been represented by dealers.

The vast majority of our machines are sold to the professional cleaning market. These machines therefore see everyday use over a long period, and we are in no doubt that the success of our customers – in this case contract cleaners – depends on the performance of our machines. Accordingly, the relationship between ourselves and our customers is largely that of a long-term partnership. For this reason we consider it important for our expertise to be present in all markets where there is a commercial basis for it. The new sales companies is thus an element in our expansion strategy and in our vision of improving the No. 1 position as the leading supplier of professional cleaning machines to the global market.

Largely all business units have also completed a Business Process Improvement project aimed to streamline business procedures through use of best practises.

In the fall of 2003, Nilfisk-Advance's E-business solution received the Danish E-business Award on the grounds that the system has greatly improved the efficiency of back-office functions in the company's sales departments.

Events after December 31, 2003

Through 2003, Nilfisk-Advance actively sought to identify acquisition targets that would help expand the company's market position.

In January 2004, as part of our plans, Nilfisk-Advance acquired the Norwegian company Rekal Mabeco A/S, who primarily sells chemicals and equipment to catering centers.

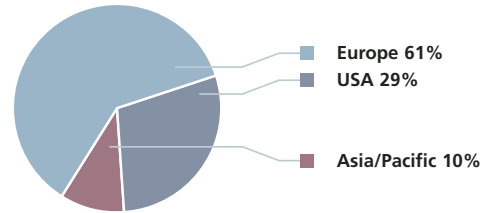
In February 2004, Nilfisk-Advance acquired the Italian producer of sweeping machines, Ecologica S.p.A. With the acquisition, Nilfisk-Advance consolidated its product program, primarily by adding outdoor sweepers, as well as its market presence.

Nilfisk-Advance also signed a letter of intent to purchase the Australian company G-Power, whose core activity is selling and distributing the high-pressure cleaners manufactured by Nilfisk-Advance under the Gerni brand. We expect to complete the transaction in March 2004.

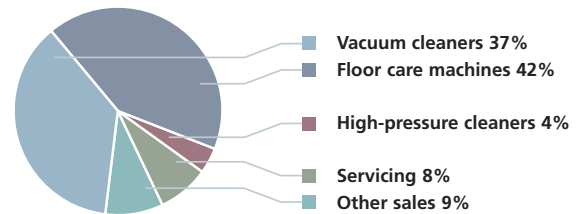
Outlook for 2004

In light of market developments that show signs of growth, Nilfisk-Advance expects an average rate of 5% organic growth over the year. Based on current exchange rates, this will translate into expected sales for 2004 of slightly above EUR 375.0 million. In terms of earnings, we expect a further improvement in our EBITA margin.

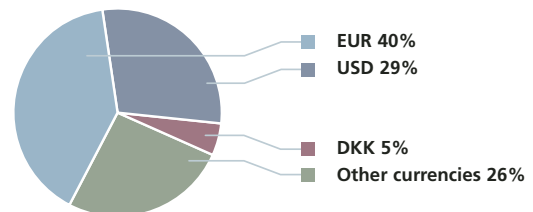
Geographic distribution of net sales



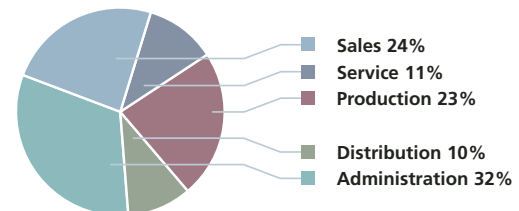
Net sales by product category



Net sales by currency



Distribution of employees



Financial Review

Nilfisk-Advance realized net sales of EUR 363.5 million and operating income (EBIT) of EUR 21.8 million. The earnings performance was over the forecast at the beginning of the year and, in addition, achieved on lower net sales than expected. Our operating income before goodwill amortization (EBITA) reached EUR 29.3 million, equivalent to an EBITA margin of 8.0%.

Income statement

Net sales

The net sales of the Group came to EUR 363.5 million, a decline of 1.2% compared to last year due primarily to the lower rate of the US dollar. Adjusted for exchange rate impact, the Group's net sales rose EUR 18.7 million, or 5.4%, based on increasing sales on all primary markets.

Cost of goods sold

The cost of goods sold, which includes service costs, amounted to EUR 204.7 million, representing 56.3% of net sales, thus being 2.9% lower than in 2002. Sustained focus on production flows, tight management of the cost base, outsourcing of non-core activities and exchange rate impact were the main drivers of the reduction in the cost of goods sold.

Selling and distribution expenses

Consolidated selling and distribution expenses amounted to EUR 76.0 million, reduced by EUR 1.1 million relative to 2002 as a result of declining foreign exchange rates.

Product development expenses

Our development expenses, including capitalized product development projects, rose from EUR 9.1 million in 2002 to EUR 11.3 million in 2003. A portion of EUR 3.9 million of total development expenses of EUR 11.3 million was recognized as intangibles. The substantial investments in product development led to significant expansion of our product program in all product areas, and we plan to bring 21 new machines to market in 2004.

Administrative expenses

The Group's administrative expenses were reduced to EUR 47.1 million in 2003 from EUR 54.0 million in 2002 – a drop of EUR 6.9 million, or 12.8%. The positive development was attributable to the introduction of shared service centers, continued optimization of administrative routines and processes and the exchange rate impact.

Amortization of goodwill and trademarks

A significant part of consolidated goodwill is amortized over a period of 20 years. For 2003, the amount amortized was EUR 7.0 million, in line with the level for 2002. Amortization of trademarks amounted to EUR 0.4 million in 2003.

Other operating income

Other operating revenue came to EUR 0.4 million in 2003, against EUR 1.4 million in 2002. The income represents primarily legal settlements and rental income in Nilfisk-Advance Inc.

Financial items

Net interest expenditure was reduced to EUR 1.9 million in 2003, from EUR 4.5 million in 2002, due to repayment of net interest bearing debt, the lower level of interest rates and exchange rate gains.

Operating and net income

The realized operating income before goodwill amortization (EBITA) was EUR 29.3 million, equivalent to an EBITA margin of 8.0%, against 5.6% in 2002. EBIT performance was EUR 21.8 million, an increase of EUR 9.0 million compared to 2002. Net income for the year reached EUR 20.0 million, an improvement of EUR 12.3 million.

Corporate income tax

The parent company and a number of its subsidiaries are taxed jointly with NKT Holding A/S, the parent of Nilfisk-Advance A/S. The income tax charge for 2003 was EUR 0.1 million, compared to a charge of EUR 0.6 million in 2002. The expected tax liability, based on the current Danish rate of corporate income tax of 30 per cent, would amount to an expense of EUR 3.3 million after exclusion of the income of the Danish jointly taxed companies. The differential of EUR 3.2 million is primarily related to the changes in value adjustment of tax assets and further to the tax effects of differences between Danish and non-Danish tax rates, non-deductible goodwill amortization and costs, non-taxable income and other adjustments. A specification is shown in note 9.

Statement of cash flows

Cash flows

The Group generated a positive free cash flow of EUR 20.0 million in 2003, based primarily on the improved operating income but also the continuing efforts to reduce inventories. At the end of 2003, our working capital was equal to 19.8% of sales.

In 2003, an amount of EUR 1.8 million was applied to purchase new sales subsidiaries in Greece, Russia and the Czech Republic. The cash flow from financing activities was EUR -26.9 million, as the Group repaid long-term borrowing. The year's total cash flows from operating, investing and financing activities produced a negative amount of EUR 7.0 million.

Balance sheet

A summary of the consolidated balance sheet is shown in Figure 1.

Goodwill

Goodwill is mainly related to Nilfisk-Advance Inc., Euroclean/Kent, CFM and the acquisition of sales activities in Italy from a distributor. A substantial part of the goodwill is accounted for in the financial statements of foreign subsidiaries and translated from foreign currencies.

In 2003, goodwill was reduced further from EUR 83.0 million to EUR 71.0 million, corresponding to the EUR 6.6 million amortization for the year and negative net translation adjustments of goodwill amounts in foreign currency of EUR 7.5 million. In addition, an amount of EUR 2.1 million was added when our new sales subsidiaries were acquired.

The value of goodwill is assessed continuously based on the development in the Group's performance and cash generation. The value of goodwill is assessed every year and written down to the extent considered necessary. Based on the latest forecasts of earnings and cash flow, no revaluation was required at December 31, 2003.

Property, plant and equipment

The Group's property, plant and equipment amount to EUR 26.2 million compared to EUR 29.2 million in 2002. In 2003, investments amounted to EUR 7.0 million, divested assets amounted to EUR 0.6 million and exchange adjustments came to EUR -2.2 million. In addition, depreciation for the year totaled EUR 7.2 million.

Inventories

At the end of the year, the value of the Group's inventories was EUR 51.9 million, compared to EUR 56.3 million at the end of 2002. The 7.7% improvement was achieved by sustained focus on reducing the Group's inventories.

Shareholders' equity

Consolidated shareholders' equity is EUR 109.1 million, against EUR 101.7 million at the end of 2002. The changes in equity for 2003 are shown on page 21.

The foreign currency adjustment of equity interests in subsidiaries includes a negative adjustment by EUR 9.4 million of a long-term advance to Nilfisk-Advance Inc. amounting to USD 62 million, because the advance is considered part of the net investment in the subsidiary.

The Group's equity ratio rose to 43.6%, from 37.1% in 2002, primarily as a result of the significant reduction in working capital.

Provisions

In the course of the year, an expense of EUR 0.5 million was applied to relocate manufacturing activities in Brøndby. Warranty obligations of EUR 6.6 million were recognized in 2003, against EUR 7.4 million in 2002.

Interest bearing debt

In 2003, net interest bearing debt was reduced by EUR 18.5 million to EUR 62.7 million and corresponds to 41.0% of the Group's total capital employed.

Financial risk exposure

The most important financial risks of the Group are currency and interest rate exposure.

Currency exposure is due to the inconsistency of revenue and expenditure in each currency. The Group has higher revenue in certain currencies and higher expenses in other currencies, including domestic currency, and covers this risk by hedging transactions in foreign currency up to one calendar year ahead using forward currency contracts.

The parent company's investment in its subsidiaries is not hedged. The resulting negative foreign exchange adjustment for 2003, amounting to EUR 12.5 million, was recognized in shareholders' equity.

At the end of the year the Group had acquired forward currency contracts totaling EUR 44.3 million to hedge the local currencies of sales and manufacturing subsidiaries. A specification is shown in note 16 to the financial statements.

Financial Review

FIGURE 1.

Summary of consolidated balance sheet

Assets	EUR m
Goodwill	71.0
Other non-current assets	39.7
Total non-current assets	110.7
Current assets	139.6
Total assets	250.3
Liabilities	
	EUR m
Shareholders' equity	109.1
Minority interests	0.5
Provisions	10.6
Long-term debt	1.1
Short-term debt	129.0
Total liabilities	250.3

FIGURE 2.

Interest bearing assets and liabilities

EUR m	Floating rate	Fixed rate 1 - 2 years	2 - 5 years
Cash and cash equivalents	6.3		
Long-term interest bearing	0.9	0.1	0.2
Short-term interest bearing	67.8		
Net	62.4	0.1	0.2
Total interest bearing assets and liabilities			62.7

Interest rate exposure reflects the potential impact on the Group's earnings of movements in market rates relating to interest bearing assets and liabilities as shown in Figure 2.

For the Group's cash and cash equivalents and its short-term interest-bearing debt, cash pooling is carried out, partly through the Group's bankers and partly by integrating the Group's borrowing and deposit requirements handled by the corporate finance function of the parent company, NKT Holding A/S.

The greater part of the Group's interest-bearing debt carries interest at rates below 5% p.a.

For the Group's net interest-bearing debt, the income impact of a one percentage point movement in market interest rates will be in the magnitude of EUR 0.6 million.

At the end of the year, the Group had not hedged its interest rate risk by means of FRAs (Forward Rate Agreements), futures or long-term interest rate swaps.

Distribution of net income

The Board of Directors recommends to the Annual General Meeting that the Company distribute a dividend of EUR 1 per share of DKK 100, equal to EUR 4.0 million or 7.5 per cent of the capital stock of EUR 53.9 million, and thus corresponding to 20.2% of net income. It is recommended to transfer the remainder of the net income for the year, of EUR 15.9 million, to the general reserves of shareholders' equity.

Staff

At the end of 2003, the staff of the Group was 2,063, against 2,053 at the end of 2002, after cuts in the administrative staff, which were balanced out by additions due to the acquisition of new companies.

Corporate structure

The Group has acquired 51% of a company in the Czech Republic, 67% of a company in Greece and taken over an activity in Russia. In addition, sales subsidiaries have been set up in Poland and Russia. The structure of the Group is shown on page 30.

Ownership

Nilfisk-Advance A/S is wholly owned by NKT Holding A/S and its financial statements are integrated in the consolidated financial statements of NKT Holding A/S, DK-Brøndby.

Branches

The production facility and sales company in Sweden are branches of Nilfisk-Advance A/S and included in its Annual Report.

Quality management

The Group's manufacturing sites in Denmark, Sweden and Italy are all certified in accordance with the ISO 9001:2000 standard.

Environmental certification

The Danish manufacturing sites in Brøndby and Randers were certified to the ISO 14001 standard in 1999.

Management's Report and Auditors' Report

Management's report and auditors' report

Management's report on the financial statements

The Board of Directors and Management have today discussed and adopted the consolidated financial statements, the financial statements of the parent company and the annual report.

The consolidated financial statements and the financial statements of the parent company have been prepared in compli-

ance with current Danish accounting regulations. In our view the accounting policies used are appropriate, and the financial statements thus present fairly the Group's and the parent company's financial position.

We recommend adoption of the consolidated financial statements and the financial statements of the parent company by the Annual Shareholders' Meeting.

Brøndby, February 27, 2004

Management

Johan Molin
President and CEO

Christian Cornelius-Knudsen
Executive Vice President

Jørgen Jensen
Executive Vice President

Claus Michelsen
Executive Vice President and CFO

Board of Directors

Tom Knutzen
Chairman

Arne Dan Kjærulff
Elected by the employees

Christian Kjær
Vice-Chairman

Ole Leicht Madsen
Elected by the employees

Karin Arnstedt
Elected by the employees

Christian Ussing-Nielsen
Elected by the employees

Thomas Hofman-Bang

Auditors' report

To the Shareholders of Nilfisk-Advance A/S

We have audited the annual report of Nilfisk-Advance A/S for the financial year 1 January – 31 December 2003.

The annual report is the responsibility of the Management and Board of Directors. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of Opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclo-

ures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Management and Board of Directors, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2003 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2003 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Brøndby, February 27, 2004

KPMG C.Jespersen

Statsautoriseret Revisionsinteressentskab

Finn L. Meyer
statsaut. revisor

J. Skovbæk Johansen
statsaut. Revisor

Accounting Policies

Basis of accounting

The Annual Report and Consolidated Financial Statements of Nilfisk-Advance A/S for 2003 have been prepared in conformity with the provisions of the Danish Financial Statements Act for Class C companies and Danish accounting standards.

The annual report and the consolidated financial statements are presented in Euro as this is regarded as the Group's functional currency.

Consolidated financial statements

The consolidation includes Nilfisk-Advance A/S (the parent company) and the subsidiaries in which the Nilfisk-Advance Group holds a voting majority and/or a controlling interest. Companies which are not subsidiaries and in which the Nilfisk-Advance Group holds 20% or more of the voting rights and has significant influence on their operating and financial management are viewed as affiliated companies.

The consolidated financial statements are prepared on the basis of the financial statements of Nilfisk-Advance A/S and its subsidiaries. The financial statements applied in the consolidation are prepared in accordance with the Group's accounting policies.

The consolidation includes elimination of inter-company revenue and expenditure, inter-company balances and profits and losses on transactions between consolidated companies.

Newly acquired or newly established companies are included in the consolidated financial statements from the date of acquisition. Companies that have been sold are included in the income statement for the year of sale until the date of disposal.

Goodwill is stated as the difference between the purchase price and the net asset value of the acquiree at the time of acquisition, made up according to the group accounting policies and after adjustments, if any, of the value of its assets and liabilities. Provisions are made for liabilities related to restructuring activities in the acquiree that have been decided upon in connection with the acquisition.

Goodwill is amortized over a period of 5 years. For major, strategic acquisitions with a strong market position and long earnings impact, goodwill is amortized over a maximum period of 20 years.

The value of equity interests in affiliated companies is measured by the equity method at the proportionate equity interest in the company with addition of goodwill and deducting amortized goodwill. Inter-company profits and losses are eliminated on a proportionate basis. The proportionate share of the net income of affiliated companies is included in the statement of income.

Consolidated net income and shareholders' equity are stated with the minority interests' share of the net income and equity capital of the subsidiaries shown separately in the consolidated income statement and balance sheet.

Foreign currency translation

Transactions in foreign currency are translated into Euro at the exchange rates of the dates of transaction.

Accounts receivable and payable in foreign currency are translated into Euro at the exchange rates ruling on the balance sheet date or the hedged exchange rates. Realized as well as unrealized exchange gains and losses are taken to income, stated under interest income and expenses.

The income statements of foreign subsidiaries and affiliates are translated into Euro using the exchange rates ruling on the date of transaction, whereas their balance sheets are translated at year-end rates.

Foreign exchange adjustment of the equity capital of consolidated foreign companies at the beginning of the year as well as the adjustment of their income statements from the exchange rates of the date of transaction to year-end rates are taken to consolidated shareholders' equity.

Financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognized as receivables or payables and in capital and reserves. Income and expenses relating to such hedging transactions are transferred from capital and reserves on realization of the hedged item and recognized in the same item as the hedged item.

Income statement

Net sales

Revenues earned on the sale of products and services are included in net sales as the revenue is invoiced. Continuous service contracts are taken to income over the periods of the contracts.

Cost of goods sold

The cost of goods sold includes direct and indirect manufacturing expenses, including salaries and depreciation of manufacturing equipment.

Product development expenses

Product development expenses include expenses, salaries and amortization directly or indirectly related to the Group's development activities.

Development projects, if they are clearly defined and identifiable, for which technical feasibility, adequate resources and a potential future market can be established, and where the project is intended to be manufactured,

marketed or used otherwise, are recognized as assets, provided there is correlation between the expenses paid and future earnings.

Capitalized development projects are amortized by the straight-line method over their estimated useful lives after the development work has been completed.

Other operating revenue

Other operating revenue includes items of a secondary character relative to the main purpose of activities, including grants, reimbursements and gains on the sale of property, plant and equipment.

Net income of subsidiary and affiliated companies

The net income of subsidiary and affiliated companies is included in the income statement of the parent company at the proportionate shares of the income before tax of such companies. The net income of subsidiaries and affiliates is adjusted for changes in unrealized profits on inventories and other assets bought and sold between consolidated companies.

The parent company's proportionate share of the corporate income tax of subsidiary and affiliated companies is stated together with the income tax of the parent company.

Financial items

Interest income and expenditure comprise interest income and expenses, realized gains and losses on the redemption and sale of securities, unrealized losses on securities as well as realized and unrealized foreign exchange gains and losses on accounts receivable and payable in foreign currency.

Corporate income tax

The Group's corporate income tax charge is expensed together with recognition of the year's adjustment of provisions for deferred income tax. The parent company and a number of its subsidiaries are taxed jointly with NKT Holding A/S, the parent company of Nilfisk-Advance A/S.

NKT Holding A/S makes provisions for and pays the total Danish income tax on the jointly taxed income, as well as provisions for the deferred income tax of jointly taxed Danish companies are made exclusively in the parent company.

Provision for deferred income tax in foreign companies is made by the liability method based on the difference between values recognized for accounting and tax purposes. Provisions for deferred income tax are made for inventories, receivables, non-current assets and other temporary changes in revenue and expenditure recognized for accounting and tax purposes.

No provisions are made with respect to the tax payable in some countries on repatriation of reserves from subsidiary companies.

Deferred tax receivables, including the tax value of deferrable tax losses, are recognized at the value at which they are expected to be utilized, by set off either against tax on future earnings or against provisions for deferred income tax within the same legal tax entity and tax jurisdiction.

Deferred income tax is measured based on the tax rules and tax rates of the respective countries that will apply according to the legislation in force at the balance sheet date when the deferred tax is expected to crystallize as a current tax liability.

Consolidated statement of cash flows

The statement of cash flows shows the cash flows of the Group during the year and its net cash position at the end of the year. The cash flows are related to the three principal areas: operating, investing and financing activities.

The statement of cash flows is prepared presenting the cash flow from operating activities indirectly, based on the operating income accounted for in the Income Statement.

The consolidated statement of cash flows is adjusted at the beginning of the year for addition and disposal of assets and liabilities in connection with the purchase and sale of subsidiaries.

Net cash and cash equivalents

Net cash and cash equivalents include all cash, cash equivalents and marketable securities shown in the current assets section.

Cash flow from operating activities

The cash flow from operating activities is stated as the income on operating activities adjusted for non-cash operating items and adding the increase or reduction of the working capital, cash financing income and expenses, extraordinary items paid and less payment of corporate income tax.

Cash flow from investing activities

The cash flow from investing activities comprises the purchase and sale of non-current assets, including equity interests in companies and the purchase and sale of activities that are part of acquisitions, i.e. assets less liabilities.

Investments in property, plant and equipment are stated exclusive of assets that are part of acquisitions, as the acquisition price of such assets is included in acquired activities.

Acquisition prices are stated at cost including any goodwill.

Sale prices are stated at the price of the activity sold less selling expenses.

Cash flow from financing activities

The cash flow from financing activities comprises payments to and from shareholders and the raising and repayment of mortgage debt and other long-term debt.

Balance sheet

Intangibles

Intangibles are measured at cost less accumulated write-down and amortization. The assets are amortized and written down by the straight-line method over their expected useful lives as follows:

Goodwill	Up to 20 years
Development projects	3 - 5 years
Trademarks	Up to 20 years

Amortization and writing-down periods are determined on the basis of management's experience in the Group's business areas and reflect in the management's opinion the best estimate of the useful lives of the assets.

Property, plant and equipment

Land and buildings, technical plant and machinery as well as other plant, operating equipment and furniture are measured at cost less accumulated depreciation.

The cost of the assets covers their price of acquisition and expenses related directly to the acquisition until the time when the asset is ready for use. For assets manufactured within the Group, the cost comprises direct and indirect costs of materials, components, sub-supplies and wages and salaries.

The basis of depreciation is made up at the time when use of the asset is commenced, at the acquisition price or at cost reduced by the expected scrap value. Depreciation is commenced when the asset is taken into use and is carried out on a straight-line basis over the expected useful life of the asset, down to the expected scrap value. The expected useful lives of major assets are fixed on an individual basis, whereas the lives of other assets are fixed for groups of uniform assets.

The expected useful lives are:

Buildings	25 years
Technical installations in buildings	10 years
Technical plant and machinery	8 years
Tools and equipment	4-8 years
Computer equipment	4-5 years
Automobiles	5 years

Assets whose acquisition price or cost is less than EUR 2,700 and assets with useful lives of less than 3 years are expensed in the year of acquisition.

Impairment test

Intangibles and property, plant and equipment are written down to the recoverable amount if this is lower than the book value of the assets. Each asset or group of assets is subjected to impairment tests annually.

Investments

The value of equity interests in subsidiary and affiliated companies is stated in the financial statements of the parent company by the equity method at the proportionate equity interests in the companies with addition of consolidated goodwill less amortization and less unrealized intra-group profits.

Other securities and investments comprise listed shares stated at their listed prices at the end of the fiscal year as well as unlisted securities stated at estimated values.

Inventories

Raw materials and consumables as well as merchandise are measured at cost. Goods in process and finished products are stated at cost with addition of process costs and other expenses that are directly and indirectly attributable to the particular products. Products for which the expected selling price less any finishing expenses and expenses necessary for completing the sale (the net realizable value) is lower than their purchase price or cost are written down to their net realizable value.

The value of inventories is stated after write-down due to obsolescence and slow marketability.

Accounts receivable

Accounts receivable is measured at their amortized cost less allowance for expected bad debts.

Marketable securities

Marketable securities are measured at their fair market value at the date of the balance sheet.

Dividends

Proposed dividends are recognized as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under capital and reserves.

Other provisions

Provisions cover expected costs of warranty liability, restructuring, etc. Provisions are recognized when the Group has a legal or constructive obligation resulting from events in the fiscal year or prior years and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Share option plan for Group Management

The Share option plan is considered as an equity instrument and not recognized in the balance sheet or income statement.

Income Statement

January 1 - December 31, 2003 - all amounts in EUR '000

PARENT COMPANY		GROUP			
2002	2003			2003	2002
151,902	161,005	Net sales	1	363,471	367,769
(114,575)	(119,660)	Cost of goods sold	2	(204,698)	(210,826)
37,327	41,345	Gross margin		158,773	156,943
(16,299)	(16,755)	Selling and distribution expenses	2	(75,990)	(77,072)
(2,995)	(3,239)	Product development expenses	2	(7,398)	(6,742)
(14,398)	(12,608)	Administrative expenses	2	(47,098)	(54,004)
(1,460)	(1,671)	Amortization of goodwill and trademarks	6	(7,420)	(7,860)
142	596	Share of income of affiliated companies (before tax)		596	142
559	363	Other operating income		376	1,389
(34,451)	(33,314)	Total expenses		(136,934)	(144,147)
2,876	8,031	Income from operation		21,839	12,796
4,279	11,304	Share of income of subsidiaries (before tax)	3		
4,789	3,500	Financial income	4	1,067	1,203
(3,598)	(2,863)	Financial expenses	4	(2,917)	(5,681)
5,470	11,941	Financial items		(1,850)	(4,478)
8,346	19,972	Income before tax		19,989	8,318
(715)	(28)	Tax on the year's income	9	(63)	(617)
7,631	19,944	Net income		19,926	7,701
		Minority interests' share		(18)	70
		Nilfisk-Advance A/S share of net income		19,944	7,631
		Distribution of net income			
-	4,030	Proposed dividends			
7,631	15,914	Retained earnings			
7,631	19,944				
		Employee expenses	5		

Balance Sheet

January 1 - December 31, 2003 - all amounts in EUR '000

PARENT COMPANY			GROUP	
2002	2003	Note	2003	2002
		Assets		
-	660	Development projects	3,313	540
2,100	1,664	Trademarks	1,664	2,100
16,733	16,090	Goodwill	70,982	83,022
539	1,042	Development projects in progress	2,100	1,822
19,372	19,456	Intangibles	78,059	87,484
1,866	1,708	Land and buildings	10,603	12,596
3,059	2,653	Technical plant and machinery	4,651	6,022
3,341	3,982	Other plant, operating equipment, furniture, etc.	9,566	10,111
407	967	Plant assets in process	1,423	450
8,673	9,310	Property plant and equipment	26,243	29,179
50,851	56,716	Equity interests in subsidiaries		
60,759	49,734	Advances to subsidiaries		
1,898	1,393	Equity interests in affiliated companies	1,458	1,964
-	-	Equity interests in other undertakings	14	17
387	75	Other investments	548	861
-	-	Deferred tax assets	4,385	700
113,895	107,918	Investments	6,405	3,542
141,940	136,685	Total non-current assets	110,707	120,205
23,127	21,426	Inventories	51,938	56,250
9,267	8,169	Trade accounts receivable	73,098	71,106
12,448	13,414	Subsidiaries		
990	1,731	Group companies	-	3,652
-	-	Associated companies	-	450
2,178	2,958	Other receivables	4,220	4,014
380	791	Prepaid expenses	4,113	2,851
25,263	27,063	Receivables	81,431	82,073
-	-	Marketable securities	25	297
1,530	695	Cash	6,236	15,500
49,920	49,183	Total current assets	139,630	154,120
191,860	185,868	Total assets	250,337	274,325

Consolidated Statement of Cash Flow

Amounts in EUR '000

	Note	GROUP	
		2003	2002
Income from operations		21,839	12,796
Adjustments for:			
Depreciation		7,850	8,194
Amortization of goodwill		7,420	7,860
Provisions		(1,527)	(501)
Inventory movements		2,228	7,465
Change in accounts receivable		(3,783)	10,030
Change in trade accounts payable and other payables		1,007	(2,414)
Cash flow from primary activities		35,034	43,430
Financial items		(1,850)	(4,478)
Corporate income tax paid		(2,581)	(2,916)
Cash flow from operating activities		30,603	36,036
Purchase of intangible assets		(3,610)	(2,409)
Purchase of property, plant and equipment		(7,246)	(5,280)
Sale of property, plant and machinery		760	1,224
Acquisition of companies	13	(1,775)	(10,256)
Divestment of companies	13	943	-
Other investments		302	(289)
Cash flow from investing activities		(10,626)	(17,010)
Free cash flow		19,977	19,026
Change in long-term debt		(609)	(26,730)
Change in short-term debt		(26,319)	5,549
Minority interests		(16)	(8)
Cash flow from financing activities		(26,944)	(21,189)
The year's cash flows from operating, investing and financing activities		(6,967)	(2,163)
Net cash and cash equivalents at beginning of year		15,797	20,167
Foreign exchange gains/losses		(2,569)	(2,207)
The year's cash flows from operating, investing and financing activities		(6,967)	(2,163)
Net cash and cash equivalents at end of year		6,261	15,797

Equity for the year ended December 31. Amounts in EUR '000

PARENT COMPANY

	<i>Capital stock</i>	<i>Net Revaluation by the equity method</i>	<i>Proposed dividends</i>	<i>Retained earnings</i>	<i>Shareholders equity</i>
Statement of changes in Shareholders' equity					
Balance at January 1, 2002	53,877			54,828	108,705
Result for the year				7,631	7,631
The year's transfer to net revaluation surplus		99		(99)	
Exchange adjustment of opening equity of parent company				164	164
Exchange adjustment of opening equity of subsidiaries				(4,236)	(4,236)
Exchange adjustment of advances to subsidiaries				(11,273)	(11,273)
Exchange adjustment of net income of subsidiaries				489	489
Value adjustment of hedging instruments				218	218
Balance at January 1, 2003	53,877	99		47,722	101,698
Result for the year				19,944	19,944
The year's transfer to net revaluation surplus		304		(304)	-
Exchange adjustment of opening equity of parent company				(182)	(182)
Exchange adjustment of opening equity of subsidiaries				(3,091)	(3,091)
Exchange adjustment of advances to subsidiaries (cf. Note 8)				(9,390)	(9,390)
Exchange adjustment of net income of subsidiaries				(226)	(226)
Value adjustment of hedging instruments				392	392
Proposed dividends			4,030	(4,030)	-
Balance at December 31, 2003	53,877	403	4,030	50,835	109,145
The capital stock consists of 4,000,000 class A shares at DKK 100					
GROUP					
	<i>Capital stock</i>		<i>Proposed dividends</i>	<i>Retained earnings</i>	<i>Shareholders equity</i>
Balance at January 1, 2002	53,877			54,828	108,705
Result for the year				7,631	7,631
Exchange adjustment of opening equity of parent company				164	164
Exchange adjustment of opening equity of subsidiaries				(4,236)	(4,236)
Exchange adjustment of advances to subsidiaries (cf. Note 8)				(11,273)	(11,273)
Exchange adjustment of net income of subsidiaries				489	489
Value adjustment of hedging instruments				218	218
Balance at January 1, 2003	53,877			47,821	101,698
Result for the year				19,944	19,944
Exchange adjustment of opening equity of parent company				(182)	(182)
Exchange adjustment of opening equity of subsidiaries				(3,091)	(3,091)
Exchange adjustment of advances to subsidiaries (cf. Note 8)				(9,390)	(9,390)
Exchange adjustment of net income of subsidiaries				(226)	(226)
Value adjustment of hedging instruments				392	392
Proposed dividends			4,030	(4,030)	-
Balance at December 31, 2003	53,877		4,030	51,238	109,145
Capital Stock	1999	2000	2001	2002	2003
Class A shares at DKK 100	3,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Notes

All amounts in EUR '000

PARENT COMPANY		Note	GROUP	
2002	2003		2003	2002
		1 Net sales		
		Net sales broken down by region, product category and currency are shown by the charts on page 9.		
		2 Depreciation		
		The year's depreciation of property, plant and equipment is included in the following costs and expenses as follows:		
2,194	2,163	Cost of goods sold, etc.	4,001	4,162
381	110	Selling and distribution expenses	661	899
81	113	R&D expenses	534	89
368	606	Administrative expenses	2,654	2,992
3,024	2,992	Total depreciation for the year	7,850	8,142
		3 Share of income of subsidiaries (before tax)		
1,592	12,814	Share of net profit		
2,984	(1,095)	Movement in intercompany profits		
(297)	(415)	Amortization of consolidated goodwill, parent company		
4,279	11,304			
		4 Financial items		
-	-	Interest on bank deposits, etc.	260	248
4,362	3,297	Interest receivable from subsidiaries		
427	203	Other interest income and net exchange gains	807	955
4,789	3,500	Total financial income	1,067	1,203
1,246	1,531	Interest on loan from parent company	2,430	2,904
20	71	Interest on loan from subsidiaries	-	-
1,575	89	Interest on long-term debt	135	848
191	148	Interest on short-term debt	225	332
566	1,024	Other interest	127	1,597
3,598	2,863	Total financial expenses	2,917	5,681
		5 Employee expenses		
21,786	19,621	Wages and salaries	89,977	94,808
1,137	1,130	Pension plans and pension contributions	6,872	7,321
2,855	3,274	Social security expenses	10,202	12,745
25,778	24,025	Total employee expenses	107,051	114,874
76	74	Remuneration of the Board	74	76
855	1,452	Remuneration of the Management	1,780	1,222
539	496	Average number of full-time employees	2,049	2,116

PARENT COMPANY

Note	PARENT COMPANY			
	<i>Development projects</i>	<i>Trademarks</i>	<i>Goodwill</i>	<i>Development projects in progress</i>
6 Intangible assets				
Cost:				
Cost at January 1, 2003	-	2,291	21,833	539
Exchange adjustment of opening value	-	30	152	-
Additions during the year	-	-	522	1,206
Disposals during the year	-	-	-	-
Transfer to/from other items	703	-	-	(703)
Cost at December 31, 2003	703	2,321	22,507	1,042
Amortization:				
Accumulated amortization at January 1, 2003	-	191	5,100	-
Exchange adjustment of opening value	-	2	29	-
Disposals during the year	-	-	-	-
Amortization for the year	43	464	1,288	-
Transfer to/from other items	-	-	-	-
Accumulated amortization at December 31, 2003	43	657	6,417	-
Book value at December 31, 2003	660	1,664	16,090	1,042
	GROUP			
	<i>Development projects</i>	<i>Trademarks</i>	<i>Goodwill</i>	<i>Development projects in progress</i>
Cost:				
Cost at January 1, 2003	586	2,291	126,497	1,822
Exchange adjustment of opening value	(6)	30	(12,422)	(101)
Additions from purchase group companies	-	-	-	(269)
Additions during the year	-	-	2,144	3,874
Disposals during the year	-	-	-	-
Transfer to/from other items	3,226	-	-	(3,226)
Cost at December 31, 2003	3,806	2,321	116,219	2,100
Amortization:				
Accumulated amortization at January 1, 2003	46	191	43,475	-
Exchange adjustment of opening value	(1)	2	(4,871)	-
Disposals during the year	-	-	-	-
Amortization for the year	448	464	6,633	-
Transfer to/from other items	-	-	-	-
Accumulated amortization at December 31, 2003	493	657	45,237	-
Book value at December 31, 2003	3,313	1,664	70,982	2,100

Notes

All amounts in EUR '000

PARENT COMPANY

Note	<i>Land and buildings</i>	<i>Technical plant and machinery</i>	<i>Other plant equipment furniture</i>	<i>Plant assets in process</i>
7 Property, plant and equipment				
Cost:				
Cost at January 1, 2003	3,140	19,481	9,489	407
Exchange adjustment of opening value	1	(20)	58	4
Additions/disposal from/to purchase group companies	-	(32)	-	-
Additions during the year	6	1,013	1,703	904
Disposals during the year	(16)	(115)	(242)	-
Transfer to/from other items	-	(573)	921	(348)
Cost at December 31, 2003	3,131	19,754	11,929	967
Depreciation				
Accumulated depreciation at January 1, 2003	1,274	16,422	6,148	-
Exchange adjustment of opening value	-	(31)	24	-
Additions/disposal from/to purchase group companies	-	(22)	-	-
Disposals during the year	(14)	(80)	(161)	-
Depreciation for the year	163	1,243	1,505	-
Transfer to/from other items	-	(431)	431	-
Accumulated depreciation at December 31, 2003	1,423	17,101	7,947	-
Book value at December 31, 2003	1,708	2,653	3,982	967
GROUP				
	<i>Land and buildings</i>	<i>Technical plant and machinery</i>	<i>Other plant equipment furniture</i>	<i>Plant assets in process</i>
Cost:				
Cost at January 1, 2003	20,489	29,585	34,910	450
Exchange adjustment of opening value	(1,893)	(1,499)	(1,954)	-
Additions from acquisitions of companies	-	15	451	110
Additions during the year	191	1,182	3,980	1,250
Disposals during the year	(16)	(217)	(3,115)	-
Transfer to/from other items	22	(634)	999	(387)
Cost at December 31, 2003	18,793	28,432	35,271	1,423
Depreciation				
Accumulated depreciation at January 1, 2003	7,893	23,563	24,799	-
Exchange adjustment of opening value	(641)	(1,086)	(1,553)	-
Acc. Depreciation from acquisitions of companies	-	-	221	-
Disposals during the year	(14)	(167)	(2,532)	-
Depreciation for the year	952	1,957	4,284	-
Transfer to/from other items	-	(486)	486	-
Accumulated depreciation at December 31, 2003	8,190	23,781	25,705	-
Book value at December 31, 2003	10,603	4,651	9,566	1,423

The book value of the Group's foreign property is EUR 9.2 million (EUR 11.2 million in 2002).

The value of the Group's Danish property is EUR 2.3 million based on the public land assessment at January 1, 2002 (EUR 2.4 million at January 1, 2001). The book value of Danish property is EUR 1.0 million (EUR 1.1 million in 2002)

PARENT COMPANY

Note	PARENT COMPANY		
	<i>Equity interests in subsidiaries</i>	<i>Advances to subsidiaries</i>	<i>Equity interests in affiliated companies</i>
8 Investments			
Cost:			
Cost at January 1, 2003	121,687	53,795	1,799
Exchange adjustment of opening value	-	(165)	(5)
Additions during the year	3,050	-	-
Disposals during the year	(582)	(1,470)	(804)
Cost at December 31, 2003	124,155	52,160	990
Revaluation:			
Revaluation at January 1, 2003	(73,287)	6,964	99
Foreign exchange adjustments	(2,538)	(9,390)	-
Movements during the year	11,037	-	595
Disposals during the year	-	-	(291)
Dividends	(5,207)	-	-
Revaluation at December 31, 2003	(69,995)	(2,426)	403
Net book value at December 31, 2003	54,160		
Negative equity set of against advances	2,556	-	-
Book value at December 31, 2003	56,716	49,734	1,393
	GROUP		
	<i>Equity interests in affiliated companies</i>	<i>Equity interests in other undertakings</i>	<i>Other investments</i>
Cost:			
Cost at January 1, 2003	1,821	17	938
Foreign exchange adjustment	(5)	(3)	(11)
Additions from acquisitions of companies	-	-	22
Additions during the year	-	-	28
Disposals during the year	(818)	-	(336)
Transfer to/from other items	-	-	-
Cost at December 31, 2003	998	14	641
Revaluation:			
Revaluation at January 1, 2003	143	-	(77)
Foreign exchange adjustment	-	-	-
Additions during the year	595	-	(16)
Disposals during the year	(278)	-	-
Revaluation at December 31, 2003	460	-	(93)
Book value at December 31, 2003	1,458	14	548

Advances to subsidiaries consist of one loan of USD 62 million stated at the exchange rates at December 31, 2003. The translation gain/loss of the USD loan is taken directly to equity, as the advance is considered part of the net investment in the subsidiary. Consolidated goodwill is included in investments of the parent company to the extent of EUR 5.1 million at December 31, 2003.

Notes

All amounts in EUR '000

Note	<i>Payable income tax</i>	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>Income tax charged to income</i>
9 Corporate income tax				
Balance at January 1, 2003	806	700	269	-
Exchange adjustment of opening value	(71)	(5)	(23)	-
Income tax paid during the year	(2,581)	-	-	-
Tax on the net income for the year	3,283	3,690	470	63
Prepaid income tax transferred to other receivables	482	-	-	-
Balance at December 31, 2003	1,919	4,385	716	63
	DEFERRED TAX			
	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>2003 Deferred tax Net</i>	<i>2002 Deferred tax Net</i>
Intangibles	997	2,539	(1,542)	(1,473)
Property, plant and equipment	238	1,721	(1,483)	(2,354)
Investments	2,879	2,879	-	(4)
Current assets	1,407	1,977	(570)	(1,387)
Provisions	1,059	464	595	809
Long-term debt	-	-	-	102
Short-term debt	1,542	385	1,157	2,634
Tax loss carryforward	12,929	-	12,929	18,347
Value adjustments	179	7,596	(7,417)	(16,243)
Deferred tax assets and liabilities	21,230	17,561	3,669	431
Set off within legal entity and jurisdiction	(16,845)	(16,845)	-	-
Balance at December 31, 2003	4,385	716	3,669	431
	INCOME TAX			
The income tax on the net income for the year may be specified as follows:			2003	2002
Income before tax			19,989	8,318
Less profit before tax for jointly taxed danish companies			(9,154)	(5,725)
Adjusted Group income before tax			10,835	2,593
Calculated income tax at 30% on income before tax			3,250	778
Adjustment of calculated income tax of foreign subsidiaries			756	290
Tax impact of:				
Non-taxable revenue			(98)	(233)
Non-deductible amortization of goodwill			979	1,397
Other non-deductible expenses			386	597
Tax loss carryforward not used for 2003			57	868
Tax losses carried forward from prior years			(1,165)	(892)
Other adjustments			(4,102)	(2,188)
			63	617

The parent company has no current or deferred income tax liability, as well as the parent company paid no income tax during the year. The parent company's proportionate share of the income tax of subsidiaries is included in the tax charged in its income statement. The parent company and a number of its subsidiaries are taxed jointly with NKT Holding A/S, the parent company of Nilfisk-Advance A/S.

PARENT COMPANY

GROUP

2002	2003	Note	2003	2002
		10 Inventories		
4,848	4,200	Raw materials and consumables	14,870	16,021
607	688	Goods in process	789	869
17,672	16,538	Finished products and merchandise	36,279	39,360
23,127	21,426	Total	51,938	56,250
		11 Other provisions		
501	-	Restructuring	-	501
1,785	1,793	Warranty provisions	6,613	7,360
-	-	Other provisions	474	1,177
2,286	1,793	Total	7,087	9,038
		Other provisions are expected to be wound up in 2004		
		12 Long-term debt falling due within one year		
-	-	Bank borrowing	18	47
160	148	Mortgage debt	148	160
435	441	Other long-term debt	441	435
595	589	Total	607	642
		13 Acquisition of companies		
		Goodwill	2,144	3,894
		Trademarks	-	2,294
		Property, plant and equipment	107	-
		Inventories	619	1,810
		Accounts receivable	1,119	-
		Cash and cash equivalents	220	-
		Minority interests	(28)	2,258
		Provisions	(44)	-
		Long-term debt	(26)	-
		Short-term bank borrowing	(1,242)	-
		Short-term debt	(874)	-
		Total	1,995	10,256
		Of which cash and cash equivalents	(220)	
			1,775	10,256
		Divestment of companies		
		Equity interest in affiliated companies	943	-
			943	-

Notes

All amounts in EUR '000

PARENT COMPANY		Note	GROUP			
2002	2003		2003	2002		
		14 Contingent liabilities and mortgages				
		Payable within one year				
1,867	1,862	Rent payment to group company	1,862	1,867		
674	807	Rent and leasing commitments for other premises, machinery, computer equipment and automobiles	5,873	5,211		
2,541	2,669		7,735	7,078		
		Payable after one year				
8,047	6,545	Rent payment to group company	6,545	8,047		
1,180	1,339	Rent and leasing commitments for other premises, machinery, computer equipment and automobiles	8,465	7,842		
9,227	7,884		15,010	15,889		
		Outstanding mortgage debt amounts to EUR 0.3 million on properties with a book value of EUR 1.0 million. The Group is party to certain legal actions etc., the outcome of which is not expected to significantly affect the net income for the year or the Group's financial position. The Group's pension schemes are computed according to local rules. On transfer to use international accounting standards (IFRS), unsecured pension liabilities may reduce book value of equity by around EUR 3.6 million. The company is taxed jointly with NKT Holding A/S and is jointly and severally liable to pay corporation taxes. As stated in note 9, certain deferred tax assets and liabilities may not be shown in the balance sheet.				
		15 Supplementary information				
		Fees to the auditors appointed by the Annual Shareholders' Meeting:				
104	114	Auditing services	434	463		
117	57	Other services	130	261		
221	171		564	724		
		16 Financial instruments				
		At the balance sheet date, the Group had acquired forward currency contracts for an amount equivalent to EUR 44.3 million to hedge its financial and commercial currency exposure according to the established foreign currency policy. The distribution of forward currency contracts by currency is as follows:				
			<i>Equivalent in EUR 31.12.03</i>	<i>Unrealized gain/loss net</i>	<i>Of which taken to income</i>	<i>Of which taken to equity</i>
		SEK	(10,577)	112	-	112
		GBP	(6,548)	134	26	108
		AUD	(10,734)	(284)	(105)	(179)
		NOK	(4,006)	153	42	111
		Other currencies	(12,461)	617	152	465
			(44,326)	732	115	617
		The forward currency contracts are expected to be realized in 2004.				
		17 Share option plan				
		Nilfisk-Advance has established an incentive plan for the Company's management based on developments in the value of the Company. The basis used is a value program calculated on the basis of 1.86% (2002: 1.64%) of the Company's capital stock. The value of the Company is calculated as realized EBITDA times a certain factor less net interest-bearing debt. The strike price is indexed over time, and the program outstanding is open for exercise in the period April 2005 to April 2009. Exercise entitlements depend on employment (not under notice) at the time of exercise. The value of the program, based on the operating income realized for 2003, is EUR 1.2 million (2002: EUR 0.3 million) assuming that the Company's financial ratios remain unchanged until the period of exercise.				

Board and Management

Group Management



Johan Molin
President and CEO
Appointed 2001

Jørgen Jensen
Executive Vice President
Appointed 2002

Claus Michelsen
Executive Vice President and CFO
Appointed 2000

Christian Cornelius-Knudsen
Executive Vice President
Appointed 1997

Board of Directors

Tom Knutzen, Chairman
President, CEO, NKT Holding A/S
Member of the Board 1996
Chairman 2000
Chairman of the Board of: NKT Flexibles I/S
Member of the Boards of: ISS A/S
FLS Industries A/S

Christian Kjær, Vice-Chairman
Attorney
Vice-Chairman of the Board 1995
Chairman of the Boards of: NKT Holding A/S
A/S Segalit af 1/4 1987
Sankt Gjertruds Stræde 10 A/S
Member of the Boards of: Aktieselskabet Potagua
Nye Kommercielle Aktiviteter Holding A/S
Ejendomsselskabet D.F.K. A/S

Karin Arnstedt
Attorney
Member of the Board 1999
Member of the Board of: Copenhagen Red Cross

Thomas Hofman-Bang
CFO, NKT Holding A/S
Member of the Board 2000
Member of the Board of: NKT Flexibles I/S

Employee members of the Board

Arne Dan Kjærulff
Tool maker
Member of the Board 2000

Ole Leicht Madsen
Machine Tool Operator
Member of the Board 2002

Christian Ussing-Nielsen
Head of Industrial vacuum cleaner production
Member of the Board 2002

Auditors

KPMG C. Jespersen

Finn L. Meyer
State authorized public accountant

J. Skovbæk Johansen
State authorized public accountant

Shareholders' Meeting

Annual Shareholders' Meeting
April 1, 2004

Nilfisk-Advance Group

NKT Holding A/S 100%

Nilfisk-Advance A/S 100%

Nilfisk-Advance Inc. - USA

* Nilfisk-Advance America, Inc - USA

* Nilfisk-Advance Canada Company - Canada

Nilfisk-Advance S.A. - France

Nilfisk-Advance S.A. - Belgium

Nilfisk-Advance B.V. - The Netherlands

Nilfisk-Advance AG - Germany

Nilfisk-Advance Limited - United Kingdom

Nilfisk-Advance Limited - Ireland

Nilfisk-Advance Nordic A/S - Denmark

Nilfisk-Advance, Lda. - Portugal

Nilfisk-Advance S.A. - Spain

Nilfisk-Advance AS - Norway

Nilfisk-Advance AG - Switzerland

Nilfisk-Advance GmbH - Austria

Nilfisk-Advance A.E. - Greece (67%)

Nilfisk-Advance Sp.z.o.o. - Poland

Nilfisk-Advance LLC - Russia

Nilfisk-Advance s.r.o. - Czech Republic (51%)

Nilfisk-Advance Sdn Bhd - Malaysia

Nilfisk-Advance Pte. Ltd - Singapore

Nilfisk-Advance Co. Ltd - Thailand

Nilfisk-Advance Inc. - Japan

Nilfisk-Advance Ltd - Hong Kong

* Nilfisk-Advance Ltd - China

* Nilfisk-Advance Ltd. - Taiwan

Nilfisk-Advance Pty. Ltd - Australia (95%)

Nilfisk-Advance Limited - New Zealand

CFM S.p.A. - Italy

* CFM Reitek GmbH - Germany (70%)

* CFM France S.A. - France (96%)

Nilfisk-Advance Suzhou Ltd - China

* Sub group subsidiary

Affiliated companies:

M2H S.A. - France (34%)

CFM Lombardia S.r. l. - Italy (33.3 %)

Subsidiaries and branches

EUROPE

Austria

Nilfisk-Advance GmbH
Voralberger Allee 46
A-1230 Wien
Jens Peter Sprick, General Manager
Phone: +43 1 616 58 30 22
Fax: +43 1 616 58 30 40

Belgium

Nilfisk-Advance NV/SA
Doornveld Sphere Business Park
Industrie Asse 3, No. 11
B-1731 Zellik-Asse
Johnny Sørensen, General Manager
Phone: +32 2 467 60 50
Fax: +32 2 463 44 16

Czech Republic

Nilfisk-Advance s.r.o.
Lysinska 44/1863, 143 00 Prague 4
Jan Seitl, General Manager
Phone: +420-244 090 915
Fax: +420-244 402 393

Denmark

Nilfisk-Advance Nordic A/S
Sognevej 25
Postboks 344
DK-2605 Brøndby
Michael Fenger, General Manager
Phone: +45 43 23 40 50
Fax: +45 43 23 40 60

Gerni

Myntevej 2
DK-8900 Randers
Jan Haulund, General Manager
Phone: +45 89 12 22 00
Fax: +45 86 43 14 81

France

Nilfisk-Advance S.A.
27 Avenue de la Baltique
Villebon sur Yvette
F-91944 Courtaboeuf Cedex
Jean-Philippe Masson, General Manager
Phone: +33 1 69 59 87 00
Fax: +33 1 69 59 87 01

Germany

Nilfisk-Advance AG
Siemensstrasse 25-27
D-25462 Rellingen
Jens Peter Sprick, General Manager
Phone: +49 41 01 39 90
Fax: +49 41 01 39 91 91

Greece

Nilfisk-Advance A.E.
8 Thoukididou Str., Argyroupoli, Athens
Stelios Tzilalis, General Manager
Phone: +30-2109633443
Fax: +30-2109652187

Ireland

Nilfisk-Advance Limited.
28 Sandycroft Office Park
Sandycroft
Dublin 18
Thomas Nielsen, General Manager
Phone: +35 3 12 94 38 38
Fax: +35 3 12 94 38 45

Italy

CFM S.p.A.
Nilfisk-Advance Division - Guardamiglio
Località Novella Terza
I-26862 Guardamiglio (LO)
Franco Mazzini, General Manager
Phone: +39 0377 45 1124
Fax: +39 0377 51 443

CFM S.p.A

Via Porrettana, 1991
41059 Zocca (Modena)
Gabriele Capponi, General Manager
Phone: +39 059 973 0000
Fax: +39 059 973 0099

Netherlands

Nilfisk-Advance B.V.
Camarstraat 9 (2e verdieping)
NL-1322 BB Almere
Johnny Sørensen, General Manager
Phone: +31 36 546 07 00
Fax: +31 36 523 51 48

Norway

Nilfisk-Advance AS
Ulvenveien 89C
N-0581 Oslo
Michael Fenger, General Manager
Phone: +47 23 06 75 00
Fax: +47 23 06 75 01

Poland

Nilfisk-Advance Sp. z o. o.
05-800 Pruszków, ul. 3-go Maja 8
Adam Osuch, General Manager
Phone: +48 22 738 37 50
Fax: +48 22 738 37 51

Portugal

Nilfisk-Advance, Lda.
Sintra Business Park
Zona Industrial Da Abrunheira
Edifício 1, 1o A
P-2710-089 Sintra
Javier Cucalón, General Manager
Phone: +35 121 911 2670
Fax: +35 121 911 2679

Russia

Nilfisk-Advance LLC
Vyatskaya str. 27, bld.7, 1271015 Moscow
Roman H. Stepansev, General Manager
Phone: +7 095 7839602
Fax: +7 095 7839603

Spain

Nilfisk-Advance S.A.
Torre D'Ara
Passeig del Rengle, 5 Pl. 10
E-08302 Mataró (Barcelona)
Javier Cucalón, General Manager
Phone: +34 93 741 2400
Fax: +34 93 757 8020

Sweden

Nilfisk-Advance AB
Sjörbjörnsvägen 5
S-100 73 Stockholm
Kenneth Andersson, General Manager
Phone: +46 85 55 944 00
Fax: +46 85 55 944 30

Nilfisk-Advance A/S

Åmål branch
Strömsbergsgatan 4
S-662 23 Åmål
Per Sonne Sørensen, General Manager
Phone: +46 532 175 00
Fax: +46 532 175 95

Switzerland

Nilfisk-Advance AG
Ringstrasse 19
Kirchberg/Industri Stelz
CH-9500 Wil
Jens Peter Sprick, General Manager
Phone: +41 719 23 84 44
Fax: +41 719 23 52 83

United Kingdom

Nilfisk-Advance Limited.
Newmarket Road
Bury St. Edmunds
UK-Suffolk IP33 3SR
Thomas Nielsen, General Manager
Phone: +44 12 84 76 31 63
Fax: +44 12 84 75 05 62

AMERICA

Canada

Nilfisk-Advance Canada Company
396 Watline Avenue
Mississauga, Ontario L4Z 1X2
Bruce Takahashi, General Manager
Phone: +1 90 57 12 32 60
Fax: +1 90 57 12 32 55

USA

Nilfisk-Advance Inc.
14600 21st Avenue North
Plymouth, MN 55447-3408
Christian Cornelius-Knudsen,
General Manager
Phone: +1 763 745 3500
Fax: +1 763 745 3718

Nilfisk-Advance America Inc.

300 Tecnology Drive
Malvern, PA 19355
Paul Miller, General Manager
Phone: +1 610 647 6420
Fax: +1 610 647 6427

ASIA/PACIFIC

Australia

Nilfisk-Advance Pty. Ltd.
48 Egerton Street
Silverwater, NSW 2128
Henrik Thorup, General Manager
Phone: +61 2 96 48 27 00
Fax: +61 2 96 48 27 11

China

Nilfisk-Advance Ltd.
Block 3, Unit 130, 1001 Honghua Road,
International Commercial & Trade Centre,
Futian Free Trade Zone, 518038 Shenzhen
P.R. China
Shirley Lui, General Manager
Phone: +86 755 8359 7939
Fax: +86 755 8359 1063

Nilfisk-Advance Professional Cleaning

Equipment (Suzhou)Co., Ltd.
306 Su Hong Zhong Road, Build. 2
Suzhou Industrial Park 215021 Suzhou, PRC
Christian Kühn, General Manager
Phone: +86 512 8717 4111
Fax: +86 512 8717 4433

Hong Kong

Nilfisk-Advance Ltd.
2001 HK Worsted Mills
Industrial Building
31-39 Wo Tong Tsui Street
Kwai Chung, Hong Kong
Shirley Lui, General Manager
Phone: +852 24 27 59 51
Fax: +852 24 87 58 28

Japan

Nilfisk-Advance Inc.
3-17-40-101, Chigasaki Higashi
Tsuzuki-Ku, Yokahama 224-0033
Tadayuki Hayashi, General Manager
Phone: +81 4 59 42 77 41
Fax: +81 4 59 42 65 45

Malaysia

Nilfisk-Advance Sdn Bhd
No. 21 Jalan SS 25/41
Mayang Industrial Park
47301 Petaling Jaya
Selangor Darul Ehsan
Steven Cheam, General Manager
Phone: +60 37 956 8188
Fax: +60 37 966 6828

New Zealand

Nilfisk-Advance Limited
Danish House
6 rockridge Avenue
Penrose 92-829
Auckland 1135
Henrik Thorup, General Manager
Phone: +64 95 25 00 92
Fax: +64 95 25 64 40

Singapore

Nilfisk-Advance Pte. Ltd.
22, Woodlands Industrial Park E1
Singapore 757740
Steven Cheam, General Manager
Phone: +65 7 59 91 00
Fax: +65 7 59 91 33

Taiwan

Nilfisk-Advance Ltd.
Taiwan Branch (H.K.)
1F, No. 193, sec. 2, Xing Long Rd
Taipei, Taiwan R.O.C.
Shirley Lui, General Manager
Phone: +88 62 27 00 22 68
Fax: +88 62 27 84 08 43

Thailand

Nilfisk-Advance Co. Ltd.
89 Soi Chokechai-Ruammitr
Viphavadee-Rangsit Road
Ladyao, Jatchak, Bangkok 10900
Preccha Ampornstittkul, General Manager
Phone: +662 275 5630
Fax: +662 691 4079

Nilfisk-Advance A/S
Sognevej 25
DK-2605 Brøndby
Denmark

Tel: +45 43 23 81 00
Fax: +45 43 43 77 00
E-mail: mail@nilfisk-advance.dk
nilfisk-advance.com

CVR no. 62 57 22 13
Member of the NKT Group

nilfisk-advance.com



**Nilfisk
Advance**

setting standards