



Annual General Meeting 2018
March 23, 2018

Chairman's Report

Once again, a big and warm welcome to you all - to Nilfisk's Annual General Meeting.

I have really been looking forward to this day! It is the first Annual General Meeting for Nilfisk as an independent company, and today is therefore another important milestone in the company's history and a very special event on the journey that Nilfisk is on.

It is with great pleasure that I look back on that Thursday in October last year, specifically October 12, 2017, when Nilfisk was officially listed on Nasdaq Copenhagen as an independent company. It was the culmination of a strategic journey. I would like to thank our shareholders for the courage and foresight shown in backing the decision to create a new independent Nilfisk!

There were many good reasons why the timing for an independent stock exchange listing of Nilfisk in 2017 was right. In addition to good financial results and an advantageous financial market, we put a strong leadership team in place in the course of the year, a team with a good mix of experience and many years in the company, and with new strong leadership talents. And we had strong ideas and ambitions for the future, and for how we could take the lead in defining the cleaning solutions of the future with new innovative solutions.

As an independent listed company, we believe that Nilfisk can and will have a stronger and higher profile.

In regard to the value of the stock, we must remember that we currently have less than half a year's history to look back on - and therefore we should primarily measure ourselves in relation to the course we staked out after the demerger and listing of Nilfisk. We emerged with a very strong market value when the stock began trading on October 12. We have created good liquidity in the stock, we have been included as part of the Large Cap Index at Nasdaq Copenhagen, and we have a good shareholding composition.

The share price development, as we look at the graph behind me, is also influenced by the speculations in the market that emerged in December following Primestone's proposal for a merger between Nilfisk and Tennant. Primestone is a shareholder of both companies.

As we said earlier, we believe that the two companies complement each other very well. We believe that there is a lot of value in combining the strengths of the two companies. For us, these thoughts are not new, this has been our assessment over the past 10 years. In this fragmented industry, it makes sense. Beyond this, I have no further comments to make on this topic.

Let's turn to this year's results. 2017 *has* been a good year for Nilfisk!

Looking at our financial performance for the year, we delivered strong growth in our two major business areas; namely the EMEA, which covers our sales in Europe, the Middle East and Africa and the Americas, which covers our sales in the US, Canada and Latin America. Overall, we saw solid organic growth of 3.7%.

The gross margin was 42.2% for the year, the highest level in the last five years, and we saw an EBITDA margin before special items of 11.4% for the underlying operations, which is also satisfactory. Return on capital employed also increased and totaled 16.0% for the year.

If we go into more details and look at revenue, Nilfisk achieved a total turnover of 1 billion and 82 million Euro, that is to say 1.08 billion Euro. This is an increase of 23 million Euro compared to 2016, and adjusted for exchange rates movements, as well as the effect of acquisitions and divestments, equates to a total

organic growth of 3.7%. This is a solid result and fully in line with our expectation for the year, which was an organic growth of between 3 and 4%.

For the total professional business operations, excluding the two "specialty" segments, organic growth in 2017 was 5.4%.

Growth in 2017 has been largely driven by developments in the EMEA and the Americas: The major established markets in the EMEA such as France, Benelux, UK and Spain continued to show solid growth, but the newer markets in Eastern Europe are also contributed to the growth. The private label business, where Nilfisk manufactures for customers who sell the products in their own name, has contributed to the growth in the EMEA in 2017.

In the US, we have seen high growth in the sale of floor cleaning machines to the major strategic customers, and the high-pressure cleaner business has also shown good growth. This part of the business has been established in recent years with the acquisition of two major US companies producing high-pressure cleaners.

Also on the earnings side, Nilfisk delivered as expected and in line with our expectations.

For the underlying operations, the EBITDA margin before special items was satisfactory at 11.4% for the full year. In December, the share price increased significantly, which impacted negatively on the cost of a so-called phantom stock plan. If this effect is included, the EBITDA margin before special items was 11.1% - both within expectations.

We also saw a positive development in the gross margin. This grew from 41.9% in 2016 to 42.2% in 2017 - the highest level in five years. The development is primarily driven by an increase in the total gross margin of the professional business in the EMEA, Americas and APAC. At the same time, we have seen a positive effect from a number of savings made, for example, in purchasing, in production optimization and from price increases.

Return on capital employed increased by 1.4 percentage points to a total of 16.0%, so that overall, Nilfisk has delivered a solid 2017.

The result shows that we have succeeded in implementing initiatives that will improve earnings over the coming years. Nilfisk's savings program continued as planned and initiatives equivalent to 21 million Euro in cumulative effect for 2016 and 2017 have been implemented. We are keeping with the plan to achieve the full savings potential of 35 million Euro by 2020.

Net profit for the year was 40.3 million Euro, which is an increase of 10.8 million Euro compared with the profit of 29.5 million Euro in 2016.

At the Extraordinary General Meeting on October 10, 2017, when the establishment of Nilfisk Holding A/S was decided, the General Meeting also adopted a dividend policy aiming at a dividend rate of approximately one third of the profit for the financial year. Due to the temporary high debt level relative to earnings - which was a consequence of the demerger from NKT - it was agreed at the same time that the first dividend payment be expected to take place in 2019 based on the reported result for the 2018 financial year, and thus, we propose to the Annual General Meeting that no dividend will be paid in 2018.

However, the year was more than satisfactory in terms of financial results! I have already mentioned the stock exchange listing in October as one of the year's biggest events and a milestone in Nilfisk's history, but the year also saw a number of other major initiatives.

At the beginning of the year, we implemented a new business model and a new organizational structure that focused the business operations and brought us even closer to our customers. Among other things, a number of business segments were separated out into separate units, including the entire consumer business and the industrial vacuum cleaner area, with their own dedicated management team and full value chain in order to ensure the necessary focus.

We entered into new exciting strategic partnerships with two leading companies in the field of robotics, and by the end of the year, we delivered the first examples of the self-propelled Nilfisk Liberty A50 floor cleaner to customers in the US.

And then we welcomed Hans Henrik Lund as the new CEO of Nilfisk! Hans Henrik came to Nilfisk with an impressive background from a number of technology companies, and he now has a strong management team around him consisting of a good mix of years of experience in Nilfisk, and brand new leadership talents.

We have Hans Henrik Lund with us today and therefore I would like to give the floor to Hans Henrik so that you can get to know him better. Hans Henrik will give us an insight into Nilfisk's visions for the future and the strategic journey the company has set out on.

(Hans Henrik Lund):

As Jens Due said a short while ago, this day is a big event for us and another milestone in Nilfisk's history. Just over a year ago, when I was offered the opportunity to take charge of this company, I did not have any doubt for one moment about saying yes! Like most other Danes, I have known the Nilfisk brand since I was little. Nilfisk is a piece of Danish industrial history, and therefore it was also with great humility that I walked through the entrance door at the headquarters in Brøndby just over a year ago.

And what did I see and experience in my first time in Nilfisk - before I officially and permanently sat in the chair on August 1? I experienced a company with a very great pride in what we deliver. The 5,800 employees all have a burning commitment and willingness to constantly make things just that little bit better, and find new ways of doing things.

I came to a business with huge potential based on over 100 years of experience and inventiveness; a business that is ready to take the next and decisive step in the technological development.

Nilfisk has a unique potential in terms of taking a larger share of the future market for professional cleaning equipment and cleaning solutions, and we have big ambitions for the future. I would like to show you a short film that shows how we see the cleaning solutions of the future and how we see the future market developing for Nilfisk.

We have come a long way since our founder, Peder Andersen Fisker, launched the first electric vacuum cleaner in the market in 1910. It was called the C1 and weighed "only" 17.5 kilos, and could be operated by just one person, which was a groundbreaking innovation at that time. For us, there is a clear common thread from this machine to what we have watched in the video just now.

Nilfisk has a clear vision, which we have formulated as follows: *"We will lead intelligent cleaning to make your business smarter"*

The core of what we deliver is *intelligent cleaning*. We believe that Nilfisk has truly developed for more than 100 years. As mentioned, our first vacuum cleaner, the C1, was a groundbreaking invention for its time. New smarter models followed, and the range was expanded to include floor cleaning machines and high-pressure cleaners. Nilfisk has developed intelligent cleaning solutions for more than 100 years! We have had the know-how and expertise about how the right equipment should be made. How the brush should strike the floor, which angle gives the best results, what speed is best, how we get the water back. We have been doing this for over 100 years! The difference is that when we talk about intelligent cleaning today, we're thinking about self-propelled machines, robotics and new ways to use data so our machines can clean smarter. Let's look at a few examples.

Around 70% of the total cost of professional cleaning goes on labor. This means that there is great potential in developing self-propelled and autonomous cleaning solutions that can release human resources for other tasks. In other words, Nilfisk can help reduce the cleaning costs for our customers - while ensuring consistent and more accurate cleaning.

We can also help make it easier for customers to document that the cleaning has been carried out. Today, it is already possible to retrieve data from the machines, for example, where they are and how they are being

used. We will see much more of this in the future and it will also be possible to measure the results accurately. Everything to make cleaning as efficient and economical as possible.

Furthermore, a few years in the future we will also see the first "Intelligent Buildings". These are buildings that measure and record activity in the premises, so that lamps, for example, will know how many people have been in the meeting rooms. And the coffee machine will be able to tell us when during the day there is the most activity in the café.

This will give us a wealth of data and information that we can use to optimize the cleaning process. Imagine that the meeting rooms are able to send data to our machines and tell us if the rooms have been used and by how many people. The machine itself will then calculate the need for cleaning.

Another example is that we can use data from, for example, the weather forecast and send it to the machine: If it will be raining all day tomorrow, the floor in the reception area will become wet and dirty, and so our machine will wash the floor four times during the day in comparison with only once on a nice and sunny spring day.

There is huge potential here. And we believe that Nilfisk has a unique position and the opportunity to utilize - and shape - these new opportunities.

However, a vision like the one we just saw in the video obviously has no value if you do not have a clear roadmap for reaching the destination. Therefore, in 2017, we also developed our strategy for the coming years. A strategy we have chosen to call *Nilfisk Next*. It is built around three benchmarks that we follow and which set the direction of the activities we initiate. We can see the three benchmarks here:

One team – one agenda: In short, all 5,800 employees focus their efforts across the entire value chain and ensure a clear and unified approach across the organization - from product development, production and logistics, to the front ranks dealing with our customers - that is our sales force and service professionals.

Simplify and grow: We continue to simplify and grow our business by continuing to reduce complexity. This creates the base for more growth and for better earnings.

Build the future: And then we will proceed to grasp the opportunities that the new technology gives us to make even better, smarter - and even more digital solutions for our customers.

There is no doubt that we have high ambitions at Nilfisk. And to reach our goals, there are a number of things we must do differently. We have defined five major changes that are crucial for creating the Nilfisk of the future. They are reproduced here. Let's look at a few examples.

Our offerings. Our products and solutions. Today, Nilfisk has a large range of products - maybe too many. This creates complexity in our production and elsewhere in the business operations – and also for our customers. But we are going to do something about it. Therefore, over the next few years, we are going to simplify our product range so it will be easier to do business with us. And at the same time, we will develop new products with robotics and an increased use of data.

Our marketing. We will work more extensively to gain the best possible knowledge about our customers and markets. So that we will know what our customers need - not only today but also next month, next year - and five years ahead. We will be driven by data in our activities, and at the same time make use of digital channels to attract new customers - and to service the customers we already have.

And our IT. Over the last 30 years, we have bought around 80 companies. This has significantly strengthened our business operations and global presence. But it has also meant that we have many different IT systems in operation today. We are working to align and streamline our IT infrastructure, so that we can better meet our customers - also across country and product borders going forward.

We are convinced that these important changes will benefit our customers and our business, and our shareholders, and ensure that we succeed in our vision of leading intelligent cleaning and creating the cleaning solutions of the future. With these words, I would like to thank you for your attention and hand the baton back to you, Jens.

(Jens Due Olsen):

There is no doubt that the world around us is evolving, and we are ready to take advantage of the many opportunities offered by the new technology - and develop them into new and exciting business opportunities. In other words, we are preparing Nilfisk for the future, at the same time as we are increasing earnings by making the business operations less complicated.

In order for us to achieve that goal, it is absolutely crucial that we have the right management structure in place.

We believe that we have a professionally well-qualified and well-composed board that allows for healthy discussion. The Board represents international business experience in industry, energy, high technology and general business development and is considered to have the seniority and competencies necessary to match the demands we place on the business operations.

We have a set plan for Board meetings, as well as committee meetings, throughout the year. Behind me you can see an overview of the meetings that have been held in the Board since the establishment of Nilfisk Holding on October 10, 2017. Additionally there have been many telephone conversations and conferences – and many informal meetings. At the same time, we have close and active cooperation with the management team in Nilfisk.

The Board's strong composition is also reflected in the self-assessment we conduct annually within the Board. The evaluation is that we have strong internal cooperation and that we have managed to maintain a good balance between supporting the actual operational business, and taking and implementing important strategic decisions.

This also means that all the members elected by the General Meeting are standing for re-election. From a personal viewpoint, I really appreciate our working cooperation and I am very glad that you wish to play a part in the many new chapters we are in the process of writing in Nilfisk's history.

The election of the Board members is item number 7 on the agenda.

I would like to take this opportunity to welcome three new employee-elected representatives to the Board. The elections of the employee-elected Board members have been held this month, and the outcome was that today we are able to welcome Gerner Andersen, Michael Gamtofte and Søren Kristensen to the Board.

I would also like to thank Yvonne Markussen and Jean-Marc Rios Dionne for their contribution. We haven't worked together for long, however, I enjoyed the time we have worked together!

As stated in item number 9a. in the agenda, we propose for the approval of the General Meeting a new remuneration policy for the Board of Directors and the Executive Management Board of Nilfisk. The Board will receive a base fee and a supplement for chairman- and certain committee work, which correspond to similar companies. The Board proposes that the remuneration for 2018 be maintained at the same level as in 2017. The Board's remuneration is described in detail under item number 6 of the agenda. And for the sake of good order, let me add that the chairman is not remunerated separately for his participation in board committees.

In the new remuneration policy proposal, we propose a significant change to the remuneration of the Executive Management Board. In accordance with the tendency we see in comparable companies, we would like to change the long-term incentive program from option and warrant based remuneration to a conditional share program. The value at the date of award is unchanged compared with earlier.

The changes are based on a wish to secure a closer link between the strategic goals and the value of the award – and a greater symmetry between the shareholders' returns and the long-term remuneration.

The conditional share program functions in a way that the relevant Executive Board members receive shares, that are conditional on the achievement of the long-term financial goals over the next three years.

Too low financial performance results in a loss of share allocation and a high financial performance results in maximum allocation. At the same time we apply restrictions so that the worth of the allocated shares in three years may not constitute more than three times the yearly salary – which is in line with good corporate governance.

The Board believes that the proposed remuneration policy will contribute to ensuring delivery of Nilfisk's strategy and at the same time it will strengthen the link between remuneration and sustainable long-term returns to shareholders.

I would also like to elaborate on the proposal set out in item number 9 b) of the agenda.

The Board proposes that the company's CEO be awarded an extraordinary one-off bonus of up to 40% of his basic salary for 2018. The CEO has made exceptional and decisive efforts in connection with the successful stock exchange listing of Nilfisk. It is the Board's assessment that the CEO's efforts have led to a significant increase in value for the shareholders, and because we could not issue shares based on the previous incentive program, but instead wished to await the general meeting's approval of the new program - which is taking place today – the Board believes that a bonus will be a proper and fair recognition of his effort.

We turn back now to Nilfisk's strategy, which we heard about a short while ago. Hans Henrik told us about our vision for Nilfisk and our strategy, *Nilfisk Next*. A number of things will remain the same in 2018. We will continue to streamline and grow the business with the strategic initiatives we have implemented - with the common purpose of delivering solid financial performances in the coming years.

However, other things will also be different. As became evidently clear in the presentation, new technology gives us plenty of opportunities to define the cleaning solutions of the future.

We intend, as Hans Henrik said, to be at the forefront and *define* the cleaning of the future. And there shall be no doubt that this will require reorganization of our business. Hans Henrik touched on several aspects of this reorganization, namely the transformations of the company that we have already started.

Therefore, we will also invest further in future technologies - *already* in 2018.

Here behind me, we can see an illustration of how we expect to increase investment levels in 2018, grouped in three areas. In addition to developing self-propelled solutions and digital services, we expect to increase our investment in sales and service with new global customer systems, as well as a significant upgrade of the entire IT area, as Hans Henrik mentioned.

However, we will also have to be patient. The immediate impact of these investments may not necessarily be seen in 2018 - but they will pave the way for both medium and long-term growth and earnings - and they will lay the foundations for future added value.

Therefore, the transformations we have started and our investments in the future are also reflected in our expectations for 2018.

We have described 2018 as a year of transformation for Nilfisk. We are focusing on the implementation of the *Nilfisk Next* strategy, and at the same time, we are allocating resources and carrying out investments in order to build the cleaning business of the future.

Organic growth is expected to be between 3 and 4% in 2018. This reflects our expectation of a positive effect from our growth initiatives and a continued favorable macroeconomic environment. Our medium-term expectations remain unchanged, and we expect organic growth of between 3 and 5% in the period 2020-2022.

The EBITDA margin before special items is expected to be between 11.5 and 12.0%. The effect of our savings program will continue to have a positive impact on our margins and will partly finance investments in new solutions. Medium-term expectations remain unchanged at 13.0-15.0% within the period 2020-2022.

In regard to the return on capital employed, our forecast also remains unchanged at over 20% by the end of 2022.

So it goes without saying that the splitting of NKT and the stock exchange listing of Nilfisk as an independent company was not an ending, on the contrary! We consider it to be the beginning of a new and strong chapter in Danish industrial history - and an opportunity to realize, in this case, Nilfisk's potential thereby creating a significant added value. The journey has begun for Nilfisk. And we look forward to continuing it with you!

Before I finish, I would like to give a big thank-you to the staff of Nilfisk. All our Nilfisk colleagues around the world, just under 5,800 of you, have made a huge and commendable performance and have all contributed to the creation of the Nilfisk we see today.

Also a big thank-you to our loyal customers all over the world, who also play a significant role as good partners, and provide the incentive to carry on developing our business.

And last but not least, a big thank-you to the shareholders of Nilfisk, who show confidence and belief in Nilfisk and who have supported us on the exciting journey that culminated in the stock exchange listing in 2017.

Thank you very much to you all, and thank you for the opportunity to speak to you.