

## **Nilfisk Annual General Meeting**

March 25, 2022

# **Transcript**

## **Jens Due Olsen**

Dear shareholders. Good afternoon and welcome to the Annual General Meeting 2022 of Nilfisk. My name is Jens Due Olsen. I'm the Chair of the Board of Directors here. We are very happy once again to be able to welcome people physically to our premises here. Because of the Covid-19 pandemic, the Board of Directors decided that the Annual General Meeting in both 2020 and 2021 would be held as online events only, but since restrictions have now been lifted in Denmark, we are happy once again to be able to welcome those of our shareholders who have decided to put in a physical appearance. Welcome. It's wonderful to see the high turnout.

We do still have the Annual General Meeting as an online event though, and I would therefore also like to welcome those of you who are watching this online. The meeting is held in Danish, but we do have a translation service, which means that if you watch online, you can choose the English language. After the meeting is over, the report and presentation will be available on the Nilfisk homepage together with other relevant documents.

In 2021, Nilfisk returned to growth. And before the formal meeting starts, I'd like to use the opportunity to send warm thanks to the management of Nilfisk and to all employees and colleagues. Everyone has contributed and put in an extraordinary effort during the entire year to build these solid results. I'll come back to this in my official report.

This year, as in previous years, Marlene Winther Plas will be chair of the meeting. Welcome to you, Marlene, and I'll now hand over to you.

## **Marlene Winther Plas**

Thank you very much. And thank you to the Board of Directors for appointing me. As the chair of the AGM, it's my job to make sure that everything goes according to plan. And therefore, let me begin with a couple of formalities. As Jens said, this AGM is held physically as well as electronically. For those of you participating electronically, I would like to remind you that you have to write your questions in the chat if you want to ask questions. There might be a small delay, but if you don't have time to phrase your question, just let us know that a question is coming, and we'll wait for you to write your question.

For those of you attending physically, if you want to take the floor, please approach Heidi over here and tell her your name and I will introduce you when you get the floor, and I will ask you to speak from the rostrum. We are broadcasting live from the AGM, as Jens said, and please turn off your mobile phones so we won't have any interruptions. Minutes will be prepared in Danish as well as English, and as the chair of the AGM, I will approve the minutes.

If anyone wishes to leave the general meeting, please don't forget to deregister at the Computershare desk outside. My next task is to conclude whether the AGM has been lawfully convened and is competent to transact the business on the agenda in accordance with the Articles of Association. The requirements in Article 7 of the Articles of Association are fulfilled because the AGM is held in the capital region. It is held physically as well as electronically. It has been convened on the 3rd of March, which is between five and three weeks before the AGM and the notice to convene has been published on the company website and also at Nasdaq, and it has been sent by email to the shareholders who has wished to receive it by email.

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In the notice, we have informed of the majority requirements that are valid for the adoption of the items on the agenda. That is item 10, B, C and D, which need two-thirds majority. On the company website, we have made available the documents needed in accordance with the DCA and the Articles of Association. That is, the Notice to Convene the Agenda and the complete proposal, the audited annual report for 2021, a voting slip if necessary, via proxy or postal vote and information to the shareholders on how to participate electronically, also in the case of any voting action. On that basis, I can conclude that the Annual General Meeting has been lawfully convened and is quorate, and I would like to ask if there are any comments or questions or objections to this conclusion.

That does not seem to be the case, and I can therefore conclude that the AGM has been lawfully convened and is quorate.

Let me also say that we have received proxies for today, constituting 75.34% of the company capital and the votes present at the AGM. And that means that we already now have a majority for all items on the agenda whether they need a simple majority or two-thirds majority.

That leads me to the agenda. Let me just go through it briefly. Item one, two and three on the agenda; the report by the Board of Directors on the company's activities in 2021; the presentation of the audited annual report; and the approval of this annual report. And item four, the proposal for the distribution of profits will be taken as one as in previous years. And it is the Chair of the Board, Jens Due Olsen, who will give a presentation and the report on last year.

Then we have item five about discharge of management and Board of Directors; item six, adoption of the remuneration report. This is an advisory vote. Item seven is the approval of the remuneration of the Board of Directors. After that, we have item eight, election of board members; item nine, election of accountants; and item ten is the proposals from the Board of Directors and the shareholders. We do not have any proposals from the shareholders, but we have four proposals from the Board of Directors, which I will go through later in the agenda. Finally, we have item 11, any other business.

That means the agenda is in accordance with the Articles of Association and I will now pass the floor to you, Jens, when it comes to item one to four on the agenda.

## **Jens Due Olsen**

Thank you, Marlene. Dear shareholders, I'd like to walk you through the development of Nilfisk during 2021 and the most important events. I'll report not only on this, but also on the Board's work and plans for the future. But before we go through the report, I'd like to add something on a personal note, because this Annual General Meeting is very special to me, as it is going to be the last one that I attend as chair of the Board of Directors.

It was announced in late February that I've decided to step down as chair of the Board and therefore I do not seek re-election. It's been a privilege for me to serve Nilfisk during my long time with the company. 2021 was marked with a fundamental recovery for Nilfisk. The company achieved solid organic growth and record high earnings. We have a new management team in place and a new strategy, and we have set out on a solid path for long-term value creation. And therefore, it feels to me like this is the right time to step down and allow for new thinking to enter the boardroom.

So, let's look at the year in more detail. During the year, we saw significant recovery in our markets following the downturn in 2020. At the same time, our initiatives to win market share in the United States and to expand partnerships with large strategic accounts yielded above-market growth for Nilfisk, and we are pleased to see that the company achieved sales well above the level from the pre-pandemic year 2019. Driven by rising labour costs and increased labour shortage, the

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global market for professional cleaning equipment is a growth industry. The Covid pandemic has also enhanced the value of clean premises and accelerated the industry's growth momentum, and it is clear that new technologies and service offerings allow for higher customer value creation.

Nilfisk is well-positioned to benefit from these macro trends, and the Board sees a fundamental opportunity for long-term sustainable growth and value creation.

To ensure that we remain at the forefront of these macro trends, the Board of Directors initiated a leadership change at Nilfisk in 2021. We felt it was the right time to get fresh eyes and new skillsets into the executive management team. And so, in May, we announced the leadership change with the arrival of Torsten Türling as CEO and Reinhard Mayer as CFO. Both of them have substantial experience in successfully executing performance improvement programmes and they're both strong leaders. This is a new leadership team in Nilfisk, and it is committed to improving the underlying performance and generating organic growth. And during the second half of 2021, the team and the Board conducted a rigorous strategy review to decide on future strategic priorities.

The process helped identify untapped profitable growth opportunities, but also allowed us to reflect upon past execution shortcomings. I'd like to say to Torsten and Reinhard that we are proud that we managed to get you on board to lead this journey. Unfortunately, both of them are affected by illness today. It's not serious, but I would like to say to both of you that I've enjoyed working with both of you, and it's a shame that our collaboration will now come to an end. But I look forward to following your progress.

Let's turn now to business developments and financials for 2021. In the course of the year, we increased order intake across regions and business segments, and we ended the year with a revenue for the total business of just under €1 billion – or to be more exact, €995 million. Organic growth in revenue came to 20.7%, which was above growth in the general market. The growth represents an actual gain in market share, most significantly in the Americas region, where revenue grew organically by 23.8%. With revenue just under €1 billion, we also surpassed 2019 and the pre-Covid level of sales.

We achieved an EBITDA before special items of €144.3 million, an increase of 43.6% from the year before and a significant increase from previous years. It was a record high level. And finally, this led to an EBITDA margin before special items of 14.5%. This too is an all-time high since we were listed in 2017. It's a solid result and it was achieved despite significant challenges experienced by not only us, but also the rest of the world in 2021, with substantial increases in both raw material costs and freight costs caused by the global supply chain constraints.

It was a headwind situation, but it was to some extent offset with the price increases implemented during 2021, but I'll come back to this a little later in the presentation.

We continue to see these positive developments in demand and revenue quarter after quarter throughout 2021. And because of the strong demand, in combination with solid execution in our key markets, we adjusted our guidance three times during the year. All revisions were for a higher revenue growth than first expected with our initial guidance in March because that was the time when Covid-19 restrictions and lockdowns were still the norm. At that time, we did not foresee the relatively quick normalisation in market conditions, which led to a strong demand in combination with our solid execution.

As already mentioned, the positive developments in 2021 were seen across regions and geographies. Let's begin with the Americas. Here we achieved record-high organic revenue growth, 24%, and it was all markets in the region that delivered robust performance and results above the 2020 and the 2019 levels. We are pleased to see continued positive and very

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strong development in the US, which is our biggest single market. It accounts for 25% of our total revenue and it is a strategic growth market for us. Ongoing execution of sales initiatives and continued focus on strategic accounts contributed to the strong performance in 2021. Canada delivered a robust performance as we continue to develop our dealer business there. And as restrictions from Covid-19 were lifted in Latin America, these markets also saw encouraging growth.

Europe, which together is our biggest market, organic revenue growth came to 18%. We saw continued strong order intake throughout Europe. The region in the south of Europe presented the largest growth, backed by a large order from a leading retailer. This order included our first-large scale rollout of a fleet of autonomous cleaning machines to the retail segment. And we went beyond proof of concept and demonstrated that Nilfisk masters the technology and its software-related services as a strong achievement indeed. In general, the floor care product group saw the strongest organic growth in Europe in 2021.

Across Asia Pacific, there was strong organic growth in revenue, 20%, despite a somewhat slower recovery from the Covid-19 pandemic in countries such as India, Vietnam, and China, where lockdowns were and are more widespread. China and the market in Southeast Asia deliver strong organic growth but remain below the pre-pandemic activity level, mainly due to their exposure to the hospitality segment and the lengthy lockdown periods.

The Pacific region saw strong recovery coming out of the strict lockdowns with increased demand in the industry sector and among new customers.

And finally, I'd also like to mention our consumer business which continued to execute well in 2021. It benefited from our renewed focus on this business and the successful launch of a new innovative high pressure washer range. Organic growth in this business area came to 13%. The year 2021 brought significant and unprecedented challenges to sourcing, distribution, and deliveries. And these challenges, as I'm quite sure you also know from the press, impacted most industries across the world. Also, at Nilfisk, sales were constrained by the shortages in supply and constraints in transportation and bottlenecks that became predominant during the year. Our order intake in the year far surpassed sales growth, so we ended the year with a record high order backlog.

Limitations in material and component supplies and in transportation capacity created an unprecedented situation, which was followed by substantial freight increases. We took decisive action to mitigate the constraints and to keep our manufacturing and distribution sites operational to ensure that we were able to deliver on an ongoing basis. And as a result, we were able to significantly increase output from our manufacturing sites, although it was not enough to fully satisfy the high order intake. We managed to keep manufacturing and distribution sites open and operational despite strict Covid-19 guidelines and measures.

Let's dwell on these figures for a while. It's not easy to deliver 20% more than you did the year before. It takes a lot of things to sort of click properly. We implemented an extraordinary mid-year price increase to mitigate the margin impact and the initiatives taken allowed us to continue serving our customers. At the same time, they made it possible to lower the impact on our earnings, driven by the historic high freight costs and raw material cost increases.

These events also gave us valuable insight into how important it is to ensure supply chain robustness to cater for growth built into our business plan. I'll come back to this shortly.

The situation I described just now, of course impacted of the financial situation. Free cash flow decreased by €15 million from the year before, totalling €58.5 million. The free cash flow was negatively affected by an increase in working capital; it increased because of inventory level increases. This was done as part of the efforts to mitigate supply chain challenges

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by securing supply capability, not only now, but also going forward. If you look at the accounts, you can see that the inventory levels were high at year end. This negative effect on cash flow from higher working capital was more than offset by the positive effects from lower financial expenses and an increased cash flow from higher operating profit.

At year end 2021, total net interest bearing debt came to €338.5 million, down €43.5 million from year end 2020. The reduction was a result of the positive operating profit, which was only partly offset by the increase in working capital.

The financial gearing measured here as EBITDA compared to net interest-bearing debt was reduced significantly because of a higher EBITDA and lower net interest bearing debt. Gearing trimmed from 3.8 at year end 2020 to 2.3 at year end 2021.

Going forward, we have set the objective of targeting a gearing between 1.5 and 2.0. And that's why today we propose not to distribute dividends for financial 2021 as the gearing target and our capital allocation principles has not been met. When gearing is sustainably within the target range, distribution by way of dividend will be expected at around one-third of adjusted profit after tax. Additional capital will be distributed via share buybacks.

I'd like to conclude my review of the financial year 2021 by taking a look at the developments in the share price during the year. The figure shows the development in share price in 2021; it increased by more than 63% in the course of the year. In comparison, the share price of OMX Copenhagen Mid-Cap Index, 28%.

But let's leave 2021 behind us for a moment and take a look at our financial guidance and strategy review. But before we look at the outlook for 2022, I have a couple of words to the current situation in Europe. At Nilfisk, we are deeply concerned about the continued Russian invasion of Ukraine. Nilfisk expresses deep concern for and sympathy with the Ukrainian people and those fleeing from their home country, and we are hoping for a peaceful resolution soon.

As a consequence of the situation, we have decided to suspend all our business in Russia. Nilfisk has a wholly-owned Russian subsidiary providing sales and service in Russia with over 60 employees. Effective March 4th, we have suspended all business activities with and in Russia, including stopping the import of products and parts into the country. Our colleagues have been sent home with pay, although payment restrictions makes this increasingly challenging. Nilfisk Russia provides sales and services to Belarus and these activities are also suspended.

Let me here tell you that the financial impact of this is immaterial to Nilfisk as Russia is around 1% of our total revenue. Of course, Nilfisk complies with applicable official sanctions and export restrictions in our global business. This includes sanctions and restrictions already in place before this crisis and our key actions in complying with the most recent sanctions have, until the full stop of business in Russia, included screening customer orders against updated sanction lists and ensuring that we do not export any of the ordinary commercial items that the EU and the US have restricted to limit exports.

We continue to monitor sanctions to ensure full compliance. As a global company with almost 5,000 employees of various nationalities, we would like to express our sympathy to everyone who is impacted by this conflict one way or another. We are contemplating to see how we can help to alleviate the big impact in neighbouring countries through our subsidiaries in Poland and Hungary. Just this week we have initiated an internal donation campaign across our global organisation to raise money for the victims. Nilfisk will double-up the amount donated. This campaign is handled in collaboration with the Red Cross and UNICEF.

And with those words, let's now move on to our financial outlook for 2022. For 2022, we expect organic revenue growth to be in the range between 4% and 7%. We expect that the continued market demand, a strong order book, and Nilfisk's

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pricing actions will drive organic revenue growth. We assume a continuation of the global economic recovery after Covid-19 and that the supply chain challenges do not worsen. In addition to ensuring growth, profitability is also key. In 2022, we plan to invest in our growth initiatives in line with revenue growth while maintaining a prudent cost management principle. The gross margin is expected to be influenced by remaining high freight and raw material costs and the overall supply chain uncertainty. We expect an EBITDA margin before special items in the range of 13.5% to 15.5%.

As I mentioned before, Nilfisk conducted a thorough strategy review during the second half of 2021 to decide on future strategic priorities. This process helped identify untapped profitable growth opportunities, but also to reflect upon past execution shortcomings. The conclusions of the strategy review have been captured in a solid five-year business plan, focussed on enabling long-term sustainable growth, as well as detailing the roadmap for successful implementation. At the same time, we believe it's Nilfisk's fundamental responsibility to lead the way on environmental, social, and governance-related matters, also referred to as ESG. And we have enhanced our ambitions and commitments with sustainability.

Our consolidated ambitions are described and formulated in a five-year business plan named Business Plan 2026, focussed on enabling long-term sustainable growth. The Board of Directors has great confidence in management's ability to execute and deliver on this plan. We introduced it in our annual report and our investor presentation on February 25th, and the plans will be further elaborated on a Capital Markets Day for institutional investors and analysts, which will take place on the 5th of April here at Nilfisk headquarters in Brøndby.

Our business plan 2026 is built around a strong value proposition how Nilfisk can create value for its customers. Customer centricity is key and will be incorporated into all processes to ensure that innovation and new technologies are brought into play to improve both efficiency and usability for our customers. At the same time, the Business Plan 2026 has a strong sustainability commitment to meet the increasing demands from both society and our customers.

The strategy review process has clearly identified five growth platforms and optimisation opportunities that altogether offer significant potential for value creation. These initiatives include developing service as a business, which is today about 30% of Nilfisk, migrating from a more reactive repair model to proactively focusing on providing a comprehensive solution. It's about complementing the product offer with a range of services throughout the utilisation lifecycle and thereby delivering a customer needs-oriented outcome.

Another priority involves plans to ensure growth in large-scale markets. Here, the US market is of particular importance, but also the implementation of a more segmented go-to-market approach to further strengthen the position in European markets. The shortages in supply and constraints and transportation in 2021, which I mentioned before, were a true stress test to us, and these constraints made us painfully aware that we need to strengthen the robustness of our supply chain. We need to add growth capacity to be able to cater for the growth that we have built into the business plan and to help us drive efficiency gains and savings. This will be a fundamental optimisation opportunity for us.

The Business Plan 2026 not only makes clear choices about strategic priorities but is also backed up by detailed implementation plans. Reliable execution is key to success, and the plan is explicitly about building a powerful execution engine with proven methods to translate strategic priorities into impactful implementation and with clear metrics to track. Over time, this will build a strong execution culture and craft new ways of working. This is one of the major differences from previous strategies and a very strong asset in the Business Plan 2026.

We have developed a business plan that steers Nilfisk towards long-term sustainable growth. Our 2026 target is to reach a level between €1.2 and €1.3 billion in revenue. Acquisitions may become relevant medium-term, but they are not included

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in this revenue target. To ensure that growth is profitable, we target an EBITDA margin before special items above 16% in 2026. We back our ambitions for growth and sustainability with investments. This means we expect CapEx in the range of 3% to 4% of sales per year towards 2026. After an initial investment phase, CapEx is expected to trend down towards the long-term sustainable level of 3% of sales.

Finally, we have set a new target for our gearing in the range of 1.5 to 2 towards 2026. In addition to these targets, we've also set targets for sustainability towards 2030. Let's move to the next page for a closer look.

At Nilfisk, we acknowledge the importance of making a serious effort to reduce our climate footprint. Our strengthened focus on reducing the company's carbon footprint includes commitments to define our efforts on climate action and reach very ambitious sustainability targets, lowering Nilfisk's total carbon emissions. During 2021, we further detailed our efforts on climate action. Nilfisk has committed to the science-based target initiatives, the only global initiative that directly links a company's carbon emission targets to the Paris Agreement and the associated global efforts.

These commitments were reinforced during 2021 with a third-party validation of our Scope One and Scope Two targets related to direct and indirect emissions from operations and the assessment and identification of targets on Scope Three related to emissions from the use of sold products. All targets have been approved by science-based target initiative, marking a significant milestone in our climate action efforts. We are committed to reducing absolute Scope One and Two greenhouse gas emissions by 35% by 2030 and to reducing Scope Three greenhouse gas emissions from use of sold products by 48%, measured by unit of gross profit also by 2030.

Also, we have committed to wider sustainability targets on important social parameters, including gender diversity in our leadership layers, introducing a 25% target for women in senior leadership by 2026. This figure is 14% today. Our ESG work are detailed in our CSR report, which I will encourage all of you to read. The report is available on our homepage.

Now, moving on to the work of the Board of Directors. We have a fixed plan for meetings throughout the year for the Board and the individual committees. Here, you can see an overview of the meetings held in 2021. Because of the continued lockdown and restrictions related to Covid, many of these meetings were held online in the first half of the year. Thankfully, we were able to meet in person in the second half as restrictions lifted. On top of the meetings listed here, there have been many telephone calls and teleconferences and a large number of informal meetings. At the same time, we've had a close cooperation with the management team in Nilfisk, not least our new members.

The election of Board members is addressed under item number eight at this Annual General Meeting. I've already mentioned that I will not be running for re-election and will step down from the Board as of today. This overview shows the current members and future candidates for the Board of Directors. Our Chair of the AGM, Marlene Winther Plas will go through the details regarding the election later in the agenda.

Before handing over to Marlene, let me just add a couple of comments. As we communicated in a company announcement on the 17th of March, the current board member, Jutta af Rosenborg, has agreed to make herself available for re-election. Consequently, the Board of Directors proposes re-election for a one-year term of Jutta under item eight of the agenda. I am very happy with Jutta's decision and that she can stay with the Board. Jutta is a strong resource in the work of the Board of Directors and having her stay on for one more year will also support the new chair in the transition and the overlap from independent members. So, thank you for that, Jutta.

Also, let me briefly comment on the four employee-elected board members here. The election term of the previous employee-elected board members expires today, so the employees of Nilfisk A/S have recently elected four new members.

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Gerner Raj Andersen, who was re-elected from the last election period, and Claus Dalmoose, Nadia Roya Damiri and Marcus Faber Kappendrup.

Even though I myself am leaving, I would like to welcome all four of you to the Board. The employee representatives have a seat at the table as any of the other board members, and they have unique perspectives to bring to the table because of their often long engagement with the company, bringing that unique internal insight into play along with other qualifications and a genuine urge to contribute to developing Nilfisk is key, and I wish you all the best of luck with this new opportunity. Welcome.

As Chair of the Nomination Committee, René Svendsen-Tune will cover the proposed Board compensation and our remuneration report later in the agenda. This brings me to the final comments in this chair's report. On behalf of the entire Board, I would like to thank our shareholders for your continued support and engagement in Nilfisk. I would also like to thank our almost 5,000 employees for their continued engagement and contribution to Nilfisk. You have done a remarkable job during 2021, ensuring that Nilfisk has returned to growth and laid the path for the future. That also goes for the Nilfisk leadership team. Once again, welcome to Torsten Türling and Reinhard Mayer. And to the entire leadership team, I would like to thank you for your dedication and will to succeed. It's been an absolute pleasure to work with all of you during the past years. And with this, I will hand back to you, Marlene. Thank you.

### **Marlene Winther Plas**

Thank you. Well, we've now covered the first four items on the agenda, and we have, I should note, an annual report where the auditors have given the financial statements an unqualified endorsement. And now let's hear questions and comments from shareholders. We have the first speaker ready.

### **Karsten Kristiansen**

Thank you. My name is Karsten Kristiansen. I represent the Danish Association of Shareholders. I am also a shareholder myself in Nilfisk. First of all, thank you to the Chair of the Board for a good report. As we also heard, Nilfisk achieved revenue at just under €1 billion and solid growth, 20.7%. But when we look at sales over several years, it doesn't look so fantastic. Actually, I think sales have been more or less flat. But I also think you should be commended for good earnings and an EBITDA margin of 14.5%. And now, growth going forward. In the report, we heard expectations for 2022 will be 4% to 7%. And to compare, I looked at Tennant's guidance and they say 4.5% to 8.5%. So, we are somewhat below, but still doing okay.

But just a question to the chair. Could you explain whether we can expect the same growth rates also in 2026, which is a year that the current strategy ends? In the report, we also see how sales are distributed on different parts of the world: the Americas, Europe, and Asia. And most of the sales are in Europe, 61%, whereas the Americas account for about 30% and 9% comes from the Asian market. And if we compare that with Tennant, their sales in Europe are 30% total, whereas the Americas accounts for 60% and Asia 10%.

So actually, I think it looks as if Nilfisk is a company that has a strong foothold in Europe, whereas Tennant has a strong foothold in the Americas. But what about Asia and the rest of the world? We sell our products in more than 100 countries and with a world market that represents 500 billion US dollar and all the small operators that exist in the market, with revenue up to 150 million. I'd like to hear you explain a bit about the Asian market. I know that our market in the Americas

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is important, but what about Asia? Couldn't you please explain a bit more about the Asian market because it appears to have a lot of small actors. Could you explain more about Nilfisk's view of the Asian market? That is my question to you.

And I also would like to call upon our large shareholders as follows. Two years ago, before the pandemic, I asked our large shareholders to speak up at the General Meeting of Nilfisk and explain what they think about the company's developments. And I'd like to repeat this encouragement and invitation now because in my association, we want investments to be transparent and therefore it would be relevant also in Nilfisk to hear what the large shareholders think of the company and its current developments.

And to conclude, I hear it's the Chair's last AGM. So, I'd like to say thank you very much for a job well done and good discussions at the AGMs. And with these words and questions, I would like to say thank you very much for your attention.

## **Jens Due Olsen**

Thank you very much. I saw you yesterday at another AGM. It's nice to see each other so much, I think. Well, thank you for the very relevant and pertinent questions. You talked about developments in sales over a multi-annual period and say that sales are flat, and that is kind of true. But I also have some comments. Nilfisk achieved in 2021 a revenue of just under €1 billion, which is way above the level in 2020, but also above 2019, the pre-pandemic level. If we go back further in time and look at 2017 and 2018, revenue was a bit above last year's level, but that is also because we were a different business at the time for a number of years from 2018 and onwards. We have carried out a number of divestments of business units in areas that are no longer considered core business. For instance, outdoor machinery, which actually was a considerable business area, and as a result, there was a decline in turnover, but also growth in revenues.

The 3% per annum that you said is our assessment of annual growth at the global market for professional cleaning equipment. Well, no matter where we land in this sector, our growth will be higher than that. You also touch upon the global market and the distribution of our revenue on Americas, Europe, and Asia.

And what did we think of the Asian market, was your question. Well, we have been present in China and in the markets in Southeast Asia for decades, and we have actually achieved a considerable stronghold there, or foothold. But it's a different market. It has a lot of small and local and medium-sized operators and competition is different there. And at the same time, in Asia, the level of wages is lower. So, the penetration of cleaning equipment is not at the same level as we see it elsewhere because of these low pay levels for cleaners.

And then we have also had an effect of the pandemic with massive lockdowns, in particular in China. But we also see that things are now slowly returning to normal. And then we have the entertainment industry: restaurants, airports, shopping centres. And they generated a steep growth in 2021, but there's still a long way to go before we are back to a full picture there. But we also see growing costs for the cleaners, and we also see a lack of labour. And we also see that there's also much focus on sustainability. And here we have a strong position, but results are not going to come in a year or two. So for the time being, we'll be focusing on Europe and the Americas and Service. So, I hope that I have now answered your questions. And once again, thank you for your active contributions at our AGMs.

And then you asked our major shareholders to be more active at the AGMs and I will gladly pass on that invitation to them myself.

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### **Marlene Winther Plas**

Thank you very much. I'd like to hear if there are other comments or contributions from shareholders. That doesn't seem to be the case. I find then that both report with such comments as were added today have been approved and that the AGM has approved the audited annual report for 2021 and also the proposal for a carryover of the profit for the year. And then a short break.

So, break over. Let's proceed to item five, which is Discharge of Liability for Members of Board and Executive Management. Any comments from shareholders? That doesn't appear to be the case. I find that the AGM has approved this item.

Item six, Presentation and Advisory Vote on the Remuneration Report. The company prepares every year a remuneration report which is presented to the AGM for an advisory vote. That follows from Danish company law. It is not binding for the company, but it's a question of making sure that remuneration policy is complied with. I would like to hear if there are any comments or questions to the remuneration report. It's available on the company's website.

In keeping with the rest of the relevant documents, and just to explain, the question was where can you find that remuneration report and could it be shown here? The thing is that it is available on the company's website in keeping with the annual report and the remuneration policy prior to the meeting. We have not prepared a slide with the highlights from the remuneration report, but you can find it on the company's website.

We need your name because we are broadcasting live and therefore, I cannot leave the podium. So, could you please turn to Heidi over there and have your name put down? Also, we would like you to use a microphone.

Does the board have any comments to this Chair, Vice Chair?

### **Jens Due Olsen**

Well, I can try. We have a published an annual report, remuneration report, CSR reports. So, I don't know whether you have any specific questions.

### **Steffen Rojahn**

[inaudible comments from shareholder – shareholder commenting without microphone].

### **Jens Due Olsen**

But you can file all that. We don't send things to shareholders. And I want you to come up here now, because we need to involve everyone in what you are saying. But we are making everything available on the website.

### **Steffen Rojahn**

I am Steffen Rojahn. At the AGM of a professional company, this would be shown clearly. The fees to Board members will appear in the report. And how much to the chair? Two times or three times what the bonuses are, what the share options

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are. And I would like to have it presented to the AGM. That's the purpose of the proposal. It's part of Danish legislation company law.

### **Jens Due Olsen**

Well, I will try to the best of my abilities to sum up our remuneration report. I'll be fairly brief and then I can answer questions. And all questions are welcome, of course. Let's begin with the fees to the Board. This is all in euro in the remuneration report. An ordinary member gets 40,000. Two times that to the deputy chair. Three times that to the chair. And if the chair participates in board committees, it does not trigger a fee on top of this.

Then there are a number of board committees. We have an audit committee where the chair gets €26,800, an ordinary member gets €13,400. That's half of the chair's fee. And then we have a remuneration committee where the fee is half of that paid to members of the audit committee, €6,700 to the ordinary member and double that to the chair. We only have two members of committees. And then we have another committee, €13,400 for the chair and half of that to an ordinary member. And then early in the year, we had a US committee. And we have also had a PMO committee. And these committees did not trigger the payment of any fee to members.

So, total, €559,600 in total to the Board. That was a Board of Directors. Then we have the executive management. And the thing is that there is a base fee and a short-term bonus and a long-term bonus and there may be some other things: Company car and free phone, etc.

There are restrictions. If we take the total remuneration paid to a member of the executive management. That's our benchmark. And then we'll take a look at the fixed and the variable. A member of the executive management might – this is an example – get between zero and 60% of the fixed pay in the short-term bonus. But it depends upon the fulfilment of certain conditions that would be personal targets and financial targets. And then there is long-term bonus which takes the form of conditional share programmes. Why conditional? Because you only get the options if you achieve specific targets. You could get zero or a certain amount in shares. And typically, it will be 50% of the basic pay that you get in value in conditional share options.

If there is excess fulfilment of objectives, you will get 100%, and if you do not meet the objectives, you may go down to 0%. And you get that 3% after the allocation. And we have a limitation in Nilfisk to the effect that the value of the long-term programme, after three years when it is calculated, cannot account for more than three times the base salary because we want to avoid these huge fluctuations. We rather want members of the executive management to make money year in, year out.

The targets that we have used for bonus allocations in 2021, as far as the short-term programme was concerned, it was organic growth, it was EBITDA, working capital. And these three objectives together accounted for 75% of the total bonus payments. And then we also had customer satisfaction, 15%. This is measured on a very specific score. And employee engagement score, 10%.

The long-term targets may change from one year to the next. At the present time, it is earnings and total return to shareholders, share price increases and dividends. And if there is excess fulfilment of this, then you get the maximum allocation under the share programme.

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In 2021, we had the special situation that we had to say goodbye to some members of the executive management and hello to new ones. And this is also reflected in the remuneration report. When we say goodbye to members of the executive management, we have to pay out some sort of allowance for a given period. This is stated in the contract and Hans Henrik Lund, the former CEO, and Prisca Kosicek, our former CFO, got such amounts paid out and they appear in the remuneration report. Mr Lund's pay plus this payment accounted for €4 million. And Torsten Türling and Mr Mayer, they of course, get the pay package that we have negotiated with them, but they also get a bonus when they sign, which is the sign-on bonus and then compensation for the bonus lost at your previous place of work. This is when you want people to join the company and perhaps join sooner than anticipated. And to Torsten Türling the amount is €2.3 million and to Mr. Mayer €1.3 million. Approximate figures.

And besides, but our vice chair will get back to that, there's also a proposal to increase the remuneration to Board members for 2022. This is very much sort of impromptu and off the cuff. I hope this was satisfactory.

### **Marlene Winther Plas**

Thank you very much. Are there any other comments to this item, or questions? There is an encouragement from the room to show this on the screen, and that has been duly noted. Thank you very much for that suggestion. If there are no further comments regarding this item, I will conclude that the Annual General Meeting has adopted the remuneration report.

That leads me to item seven, which is the remuneration for the Board of Directors, as mentioned by Jens. And there is a proposal that the fee for the Board be increased by 25,000 Danish kroner. That is the first time since the listing of the company in 2017. And here I give the floor to Vice Chair René Svendsen-Tune.

### **René Svendsen-Tune**

Thank you very much. My name is René Svendsen-Tune. I'm the Vice Chair of the Board. I'm also the chair of the nomination committee. And let me briefly comment on the proposal to increase the fee for the Board Members with 25,000 kroner. The remuneration has been unchanged since the listing in 2017 and today we propose to increase the base fee from 300,000 Danish krona to 325,000 krona.

This proposal is based on two main arguments. Firstly, that we want to be able to attract the best possible candidates for the Board of Nilfisk, and secondly, that we want to be in line with Danish market practice. The Board has carried out an external benchmarking during the course of the year, as Jens said, and we can see that base fees have increased during 2021, and we expect a more generalised increase during 2022 as well.

And on that basis, we propose an increase of the base fee for the Board members. Let me underline that the supplementary fee for the chair and vice chair and the members of the committees will stay at the same level and that these fees also appear from the presentation and have been described in the notice convening the AGM.

### **Marlene Winther Plas**

Thank you very much, René. Are there any questions under item seven? That does not seem to be the case. I can therefore conclude that the General Meeting has adopted this proposal. That leads me to item eight, which is the election of Board Members. According to the Articles of Association, the General Meeting elected Board Members should be between five

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and eight and they are elected each year on the Annual General Meetings, and they are up for re-election. Here, the Board proposes, as Jens mentioned before, to re-elect René Svendsen-Tune, Thomas Lau Schleicher, Richard Bisson, Are Dragesund, Franck Falezan, and Jutta af Rosenborg.

As mentioned before, Jens Due Olsen does not wish to stand for re-election. The Board also proposes election of Peter Nilsson. And here I will give the floor to René Svendsen-Tune once again.

### **René Svendsen-Tune**

Thank you very much, Marlene. On behalf of the Board Members, I would like to say a few words about the nomination of Peter Nilsson. Peter Nilsson is with us here today. Please stand up if you will. Welcome. As Marlene said, the other Board Members nominate Peter Nilsson to be elected as a new member of the Board. Peter has a great experience with the management of listed companies, not least with the implementation of business models, service models. And he is now the Chair of the Board in Lindab Group. He has great experience with Board work in general and he also has experience from executive management in a number of companies. We believe that Peter is a strong candidate for our Board who will supplement our work very well and he has the experience and the competencies to take on this position. So, a strong recommendation from the existing Board Members.

### **Marlene Winther Plas**

Thank you very much. Are there any other candidates for the Board? That does not seem to be the case. Therefore, the Board elected by the Annual General Meeting will consist of the following members until next year: Peter Nilsson, René Svendsen-Tune, Thomas Lau Schleicher, Richard Bisson, Are Dragesund, Franck Falezan, and Jutta af Rosenborg. I congratulate all of you, the election for the Board.

That leads me to item nine on the agenda, the election of auditor. Here, the Board of Directors proposes that Deloitte be re-elected company auditors and that is in line with the recommendation from the audit committee. Are there any other suggestions or proposals for an alternative auditor? That is not the case. That means that Deloitte has been re-elected. Congratulations.

Then we have the proposals from the Board of Directors. As I said before, there are no proposals from shareholders. We have a total of four proposals. Let's take them one at a time.

The first proposal has to do with an update to the company's remuneration policy, making sure that it appears that the standard liability insurance has been arranged for members of Board and executive management. It is also described that if the insurance does not provide cover in certain situations, the company will cover claims raised against a Board member. I will not go through this proposal in detail because it is stated very clearly in the convening notice, and I'd like to hear if there are comments or questions from shareholders. That doesn't seem to be the case. So, I find that the AGM has approved the first proposal on the list of Board proposals.

The second proposal has to do with a change and a prolongation or authorisation to the Board of Directors to raise the company's capital both with and without pre-emptive rights for shareholders. And this proposal is put forward because the current authorisation expires on the 9th of October this year and the proposal is to extend it until the 24th of March 2027. I will not read out these proposals verbatim because they are stated clearly in the convening notice to the General Meeting.

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Are there any questions, comments or objections in relation to this? That doesn't seem to be the case. I find that the AGM has approved the second proposal from the Board.

The third proposal is the question of terminating the authorisation to issue warrants contained in Article Four of the Articles of Association. The thing is that this provision is no longer relevant, and that's why the proposal is to delete it in its entirety from the Articles of Association. Any questions, comments or objections? That is not the case. I find that the AGM has approved the third proposal from the Board of Directors.

The fourth proposal is about extending and changing the authorisation to the Board of Directors to raise loans against issuing bonds. And the thing is that the current authorisation expires on the 9th of October this year, and therefore the Board proposes that it be extended until the 24th of March 2027. I will not read it out. It is all explained very clearly in the convening notice. Any questions, comments or objections? That is not the case. I find that the AGM has approved the fourth proposal from the Board of Directors.

Which brings us to item 11, the last item on the agenda. As you know, you cannot make any resolutions under item 11 that have a binding effect, but it is possible to bring up any question that you can think of. We have received nothing from the online participants in the course of the meeting, but if anyone in the room here has something to say, now's the time. That is not the case.

I find that we have now transacted all the business on the agenda. Thank you for good order and discipline and I would now like to hand over to the Vice chair of the Board of Directors.

## **René Svendsen-Tune**

Thank you very much, Marlene. Thank you for the chance to give you a few concluding remarks. But before I do that, I think on behalf of all of us, I would like to thank you, Jens. After many years, you have now chosen to step down and the company is well positioned. You have hired a new executive management. You've launched a new strategy. Everything is in place. You have been here for a long time. I would like to thank you for good cooperation between the two of us. It's been a pleasure. It's been honest. It's been constructive. It's been challenging. And I think we should all give Jens a round of applause and a big thank you.

So, dear shareholders, thank you for your time today. Thank you for good and relevant questions from the room. And thank you for taking an interest and being present here in the room as well as at home following the AGM online. Thank you to Marlene for navigating us safely through the AGM. Thank you to the interpreters, the technicians, the employees of Nilfisk and everyone who has contributed to a good general meeting once again.

Finally, let me say that it's been a true pleasure to see people in the room again and being able to attend an Annual General Meeting with a physical attendance here. I'm glad we can have an audience here at the Nilfisk headquarters once again. Also, thank you to you who follow proceedings online. I think we have struck a good balance between physical attendance and the opportunity to follow the AGM online. That's a good mix that covers all needs and I think that will be the model we will make use of also in the future. So, thank you all for your constructive contributions. Thank you.