



Nilfisk Annual General Meeting 2021
March 26, 2021

Transcript

Jens Due Olsen

Good afternoon and welcome. My name is Jens Due Olsen. I'm Chairman of this Company. In the light of the authorities' measures to limit the risk of contagion, the Board of Directors has decided that this year we will have an entirely virtual AGM. Usually, we would also have had the full Board in the room, but like the shareholders, they participate online.

So, I'd like to welcome you all. We look forward to having this direct webcast with you. The Annual General Meeting will be held in Danish, but we have an online translation service which will enable you to hear an English translation in real time - if you wish- and later on our website. We will also have relevant documents and the webcast available on the website after the meeting.

Marlene Winther Plass has been appointed Chairman of the meeting. I'd like to welcome you and hand over to you.

Marlene Winther Plass

Thank you very much. First of all, I'd like to say thank you to the board for appointing me Chairman of this meeting. My job is to make sure that we have a good meeting and that things are done as they should be. So, some formal matters first. Today's meeting is electronic, which means that there is a delay of approximately 20 seconds from the word is spoken here and until it reaches you where you are. So, if you have questions or comments, write them to us on the chat function in the system. Do so straight away if you already know what you want to ask, and if you don't have time enough when that particular item is being dealt with then send us a warning and we will make sure that there's time enough and we will wait for your contribution.

There will be minutes in both Danish and English from this meeting and they will be available on the website and I will approve the minutes or the protocol in my capacity of Chair.

The next thing I need to do is to find whether the meeting has been legally and lawfully convened and is quorate in relation to the items on the agenda. If there are objections concerning the legality of the AGM, please tell us now.

The requirements in item seven of the Articles of Association have been met, and I find that the meeting is legal because it is held in the Capital Region of Denmark. It is held electronically. This is also in compliance with the Articles of Association and the meeting was convened on the 4th of March. This must be done not earlier than five weeks and not later than three weeks before the day of the meeting.

The convening notice was announced on the company's website, published by Nasdaq, and also sent by email to shareholders wishing to receive such a notice. In the convening notice, it is stated which majority requirements are applied to the individual items on the agenda in order for them to be carried and the documents and information required by the Danish Company Act and the company's Articles of Association have been made available on the company's website.

We are talking about the agenda, the complete wording of the proposals, also forms for proxies and postal votes, and information about how to participate in a General Annual Meeting that is held electronically and how to vote. So, on this basis I find that the meeting has been legally and lawfully convened and we are quorum in relation to the business to be transacted. However, before I conclude here, I need to see if there are any



objections to my findings.

That doesn't seem to be the case. We have received no comments or questions, so I find that the Annual General Meeting 2021 of Nilfisk has been legally and lawfully convened and complies with the conditions set out in the Articles of Association and Danish Company Law.

We have received proxies; 71.43% of the share capital and the votes represented and this is a very high figure, which means that all items on the agenda, because of the proxies received, will be adopted; both those that require a simple majority and those that require a majority of two thirds of the votes.

Now, let's have a look at the agenda. There are 11 items on the agenda. The first three items: a report by the Board of Directors on the company's activities in the past year, presentation of the audited Annual Report 2020, and approval of the audited Annual Report – that's three - and then four, proposal by the Board of Directors for the distribution of profit. These first four items will be dealt with in one go. We did that last year as well, and they will be dealt with by the Chairman of the Board.

Item five is a resolution regarding discharge of management and Board of Directors from their liabilities. Six is adoption of the Remuneration Report by means of an advisory vote. Seven is remuneration of the Board of directors for the current financial year. Eight is election of members to the Board. Nine is Election of auditors. And ten is proposals from the Board of Directors and shareholders.

We have three proposals from the Board of Directors: The first is an update of the existing Remuneration Policy which was approved last year at the AGM. The second is the addition of a new item on a standard AGM agenda. It has to do with the presentation and advisory vote concerning the Remuneration Report. And the third proposal is the insertion in the Articles of Association of a new Article 16, according to which the Board of Directors may decide to prepare company announcements in English only.

Finally, as item 11 on the agenda we have any other business.

Whit that I would now like to hand over to the Chairman of the Board. You have the floor, Jens.

Jens Due Olsen

Thank you, Marlene. Dear shareholders, once again, welcome to our Annual General Meeting. We gather to review the year 2020 – our results and key events at Nilfisk during the year.

Before we go through the report, let me just reflect a bit on the year 2020. It has truly been an extraordinary year for all of us. When 2020 began, no one expected a worldwide pandemic on the scale we witnessed during the year. It became challenging times for us as human beings, for our societies, and for the world economy, and in March – exactly one year ago – it was clear that the COVID-19 outbreak would have a significant impact, also on Nilfisk.

The rapid escalation of the pandemic created an unprecedented level of uncertainty and volatility that forced us to operate our business under challenging working conditions with a low level of visibility. Here, I would like to send a warm thank-you to our employees for their ability to adapt to the challenging situation, as well as to the customers of Nilfisk for continuing to place trust in the company during the crisis.

The pandemic is still with us, and while we strive to find purpose and to define the future 'new normal' once COVID is defeated, it continues to affect individuals, businesses, and societies across the world. With vaccine programs being rolled out in many countries, we are starting to see a glimpse of light at the end of the tunnel, but the COVID-19 pandemic has not disappeared, and it will likely continue to affect our business in 2021.

Looking at the 2020 results, we are obviously not satisfied with the overall performance, and we are convinced



that our results can and will improve. That said, we are satisfied, though, with how we have navigated through the pandemic during 2020, and how, with the actions taken, we have laid the groundwork for a stronger Nilfisk.

Let's have a look at the actions we took during the year. From the minute the pandemic started to evolve in the beginning of the year, our main focus at Nilfisk was to keep our employees safe, while keeping the business fully operational and serving our customers throughout our markets. We have been able to continue production and distribution with little to no interruptions, also during the peaks of the crisis. It has not been easy, but we've managed.

We implemented precautionary measures to ensure that our sales force and service technicians could continue supporting customers. This has been particularly important for customers that are part of the critical infrastructure such as healthcare, manufacturing, and parts of retail.

As a supplier to these segments, Nilfisk was granted status as an essential business in countries like the US and the UK. This allowed us to continue our operations also in markets where all non-essential businesses had to shut down temporarily.

When it comes to our products and services, we also responded rapidly to the pandemic and to the increased focus on cleaning. Over the course of the year, Nilfisk brought selected new solutions to the market, tailored to the specific cleaning challenges our customers were facing during the pandemic. In selected markets we re-introduced a range of steam cleaners, we launched a portable disinfectant sprayer solution in the US, and last but not least, we introduced an innovative UV-light solution that can disinfect and remove bacteria and viruses. This solution can be applied to Nilfisk's autonomous scrubber, the Liberty SC50.

And then, we had to completely rethink how we interact with customers; meeting with them online and performing virtual product demos. Our customers have responded positively to the virtual sales visits, and we are confident that these new ways of collaborating will continue even after the pandemic.

Internally, we reacted swiftly to the new situation and changes in demand. We focused on proactive cash management, as well as CapEx reduction and prioritisation. And, at the same time, we executed a restructuring plan with the aim of lowering our structural cost base. So, all together, it has been crucial for us to react and to act to mitigate the heavy impact from COVID-19.

Looking at the 2020 results, there are in particular two numbers I would like to highlight. Nilfisk delivered a stable EBITDA margin before special items of 12.1% in 2020. As I just said, it was a challenging environment in the marketplace, but with the actions taken, such as disciplined cost control measures, less travel costs, and a successful execution of the restructuring programme, we delivered a margin in line with last year, despite the lower revenue.

Organic growth for the year was minus 11.5%. In the first half of the year, we experienced a steep decline in customer demand across all markets. Restrictions and lockdowns in response to COVID-19 forced many of our customers to scale down, or even temporarily close their operations, and obviously, this impacted our revenue. In fact, we saw these patterns across the globe. It started in China and the Asia Pacific region, then moving on to Europe and the Middle East, and then to the US.

This enabled us to predict the development and plan ahead. And as the first wave of the pandemic started to ease, we saw a gradual and steady recovery in demand patterns quarter over quarter in the second half of the year. However, demand did not reach the level from before the pandemic, despite the significant pick-up. Total revenue amounted to 832.9 million euros compared to 966.5 million euros in 2019. Excluding the impact from foreign exchange rates and our exit from the Consumer business in the Pacific region, this corresponds to an organic growth of minus 11.5%. This is a reduction of 133.6 million, corresponding to reported growth of minus 13.8%.



As I just said, we did see a gradual and steady recovery in the marketplace in the second half of 2020 with improvements quarter over quarter. Market activity came back in EMEA and the Americas, and demand increased, and we ended the year with total organic growth of minus 2.1% in the fourth quarter.

Over the course of 2020, there were large variations in market demand, across customer segments and markets and among the most impacted markets were China and the southern part of Europe.

Looking at our reporting segments and geographies, we see the organic growth rates for the full year, with Europe and the Middle East coming in at minus 11.6% with countries like France, Spain and Italy being hard hit in the first months of the pandemic.

Americas ended at minus 12.4% organically, and here we have experienced a solid pick-up in market activity in the US in the second half of 2020. Americas reported a positive organic growth of 2.1% in the fourth quarter, driven by a positive development in the US.

Across all geographies, we saw the hospitality sector being much more affected than for example areas of retail and manufacturing. This has had an impact on our business in many Asian markets where the hospitality segment is a large contributor to our sales. APAC as a whole ended with organic growth of minus 28%. Our Consumer business showed solid performance during the entire year. We are very pleased with this performance because it's not only a result of a high market demand in home improvements as a side effect of the pandemic, but indeed also due to a strong effort from our Consumer team. It is great to see that the team has picked up on opportunities in the market, not just with existing customers but also adding new customer wins during the year.

Now, moving on to earnings. The drop in revenue led to a lower gross profit for the year, as our gross margin suffered from low capacity utilisation especially in the second and third quarter because of the lower demand. In the fourth quarter, though, the pick-up in demand led to higher activity. As a result, we have seen a gradual improvement in our capacity utilisation, which is reflected in the gross margin coming in at 41.6% overall for the full year, and at 42.4% in the fourth quarter. For comparison, our gross margin was 42.1% in 2019.

As I mentioned earlier, 2020 was characterised by a strong focus on cost management across Nilfisk, fuelled by the new situation brought on by the pandemic. In general, we have realised savings across all functions and across all key markets at Nilfisk, and over the course of 2020, we managed to reduce our overhead costs by 43.7 million euros compared to 2019.

We received grants from government support programs of around 7 million euros, and we really appreciate that, and that means that the underlying reduction was around 37 million euros. Roughly half of this reduction is driven by lower activity-related costs such as less travel, less marketing, and less freight costs. The remaining part of this reduction is driven by lower personnel costs where our restructuring initiative – reducing the workforce by approximately 250 full-time positions – has been the key driver.

So, while the drop in revenue led to a lower gross profit for the year, this was partly off-set by lower costs, and our EBITDA before special items ended 17.2 million euros lower than last year. But at the same time, our EBITDA margin before special items was at the same level as last year at 12.1%.

We have been operating in exceptional circumstances, and through prudent cost management we were able to maintain the margin, which came in slightly higher than we anticipated in our latest guidance in November 2020.

Net result for the year 2020 amounted to minus 2.6 million euros, which is lower than last year due to the lower EBITDA and certain impacts in tax assets. The financial gearing – measured as EBITDA compared to net interest-bearing debt – amounted to 3.8 times, which is an increase compared to the level of 3.5 times in 2019. Nilfisk's capital allocation principles target a balance between pay-out and financial gearing. Specifically, we



have stated a financial gearing target measured as net interest-bearing debt divided by EBITDA of around 2.5, which is currently not met.

In addition, the impact of the COVID-19 outbreak has had a negative impact on market demand and in turn, on the revenue generation for Nilfisk in 2020. More importantly, the outbreak has led to a high degree of uncertainty in respect of the future macroeconomic development. Consequently, we have focused on proactive cash management and worked actively to manage our inventory levels to match expected demand. We have further emphasised our focus on credit collection, which has helped to reduce the net interest-bearing debt at the end of 2020 to 383.2 million euros and this is 30.9 million euros lower than at the end of 2019.

As the capital targets are not met, the Board of Directors proposes that no dividends will be distributed for the financial year 2020.

Now, to conclude my review of the financial year 2020, let's take a look at the share price development during the year. The share price declined by 11% during 2020, in the context of a severe economic disruption generated by the COVID-19 pandemic. The price has recovered after the announcement of the preliminary results in January 2021 and the fully consolidated numbers at the beginning of March.

So, to sum up 2020, I have three key messages. We've navigated through challenging market conditions created by the pandemic, and we've had a determined focus on serving customers and providing them with the solutions and services they needed – also new products catering for demands brought on by the pandemic. We've taken action on the new situation. We've mitigated the impact through strict cost management and a restructuring programme that – all together – made us maintain margins despite the decline in revenue. And lastly, we've stayed focused on strategy during a year that challenged us, for example we kept a steady focus on digital and autonomous solutions. I'll come back to our strategic direction shortly.

So, on the whole, we are confident about the commercial execution for 2021. It's going to be a year with focus on regaining sales volumes as markets recover from the pandemic. This focus is reflected in our financial outlook for 2021, which was announced on the 3rd of March, and is repeated today. We come from a situation where we've seen demand improving quarter over quarter in the second half of 2020, but at the same time, moving into 2021, there has been an increase in lockdowns and restrictions across markets because of the continued outbreak of COVID-19.

With the roll-out of vaccines across markets, we expect a more normalised environment during the second half of the year, but we do see continued uncertainty for market conditions in the year. In 2021, we expect the total business to generate organic growth of 5% to 10% compared to 2020, based on the market demand trends we are experiencing, and on the overall expected economic recovery.

Structural costs in 2021 are expected at a lower level compared to the year before but on the other hand, we expect activity-related costs - such as marketing, freight and travel - to increase compared to the relatively lower levels reported in the third and fourth quarter of 2020. So, with continued focus on cost discipline and revenue growth as described above, we expect an EBITDA margin before special items of between 12.5% and 14.5%.

So, the focus in 2021 will very much be on capturing the demand as markets are recovering. Our actions will continue to be guided by the overall direction set out in our strategy which is called "Nilfisk Next". Building on our mission statement and vision, Nilfisk Next outlines three overall objectives.

They are: to become truly global with harmonised processes and ways of working across the organization, and in this way to ensure consistent customer service and product quality; to become a solutions partner, which means that we add value beyond the machine and we deliver complete solutions to customers; and lastly, our digital approach, which means that we will promote a 'digital-first' mindset that helps us improve customer



experiences and build a coherent IT backbone.

Our strategic direction set by “Nilfisk Next” has been confirmed during the pandemic, where focus areas like globalisation, autonomous cleaning solutions, and digital systems have all become more important than ever. So, while navigating through the turbulent waters created by COVID, we stayed focused on our strategy and executed key initiatives in this.

This slide shows you an overview of key accomplishments in 2020. I'd like to walk you through them. In relation to autonomous solutions, we have seen solid progress in sales of the Liberty SC50 scrubber. Sales have been expanded to multiple customer segments and cleaning applications within industries like airports, retail, and healthcare. And across segments, we have seen a growing interest in autonomous solutions brought on by the pandemic.

Because of COVID-19, cleaning has become increasingly important to many businesses and institutions, and many of them have turned to autonomous cleaning technology to meet these new demands. In parallel, we launched an additional autonomous scrubber, the Liberty SC60. It's a larger machine, and our first machine that builds on software developed by one of our technology partners, Brain Corp.

It is a larger machine and therefore it is relevant for bigger indoor spaces like warehousing and logistics centres, and it complements our other autonomous scrubber quite well, the Liberty SC50.

We continued the execution of the growth plan for our US business focusing on leveraging the full portfolio, servicing our distribution partners better, and strengthening our approach to strategic accounts. Despite the COVID-19 pandemic, we have seen progress in all three areas during 2020 and we are also happy to see development in terms of our digital efforts, very much accelerated by a growing digital approach brought on by the pandemic.

We continued expansion of our global e-commerce solution, which, at the end of the year, had been implemented in 16 European markets and together with other initiatives like virtual product launch events and trainings, and the migration to a scalable and more efficient web platform, we further supported an improved digital customer experience.

And finally, I would like to mention the development of our supply chain. During 2020, we went live with two new European distribution centres operated by our supply chain partner and leading to faster and more efficient deliveries to customers.

The COVID-19 pandemic has left its mark; not only on the way we work and do business, but also on cleaning in general. The value of cleaning has become more evident. We are more focused on cleanliness and hygiene, and both are now business-critical in all industries.

At the same time, the pandemic has positioned public health and safety as critical parameters. Obviously, the awareness of the need for sustainable cleaning solutions has been rising for the past many years, but we are now at a point where sustainability is becoming a basic requirement in the eyes of customers, employees, and investors alike.

Climate-related issues are high on the global agenda, and also on ours in Nilfisk. As a provider of cleaning equipment, we at Nilfisk are responsible for developing products that are even more sustainable than those that are available today, so that customers can clean to a higher standard without harming the environment. During 2020, we continued efforts to meet our ambitious targets on the climate agenda. On the basis of a solid foundation of data, we have signed up to the “Science Based Targets” initiative and committed to reducing our carbon emissions from our operations – both directly and indirectly – by at least 35%, no later than in 2030. In parallel, we are working on assessing and reducing the carbon footprint related to our products and I



encourage all of you to read this Corporate Social Responsibility Report. We're very proud of it.

The sustainability focus will be increasingly important moving into 2021 and beyond and this is backed, of course, by innovation as a continued key driver. This includes bringing digital solutions to market and working with sustainability across our business and our offerings.

So, to look ahead, as I said before, 2021 will be characterised by a dedication to regaining sales volume as markets are recovering from the impact of COVID-19. The pandemic is still here, but we also believe that more normalised market conditions will return in 2021, and we are determined to meet and address any pick-up in demand, and any need that may arise in this comeback.

The value of cleaning has been reinforced, and Nilfisk is in a solid position to benefit from this development and emerge as a stronger company on the other side of the pandemic. We will improve our commercial execution to offer customers a great experience – not only in sales, but also in services – to drive growth. And with the progress made in terms of simplifying structures and processes over the past years – including the actions we've taken over the course of 2020 – we have a better foundation for commercial execution.

And now, the work done by the Board of Directors. The challenging market conditions caused by the pandemic provided a fertile basis for continued good discussions at Board and management level throughout 2020. We have a fixed plan for meetings throughout the year for the Board and on the individual committees. Here, you can see an overview of the meetings that have been held by the Board in 2020, and because of the extraordinary situation caused by COVID-19, there have been more meetings in the Board of Directors than usual.

At the same time, we have had a close and active cooperation with the management of Nilfisk. After the AGM in June 2020, and a wish from the Board to engage even deeper into market and competitor insights and progress of strategic initiatives in the company, we formed two additional committees, namely a Project Management Office Committee and a US Committee, the latter to increase the Board's focus on the US market.

Remuneration of the Board of Directors is addressed at agenda item seven at this Annual General Meeting and I would like to add a few comments to this topic already now.

We propose to maintain the same level of compensation as last year. This means that the base fee for board members is DKK 300,000. It is further proposed that participation in Board Committees is remunerated as proposed in the Notice to Convene. There is no base fee for participation in the two interim Committees, the Project Management Office Committee and the US Committee. One member of the Board, Are Dragesund, has chosen to abstain from receiving the Board member base fee and fees for participation in Board Committees. The proposal contains the fact that the Chairman will receive three times the base fee, and no additional remuneration for work on committees. The Vice Chair will receive twice the base fee. The proposal concerning remuneration to the board will be dealt with later in the agenda under item seven.

And now we are talking about remuneration, I would like to address this topic. We adopted our remuneration policy at the June 2020 General Meeting. In the policy we set out the general framework for remuneration and contains specific rules on incentive pay for the Board of Directors and the Executive Management. The Remuneration Committee of the Board of Directors reviewed the company's current remuneration policy in the course of the year to ensure that it complies with the revised Recommendations for Good Corporate Governance and reflects market standards.

Against this backdrop, the Board of Directors proposes certain changes to the Remuneration Policy. This appears on the agenda of this Annual General Meeting, item 10a. The main change is an increase of the



maximum annual bonus award from 70% to 100% of the base salary to follow market practice.

In some cases, our current bonus potential was not high enough to attract relevant candidates and this is addressed by the proposed change. It is specified that if the target performance under the long-term incentive schemes are reached, then 50% of the award will normally be payable. That also reflects current practice so it's merely a specification of this. The regular notice period is adjusted from normally six months by the executive and 12 months by the Company to six to nine months by the executive and 12 to 18 months by the Company. And finally, there is an opportunity to agree on an extended notice period for the management in case of a change of control. However, the maximum total notice period will never be able to go beyond the current maximum of 24 months.

Remuneration to the Board of Directors and the Executive Board is described in detail in our Remuneration Report, which will be presented for an indicative vote for the first time at this AGM. This is done under item six. In this report, you will see that COVID-19 has also played a role in relation to remuneration. The bonus plan for managers and key employees was adjusted to reflect the quarterly fluctuations. For the Executive Management Board and Nilfisk Leadership Team, the bonus targets were not adjusted, and so the bonus pay-out was lower. At the same time there was no annual salary adjustment across all levels of the organisation. It also appears in the report that Nilfisk reduced the number of employees, including a reduction in the Leadership Team and other senior positions. This has given a leaner and more cost-effective organisation.

Our goal and intention are to pay managers and employees of Nilfisk appropriately and fairly according to market standards. We strive to have a Remuneration Policy and practices that reflect the nature, complexity, and size of the company and its current situation.

We also do our best to ensure that the remuneration policy continues to support the Company's strategy as it attracts, motivates, and retains key employees, while at the same time reflecting the interests of shareholders. This is the Remuneration Report. It's the first time it's been published. It gives good transparency, and we believe that is important in this field.

Back to the work of the Board of Directors. The Board's self-assessment was conducted in the first quarter of 2021 as an online survey managed by the Nomination Committee. At a board meeting today just before this Annual General Meeting, we reviewed and discussed the self-assessment on the Board. The survey concluded that the board has the necessary and relevant competences and experience but could benefit from more diversity.

The Board has an open dialogue. Everyone contributes and opinions are shared freely. Meeting frequency, agenda and material shared are appropriate and relevant. A year with significant business issues has also had an impact on our overall level of satisfaction. We are generally less satisfied with the quality of our discussions and also on the balance between strategic oversight and detailed discussions, I'd even call it operational discussions.

So, while the average score continues to be between good and very good, there are more variances in individual replies both on the team level and on the individual level. We have today decided on a number of actions to take to improve Board performance further.

Election of Board members is addressed under item eight of this agenda and it appears from the agenda and related documents published prior to the meeting that our Deputy Chair, Anders Runevad, has decided not to seek re-election. I have worked closely with Anders for many years, and I regret to see him leave. Over the years, we've had a lot of good conversations and chats, and I – together with the entire Board – have valued his input. Over the past year I especially enjoyed working with Anders in his role as Deputy Chairman and we've also had some bantering with regard to the relationship between Denmark and Sweden. But I regret his decision not to run again, but I also respect his decision and that he feels he has other commitments.



It is the Board's recommendation not to seek replacement for Anders for the time being. We have a fairly large Board as it is, and we believe that we have the competencies needed, and we also have a majority of independent members on the Board.

At Nilfisk, we have close to 60% of shareholders represented on the Board. This implies that we have a number of non-independent directors on the Board and in this way, you could almost label us as a private public listed company. This has implications for governance: On one hand, we have the benefit of – and this is a major benefit – of having a very direct link between shareholder interests and the interest of company management, but on the other hand, we also need to maintain the independence of our Board, both to safeguard the interests of shareholders that do not have direct Board representation but also to maintain the integrity of our two-tiered governance system.

We have institutionalised this at Nilfisk as follows. We wish to maintain that a majority of our Board members are independent of institutional shareholders. And although Anders Runevad resigns from the Board, this continues to be the case. Also, non-independent shareholders cannot act as Chair of a Board committee. Also, committees always have less than 50% of total Board members and only have preparatory tasks.

Together, this ensures that decisions are always made by the full Board in which independent members constitute a majority. Having said this, we value direct shareholder Board participation and the insight that this gives, and the short distance between shareholders and company governance. We'll get back to the election of Board members a little later in this meeting when we get to item eight on the agenda.

The Board of Directors will have its first meeting just after this AGM, and if the Board members are elected as it says in the proposal, the intention is to act as follows: I will be elected Chair and René Svendsen-Tune will be appointed Deputy Chair. The Audit Committee proposal is for Jutta af Rosenberg to be Chair and Are Dragesund to be ordinary member. For the Nomination Committee, the proposal is for René Svendsen-Tune to be Chair and Franck Falézan to be ordinary member. And in the Remuneration Committee, the proposal is to have Jutta af Rosenberg as Chair and Thomas Lau Schleicher as ordinary member.

The two ad hoc committees are ad hoc, but they will continue for the time being. We have the Project Management Office Committee where the undersigned will be Chair: Are Dragesund and Franck Falézan will be ordinary members and then we have the US Committee where the proposal is to have me as Chair and René Svendsen-Tune and Richard Bisson as ordinary members.

We have now reached the final comments of my report. On behalf of the entire Board, I'd like to thank our shareholders for continued support and engagement in Nilfisk, in particular during another challenging year marked by extraordinary circumstances. Also, thank you to our more than 4,000 employees for their commitment and contribution in a year that has been far from easy.

And finally, thank you to the Nilfisk leadership team for their dedication to the continued execution of the strategy and their determination to persist with the execution. Thank you very much and now back to the Chairman of the meeting.

Marlene Winther Plass

Thank you very much. These four items were the first four items on our agenda for today. Let me also mention that we have an Unqualified Auditors Report from the company's auditor, Deloitte, contained in the Annual Report. Ahead of the AGM, we received a contribution from the Association of the Danish Shareholders, and they have asked me to read their comments and questions out loud. Should anyone else have comments or questions, please write to us in the chat function now.

I will now read the comments from the Association of Danish Shareholders:



Karsten Kristiansen

Thank you for the floor. My name is Karsten Kristiansen. I represent the Association of Danish Shareholders. Firstly, thank you to the Chairman for a good report.

Profitability: 2020 has been a different year compared to previous years due to COVID-19 which has also affected the revenue with a fall of no less than 11.5%. On the other hand, you have managed to maintain the EBIT margin at an appropriate level in spite of the negative influence from COVID-19. We would like to acknowledge that.

We also look forward to an expected EBITDA at the level of 12.5 to 14.5 in 2021. That's a good step toward the more long-term goal of an EBIT margin of 15%. However, the development in revenue is not so good-looking. In five years, we have seen a steady decrease and we would like to see a turnaround of this development.

Now, to the individual countries and markets. In recent years we've spoken a lot about the smaller markets in which Nilfisk's products are sold. Last year we praised you for a good performance in the Canadian market. I would therefore like to call for a more specific description of the individual markets and how you work to create sales growth in these markets. Creating growth in sales is one of the biggest challenges for Nilfisk, as you know.

Digital products: Throughout the past few years we've been working on the development of the digital part of cleaning machines. Back in 2019, I asked you which products would be brought about by digitisation and whether you could put any numbers or figures on the expected revenue from these products. In 2019, we hadn't come far enough in the digitisation process for you to be able to answer. We're still curious to know whether the digitisation of cleaning machines will create a market for some kind of digital product, like software that could add revenue for Nilfisk. The digitisation of cleaning machines could be seen as a product improvement without separate payment for the digital functionality.

I would like to ask the Chairman of the Board to elaborate on the above and the economic potential of the digitisation product process of cleaning machines.

Finally, I would also like to ask whether you have a whistle-blower scheme in Nilfisk as it is a focus point for the Association of Danish Shareholders. Thank you for the floor.

And that was the contribution from the Association of Danish Shareholders. And I give the floor to the Chairman for a reply.

Jens Due Olsen

Thank you to Karsten Kristiansen for the comments and the relevant questions. Usually, we have the pleasure of seeing you here at the rostrum, but this year you will have to make do with me and Marlene.

Let me begin by addressing the question about growth and development in the individual markets. Here Karsten Kristiansen calls for a more detailed description of the individual markets, particularly the smaller markets and what we do to create greater growth here.

First of all, there's a big difference as to how our revenue is distributed across markets. Today, the biggest part of our revenue comes from our core markets. Our five biggest markets - the US, Germany, France, the UK and Denmark - constitute 58% of total revenue.

Among other things, this reflects the fact that the market for professional cleaning solutions simply is biggest in Europe and North America, where you invest more in machine cleaning. But it's also due to the fact that we see the greatest growth potential in our core business and in our core markets. This is where we have a history.



This is where our brand and products are well known by customers and this is where we have a good market position compared to our competitors.

That said, there should be no doubt that our strategy is also to create growth in all markets, not just in the large and well-established markets - they also started out small - but also in our smaller markets. In 2020 we gathered a number of our smaller markets - what we call emerging markets - in an organisational community in order to give these markets an even better potential for sharing knowledge across the organisation and execute on our growth strategies.

Karsten Kristiansen also asks about new digital opportunities and solutions. There's no doubt that these solutions will continue to gain importance in our industry, and we are going to be working with these services in different ways and with different pricing models. Some services will be built into the machine or the product itself and be an integrated part of the overall solution. Other services could be priced separately in order to contribute more directly to revenue. We think that no matter the model, these solutions will be able to make up the crucial difference that makes our customers choose Nilfisk over our competitors and we would therefore be able to use digital services as a leverage to sell even more machines or more hardware.

Finally, Karsten Kristiansen asks whether there is a whistle-blower scheme in Nilfisk. The brief answer is yes. If I am to elaborate, I can tell you that we do have a whistle-blower scheme. Here, employees and external parties can report violations to our Code of Conduct or violations of rules and regulations or other irregularities. The reporting takes place online via a portal available in several languages. The system is administered by an external company in order to ensure confidentiality and anonymity if the person reporting should so wish. The whistle-blower scheme is of course an add-on for our internal reporting that takes place directly to management or to our Human Resource department. And in 2020 we saw that almost all cases were reported internally. That is, without the use of the whistle-blower scheme. So, it doesn't have to catch all, but it gives you the opportunity for anonymous reporting if that should be necessary.

We believe that the fact that almost all cases are reported internally tells us that we have employees who trust their colleagues and managers and that we have an open dialogue in our organisation. But of course, both parts of the scheme are important. In our CSR Report, there's an overview of all the reporting, and in 2020 we had a total of six reports in the whistle-blower scheme, of which two involved the same case.

With these comments, I hope to have addressed the questions of Karsten Kristiansen, and once again I would like to thank the Association of Danish Shareholders for their active participation in our AGM.

Marlene Winther Plass

Right, we have an additional question in the chat. Jens, I think you shouldn't go too far away. The question comes from Andreas Johnsen. Are there any acquisitions in the pipeline that will help Nilfisk grow stronger in future vis-à-vis its competitors?

Jens Due Olsen

Thank you, Andreas Johnsen, for a very relevant question. It was my pleasure also to reply to it at another AGM, but that doesn't take away its relevance here.

Yes, in Nilfisk we are actually proud of having a very wide playing board, in the sense that we try to achieve organic growth but at the same time, we are definitely on the acquisitive trail whenever there are candidates out there. And it could be small companies, large companies, companies, businesses that may strengthen our organisation within a given country.

We have five main markets that account for 58% of our revenue and one of the reasons why we are so successful in markets where we have a major position is that we have also a service organisation that can provide service to customers while at the same time we also have sales. And that may be difficult in other



markets. So, sometimes we have to acquire local sales channels or small cleaning businesses merely for the purpose of growing in size to approach the market in a more profitable manner.

It could also be a business that gives us a technological advantage. Very few companies can deal with everything themselves and we have partners with Brain Corp, as I mentioned earlier, but also Carnegie Robotics - another very important strategic partnership - so it's not necessarily a large acquisition we're talking about. It could be small businesses that help our R&D unit to develop even better cleaning solutions going forward. And then there may be very large acquisitions that actually help transform the business, but there are not many of those.

So, on the whole I'd like to say that Nilfisk is - in the current situation, our focus - we've been on a long journey improving the business. We're not there yet. We are still seeing positive results flowing in and despite the decline in revenue, we have been able to maintain some of the good things as initiatives and their results kick in. But it's definitely relevant what you're talking about, and we are always open, and thank you for your question.

Marlene Winther Plass

We have not received any further questions or comments in the chat function, so I take it that we can now approve the report from the Board of Directors, or rather we've taken note of the report. We have approved the Audited Annual Report 2020 and the proposal from the Board concerning the appropriation of profit, where the proposal is to carry it forward to next year and that no dividend be paid out.

Item five: Discharge to members of management and Board of Directors from liabilities - we have received no comments or questions from shareholders in regard to this item, so I find that we have approved item five.

Item six: Presentation of the Remuneration Report and an advisory vote - and please remember to send in your questions and comments already now. The company prepares an annual Remuneration Report. This was mentioned by the Chairman and it will be presented to the AGM for approval. And this also follows from the Danish Company Act.

The Remuneration Report gives a total overview of the remuneration to the individual members of management or what is due to them from previous years, and you'll find it on the company's website. The report, that is. Today's vote is not binding, but it contributes to making sure that the Remuneration Policy is practised and carried out in agreement with what is contained in the Remuneration Policy. It is a separate document. It is not contained in the Annual Report and this is to make sure that there is a separate discussion of the two documents at the AGM. And that's also why the Board has proposed that a new item be added to the standard list of items on AGM agendas. This is the proposal contained in item 10B.

And Jens, you described the contents of the Remuneration Report when you gave your report and we have received no comments or questions concerning this Remuneration Report, at least not up until now. So, I find that the AGM has approved item six.

Item seven is remuneration of the Board of Directors. The proposal is for the Board to receive a remuneration at a level that is unchanged from last year. This was also touched upon by the Chairman of the Board in his report, and we have received no comments or questions. So, I find that the AGM has approved this item.

Item eight: Election of Board members. If you wish to be a candidate, or if you have comments, now is the time to send us a chat. According to Article 11 of the Articles of Association, the Board members elected by the AGM are minimum five, maximum eight. Members are elected for a term of one year at the AGM and may be re-elected. The Board proposes, and this was also said by the Chairman in his report, that members currently elected by the AGM are re-elected. They are Jens Due Olsen, Jutta af Rosenberg, René Svendsen-Tune, Thomas Lau Schleicher, Richard P. Bisson, Are Dragesund, and Franck Falézan. And as stated by the



Chairman, Mr Anders Runevad does not wish to be re-elected.

We have not received any other nominations for a seat on the Board and we have not received anything in the chat. So, I find that the list of people I read out before have all been re-elected and will sit until next year's AGM. Congratulations.

Item nine on the agenda is election of auditor. The proposal from the Board is that Deloitte be re-elected. We have not received any alternative proposals. And we have not received anything in the chat system either. So, I find that Deloitte has been re-elected. Congratulations.

Item ten: Proposals from Board of Directors or shareholders. There are three proposals from the Board. And if you have comments or questions in relation to these proposals, send them to us via the chat.

The first proposal has to do with an update of the company's Remuneration Policy, the one that was adopted at last year's AGM without any comments. As the Board Chairman said, there have been a number of editorial changes made. He went over the proposals and it is also very clearly outlined in the convening notice. So, I will not go into an outline here and now.

What has been changed was changed in order to make sure that it lives up to the market standard and also reflects the recommendations for good corporate governance. We have not received any questions or comments to this proposal from the Board, so I find that it has been approved by the AGM.

The second proposal is item 10B. This is a proposal for a new item on the standard agenda for the Ordinary AGM contained in Article 81 of the Articles of Association. The proposal is for a new item six on the agenda, which is the presentation of and an advisory vote on the Remuneration Report. We have not received any comments or questions as regards this item and I can therefore conclude that the AGM has adopted the second proposal of the Board.

That leads me to item 10C, the third proposal from the Board of Directors. The proposal is for a new Article 16 in the Articles of Association that gives the Board of Directors the opportunity - however, not an obligation - to elaborate corporate announcements in English. So, this is an authorisation for the Board of Directors, and that also means that the current Article 14(4) concerning Group language, which is English, be moved to Article 16, giving us a new Article in the Articles of Association named 'Language'. We have not received any remarks or questions for this item either, and I can therefore conclude that the AGM has approved and adopted the third proposal from the Board of Directors.

That leads me to item 11 - any other business. So far, I have not received any comments or questions. There is still time, however, should you wish to take the floor and write a comment. You cannot table any proposals for adoption, but you can speak your mind. You can give advice or give your remarks to the management of the company, but as I still have not received any remarks, comments, or questions, I therefore find that our agenda has been exhausted for today and that the Annual General Meeting is adjourned.

Thank you very much for your participation, and I pass the floor back to the Chairman of the Board.

Jens Due Olsen

Dear shareholders, thank you very much for your time, thank you for your good and relevant questions, and thank you for your interest. I would also like to thank you for your support to the Board in the development of Nilfisk. Thank you to Marlene Plass. Thank you to the interpreters, the technicians, and the employees who have all contributed to making sure that this AGM was conducted without a glitch.

It is a bit peculiar being here with no physical attendance. We had to get used to this way of conducting meetings throughout the year and we now have an authorisation to continue to hold electronic Annual General



Meetings. However, it is our intention to hold Annual General Meetings with physical attendance in the future.

You should know that, and I just thank you and thank you for your active participation.