Annual Report 2004



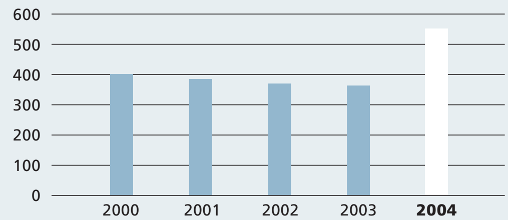

Nilfisk Advance

setting standards

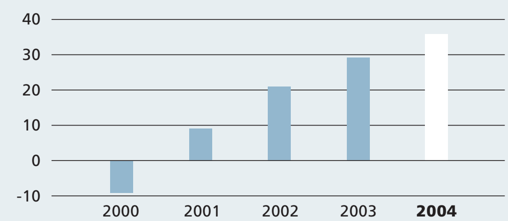
Contents

The following is a translation of a Danish original document. The original Danish text is the governing text for all purposes and in case of any discrepancy the Danish wording will prevail.

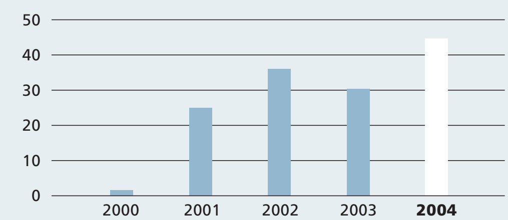
Net sales
EUR million



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				
	2000	2001	2002	2003	**2004**
Income Statement					
Net sales	400,632	386,877	367,769	363,471	551,831
EBITDA	161	17,754	28,798	37,109	49,772
EBITA	(8,640)	8,979	20,656	29,259	35,940
EBIT	(16,263)	1,448	12,796	21,839	26,142
Financial items	(10,693)	(6,864)	(4,478)	(1,850)	(5,459)
Income before tax	(27,010)	(5,416)	8,318	19,989	20,683
Net result	(28,754)	(6,704)	7,701	19,926	15,260
Net income, Nilfisk-Advance A/S share	(29,465)	(7,227)	7,631	19,944	15,321
Balance Sheet					
Intangibles	100,532	95,589	87,484	78,059	130,272
Other non-current assets	42,341	38,510	32,721	32,648	71,089
Total non-current assets	142,873	134,099	120,205	110,707	201,361
Current assets	192,142	186,329	154,120	139,630	253,096
Total assets	335,015	320,428	274,325	250,337	454,457
Shareholders equity	112,228	108,705	101,698	109,145	138,370
Minority interests	2,412	2,703	464	485	203
Provisions	14,967	14,314	12,120	10,593	36,691
Net interest bearing debt	119,988	100,580	81,166	62,667	143,518
Cash flow					
Cash flow from operating activities	1,798	24,947	36,036	30,603	44,663
Free cash flow	(18,153)	20,756	19,026	19,977	(29,505)
Development expenses					
Product development expenses incl. capitalised projects	8,399	8,216	9,104	11,272	20,422
Financial ratios					
EBITA %	(2.2)	2.3	5.6	8.0	6.5
Return on equity	(27.5)	(6.5)	7.3	18.9	13.1
Equity %	33.5	33.9	37.1	43.6	30.4
Cash Flow Per Share (in EUR)	0.5	6.2	9.0	7.7	9.9
Other data					
Average number of shares (1,000 shares)	3,333	4,000	4,000	4,000	5,000
Average number of employees	2,421	2,253	2,116	2,049	3,310

Figures in brackets are losses or negative amounts.

Definitions of financial ratios

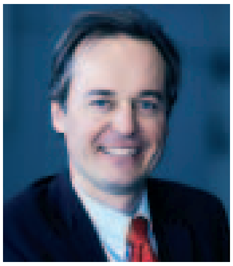
EBITA %:
$$\frac{\text{EBITA x 100}}{\text{Net sales}}$$

Return on equity:
$$\frac{\text{Nilfisk-Advance A/S share of the Group's income x 100}}{\text{Average shareholders' equity}}$$

Equity %:
$$\frac{\text{Shareholders equity end of year x 100}}{\text{Total assets end of year}}$$

Cash Flow Per Share (in EUR)
$$\frac{\text{Cash flow from operating activities}}{\text{Average number of shares}}$$

No. 1 global supplier of professional cleaning equipment



President and CEO
Johan Molin

In 2001, Nilfisk-Advance set out to become the No. 1 global supplier of professional cleaning equipment. In 2004, we reached our goal.

With the acquisition of ALTO, a manufacturer of cleaning equipment with a product line and values that complemented ours, Nilfisk-Advance moved up in the ranks to become the world's largest supplier of professional cleaning equipment.

Sales in 2004 topped EUR 551.8 million. Even without the ALTO acquisition, Nilfisk-Advance had sales of EUR 385.2 million, a 6.0% increase over 2003. Operating income was EUR 26.1 million, up 19.7% from EUR 21.8 million in 2003.

But these are only the visible—albeit welcome—results of an underlying process: the ongoing evolution of Nilfisk-Advance into a professionally run global business. It is this gradual development that made the ALTO acquisition possible in the first place and that has laid the foundation for the company's future growth.

In this year's annual report we would like to share the story of this change process with you and explain how we are continuing to reshape Nilfisk-Advance—to ensure it remains the leader in its field in every way.

Best value

When in 2001 we announced our vision of becoming No. 1 in our field, we saw that what customers wanted most from their cleaning equipment supplier was help driving down the total cost of cleaning. The products and services needed for this is what we termed "best value." We also saw that delivering best value meant focusing relentlessly on efficiency ourselves.

With that in mind, we began the restructuring process, introducing the operating structure we know today, with its division into product and sales companies, and a lean layer of corporate management.

The new structure made product companies responsible for developing products, and sales companies responsible for developing customers. In other words, our product companies are in charge of developing,

Highlights of 2004

producing, marketing and distributing our products in the most efficient way, while sales companies are responsible for signing sales and service agreements with individual customers and overall development of their territory.

With responsibilities clearly defined, we took up the challenge of providing the best value in the industry, emphasizing five key strategic areas.

Product leadership
The first is product leadership. Nilfisk-Advance is first and foremost a product driven company, and product leadership starts with innovation. To ensure ongoing innovation, one of our first steps was to double research and development spending. Today, our R & D staff is significantly larger than in the past, helping Nilfisk-Advance remain at the forefront of technological developments. Moreover, to keep our efforts on track we have split the staff into two groups, one devoted to new product development, the other to product maintenance.

- Sales of EUR 551.8 million, up 51.8% on 2003
- Operating income of EUR 26.1, up 19.7% on 2003
- Acquisition of Danish cleaning equipment manufacturer ALTO makes Nilfisk-Advance world's largest supplier of professional cleaning equipment
- Launch of BR 850S-1050S series of commercial ride-on scrubbers
- Launch of CA/BA 410 compact scrubber/dryer
- Launch of GWD 300 range of wet and dry vacs
- Launch of battery-powered version of Nilfisk Backuum™
- Acquisition of Italian sweeper manufacturer ECOLOGICA and introduction of SR series heavy-duty ride-on sweepers
- Acquisition G-Power, an Australian distributor of high pressure cleaners
- Acquisition of Tennab, a Swedish distributor of industrial cleaning machines

Product leadership takes innovative engineering but it does not mean building everything yourself. Realizing we would need to bring a steady flow of innovative products to market, we needed to change our manufacturing philosophy. Today, the fabrication of product components is largely outsourced to specialized suppliers carefully chosen for their ability to meet our high standards at competitive rates.

Products are designed, moreover, for manufacturing efficiency. During the last few years we have significantly reduced the number of components in our products and cut assembly time by a third. This has been a key factor in reducing our production costs. We also set up two programs to ensure that everything we make either boosts benefits, thereby giving customers more for their money, or provides the same benefits at lower cost. Our Boost Benefits program requires customer benefits to be continuously improved. Customer benefits can come in the form of higher productivity, easier maintenance, greater energy efficiency and many other factors.

Similarly, our Cut Costs program requires measurable reductions in costs. This too can be achieved in numerous ways—for example, by making products easier to produce or service, by sourcing components more effectively, or by reducing materials costs.

In 2004, we demonstrated our product leadership in the field with the rollout of the new CA/BA 410 compact scrubber dryer, the GWD 300 range of wet and dry vacs, the new BR 850-1050 series of commercial rider-on scrubbers, and a battery-powered version of the Nilfisk Backuum™. In addition, the acquisition of ECOLOGICA led to the introduction of the RS series of road sweepers and a series of heavy-duty industrial ride-on sweepers. We also began remaking ALTO along the lines of Nilfisk-Advance by focusing on the basics of quality, logistics and administration. We are restructuring the company into separate product and sales divisions and have instituted similar Boost Benefits and Cut Costs programs. As was the case with Nilfisk-Advance, the restructuring of Nilfisk-ALTO is being

accomplished while maintaining as many members as possible of its existing management team.

Market presence

Our strategy also entailed building a stronger presence in traditional markets and a more active one in regions of the world experiencing dynamic growth.

In traditional markets, we have switched from focusing on relatively specialized applications to offering products with broader appeal, which can be produced in greater volume at lower cost. The strategy is to increase our market share by giving sales staff the ammunition needed in their canvassing activities in the form of a steady stream of innovative and attractively priced products.

Increasingly, we are addressing industrial customers, contract cleaners and other market segments with specialized staff. And we are focusing on applications that show greater sales potential—for example, meeting the growing demands of craftsmen for affordable wet and dry vacuum cleaners with our new GWD 300 series.

In short, our market share is expanding because we are building products that meet or exceed the needs of our customers.

We are also extending our reach to new markets in Eastern Europe and Asia. The Nilfisk-Advance subsidiaries established in 2003 in Russia, the Czech Republic, Poland and Greece all made good progress in 2004.

Sales support costs on the other hand are declining, as we optimize back-office processes and succeed in getting our customers to place orders directly themselves via e-business

Excellence in logistics and flow

In the course of the restructuring, it became obvious that changes were needed in our manufacturing strategy. Instead of forecasting demand and producing what we expected to sell, we have changed our approach to produce on demand—in other words, machines are not built until an order has actually been placed. This eliminates the uncertainty of forecasting and the inefficiency of making too many products or too few. On the other hand, it makes an excellent logistics operation an absolute necessity in order to source, build and dispatch products as orders come in.

Nilfisk-Advance's operations are now being designed with this in mind—starting with the factories themselves. These have been remodeled along the lines of lean manufacturing facilities, and, like modern automobile production plants, run on an efficient, continuous-flow basis. Our machines, like cars, are delivered to the factory in component form, assembled at high speed and produced in basic configurations that can be quickly customized toward the end of the production cycle.

Components are sourced from strategic partners whose operations can be integrated with ours. And distribution is handled by Nilfisk-Advance logistics centers, which provide fast delivery across a wide geographic area. Customers in North America are served by our logistics centers in Minnesota and Arkansas, while our logistics center in Denmark serves Europe and other parts of the world.

Administrative functions such as finance, IT and customer service have been optimized through implementing best practice procedures and establishing regional shared service centers.

The results of the changed approach are remarkable. The scrapping of product overruns has largely ceased. We have reduced the amount of capital tied up in inventory as well as our administrative costs. The result is that product availability is up and lead times are down.

After-sales service

During the past few years we have also succeeded at making service an increasingly professional and profitable part of our business.

In this connection it is important to recall that Nilfisk-Advance is the world's largest supplier of professional cleaning equipment. This means our machines are used in commercial and industrial settings where uptime is essential and replacement units have to be readily available in emergencies.

In Europe, we have increased the number of engineers dedicated to equipment service and are now able to offer the "24/7" service guarantee in order to meet our customers increasingly demand for service.

Our service operations have greatly increased in value since 2001. This is a reflection of our success in moving customers from conventional service agreements to preventive maintenance agreements—and from there to full-service agreements, whereby we take complete responsibility for a machine's functioning, including the supply of a replacement machine if there's a problem we can't fix. Currently we have service agreements with a large number of our customers.

Since many of our products are sold and serviced by dealers, we also take an active interest in the quality of their service operations.

Moreover, we're reducing service costs by designing products that are easier to maintain—whether the job is done by Nilfisk-Advance, a dealer or the customer himself.

People

Although we are a product driven company, we are a company driven by people. An important part of our corporate turnaround has been to give employees a framework in which to achieve their best and to make the results of their efforts more visible.

What we have done essentially is decentralize responsibility, making everyone in the organization responsible for his or her own performance. And it has worked: we have never had more good ideas for ways to improve our performance, and people are proud of their achievements.

Nilfisk-Advance in brief

Nilfisk-Advance is the world's leading supplier of professional cleaning equipment. Headquartered in Denmark, the company has sales companies in in 29 countries and manufacturing facilities in China, Denmark, Italy, Hungary, Sweden and the United States. A network of exclusive dealers is responsible for sales and service in 62 other countries. Nilfisk-Advance's core businesses are the supply of industrial and commercial cleaning machines and professional high-pressure cleaning equipment. Customers include manufacturers, businesses, institutions and contract cleaners as well as agricultural, automotive, construction and service companies. Nilfisk-Advance also markets vacuum cleaners and high-pressure cleaners to consumers. The company employs 3,704 people worldwide.

It is particularly gratifying to note that the turnaround has been accomplished under the direction of virtually the same management team that was in place when it began.

Positive developments in 2004 on all the aforementioned fronts have helped cement Nilfisk-Advance's position as the number one global supplier of professional cleaning equipment. We launched new products, entered new markets and signed new service agreements, all without adding staff. And we have no intention of relinquishing the lead.

Indeed, we are as optimistic about the future of the cleaning industry as we are about Nilfisk-Advance itself. Our industry will continue to grow as standards of living rise, and as machines steadily replace people in a growing range of cleaning tasks. This process is particularly noticeable in developing countries, where living standards—and salaries—are rising fast, making cleaning machines an increasingly viable option.

While this transition will not happen overnight, Nilfisk-Advance has existed for nearly a century. And now that we've completed our turnaround, we're planning for the years ahead.

In conclusion, let me thank our business partners and everyone in our organization for making 2004 another good year for Nilfisk-Advance.

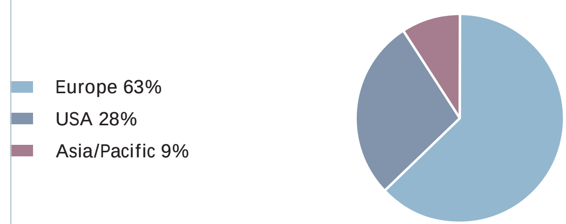
Events after December 31, 2004

In January 2005 Nilfisk-Advance acquired Kvantor, one of Hungary's leading distributors of cleaning machines. Kvantor's customers include contract cleaners, institutions and industrial companies. Kvantor has 25 employees and a turnover of approximately EUR 2.7 million.

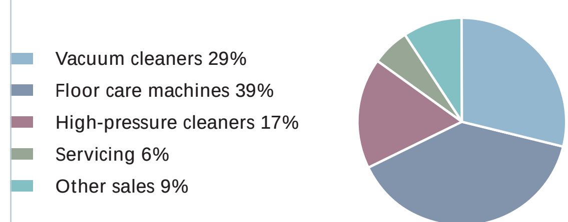
Outlook for 2005

In light of market developments that show signs of growth, Nilfisk-Advance expects an average rate of 4% organic growth over the year. Based on current exchange rates, this will translate into expected sales for 2005 of EUR 670.0 million. In terms of earnings we expect an EBITA level of 7.0 %.

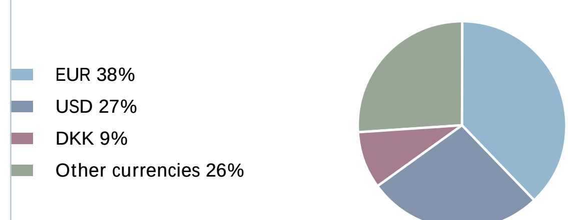
Geographic distribution of net sales



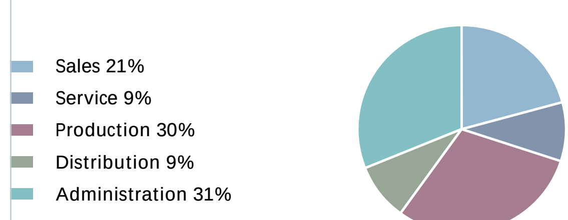
Net sales by product category



Net sales by currency



Distribution of employees



Financial Review

Nilfisk-Advance realized net sales of EUR 551.8 million and operating income (EBIT) of EUR 26.1 million. Operating income before goodwill amortization (EBITA) reached EUR 35.9 million, equivalent to an EBITA margin of 6.5%. The Group acquired ALTO on 1st May 2004 and the figures of ALTO are included in the Group's consolidated Income Statement from May 1 to December 31, 2004 and in the Balance Sheet at the end of December 2004. Figure 1 shows the split of this year's operating income between Nilfisk-Advance Group and the acquired ALTO company.

Income statement

Net sales

The net sales of the Group came to EUR 551.8 million, an increase of 51.8% compared to last year due primarily to the acquisition of ALTO. Adjusted for exchange rate impact and exclusive ALTO, the Group's net sales rose EUR 31.8 million, or 9.0%.

Cost of goods sold

The cost of goods sold, which includes service costs, amounted to EUR 326.6 million, representing 59.2% of net sales. This is an increase of 2.9% compared to 2003.

Selling and distribution expenses

Consolidated selling and distribution expenses amounted to EUR 112.4 million, increased by EUR 36.4 million relative to 2003 mainly as a result of the acquisition of ALTO.

Product development expenses

Development expenses, including capitalized product development projects, rose from EUR 11.3 million in 2003 to EUR 20.4 million in 2004. EUR 6.2 million of the total development expenses was recognized as intangibles. The substantial investments in product development led to significant expansion of our product program in all product areas. We plan to bring 19 new machines to market in 2005.

Administrative expenses

The Group's administrative expenses increased to EUR 65.0 million in 2004 from EUR 47.1 million in 2003 - an increase of EUR 17.9 million, or 38.0% mainly as a result of the acquisition of ALTO.

Amortization of goodwill and trademarks

A significant part of consolidated goodwill is amortized over a period of 20 years. For 2004, the amount amortized was EUR 9.3 million, or EUR 2.3 million above 2003. Amortization of trademarks amounted to EUR 0.5 million in 2004.

Other operating income

Other operating revenue came to EUR 1.5 million in 2004, against EUR 0.4 million in 2003. The revenue represents primarily royalties and commissions received.

Financial items

Net interest expenditure increased to EUR 5.5 million in 2004, from EUR 1.9 million in 2003, mainly due to the increase of net interest bearing debt.

Operating and net income

Realized operating income before goodwill amortization (EBITA) was EUR 35.9 million, equivalent to an EBITA margin of 6.5%, against 8.0% in 2003. EBIT performance was EUR 26.1 million, an increase of EUR 4.3 million compared to 2003. Net income for the year reached EUR 20.7 million, an improvement of EUR 0.7 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 2004 was EUR 5.4 million, compared to a charge of EUR 0.1 million in 2003. 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 0.7 million after exclusion of the income of the Danish jointly taxed companies. The differential of EUR 4.7 million is related to the tax effects of differences between Danish and non-Danish tax rates, non-deductible goodwill amortization and costs, non-taxable income, changes in the value adjustment of tax assets and other adjustments. A specification is shown in note 9.

Figure 1. Split of operating income

EUR m	Nilfisk-Advance Group 2003	Nilfisk-Advance Group 2004	Alto Group 2004	Nilfisk-Advance/ Alto Group 2004
Net sales	363,5	385,2	166,6	551,8
Costs of goods sold	(204,7)	(216,8)	(109,8)	(326,6)
Gross margin	158,8	168,4	56,8	225,2
Product development expenses	(7,4)	(8,0)	(6,2)	(14,2)
Selling and Distribution expenses	(76,0)	(81,5)	(30,9)	(112,4)
Administrative expenses	(47,0)	(47,9)	(17,1)	(65,0)
Other operating income	0,8	1,6	0,7	2,3
Amortization of goodwill/trademarks	(7,4)	(8,2)	(1,6)	(9,8)
Total expenses	(136,9)	(143,9)	(55,1)	(199,1)
Income from operation	21,8	24,5	1,6	26,1

Figure 2. Summary of consolidated balance sheet

Assets	EUR m	Liabilities	EUR m
		Shareholders' equity	138,4
Goodwill	114,0	Minority interests	0,2
Other non-current assets	87,4	Provisions	36,7
Total non-current assets	201,4	Long-term debt	155,0
Current assets	253,1	Short-term debt	124,2
Total assets	454,5	Total liabilities	454,5

Statement of cash flows

Cash flows

The Group generated a negative free cash flow of EUR 29.5 million in 2004. The cash flow from operating activities improved by EUR 14.1 million compared to 2003, whereas the cash flow from investing activities was negatively impacted by the acquisition of new companies (ALTO, G-Power, Tennab and Ecologica), in the amount of EUR 56.3 million. At the end of 2004, working capital was equal to 21.8% of sales.

The cash flow from financing activities was EUR 40.1 million, mainly due to the increase in long-term borrowing and the capital increase. The year's total cash flows from operating, investing and financing activities produced a positive amount of EUR 10.6 million.

Balance sheet

A summary of the consolidated balance sheet is shown in Figure 2.

Goodwill

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

In 2004, goodwill increased from EUR 71.0 million to EUR 114.0 million, due to the new acquisitions (ALTO, G-Power, Tennab and Ecologica).

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, 2004.

Property, plant and equipment
The Group's property, plant and equipment amount to EUR 51.1 million compared to EUR 26.2 million in 2003.

Inventories
At the end of the year, the value of the Group's inventories was EUR 102.9 million, compared to EUR 51.9 million at the end of 2003. The increase is mainly due to the acquisition of new companies.

Shareholders' equity
Consolidated shareholders' equity is EUR 138.4 million, against EUR 109.1 million at the end of 2003. The changes in equity for 2004 are shown on page 23.

The Group's equity ratio is 30.2%, compared to 43.6% in 2003. Including subordinated loan capital of EUR 60.5 million the equity ratio is 43.4%.

Provisions
Warranty obligations of EUR 10.5 million were recognized in 2004, against EUR 6.6 million in 2003. After the acquisition of ALTO, a number of integration projects were set up within the areas of research and development, distribution, administration and sales, and a restructuring provision of EUR 23.6 million was recognized. An amount of EUR 5.2 million of this provision was utilized in 2004.

Interest bearing debt
In 2004, net interest bearing debt increased by EUR 80.9 million to EUR 143.5 million and corresponds to 50.2% 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 2004, amounting to EUR 9.1 million, was recognized in shareholders' equity.

At the end of the year the Group had acquired forward currency contracts totaling EUR 61.8 million to hedge the local currencies of sales and manufacturing subsidiaries. A specification is shown in note 16 to the financial statements.

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 3.

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.

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 1.4 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.

Figure 3. Interest bearing assets and liabilities

EUR m	Floating rate	Fixed rate 1 - 2 years	2 - 5 years
Cash and cash equivalents	15.2		
Short-term interest bearing assets	4.9		
Long-term interest bearing debt	155.0		
Short-term interest bearing debt	8.3	0.3	
Net	143.2	0.3	
Total net interest bearing assets and liabilities			143.5

Distribution of net income

The Board of Directors recommends to the Annual General Meeting that the Company distribute a dividend of EUR 0.8 per share of DKK 100, equal to EUR 4 million or 6.0 per cent of the capital stock of EUR 67.2 million, and thus corresponding to 26.1% of net income. It is recommended to transfer the remainder of the net income for the year, of EUR 11.3 million, to the general reserves of shareholders' equity.

Staff

At the end of 2004, the staff of the Group was 3,704, against 2,063 at the end of 2003. The increase of 1,641 is mainly related to the acquisition of ALTO.

Corporate structure

The structure of the Group including this year's acquisitions is shown on page 33.

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, Italy and Sweden are all certified to the ISO 9000 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 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 compliance 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, March 2, 2005

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

Thomas Hofman-Bang

Christian Ussing-Nielsen
Elected by the employees

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 2004, prepared in accordance with the Danish Financial Statements Act and Danish accounting standards.

The annual report is the responsibility of the Company's Board of Directors and Board of Executives. 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 disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and Board of Executives, 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 2004 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 2004 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Brøndby, March 2, 2005

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 2004 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 income

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, 2004 - all amounts in EUR '000

PARENT COMPANY 2003	PARENT COMPANY 2004		Note	GROUP 2004	GROUP 2003
161,005	169,502	Net sales	1	551,831	363,471
(119,660)	(126,109)	Cost of goods sold	2	(326,598)	(204,698)
41,345	43,393	Gross margin		225,233	158,773
(16,755)	(17,955)	Selling and distribution expenses	2	(112,376)	(75,990)
(3,239)	(3,315)	Product development expenses	2	(14,200)	(7,398)
(12,608)	(12,343)	Administrative expenses	2	(65,001)	(47,098)
(1,671)	(1,755)	Amortization of goodwill and trademarks	6	(9,798)	(7,420)
596	804	Share of income of affiliated companies (before tax)		804	596
363	7,875	Other operating income		1,480	376
(33,314)	(26,689)	Total expenses		(199,091)	(136,934)
8,031	16,704	Income from operation		26,142	21,839
11,304	4,413	Share of income of subsidiaries (before tax)	3		
3,500	4,316	Financial income	4	1,360	1,067
(2,863)	(4,704)	Financial expenses	4	(6,819)	(2,917)
11,941	4,025	Financial items		(5,459)	(1,850)
19,972	20,729	Income before tax		20,683	19,989
(28)	(5,408)	Tax on the year's income	9	(5,423)	(63)
19,944	15,321	Net income		15,260	19,926
		Minority interests' share		(61)	(18)
		Nilfisk-Advance A/S share of net income		15,321	19,944
		Distribution of net income			
4,030	4,000	Proposed dividends			
15,914	11,321	Retained earnings			
19,944	15,321				
		Employee expenses	5		

Balance Sheet

January 1 - December 31, 2004 - all amounts in EUR '000

Parent Company 2003	Parent Company 2004		Note	Group 2004	Group 2003
		Assets			
660	1,889	Development projects		9,943	3,313
1,664	1,207	Trademarks		1,207	1,664
16,090	14,798	Goodwill		114,013	70,982
1,042	1,343	Development projects in progress		5,109	2,100
19,456	19,237	***Intangibles***	6	130,272	78,059
1,708	1,550	Land and buildings		20,369	10,603
2,653	2,034	Technical plant and machinery		6,424	4,651
3,982	5,655	Other plant, operating equipment, furniture, etc.		20,510	9,566
967	2,753	Plant assets in process		3,824	1,423
9,310	11,992	***Property plant and equipment***	7	51,127	26,243
56,716	183,986	Equity interests in subsidiaries		-	-
49,734	45,689	Advances to subsidiaries		-	-
1,393	2,097	Equity interests in affiliated companies	8	2,162	1,458
-	-	Equity interests in other undertakings	8	-	14
75	35	Other investments	8	1,237	548
-	-	Deferred tax assets	9	16,563	4,385
107,918	231,807	***Investments***		19,962	6,405
136,684	263,036	Total non-current assets		201,361	110,707
21,426	24,475	***Inventories***	10	102,947	51,938
8,169	9,778	Trade accounts receivable		113,550	73,098
13,414	68,756	Subsidiaries		-	-
1,731	56,812	Group companies		3,550	-
2,958	3,779	Other receivables		7,651	4,220
791	3,247	Prepaid expenses		10,227	4,113
27,063	142,372	***Receivables***		134,978	81,431
-	-	***Marketable securities***		15	25
695	1,540	Cash		15,156	6,236
49,184	168,387	Total current assets		253,096	139,630
185,868	431,423	Total assets		454,457	250,337

PARENT COMPANY 2003	PARENT COMPANY 2004		Note	GROUP 2004	GROUP 2003
		Liabilities			
53,877	67,221	Capital stock		67,221	53,877
403	1,207	Net revaluation by the equity method			
4,030	4,000	Proposed dividends		4,000	4,030
50,835	65,942	Retained earnings		67,149	51,238
109,145	138,370	Total shareholders' equity		138,370	109,145
		Minority interests		203	485
76	-	Pension plans	14	4,223	2,790
-	-	Deferred tax	9	993	716
1,793	2,052	Other provisions	11	31,475	7,087
1,869	2,052	Total provisions		36,691	10,593
-	60,499	Subordinated loan		60,499	-
-	89,875	Bank borrowing		93,783	-
152	-	Mortgage debt		-	152
881	453	Other long-term debt		711	933
1,033	150,827	***Long-term debt***	12	154,993	1,085
769	-	Bank borrowing		2,454	1,795
589	4,832	Current portion of long-term debt	12	6,065	607
10,196	15,702	Trade accounts payable		56,482	28,613
3,712	76,765	Subsidiaries			
51,319	33,240	Group companies		-	66,031
-	-	Corporate income tax	9	3,619	1,919
7,194	9,581	Other debts		54,201	29,061
42	54	Accruals		1,379	1,003
73,821	140,174	***Short-term debt***		124,200	129,029
74,854	291,001	Long-term and short-term debt		279,193	130,114
185,868	431,423	Total liabilities and shareholders' equity		454,457	250,337
		Contingent liabilities and mortgages	14		
		Supplementary information	15		
		Financial instruments	16		
		Share option plan	17		

Consolidated Statement of Cash Flow

Amounts in EUR '000

	Note	GROUP 2004	GROUP 2003
Income from operations		26,142	21,839
Adjustments for:			
Depreciation		13,797	7,850
Amortization of goodwill		9,798	7,420
Provisions		(541)	(1,527)
Inventory movements		(7,673)	2,228
Change in accounts receivable		5,468	(3,783)
Change in trade accounts payable and other payables		6,516	1,007
Cash flow from primary activities		53,507	35,034
Financial items		(5,459)	(1,850)
Corporate income tax paid		(3,385)	(2,581)
Cash flow from operating activities		44,663	30,603
Purchase of intangible assets		(5,869)	(3,610)
Purchase of property, plant and equipment		(14,187)	(7,246)
Sale of property, plant and machinery		1,577	760
Acquisition of companies	13	(56,267)	(1,775)
Divestment of companies	13	-	943
Other investments		578	302
Cash flow from investing activities		(74,168)	(10,626)
Free cash flow		(29,505)	19,977
Issuance of share capital		26,889	-
Change in long-term debt		127,152	(609)
Change in short-term debt		(109,676)	(26,319)
Minority interests		(214)	(16)
Dividends paid		(4,030)	-
Cash flow from financing activities		40,121	(26,944)
The year's cash flows from operating, investing and financing activities		10,616	(6,967)
Net cash and cash equivalents at beginning of year		6,261	15,797
Foreign exchange gains/losses		(1,706)	(2,569)
The year's cash flows from operating, investing and financing activities		10,616	(6,967)
Net cash and cash equivalents at end of year		15,171	6,261

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

PARENT COMPANY

Statement of changes in Shareholders' equity	*Capital stock*	*Net Revaluation by the equity method*	*Proposed dividends*	*Retained earnings*	*Shareholders equity*
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				(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 January 1, 2004	53,877	403	4,030	50,835	109,145
Result for the year				15,321	15,321
The year's transfer to net revaluation surplus		804		(804)	-
Exchange adjustment of opening equity of parent company	(100)			195	95
Exchange adjustment of opening equity of subsidiaries				(5,066)	(5,066)
Exchange adjustment of advances to subsidiaries (cf. Note 8)				(4,045)	(4,045)
Exchange adjustment of net income of subsidiaries				(577)	(577)
Issuance of share capital	13,444			13,445	26,889
Value adjustment of hedging instruments				638	638
Dividends paid			(4,030)	-	(4,030)
Proposed dividends			4,000	(4,000)	-
Balance at December 31, 2004	67,221	1,207	4,000	65,942	138,370

The capital stock consists of 5,000,000 class A shares at DKK 100

GROUP

	Capital stock	*Proposed dividends*	*Retained earnings*	*Shareholders equity*
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 January 1, 2004	53,877	4,030	51,238	109,145
Result for the year			15,321	15,321
Exchange adjustment of opening equity of parent company	(100)		195	95
Exchange adjustment of opening equity of subsidiaries			(5,066)	(5,066)
Exchange adjustment of advances to subsidiaries (cf. Note 8)			(4,045)	(4,045)
Exchange adjustment of net income of subsidiaries			(577)	(577)
Issuance of share capital	13,444		13,445	26,889
Value adjustment of hedging instruments			638	638
Dividends paid		(4,030)	-	(4,030)
Proposed dividends		4,000	(4,000)	-
Balance at December 31, 2004	67,221	4,000	67,149	138,370

Capital Stock	2000	2001	2002	2003	2004
Class A shares at DKK 100	4,000,000	4,000,000	4,000,000	4,000,000	5,000,000

Notes

All amounts in EUR '000

Parent company 2003	Parent company 2004	Note		Group 2004	Group 2003
		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:		
2,163	3,185		Cost of goods sold, etc.	7,127	4,001
110	259		Selling and distribution expenses	732	661
113	63		R&D expenses	2,261	534
606	515		Administrative expenses	3,712	2,654
2,992	4,022		Total depreciation for the year	13,832	7,850
		3	**Share of income of subsidiaries (before tax)**		
12,814	6,453		Share of net profit		
(1,095)	(1,493)		Movement in intercompany profits		
(415)	(547)		Amortization of consolidated goodwill, parent company		
11,304	4,413				
		4	**Financial items**		
-	-		Interest on bank deposits, etc.	476	260
3,297	3,653		Interest receivable from subsidiaries	-	-
203	663		Other interest income	884	807
3,500	4,316		Total financial income	1,360	1,067
1,531	1,481		Interest on loan from parent company	2,453	2,430
71	9		Interest on loan from subsidiaries	-	-
89	-		Interest on long-term debt	39	135
148	1,668		Interest on short-term debt	2,776	225
1,024	1,546		Other interest and net exchange losses	1,551	127
2,863	4,704		Total financial expenses	6,819	2,917
		5	**Employee expenses**		
19,621	18,790		Wages and salaries	135,832	89,977
1,130	725		Pension plans and pension contributions	7,265	6,872
3,274	2,801		Social security expenses	14,925	10,202
24,025	22,316		Total employee expenses	158,022	107,051
74	64		Remuneration of the Board	64	74
1,452	1,089		Remuneration of the Management	1,352	1,780
496	519		Average number of full-time employees	3,310	2,049

6 **Intangible assets**

PARENT COMPANY	Development projects	Trademarks	Goodwill	Development projects in progress
Cost:				
Cost at January 1, 2004	703	2,321	22,507	1,042
Exchange adjustment of opening value	5	16	115	7
Additions during the year	-	-	4	1,736
Disposals during the year	-	-	-	-
Transfer to/from other items	1,442	-	-	(1,442)
Cost at December 31, 2004	2,150	2,337	22,626	1,343
Amortization:				
Accumulated amortization at January 1, 2004	43	657	6,417	-
Exchange adjustment of opening value	1	6	36	-
Disposals during the year	-	-	-	-
Amortization for the year	217	467	1,375	-
Transfer to/from other items	-	-	-	-
Accumulated amortization at December 31, 2004	261	1,130	7,828	-
Book value at December 31, 2004	1,889	1,207	14,798	1,343

GROUP	Development projects	Trademarks	Goodwill	Development projects in progress
Cost:				
Cost at January 1, 2004	3,806	2,321	116,219	2,100
Exchange adjustment of opening value	(84)	16	(4,952)	(19)
Additions from acquisitions of companies	21,607	-	54,474	1,536
Additions during the year	-	-	279	6,222
Disposals during the year	-	-	-	-
Transfer to/from other items	4,730	-	-	(4,730)
Cost at December 31, 2004	30,059	2,337	166,020	5,109
Amortization:				
Accumulated amortization at January 1, 2004	493	657	45,237	-
Exchange adjustment of opening value	(9)	6	(2,302)	-
Additions from acquisitions of companies	17,520	-	-	-
Disposals during the year	-	-	1	-
Amortization for the year	2,112	467	9,071	-
Transfer to/from other items	-	-	-	-
Accumulated amortization at December 31, 2004	20,116	1,130	52,007	-
Book value at December 31, 2004	9,943	1,207	114,013	5,109

Notes All amounts in EUR '000

Note

PARENT COMPANY

	Land and buildings	Technical plant and machinery	Other plant equipment furniture	Plant assets in process
7 **Property, plant and equipment**				
Cost:				
Cost at January 1, 2004	3,131	19,754	11,929	967
Exchange adjustment of opening value	(57)	(1,427)	58	6
Additions from purchase group companies	-	-	12	-
Additions during the year	-	469	3,614	2,707
Disposals during the year	-	-	(1,301)	(104)
Transfer to/from other items	-	313	510	(823)
Cost at December 31, 2004	3,074	19,109	14,822	2,753
Depreciation:				
Accumulated depreciation at January 1, 2004	1,423	17,101	7,947	-
Exchange adjustment of opening value	(62)	(1,437)	45	-
Additions from purchase group companies	-	-	-	-
Disposals during the year	-	-	(1,273)	-
Depreciation for the year	163	1,411	2,448	-
Transfer to/from other items	-	-	-	-
Accumulated depreciation at December 31, 2004	1,524	17,075	9,167	-
Book value at December 31, 2004	1,550	2,034	5,655	2,753

GROUP

	Land and buildings	Technical plant and machinery	Other plant equipment furniture	Plant assets in process
Cost:				
Cost at January 1, 2004	18,793	28,432	35,271	1,423
Exchange adjustment of opening value	(810)	(597)	(797)	(22)
Additions from acquisitions of companies	37,289	19,249	48,106	277
Additions from purchase group companies	-	-	22	-
Additions during the year	189	1,623	8,598	3,812
Disposals during the year	-	(2,168)	(5,860)	(104)
Transfer to/from other items	(203)	90	1,675	(1,562)
Cost at December 31, 2004	55,258	46,629	87,015	3,824
Depreciation:				
Accumulated depreciation at January 1, 2004	8,190	23,781	25,705	-
Exchange adjustment of opening value	(314)	(468)	(671)	-
Acc. Depreciation from acquisitions of companies	25,681	16,252	39,598	-
Acc. Depreciation from purchase group companies	-	-	(9)	-
Disposals during the year	-	(1,965)	(5,530)	-
Depreciation for the year	1,421	2,900	7,028	-
Transfer to/from other items	(89)	(295)	384	-
Accumulated depreciation at December 31, 2004	34,889	40,205	66,505	-
Book value at December 31, 2004	20,369	6,424	20,510	3,824

The book value of the Group's foreign property is EUR 16.2 million (EUR 9.2 million in 2003).
The value of the Group's Danish property is EUR 9.5 million based on the public land assessment at January 1, 2003 (EUR 2.3 million at January 1, 2002). The book value of Danish property is EUR 4.2 million (EUR 1.0 million in 2003).
Leased assets of EUR 0.8 million is included in other plant, equipment and furniture.

Note

PARENT COMPANY

8 Investments

	Equity interests in subsidiaries	*Advances to subsdiaries*	*Equity interests in affiliated companies*
Cost:			
Cost at January 1, 2004	124,155	52,160	990
Exchange adjustment of opening value	-	-	1
Additions during the year	145,361	-	-
Disposals during the year	(2,697)	-	(101)
Cost at December 31, 2004	266,819	52,160	890
Revaluation:			
Revaluation at January 1, 2004	(69,995)	(2,426)	403
Foreign exchange adjustments	(5,254)	(4,045)	-
Movements during the year	(1,921)	-	894
Disposals during the year	(3,048)	-	(90)
Dividends	(4,542)	-	-
Revaluation at December 31, 2004	(84,760)	(6,471)	1,207
Net book value at December 31, 2004	182,059		
Negative equity set off against advances	1,927	-	-
Book value at December 31, 2004	183,986	45,689	2,097

GROUP

	Equity interests in affiliated companies	*Equity interests in other undertakings*	*Other investments*
Cost:			
Cost at January 1, 2004	998	14	641
Foreign exchange adjustment	1	(1)	(10)
Additions from acquisitions of companies	-	-	766
Additions during the year	-	-	279
Disposals during the year	(101)	-	(334)
Cost at December 31, 2004	898	13	1,342
Revaluation:			
Revaluation at January 1, 2004	460	-	(93)
Foreign exchange adjustment	-	-	(1)
Additions during the year	894	-	(12)
Disposals during the year	-	-	(88)
The year’s depreciation and writedown	(90)	(13)	89
Revaluation at December 31, 2004	1,264	(13)	(105)
Book value at December 31, 2004	2,162	-	1,237

Advances to subsidiaries consist of one loan of USD 62 million stated at the exchange rates at December 31, 2004.
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 64.3 million at December 31, 2004.

Notes All amounts in EUR '000

Note	Payable income tax	Deferred tax assets	Deferred tax liabilities	Income tax charged to income
	GROUP			
9 Corporate income tax				
Balance at January 1, 2004	1,919	4,385	716	
Exchange adjustment of opening value	(87)	4	(37)	
Additions from acquisitions of companies	272	13,173	248	
Income tax paid during the year	(3,385)	-	-	
Tax on the net income for the year	4,358	(999)	66	5,423
Prepaid income tax transferred to other receivables	542	-	-	
Balance at December 31, 2004	3,619	16,563	993	5,423

	DEFERRED TAX			
	Deferred tax assets	Deferred tax liabilities	2004 Deferred tax Net	2003 Deferred tax Net
Intangibles	10,435	6,164	4,271	(1,542)
Property, plant and equipment	8,366	1,983	6,383	(1,483)
Investments	5,164	5,366	(202)	-
Current assets	10,790	8,175	2,615	(570)
Provisions	2,837	3,015	(178)	595
Long-term debt	-	93	(93)	-
Short-term debt	6,034	298	5,736	1,157
Tax loss carryforward	34,191	6,023	28,168	12,929
Value adjustments	(31,130)	-	(31,130)	(7,417)
Deferred tax assets and liabilities	46,687	31,117	15,570	3,669
Set off within legal entity and jurisdiction	(30,124)	(30,124)	-	-
Balance at December 31, 2004	16,563	993	15,570	3,669

The income tax on the net income for the year may be specified as follows:	INCOME TAX 2004	2003
Income before tax	20,683	19,989
Less profit before tax for jointly taxed danish companies	(18,190)	(9,154)
Adjusted Group income before tax	2,493	10,835
Calculated income tax at 30% on income before tax	748	3,250
Adjustment of calculated income tax of foreign subsidiaries	2,312	756
Tax impact of:		
Non-taxable revenue	(773)	(98)
Non-deductible amortization of goodwill	1,071	979
Other non-deductible expenses	1,084	386
Tax loss carryforward not used for 2004	293	57
Tax losses carried forward from prior years	(1,847)	(1,165)
Other adjustments	2,535	(4,102)
	5,423	63

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 2003	PARENT COMPANY 2004	Note	GROUP 2004	GROUP 2003
		10 **Inventories**		
4,200	18,486	Raw materials and consumables	36,389	14,870
688	477	Goods in process	634	789
16,538	5,512	Finished products and merchandise	65,924	36,279
21,426	24,475		102,947	51,938
		11 **Other provisions**		
-	-	Restructuring	18,362	-
1,793	1,901	Warranty provisions	10,504	6,613
-	151	Other provisions	2,609	474
1,793	2,052	Total	31,475	7,087

Other provisions are expected to be wound up in 2005

PARENT COMPANY 2003	PARENT COMPANY 2004	Note	GROUP 2004	GROUP 2003
		12 **Long-term debt falling due within one year**		
-	4,235	Bank borrowing	5,184	18
148	151	Mortgage debt	348	148
441	446	Other long-term debt	533	441
589	4,832		6,065	607

Debt related to financial leased assets amounts to EUR 0.8 million of which EUR 0.3 million is falling due within one year.

The subordinated loan of EUR 60.5 million, established in July 2004, carries interest at a rate of 3.22%.

The EUR 94.1 million bank loan raised for the acquisition of ALTO is a floating rate loan and the rate of interest relating to this loan is 3.0%. The loan will be repaid at 4.5% in 2005 and 2006, 9.1% in 2007 and 2008, 18.2% in 2009 and 54.6% in 2010. The company complied with all loan conditional financial covenants in 2004.

PARENT COMPANY 2003	PARENT COMPANY 2004	Note	GROUP 2004	GROUP 2003
		13 **Acquisition of companies**		
		Goodwill	54,474	2,144
		Development projects	6,177	-
		Property, plant and equipment	25,685	107
		Financial fixed assets	14,368	-
		Inventories	46,291	619
		Accounts receivable	57,635	1,119
		Cash and cash equivalents	5,998	220
		Minority interests	-	(28)
		Provisions	(28,678)	(44)
		Long-term debt	(28,918)	(26)
		Short-term bank borrowing	(43,646)	(1,242)
		Short-term debt	(47,121)	(874)
		Total	62,265	1,995
		Of which cash and cash equivalents	(5,998)	(220)
			56,267	1,775
		Divestment of companies		
		Equity interest in affiliated companies	-	943
			-	943

Notes All amounts in EUR '000

PARENT COMPANY 2003	PARENT COMPANY 2004	Note		GROUP 2004	GROUP 2003
		14	**Contingent liabilities and mortgages**		
			Payable within one year		
1,862	1,010		Rent payment to group company	1,010	1,862
			Rent and leasing commitments for other premises,		
807	1,729		machinery, computer equipment and automobiles	10,383	5,873
2,669	2,739			11,393	7,735
			Payable after one year		
6,545	2,097		Rent payment to group company	2,097	6,545
			Rent and leasing commitments for other premises,		
1,339	1,497		machinery, computer equipment and automobiles	14,384	8,465
7,884	3,594			16,481	15,010

Outstanding mortgage debt amounts to EUR 0.3 million on properties with a book value of EUR 2.4 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 of international accounting standards (IFRS), unsecured pension liabilities may reduce book value of equity by around EUR 6.5 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.

PARENT COMPANY 2003	PARENT COMPANY 2004	Note		GROUP 2004	GROUP 2003
		15	**Supplementary information**		
			Fees to the auditors appointed by the Annual Shareholders' Meeting:		
114	105		Auditing services	940	434
57	973		Other services	1,166	130
171	1,078			2,106	564

Fees of EUR 0.9 million, related to the acquisition of companies, is included in other services.

16 **Financial instruments**

At the balance sheet date, the Group had acquired forward currency contracts for an amount equivalent to EUR 61.8 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:

	Equivalent in EUR 31.12.04	*Unrealized gain/loss net*	*Of which taken to income*	*Of which taken to equity*
SEK	(8,311)	161	176	(15)
GBP	(12,123)	539	52	486
AUD	(13,245)	210	76	135
NOK	(9,713)	(162)	(20)	(143)
Other currencies	(18,403)	896	104	791
	(61,795)	1,644	388	1,254

The forward currency contracts are expected to be realized in 2005.
In addition, the Group has two foreign currency contracts (AUD and GBP) for an amount equivalent to EUR 2.0 million.
The unrealised gain of EUR 0.1 million at the end of the year was recognized as income and included in financial items 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 1.85 % (2003: 1.86%) 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 2010.

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 2004, is EUR 1.3 million (2003: EUR 1.2 million) assuming that the Company's financial ratios remain unchanged until the period of exercise.

Board and Management

Group Management

Christian Cornelius-Knudsen Executive Vice President Appointed 1997	Johan Molin President and CEO Appointed 2001	Claus Michelsen Executive Vice President and CFO Appointed 2000	Jørgen Jensen Executive Vice President Appointed 2002

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

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, 2005

Nilfisk-Advance Group

NKT Holding A/S 100%

Nilfisk-Advance A/S 100%	Country	Ownership
Nilfisk-Advance Nordic A/S	Denmark	100%
ALTO International A/S	Denmark	100%
* ALTO Danmark A/S	Denmark	100%
* ALTO Norge AS	Norway	100%
* ALTO Cleaning Systems (UK) Ltd	United Kingdom	100%
* ALTO Nederland B .V.	The Netherlands	100%
* ALTO Sverige AB	Sweden	100%
* ALTO (Ningbo) Mechanical Manufacturing Co. Ltd.	China	100%
* ALTO Deutschland GmbH	Germany	100%
* ALTO Österreich GmbH	Austria	100%
* ALTO Ceská Republika s.r.o.	Czech Republic	100%
Nilfisk-Advance AS	Norway	100%
Nilfisk-Advance AG	Germany	100%
Nilfisk-Advance Limited	United Kingdom	100%
Nilfisk-Advance Limited	Ireland	100%
Nilfisk-Advance B.V.	The Netherlands	100%
Nilfisk-Advance S.A.	Belgium	100%
ALTO France S.A.S	France	100%
* ALTO Leasing S.A.S	France	100%
* Nilfisk-Advance S.A.S	France	100%
Nilfisk-Advance Lda	Portugal	100%
Nilfisk-Advance S.A.	Spain	100%
CFM S.p.A.	Italy	100%
* CFM Reitek GmbH	Germany	100%
* CFM France S.A.	France	100%
Nilfisk-Advance AG	Switzerland	100%
Nilfisk-Advance GmbH	Austria	100%
ALTO Hungary Kft.	Hungary	100%
Nilfisk-Advance Pte. Ltd	Singapore	100%
* ALTO Den-Sin Malaysia Bhd.	Malaysia	100%
Nilfisk-Advance Inc.	Japan	100%
Nilfisk-Advance Ltd.	Hong Kong	100%
* Nilfisk-Advance Ltd.	China	100%
* Nilfisk-Advance Ltd.	Taiwan	100%
Nilfisk-Advance Sdn. Bhd.	Malaysia	100%
Nilfisk-Advance Co. Ltd.	Thailand	100%
Nilfisk-Advance Limited	New Zealand	100%
Nilfisk-Advance Pty. Ltd.	Australia	95%
Nilfisk-Advance Inc.	USA	100%
* Nillfisk-Advance America Inc.	USA	100%
* Nilfisk-Advance Canada Company	Canada	100%
* ALTO Cleaning Systems Inc.	USA	100%
* ALTO Holding U.S., Inc.	USA	100%
* ALTO U.S. Inc.	USA	100%
* ALTO Canada Company	Canada	100%
* ALTO Overseas Inc.	USA	100%
Nilfisk-Advance A.E.	Greece	67%
Nilfisk-Advance Sp.z.o.o.	Poland	100%
Nilfisk-Advance LLC	Russia	100%
Nilfisk-Advance s.r.o.	Czech Republic	68%
Nilfisk-Advance Professional Cleaning Equipment (Suzhou) Co. Ltd.	China	100%

* Sub group subsidiary

In addition to the above Nilfisk-Advance A/S owns 6 dormant companies.

Affiliated companies:
M2H S.A. - France (34%)
CFM Lombardia S.r. l. - Italy (33.3 %)

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