



NILFISK 2019 ANNUAL GENERAL MEETING

Tuesday March 26th, 2019

Speakers (names and initials)

Jens Due – JD

Malene Winther Plas – MWP

Claus Wiinblad – CW

Karsten Kristiansen – KK

Name of the file: Nilfisk AGM – English

Keys

Unable to decipher = (inaudible) / Phonetic spelling = (ph) / Missed word = (?)

[START OF TRANSCRIPTION]

Jens Due: Good afternoon and welcome to the 2019 Annual General Meeting in Nilfisk. As always, we're looking forward to a successful AGM and a good debate. This AGM is held in Danish, but you may ask questions in English, and then they will be translated. At the end of the Annual General Meeting, you may be able to read the report on the Nilfisk homepage and other documents will be available there, too. Marlene Winther Plas is our chairman of the AGM. Welcome.

Marlene Winther Plas: Thank you very much. Thank you for giving me the floor and thank you for electing me as chairman of the AGM. I am here to ensure that we have a successful and correct AGM. If you wish to speak, please go and ask Nicholas (ph 00:01:02) to be put on the list. Please give your name and show your voting card so that you can be registered. I, then, receive the list of speakers and you will be given the floor, in succession. Please also turn off your mobile phones. If they are still on, please just check. We will record minutes and they will be available in Danish and English, and I will correct and approve the minutes as chairman.

First of all, I have to note whether we have been convened legally and in accordance with the rules and the agenda that has been issued. This has been in accordance with Article 7, which is being held in the Copenhagen region, before the end of April and it was convened on the 4th of March no more than five and no less than three weeks in advance of the AGM date. It has been published on the homepage of the company, also via Nasdaq and has been sent by email to the shareholders who so wish.



There are no items on the agenda of the AGM that need more than an ordinary majority; that is 50% of the votes cast. Also, I have been told that all the necessary documentation has been available on the homepage. This is in accordance with the Articles and the Danish Companies Act. So, I record that the AGM has been convened in accordance with all rules and regulations and that the agenda is correct, but before I can reach that final conclusion, I ask whether there are questions or comments on the notice and the convening. Since that is not the case, I will just note that this is in accordance with the Articles. 70.4% of the capital and votes are represented either by proxy or by attendance.

Next, I have to go through the agenda and we have it on the screen now. Items 1, 2, 3 and 4: the report by the Board of Directors; presentation of the annual report; adoption of the annual report; and proposal for the distribution of profits. These four items will be taken *en bloc*; so, we take them together. Item (5) resolution of discharge for Management and Board of Directors; (6) remuneration of the Board of Directors; (7) election of Board Members; and (8) election of one or more public accountants; and (9) is deleted since we have no proposals, and, finally, we have item (10) Any other business.

That was the formalities. I now give the floor to Jens Due, so that we can tackle the first four items on the agenda. You have the floor, sir.

Jens Due: Thank you, Marlene. So, once again, I would like to welcome you all to Nilfisk AGM. We have been looking forward to seeing you all here at our headquarters in Brøndby. We moved to these facilities about three years ago, in April of 2016, and today about 225 employees work here in a long range of functions, from product development, purchase, logistics, to marketing, sales, administrative functions such as finance, IT and HR. This place reflects our new business model where— and our sales organisations are focused on selling, and in individual global centres we operate a number of functional areas, expert areas, for our sales organisations, but I'll tell you more about this later.

This is the second AGM for Nilfisk since we were listed on the stock exchange as an independent company in the autumn of 2017, and, therefore, we can now look back at our first entire year as an independent company and what kind of year has 2018 been.

In many ways, one word may be repeated again and again when you describe the year 2018 and that is the word, "transformation". Of course, we have changed things in Nilfisk before, but the transformation has accelerated since we employed Hans Henrik Lund as CEO about 18 months ago. During 2018, we have carried out a long number of changes in Nilfisk; changes that are anchored in our strategy to create a more simple and stronger Nilfisk, and changes that have created an even stronger basis for future growth and profitability.

More specifically, we have divested certain parts of our business; we have restructured our production, made it more simple. And at the same time, we have simplified our portfolio of products. And, then, we've become more acute as regards what we do,



centrally and across Nilfisk, and what we do locally in the individual markets close to our customers. Overall, it means that a lot of complexity has been removed from the business. For me and the Board, there is no doubt that we have seen solid progress in the execution of the strategy during 2018. We call this strategy “Nilfisk Next” and in a moment I will come back to it and I will tell you more about how we see this transformation and the simplification of Nilfisk as the key to gaining a leading position on the future markets; in the market for cleaning solutions.

As regards our results, we’ve seen a strong development in the professional business in the EMEA segment while the development in the Americas, specifically in the US, has been unsatisfactory. Overall, this means that we have seen a result that is below our original expectations, but I’ll come back to the financial results later. Let’s first look at some of the events that have characterised 2018.

Now, one area where we have created a more simple structure is in the product portfolio. Through the years, and based on purchases as well as local history, the number of products had grown considerably, and we can see that many of these products did not really contribute to our revenue, but they created large complexity in all parts of the business, such as, for example: production, purchase, logistics and finance.

So, in the beginning of 2018, we launched a product, the purpose of which was to reduce the number of products in Nilfisk; to reduce them considerably. And based on analysis of revenue and profitability, we decided to phase out a total of 144 product platforms over a number of years; corresponding to more than 40% of Nilfisk’s overall number of product platforms. At the end of 2018, 109 of these platforms were phased out, which has reduced complexity and simplified our business further. And, we can also note that this phasing out has not had an impact on sales.

Another significant proof of the simplification of Nilfisk that we have launched is the divestments that we carried out in 2018. --We have divested five business units, and, overall, which in total amounts to an annual revenue of €75 million. The divestments have happened based on thorough strategic analysis and we have assessed earning and growth possibilities for the individual businesses. We have carried out these divestments based on a premise that we want to be present in markets that are attractive to us and where we have a strong position and where we have the right conditions for development and growth. And, our analysis show that this was not the case of the business areas you see here.

The last divestment took place in October, when we signed an agreement about the sale of our Outdoor business which had an annual revenue of about €25 million and produced outdoor machinery for the cleaning of roads, pavements and other areas. We have focused much on this business unit and have developed it since we purchased it in 2011, but, during 2018, we reached the conclusion that it required other competencies, and a long, much larger volume in order to develop it further, and Nilfisk does not really have the size to do this and, therefore, would not be able to develop this business; and our assessment was that we were



not the right owners. So, we're happy to have been able to sell part of the business back to Egholm which are the former owners and those who founded the Outdoor business.

It's the same rationale we have used when it comes to the volume and development potential of HydraMaster, which was behind our sale of HydraMaster, our American business for equipment of carpet, floor, carpet cleaners. This sale also took place in October and also here it was our assessment that the business was so different from Nilfisk's core business that we could not continue to develop it positively.

Other divestments include the business unit Nordic Chemicals & Utensils, which is based in Sweden and sold cleaning agents, and also a local producer of high-pressure cleaners with sale and production exclusively in Turkey.

We also decided to sell our business in South Africa which mainly consists of production and sale of cleaning agents. Again, an area which is not part of our core business.

The divestments have created a much more simple Nilfisk and we see that in our production where we have been able to reduce the number of production facilities considerably. With the sale of the Outdoor business, we transferred our production in Lemvig to the new owners Egholm. At the same time, we phased out our factory in Guardamiglio in Italy, and, with the sale of HydraMaster, the production outside Seattle in USA was also sold.

During the second part of the year, we also decided to close our factory in Suzhou, China. Suzhou has served Nilfisk well for many years, but when Nilfisk purchased Viper some years ago, it found that the production– Viper had a great production facility in Dongguan in the southern part of China, and, as we wanted to consolidate production in China and gather it in one place, several production lines were moved to Dongguan, and other subcontracted to third party, and, therefore, Suzhou started to close down.

All in all, seven production facilities have been either – we have either moved out of seven production facilities – or closed them during 2018, which brings the overall number of locations where Nilfisk has production from 18 to 11. It also reduces complexity in the business, not just in production, but also in associated areas such as purchase and logistics and paves the way for a more efficient use of production machinery.

Part of these activities, including the divestment and the phasing out of production units have been a contributing factor to realising the results of 2018 that was below our– or less than expected, but let's look at the year's results: Nilfisk delivered an organic growth in 2018 of 2%; that is lower than expected at the beginning of the year, but in line with the expectations that were specified in October. This lower growth rate has been driven by divestment, but also by the closing of production in China, which meant that in the short term in the third and fourth quarter we were not able to deliver the products that we had received orders for. At the



same time, the year's organic growth is also an expression of an unsatisfactory development in our business for cleaning, floor-cleaning equipment in the US, but I'll come back to that.

The gross margin landed at 42% for the year, while the EBITDA margin before special items ended at 11.9%. The EBITDA margin was possibly affected by Nilfisk's phantom share programme. Exclusive of this impact, the operational EBITDA margin landed at 11.5%, and that is a small progress compared to the year before and within the expected interval. We guided 11.5% to 12% at the start of the year, and this was at the low end of the interval, and, thus, we reached the interval.

Return on capital employed also increased and amounted to a total of 16.7% for the year, an increase of 0.7 percentage point compared to the year before. We did not quite reach the result we had told you, shareholders, at the beginning of the year – and told ourselves, or expected of ourselves – which is not satisfactory, but there are progress. So, let's go into more details with the results.

If we look at the revenue of the year, Nilfisk realised an overall revenue of €1,054 million. It's a small decline compared to the year before and, primarily, the reason is the fluctuations in currency exchange prices and the divestments that we made. If we adjust for these fluctuations, we get an overall organic growth of 2%. The growth was driven by positive development in Nilfisk's "branded professional business" in EMEA, with organic growth at 3.6% and a strong development in the Speciality Professional segment which delivered an organic growth of 11.4%. Across regions and segments, the professional business, that means Nilfisk, exclusive of consumer business and exclusive of the part of the business that produce and sell products in the customer's own name, what we call "private label", we delivered an organic growth in 2018 of 2.8%. So, this "branded professional business", as we call it, amount to more than 80% of our overall revenue.

We experienced solid growth, especially in EMEA, and, also, progress. EMEA covers Europe, Middle East and Africa, and here we saw a continued positive development in the large established markets, such as Germany, France and Spain, but, also, newer markets in Eastern Europe contributed to our growth.

As mentioned, 2018 has been a challenging year in the US, specifically as regards the sale of floor-cleaning equipment. Overall, our organic growth in the Americas region was negative by 0.3%, and it was the development there which caused this result and this is not satisfactory. We have impacted by the fact that one of our big re-sellers has chosen to change supplier and, also, we have had some delivery challenges in the beginning of the year and these factors have impacted our ability to deliver to big industrial customers in the US, and also negatively impacted sales. These conditions have impacted on our overall result in the Americas segment and overshadowed a positive development in countries like Brazil, Argentina, Canada. We want to change our access to the American market all the way from the Board and throughout the organisation, and this is the reason why we have nominated Richard Bisson as a new member of the Board; but more about this later.



In APAC, the organic growth landed at 1.7%. APAC covers Asia and the Pacific region, and here we have especially seen strong progress in the Chinese market where China has delivered a two-digit growth throughout the year. The Specialty Professional segment also delivered strong growth throughout the year, with organic growth landing at 11.5% for the year, especially driven by our business for industrial vacuum cleaners and machinery.

In the Nilfisk consumer business, we managed during 2018 to stabilise revenue and improve profitability. In the third quarter, we launched– will assess and determine the best possible strategy for consumer business. And, this work will be continued during the first half of 2019.

Nilfisk realised a growth margin of 42.0% in 2018. It was just below expectation, and a small decline compared to the year before. The gross margin was possibly driven by price adjustments in our markets and our programme for cost savings, but, on the other hand, a shift in product mix, that means that we sold more products with lower margins, and they were increasing raw material prices and tariffs. All these factors meant that our gross margin also moved in the opposite direction.

The EBITDA margin before special items was 11.9%, positively affected by the adjustment of the phantom share programme. We also see that we have a positive development, because the EBITDA margin for special items landed at 11.5%; an increase on the year before. The positive development was driven by a strong focus on driving more efficiency from our resources across the whole business and organisation. Our cost-cutting programme, therefore, continued as planned and, in 2018, it increased our expectations to overall improvement potential from €35 million to €50 million by the end of 2020. At the moment, we have executed initiatives equivalent to €33 million in accumulated effect.

The return on invested capital also rose, making up 16.7% for the year; an increase of 0.7 percentage point on the year before, driven by an improvement for special items. Transformation has included some costs, and some of them are indicated as special items because we do not expect them to repeat. In 2018, it was €68.5 million, mainly primary impairments intermixed with divestments, special costs related to the closure of factories in Suzhou, and the optimisation of the production structures.

The Nilfisk share is still on the Large Cap index of Nasdaq Copenhagen, and, in 2018, our share has received a great deal of attention. We've seen some changes, some ups and downs in the share price, partly due to the speculation of possible merger with Tennant and the adjustment of our expectations of the annual result in October 2018.

Throughout 2018, and up to date in 2019, we have seen great support from our major shareholders who have bought further shares in Nilfisk. We appreciate the support, and we still appreciate and expect this to be part of our strategic dialogue with our shareholders.



The annual result is €10.0 million on €40.3 million in 2017. The result is lower than the previous year, partly due to marked increases in special items driven by many divestments in 2018. Our dividend policy is to pay out a third of the annual net results once the capital targets have been achieved. Since the gearing measured as net interest rate bearing debt on EBITDA of 2.9 times is higher than the target of 2.5 times, the Board today suggests that there is no dividend to be paid out for the annual account or for the financial year 2018.

As I've already mentioned, 2018 has been characterised by change, and not just in Nilfisk as a company and business, but in the entire professional cleaning sector. This sector sees some essential changes driven by new technologies. The new technology changes the dynamics between customers and suppliers, cleaning becomes intelligent, as you say, smart solutions and applications that collect and use data and creates new value from this data, and this is being launched throughout the sector. At Nilfisk, we are already part of this development. We have a vision to make our customers' business smarter and more productive through intelligent cleaning solutions and new business models. I'm thinking of cleaning solutions using robot technology, or that integrate data from the surroundings so that the cleaning result is even better. For example, data from lamps in a building registering how much a meeting room or a kitchen is being used throughout the day, thereby telling the machine how thoroughly this area needs to be cleaned.

We know that our customers want a partner that will create more value for them and their business, far more than just somebody who supplies a machine that can clean. And, low-price competitors supply simple machinery for the market which increases the competition furthermore. Our strategy, Nilfisk Next, is our response to these tendencies and changes.

In the years to come, we will work at a two-part transformation; we'll increase the profitability in our core business, so that we can finance the necessary investments required for tomorrow's cleaning solutions and, at the same time, we will position ourselves as leading in intelligent cleaning.

Nilfisk Next sets the overall strategic direction for the company, and we have executed, as I've said, on a number of initiatives in 2018 that backs up this direction. And these strategic milestones have made us able to take the transformation to the next level. This is composed of a number of initiatives and progress that we can categorise in four overall drivers. We call them Simplify, Grow, Digitise and Lead. In every area, a detailed programme description, but, generally speaking, I can say that Simplify is about reducing the complexity of the business and harmonising the way we work across departments in Nilfisk, including consolidating the production, range, the number of brands, standardising our production structure, and harmonising the IT landscape.

It's also about the business model; we are introducing Nilfisk where sales organisations will follow a standard model and structure, fully focused on sales. On the other hand, we have more global centres driving a number of functional expert areas in, for example, service, finance and marketing, all supporting, of course, the local sales organisations.



Grow is about improving our commercial potential further, and develop new business. We are focused on driving organic growth in all markets and involve ourselves in cooperation with our major global customers to drive growth and innovation, and we want to increase the service solutions we can offer across the markets, for example, by offering new services and new business models.

With Digitise, we'll work on robot technology and self-driving— autonomous solutions combined with the launch of new digital services. Finally, Lead is about building up an organisation that has competencies and the behaviour that supports the transformation.

Let me discuss Digitise and the many possibilities that new technology offers: In recent years Nilfisk has developed some solutions that incorporate robot technology in our well-tested cleaning machinery and solutions. We work with some technology partners, and, only yesterday, we could announce a new and interesting partnership, and by combining our own development with expertise from external partners, we can ensure the right progress. We can, therefore, accelerate the development of autonomous solutions and we can continue the development of the machine Liberty SC50, which you can see behind us and on the film. This is the Nilfisk first intelligent floor washer.

In 2018, Nilfisk has been refining this very piece of machinery, SC50, which is autonomous and can clean on its own and create increased value for our customers, as you can see behind us. We have this solution today for a number of global customers and the feedback is very positive. Let's just see the end of the film.

And, you should imagine that this piece of machinery not only cleans, it collects information, what's on the shelves, how dirty the floor is for the next cleaning and there are intelligent solutions in many lamps in the buildings, and all this can be drawn on before the area becomes so dirty that you can't stand looking at it. So, it's the whole environment round the machine that is what we are working on at the moment. But, we have great expectations here and this is the direction that our sector will be going in the next few years.

The need for new technology and future intelligent cleaning solutions are reflected in our expectations for future solutions. In 2018, we have invested €18 million and we expect to increase this to €20 million in 2019. €12 million will be spent on autonomous solutions and digital services. This is an illustration of our expected investments in 2019 and 2020. Apart from the development on intelligent cleaning solutions which will continue in the next few years, we will be investing in sales and marketing with new global customer systems and we will also see marked upgrading of our IT systems.

With that in mind, it's clear that the transformation of Nilfisk will continue in 2019. We'll be focusing on the further implementation of the Nilfisk Next strategy and continue our efforts to increase profitability in our business whilst we also invest and build the



Nilfisk of the future. We will be emphasising globalised functions across the organisation; that's our business model, and standardise our processes to create further efficiency.

This transformation is included in our expectations for 2019, also taking into account the development of the world economy. Our expectations for 2019 is what you see on the screen, as communicated in the annual report. We expect organic growth in the branded professional business to be more than 3.0%. Our expectation is that this will be driven solidly in the EMEA regions and increased growth in the Americas and APAC segments compared with 2018. We are also aware of the macro economic development which may have positive or negative effects on the result, an increased uncertainty with respect to our transformation initiatives that can have a negative effect on organic growth.

In our consumer business, we expect a continued stabilisation of the turnover with organic growth of about 0%, but private label business in 2019 is expected to fall by 10% as a major customer has chosen another strategy and will not continue with Nilfisk. This is a well-known fact and was communicated at the end of the fourth quarter. Altogether, it is our expectation that the organic growth for the overall business in 2019 will be about 2%. On revenue, we expect an EBITDA margin before special items, which is 14.4% in 2019, including the effect of the new accounting standard called IFRS 16. So, if you compare apples with apples, it's an EBITDA margin before special items of 12%, and we can compare that with 11.5% in 2018. So, a continued improvement, which is as planned, so that we can achieve our goal of an EBITDA margin of 13% to 15%, or 15.4% to 17.4% correct and according to the new accounting standard in 2020-2022.

The expected increase in the EBITDA margins could be seen as a result of our expected improvement in the gross margin, but also the positive effect of our cost-cutting programme, the effect of the divestments made in 2018 and a positive net effect of the exchange rates regulations.

With these transformations, the changes we have initiated, there has been a good basis for thorough discussions in the board room and at management level in '18. We have a fixed plan for meetings with the Board on an annual basis and the individual committees. Behind me, you can see an overview of the meetings that were held in 2018. We also have the presidency meetings; we meet, basically, the months where we don't have Board meetings. We have had many telephone conversations and teleconferences and a number of informal meetings We have a close and active cooperation with the management team in Nilfisk. We have just gone through our annual Board evaluation. We have concluded that the Board is a good team with room for good discussion and where there's a great degree of confidence and trust between the members. So, we have estimated that we have the right composition. We have also wanted to increase the share representation from Kirkbi who now own more than 20% of the shares in Nilfisk. We have wanted to see a strong American with management, sales and marketing background on the Board. So, the idea is that Thomas Schleicher be admitted to the audit committee and that Richard Bisson enters an ad-hoc committee to increase the Board focus on the American market. You will see their professional backgrounds in the notice for the Annual General Meeting.



We want to increase the figure for what is called the less-represented gender, so that there's about coincidence between the gender representation in our company; we will change that in the course of the year. We also want to increase our monitoring of many strategic and transformation initiatives in the boardrooms. Personally, I can say I'm very pleased with our colleagues on the Board. Thank you for the way you have worked with us; you are willing to listen and you also put Nilfisk first at any time.

As I have described in this report for 2018, we saw solid progress in the execution of our strategy for Nilfisk. In the end, if I can sum up, we have worked intensively to simplify our business production and product portfolio. We have divested a number of business units that were not part of the core business; we have consolidated and simplified our production structure; and we have taken important steps to create a far more simplified product range which reduces the complexity everywhere in our business. With these many milestones, we on the Board, have no doubt that this year, we are in a far stronger position than a year ago, but it is also evident that the transformation will continue. We must remain a leading actor in the global market and be ready to lead the development in intelligent cleaning, whilst at the same time optimising our core business and increasing our profitability.

With this as a starting point, we have entered the next stage in our multi-annual strategy Nilfisk Next. We are going through a very interesting period and we, fundamentally, have a possibility of continuing transformation in the interest of both shareholders, customers and staff. So, we in the Board would like to thank our shareholders for their continued support and involvement with Nilfisk throughout the year. We would also like to thank the management team headed up by CEO Hans Henrik Lund, so that they can help simplify the company and pave the road for future growth. And, also, a very strong thank you to the 5,500 employees who contribute to Nilfisk's success. And, we'd also like to thank our loyal customers throughout the world who play an important role as good partners that make us want to develop our business. Thank you.

MWP: That covers the first four items of the agenda, and we have received an unqualified opinion from Deloitte to the annual report. So, therefore, I am now opening the floor for questions from you, and two people have said that they would like to have the floor, and the first person I would like to hand over to is Claus Wiinblad from ATP. Please come up here, Claus.

Claus Wiinblad: Thank you very much. My name is Claus Wiinblad and I represent ATP. I would like to start by thanking the Chairman of the Board for a good report on the accounts for 2018. Nilfisk delivered a disappointing result in 2018; the organic growth of 2% was below expectations, or below target. The target was 4%. And the EBITDA margin just barely reached the promised level. Especially, the American organisation has seen many problems: loss of strategic customer and so on. And that has led to unsatisfactory results. At the same time, earnings have been under pressure, because of increased prices in raw material and fall in demand. If we look away from the result, there have been many positive changes in the business throughout the year. Nilfisk



has said openly that 2018 would be a transformative year, and it has been a transformative year. We have seen the divestment of many business units, reduction of products and the closure of seven factories.

In addition, there has been a new structure in the American organisation during the year. We have seen the first positive results, we've seen an organic growth of 5% in the fourth quarter, and, hopefully, that indicates that Nilfisk has finally found the right constellation in the US. More generally, Nilfisk has an ambition to – through simplifications – to create a global coherent organisation with uniform processes and systems and competencies in the individual countries; what Nilfisk calls its blueprint. There's a need for that, definitely, because one of the historical problems has been the lack of ability to execute in the individual countries. So, this blueprint will, hopefully, correct this. So, I am glad to hear the Chairman said in his report that this problem would be addressed, but it also makes me feel a little bit tired because we have heard of many initiatives from many different management teams of Nilfisk where they have tried to handle these execution problems in the individual countries.

In my point of view, it is crucial that you succeed this time. First of all, to reach the target and achieve the expected growth and earnings, or revenue. It's also crucial that Nilfisk is as strong as possible on that day when the consolidation of this industry finally take place and will happen. And, I guess, I don't have to mention the name Tennant once more in this context.

2018 was also the year when Nilfisk sent the first autonomous cleaning machinery into the market. We saw the film; it will be exciting to follow the development. There's no doubt that technology and digitisation will create some interesting long-term prospects for the sector, or the industry. Of course, we will not be upset if that means that Nilfisk can open the door to some of the big global customers which are not customers of Nilfisk today.

So, with these words I would like to wish the management and the employees all the best luck for the coming year. Thank you.

MWP: Thank you. The next speaker is Karsten Kristiansen, who represents the Danish Shareholders Association.

Karsten Kristiansen: Thank you very much. My name is Karsten Kristiansen and I represent the Danish Shareholders Association. First, I'd also like to thank the chairman for his good report, but I also have some questions and I would like some answers to my questions. In 2018, Nilfisk has been undergoing a process where they have reduced the number of production facilities and product range. And, so, this must lead to a higher revenue and, therefore, it is interesting to focus on this margin, the EBITDA, which Jens also said, but we have experienced a slight increase in 2018 and there is an expectation of a further increase in 2019. But, we are also happy to read about the target for EBITDA in 2020-2022 where they expect to reach a level of between 15.4% and 17.4%. And, even though 2.4% is due to a change in financial standards, we still think it's a good target and we look forward to seeing it matched.



So, one of the other areas which there's been a lot of focus on in 2018 is the digitisation of cleaning machinery, and here it's easy to see our flagship the— we just saw the machinery here, we see the SC50, and it's also easy to see the digitisation possibilities that are included in that machinery, but it also raises the question of how digitisation can be carried out when you look at machinery which is less pricy so that the end consumer will choose our product rather than a product from a low price producer. So, I'd like to ask you how digitisation can create value for customers who buy our machinery at lower prices than the price at which you sold the flagship? And, in addition, in 2019, there will also be launched a new digitisation service, a new product category, but it also raises the question at how much revenue this can generate in the coming years. And, therefore, I'd like to ask could you please give us an indication of how much revenue and earnings will be included in this new product category, for example, give us an example of a product and an example of price.

And, finally, we do not just see changes in digitisation, or within digitisation, we also see an increased focus on climate changes and sustainability; areas which seem to have more impact on a company than before. Unfortunately, it's a little bit difficult to see a description of this in your annual report, and, therefore, would like to hear whether Nilfisk could describe or could tell us how you are going to deal with the challenges as regards climate changes and sustainability? An example that I'm thinking of could be the component in machinery, whether they can be re-used when the machine is worn down. And, with these comments and questions, I would like to say thank you very much.

JD: Well, thank you for your questions. First, Claus Wiinblad from ATP. Well, now and again, we also get a little bit tired with transformation, so I understand that you express the kind of tiredness that you express, but I also acknowledge that you share our assessment that it's crucial for several reasons to be a strong player and to be a strong player in the consolidation that we hope will take place in our sector. So, despite the fact that we can all be a little bit tired of transformation, I thank you for your continued support, and I didn't really think you had a question, Claus, but thank you very much.

Also, thank you to Karsten Kristiansen from the Danish Shareholders Association and the acknowledgement of our ambitious targets and the increase in revenue. I noted three questions: The first question was 'how digitisation of machinery can lead to machinery at lower prices so that the end-consumer also can benefit from these digital products'. Today, the price of that technology used for robots, or like the SC50, is relatively high, and, therefore, it's been necessary to start with the digitisation of our primary products; the products that we sell to more ambitious or large customers. But we do believe, at the same time, that, like all other technology, the price will fall in coming years as robots become more and more widespread. So, we also work towards this and we work towards introducing new technology in all kinds of machinery and also at other price levels. It has to wait a little because cost has to be reduced first and we have to fill the demand of our large customers first, but it will happen, but it will just be in the future.



Then, there was a question around concerning digital services and what the kind of revenue that can be generated in the coming years. And, I would not like to be too specific, but we see a big demand from especially large customers, a demand for digital services that can help them optimise and improve cleaning, and, at the same time, it is a product category which is untested – relatively untested – in the sector, and we see that Nilfisk and other suppliers have just come up with the first solutions now. We believe that we will work with these solutions in several ways and at various price levels, and that could be one of the drivers for why customers will choose Nilfisk rather than other suppliers. We hope we can use them for selling more hardware, more machinery. So, some services will be priced to be included in or to add to revenue, and others will not. We could compare this with a mobile phone, for example. When you buy your mobile phone, some applications are free of charge, and other applications you have to pay. And, our machinery will be the same kind. And, I don't want to be more specific right now.

And, finally, there was a question around climate change and sustainability, and you asked for information about this in our annual report. I have to say, we have worked with sustainability and we work with sustainability in a number of areas; not just for cleaning, but also for recycling the machine, what kind of footprint do they have, and we have a target– we would like to look at Nilfisk's total impact on the climate, and, during 2018, we launched a programme that will help us measure CO2 and so on, more specifically, more precisely, both from our offices and cars, parks and so on. And we, at the same time, we work with a number of projects which look to find new solutions for re-using plastic and for markets like Germany and Great Britain. We will start there and, then, the results will be used in the other markets, as well. We have an independent report here, which is called sustainability report, and that came out the same day as the annual report and it's also available on our website and it's very informative and I would like to advertise it here and you can have my copy of it afterwards. But thank you very much, and thank you for your question. I hope that was a sufficient answer. Yes, thank you.

MWP: We have no further speakers on the list, and I just want to check that nobody else wishes to intervene now. No? It means that I can conclude that the report by the Board of Directors has been noted by the AGM, that the AGM has approved the Annual Report and also the allocation of the profit, that is, that it is transferred to, or brought forward to the next financial year. This was the first four items. Five is discharge from management at the Board of Directors. Are there any comments or questions on this item? No? I then assume, or take it, that this has been adopted by the AGM.

Item 6: the remuneration of the Board of Directors. The Board of Directors propose that this figure should remain unchanged compared with 2018. You can see it on the screen now, and it was also part of the notice for the agenda. Any comments on this item? No? I, then, take it that this has been adopted by the AGM.

And, item 7 is election of Board members. And, in accordance with the Articles, the members of the Board to be elected by the AGM should be at least five and maximum eight members, and that they resign each year and can be re-elected. Five members



wish to be re-elected, as you can see here: Jens Due, Lars Sandahl Sørensen, Jutta af Rosenborg, Anders Runevad and René Svendsen. And, there's also the proposal for two new candidates as the chairman of the board mentioned in his report: Thomas Schleicher and Richard Bisson which, altogether, means seven members of the Board. Any comments or questions to that? Are there other candidates that are to stand for election to the Board? No? I note that's not the case, so I think we should congratulate the seven members of the Board with their election and re-election.

Item 8 is the election of accountants, and it's proposed that Deloitte be re-elected. Are there comments or questions to this item? Or any other proposed auditors? No? That means that Deloitte have been re-elected for a one-year period. And, item 9, which is deleted as I have said, because there are no proposals from the Board of Directors or shareholders.

And, finally, item 10, which is Any Other Business, where anything can be brought up, but nothing can be adopted. So, does anybody wish to speak under Any Other Business? Wanted to ask questions or have a discussion? No? In that case, I will simply note that we have exhausted the agenda, and thank you very much for a successful and pleasant Annual General Meeting. Thank you.

JD: And, let me conclude by thanking you for your comments and the debate; it hasn't been very long. It's good that sometimes it's longer, but even a small debate is welcome, but thank you very much for finding us out here. We wanted to show our business in Denmark, and thank you for taking the time, and thank you, Malene, for being successful in the Chairman of the Annual General Meeting. And, the Chairman also kindly thanks technicians, assistants and interpreters. Thank you.

[END OF TRANSCRIPTION]