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Jens Due Olsen

Well, I'd like to welcome you to this AGM for Nilfisk 2018 and wish you good morning. I'm trying to get used to wearing glasses and then I got a spotlight in my face, so I'm very sorry if I'm just waving my glasses about.

Welcome to you in this room, and I also like to welcome those who are following us on the internet. I'm Jens Due Olsen. I am Chairman of the Board of this company and we are looking forward to a good AGM and a good debate. This AGM is being held in Danish and questions can be asked in Danish or English. We have interpreters that will ensure that foreign guests and shareholders can follow the AGM via headsets which you can still pick up at the entry to the room. We are streaming this live on the internet, so you can follow us on a webcast. At the end of the annual general meeting, you can also see it repeated on the homepage and there will also be a full transcription of the spoken word here next week. This is a big day.

But before I say any more about it, I'd like to say that Joergen Kjergaard Madsen is the chairman of the AGM. He is member of the law firm Kromann Reumert, and with this, I will give the floor to the chairman of the AGM, Mr Kier Gomessen.

Joergen Kjergaard Madsen

Thank you very much. Thank you for electing me. Yes, this is a really strong spotlight we have on us today. At least I know what's happening now. I hope we have a good meeting this afternoon.

Before we're moving on to the formalities that I have to go through, there are a couple of practical comments. The Chairman has also already said that there is simultaneous interpretation of this AGM and means that all speakers must speak very slowly and clearly so that we have the opportunity to get the translation through to those wearing headsets. If you want to have a headset so that you can listen in English to the proceedings, please raise your hand now and we'll make sure that you get a headset. It seems that everybody is fully equipped.

And if you wish to leave the annual general meeting whilst it is going on, make sure that you de-register at the desk outside the door, which is very important.

And let's get down to business. First of all, I have to note that the AGM has been convened in accordance with the articles and that it is quorate. It has to be convened in the right venue, that's the capital region of Denmark, this is here, so that's okay. It also has to be convened in time, that's before the end of April, which is okay. And also with the right notice, that's for a listed company, it's minimum three, maximum five weeks' notice. It was convened on 1st March with a notice on the webpage of the company and via Nasdaq Copenhagen, and we also have sent out notices by email to those registered shareholders who have asked for it, so that's okay.

We've also seen the presentation on the webpage of the company of the documentation and information that's required under the Company Act and in accordance with the articles association. I also note that is okay, and the agenda is published in accordance with paragraph 8 of the articles, and we have no items on the agenda that requires a particular share of the share capital or to be represented. So I note that this has been convened in accordance with all rules and regulations and that it is quorate. If you do not have any opposition to that, I will take it for granted that we have actually organised the AGM in accordance with the rules and regulations.

You have the agenda before you. Items one, two, and three, report by the Board of Directors from the company's activities in 2017, presentation of the audited annual report for 2017 and adoption of the audited annual report. Item four is proposal for the distribution of profits.

These first items on the AGM will be taken on block, and it will be Jens Due Olsen, Chairman of the Board, and the CEO, Hans Henrik Lund who will be reporting to us and presenting the annual report, item five, discharge for the management and Board of Directors and items six, remuneration of the Board of the Directors, that's for the approval for the year.

And then we have seven, election of Board members. Item eight, election of public accounts and nine is proposals from the Board of Directors and the shareholders. I propose that we revert to these specific proposals when we reached that item on the agenda. And finally, item ten, any other business. But this is something we can look forward to.

I will now give the floor to Jens Due Olsen, Chairman of the Board. He will be reporting to us.

Jens Due Olsen

Thank you. Once again, big and warm welcome to all to the Nilfisk's annual general meeting. I know that our company, our employees, our management, our Board of Directors and me, personally, have really looked forward to this day because it is the first AGM for Nilfisk as an independent company. And today is therefore one more important milestone in the company's history and a special event on the journey that Nilfisk has embarked on.

I'm happy – it's a great pleasure that we look back to the first day in October last year, 12th October 2017, when Nilfisk was officially listed on Nasdaq Copenhagen as an independent company. It was a culmination of our strategic journey and I'd like to thank you, shareholders, for the courage and the foresight that you showed by supporting this decision to create a new independent Nilfisk. And just look at that picture. It was a fantastic day, I can tell you that. You just don't know what kind of energy, what kind of profile this create for Nilfisk being an independent company.

And there are many reasons why the timing of the independent listing was right at that time. Besides the good financial performance and profitable financial market, we managed to have a strong leader team put in place with a good mix of experience and many years in the company, and all – and new people, new strong people as well. And we had strong ideas and ambitions for the future and for how we could be at the front and define the future of cleaning solutions with new innovative solutions, and we'll get back to that.

As an independent listed company, we believe that Nilfisk can and will have a stronger and more outlined profile, and also a stronger and more outlined commercial profile.

As regards the value of the share, we need to remember that we have less than half a year's history to look back on and therefore we can only consider the value that we had at the time of the listing. And we had a very strong market value at that time on 12th October. We have created liquidity and we have been part of the large cap index on Nasdaq Copenhagen.

And also, on top of that, we have a good position of shareholders, good group of shareholders. We have some relatively good large shareholders. And for us as a company, it's a good thing to have a strategic dialogue to our shareholders and that is possible for us.

The development of the share price, as you can see here behind me, has also been influenced by the speculations in the market that occurred in December following PrimeStone's proposal for a merger between Nilfisk and Tennant. PrimeStone is a shareholder of those companies. As we said earlier, we will leave that the two companies complement each other very well. We believe that there's a lot of value in combining the forces of the two companies, and for us, this involved new thoughts, but we have been considering them during the past ten years. So in this fragmented industry, it makes good sense and we have also constantly been acquiring at Nilfisk. Apart from that, I have no further comments for this.

Let's look at the year's results. 2017 has been a good year for Nilfisk. If we look at our financial performance for the year, we delivered a strong growth in our two biggest business areas: EMEA, which covers our sales in Europe, the Middle East and Africa; and in Americas, which cover our sale in the US, Canada and Latin America.

Overall, we had a solid organic growth of 3.7%. The gross margin landed at 42.2% for the year, which is the highest level during the past five years. And we saw an EBITDA margin before special items of 11.4% for the underlying operations, which is also satisfactory. Return on the invested capital also increased and amounted to a total of 16% for the year as a whole. And that is – it's not a bad thing that you need to actually fight with your bank to avoid paying money or paying rent interest on the money that you have deposited in the bank.

Okay, if we look in more details at the revenue, Nilfisk realised an overall revenue of €1,082 million, and that is an increase compared to 2016, and adjusted for changes in the currency prices and the impact of the purchases and of acquisitions and sale. This gives an organic growth of 3.7%, and that is what we expected for the year. We expected between 3% and 4% organic growth.

For the overall professional business excluding the two specialty segments, the organic growth in 2017 amounted to 5.4%. This growth was mainly driven by the development in EMEA and the Americas.

The last established market in EMEA like France that it looks Great Britain and Spain, also showed continued solid growth, but also new markets in Eastern Europe contributed to growth. The so-called private label business, the part of the business where Nilfisk produced for customers who sold the products on in their own name, has also contributed to growth in EMEA in 2017.

In the US, we've seen large growth in the sale of floor cleaners for big strategic customers and also the high pressure water business has shown great growth. This part of the business was established within the past year with the purchase of – or the acquisition of two large companies in the US, which produced high pressure waters.

Also when it comes to revenue, Nilfisk delivered as expected and in line with our expectations. As regards the underlying operations, EBITDA margin before special items landed at a satisfactory 11.4% for the year as a whole. In December, the share price grew significantly, which impact the cost of the so-called a phantom share programme negatively. If including – when we include this effect, the EBITDA margin before special item landed at 11.1%, both within expectations.

Also, the gross margin had a positive development. It rose from 41.9% in 2016 to 42.2% in 2017, which is the largest level in five years. The development has primarily been driven by an increase in the total gross margin in the professional business in EMEA, Americas and APEC. We have also seen a positive effect from a number of savings within purchase optimisation of products, production and price increases. Return on invested capital rose by 1.4 percentage point, to a total of 16%, so overall, Nilfisk has delivered a solid 2017.

The result also shows that we have succeeded executing initiatives which will improve revenue over the coming years. Nilfisk's saving programme continued as planned and initiatives corresponding to €21 million, an accumulated effect for 2016 and 2017 have been executed. We are running according to the plan, and will achieve the full saving potential of €35 million, when we reach 2020.

The year's result amount to €40.3 million, which is an increase of €10.8 million compared to the result in 2016, which was €29.5 million. At the extraordinary general meeting, on 10th October 2017, where Nilfisk Holding A/S was adopted, the establishment of Nilfisk Holding A/S was adopted, the general meeting also adopted a dividend policy of a target of a dividend of amounting to about a third of the year's result due to the temporarily high debt compared to revenue, which has been a consequence of the demerger of NKT.

We also said that the first dividend payment would take place in 2019 and be based on the reported result for the financial year 2018, and therefore we propose today in this general meeting that no dividend will be paid out in 2018.

But the year was not only satisfactory as regards to financial performance. I've already talked about the listing in October which was one of the largest event of the year and a milestone in the history of Nilfisk but the year also saw a number of other large efforts.

At the beginning of the year, we implemented a new business model and a new organisation structure which focused the business and brought us even closer to customers – to our customers. And for example, a number of business areas were divided into separate entities including the whole consumer business and the area of industrial vacuum cleaners, and they all had their own dedicated management team and a full value chain to ensure the necessary focus.

We entered into new, exciting strategic partnerships with two leading businesses within robotic technology, and at the end of the year we delivered the first – the first products, the first self-driving floor cleaners, Nilfisk Liberty A50, to customers in the US.

And we welcome Hans Henrik Lund as the new CEO of Nilfisk. Hans Henrik came to Nilfisk with an exciting background from a number of technology companies and he's now surrounded by strong management team consisting of a good mix of many years of experience in Nilfisk and new people. Hans Henrik Lund is here today and I would like to hand over to Hans Henrik so that you can get to know him better. Hans Henrik will give us an insight into Nilfisk's vision for the future and strategic journey that the company has embarked on.

Hans Henrik Lund

Thanks, Jens. Thank you very much for the introduction. I would like to thank Jens, Lars and the other members of the board for allowing me the opportunity to be a part of Nilfisk. A year ago when I was asked to head up this company, I was in no doubt that I would accept. It meant that after eight years, my family and I could return to Denmark and from Finland and like most other Danes, I have known the Nilfisk name and its brand since I was little.

Nilfisk is a piece of Danish industrial history. You'll all remember the metal vacuum cleaner and it had a sort of back on the top that we like to touch when we were children. And Nilfisk is Danish industrial history so it was with great humility and gratitude that I walked through the entrance door at the headquarters in Brøndby just over a year ago.

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

I came to a business with huge potential based in over 100 years of experience, as you promised me, Jens. So we have based it – basing it as 100 years of experience and inventiveness, and this is a DNA that dates back to the founding fathers, and now we can take the next decisive step in the technological development.

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

[VIDEO]

Yeah? Well, a lot has happened. We've come a long way since our founder, Peter Andersen Fisker, launched the first electric vacuum cleaner in the market in 1910. It was called C1 and weighed only 17.5 kilos. And the advantage was it could be operated by just one person, which was groundbreaking innovation at that time. For us, this is a clear common thread from this machine to what we have watched in the video just now. We have a DNA of innovation. Nilfisk has a clear vision which we formulated as follows. We will lead intelligent cleaning to make your business smarter.

Let's look at the customer. We want to improve their business. And the core of what we deliver is intelligent cleaning. We believe that we have been doing that at Nilfisk for more than 100 years. As mentioned, the first vacuum cleaner, C1, was a groundbreaking invention for its time. New smarter models followed, and the range was expanded to include floor cleaning machines and high pressure cleaners.

Nilfisk has developed intelligent cleaning solutions for more than 100 years and we'll continue. We've had the know-how and expertise about how the right equipment should be made, how the brush should strike the floor, which angle gives the best results, what speed is best, how do we get the water sucked up. We've been doing this for over 100 years. Not very many companies have. The difference is that when we talk about intelligent cleaning today, as you saw, we're thinking about self-propelled machines, robotics and new ways to use data so our machines can clean smarter. And let me show you a few examples.

When we talk to customers, we know that about 70% of the total cost of professional cleaning is labour. This means that there's a great potential in developing self-propelled and autonomous cleaning solutions that can release human resources for other value-creating tasks. In other words, Nilfisk can help reduce the cleaning costs for our customers while ensuring consistent and more accurate cleaning.

We can also help make it easier for our customers to document that the cleaning has been done. Do we know if this place has been cleaned today? We believe so but we don't know. But we today retrieve data from our machines. We know where they've

been and where they've been used. We'll see that we will have this in the future and our customers will be able to see where the cleaning has been done, so we have documentation. And we will be able to measure the results accurately, everything to make cleaning as efficient and economically as possible.

Furthermore, in a few years in the future, we will also be seeing the first intelligent buildings. These are buildings that measure where people are in the building, which offices have been used today, where have people been. And imagine that we can use that for our cleaning equipment. Then we know where we need to clean very thoroughly and where we can do it more lightly. So it's a question of using this data and it is central for the future. This means that we have a wealth of data information that we can use to optimise the cleaning process. Imagine that the machinery knows the weather forecast for tomorrow. If there's a rain, then of course the reception may need an additional round of cleaning, and we plan accordingly, much more than if it's a bright sunny day. We're going to see this coming. It's a question of when, and we're committed to make it happen. There's huge potential here and we believe that Nilfisk has a unique position and an opportunity to utilise and shape these new opportunities.

Well, having a vision is not enough. It has value, but we have to have a clear roadmap for reaching the destination. And we have that, that's why we have a strategy called Nilfisk Next. It's built around three benchmarks that we follow and which set the direction of the activities we initiate. We can see one team, one agenda. In short, it's important that all our 5,800 employees know the direction, the same direction. That's where we create value when we get all our functions to work towards the same goal. That's the very foundation of our strategy.

Then we talk about simplifying and growing our business. We've acquired many businesses over the years and that means that things can get a little bit complicated. We can simplify the way we run our business. We can make it easier for our customers if we make it simpler for them to do business with us. That's a basis for growth and more earnings. That's building the future. And that's the technology version we've just shown to you. We will grasp the opportunities. We will have the first in the market or smarter in the market and be leader in the market. That's our ambition.

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

When we talk about our products that we supply to our customers, we have a large range of products, maybe too many. This is possible. We can simplify our product portfolio because it creates complexity in our production to have so many items, so we are going to reduce the number of products. And with that reduction, we will be generating more money to invest in robots and digital solutions that you've just seen. Fewer of the products we know and more investment in the future. Marketing. We will work more extensively to gain the best possible knowledge about our customers and markets. So, we know what our customers need not only today, next month, next year, and five years ahead. We will be driven by data in our sales activities so that we know we're approaching the right customers. And we will use the digital channels that are open so that we can attract new customers and service the customers we already have better and more speedily.

Our IT system, we have brought up many companies over the last 30 years. What happens? Typically, you have too many different IT systems and we are therefore going to try and align and streamline our IT infrastructure so we can work more efficiently across all our units throughout the world. And it means that we can meet our customers across borders.

We are convinced that these important changes will benefit our customers and our business and our shareholders so that we succeed in leading intelligent cleaning. That is our vision. There are 5,800 determined employees in the organisation and they are burning to make this reality. With these words, I'd like to thank you for your attention and I hand the baton back to you, Jens.

Jens Due Olsen

Thank you, Hans Henrik. I would like to ask you here, how many of you here have or have had a Nilfisk product?

Well, this was our global share – well, market share. Because I remember the small R2D2 machine which had a – made a very funny sound when you pushed the button. I remember the wheels so – that it had so you could play with it when your mom wasn't looking. No, well, anyway, there's no doubt that the world around us is developing. And we are ready to exploit the many possibilities presented by new technology and develop them into new – and a new exciting business. In other words, we prepare Nilfisk for the future, and simultaneously, we increase revenue by simplifying the business.

To reach the targets, it's crucial that we have the right management structure. We believe that we have a professionally well-qualified and well-composed Board of Directors with room for discussion. The Board represent international business experience within industry, energy, high technology and general business development. And it is considered to have the seniority and the skills, the competencies that are necessary to match the requirements that we present.

We have a timetable for meetings throughout the year, in the Board of Directors and the individual committees. Here behind me, you can see an overview of the meetings that have been held since the establishment of Nilfisk Holding on 10th October 2017. We've also held many telephone conversations and teleconferences and a large number of informal meetings. We have a close and active cooperation with the management team of Delfix[?] at the same time.

This strong composition of the Board is also expressed in the self-assessment that we annually carry out. Sometimes we carry it out internally and this – sometimes and sometimes externally, and this year, we've had external help. The assessment is that we have a strong internal cooperation and that we have managed to maintain a good balance between supporting the operational business and making and carrying out important strategic decisions. The possibilities for improvement means that we – we need to – the nominalisation committee and the remuneration committee to work closer together.

This also means that the Board members elected at the AGM are both up for re-election. Personally, I value the cooperation and I'm happy that we can take part of in the many chapters – many new chapters of Nilfisk's history. So, the election of Board members is item 7 on the agenda.

I'd also here like to take the opportunity to welcome three new employee-elected representatives of the Board. Every four years the employees elect representatives of members, Board members, and the result is today we can welcome Gerner Andersen, Soren Kristensen and Michael Gamtofte, who is already an employee-elected representative on the Board.

Thank you, and I'd like to say thank you to Yvonne Markussen and Jean-Marc Rios Dionne. We only worked together since October so it was a brief time, but it was good. And thank you for your support. Thank you for your commitment. And we look forward to, perhaps in the future, continuing this cooperation.

As it says in item 9a of the agenda, we propose that the AGM adopt a new remuneration policy for the Board of Directors and the management of Nilfisk. The Board will receive a basic amount and supplements for the chairmanship and committee post, which are comparable to comparable companies or at the level of comparable companies. The Board proposed that the remuneration for 2018 is held at the same level as in 2017. This remuneration is described in detail in item 6 of the agenda. And let me add that the Chairman is, of course, not paid separately for his participation in committees, the Board committees.

We also propose an essential change in relation to the pay of the management. This is also in accordance with the trend that we've seen in comparable companies and we want to change the long-term incentive programmes from warrants to conditioned share rewards. And I'd like to come back to what that means later.

The value – what we grant is the same as before. It has the same value. The change is driven by a wish for a closer correlation between strategic targets and the value of granting. And also, larger coherence between your return, of shareholders, and the long-term management remuneration.

The conditioned share programme is designed so that a given member receives shares conditional on achievement of long-term targets, financial targets, over a period of three years. And those targets have been very carefully in alignment with our long-term goals or targets. A low performance results in non-granting of shares and a high performance results in maximum granting of shares, and that's why they are conditional. They are conditional to receiving a good performance.

At the same time, we also say that the value of the shares cannot exceed three times annual pay. And we do not see that in many companies yet but I'm sure that we will see it in the future because we see this abroad already. And it is in alignment with good governance. The Board assessed that the proposed remuneration policy will contribute to secure delivery of Nilfisk strategy and also strengthen the connection between payment and sustainable long-term revenue to shareholders

Let me also iterate the proposal presented in item 9b of the agenda. The proposal suggests that the CEO is awarded an extraordinary one-off bonus, amounting to 40% of his basic pay for 2018. The CEO has made an exceptional and crucial effort in connection with the successful listing of Nilfisk. It is the assessment that the CEO's efforts has resulted in substantial increase in shareholder value. And as we do not want to issue shares under the old incentive programme, but instead want to wait the adoption here at this AGM of the new programme, we assessed that a bonus is an appropriate and fair recognition of his contribution.

We're now looking back at Nilfisk strategy, which we heard about a little while ago. As Henrik told you about our vision for Nilfisk and our strategy, Nilfisk Next, a number of things will be the same in 2018. We will continue to simplify and grow the business with the strategic initiatives that we've already set in motion with the joint target to deliver good, solid financial performance.

But other things will also be different. As we said earlier, the new technology present a number of opportunities for cleaning solutions in the future. We intend to be at the front, at the forefront, and to define cleaning of the future. And be no doubt that this will require a transformation of our business. Hans Henrik mentioned a number of them, the transformations that the company have already started. Therefore, we will also invest furthermore – invest more in these technologies of the future already in 2018.

Behind me, you'll see an illustration of how in 2018 we expect to increase investment levels, grouped within three areas. Development of self-driving solutions, and we also expect to increase our investment in digital services, the new global customer system, and a significant upgrade of the entire IT area. But having said that, I have to say we also need to be patient because the immediate effect of these investments will not necessarily be seen already in 2018. But they will pave the road for further growth and revenue on both the medium term and long term. And they will be the basis of future growth or added growth, added value.

So the transformations we have set in motion and our investments in the future, therefore, reflect also our expectations to 2018. We have described 2018 as a year of transformation. We will focus on the implementation of the Nilfisk strategy and then we will set aside resources and carry out investments to build the cleaning of the future.

The organic growth is expected to be between 3% and 4%. This reflects our expectations of a positive effect from our growth initiative and a continued and profitable macroeconomic environment. Our expectation in the medium-term is unchanged. And here, we expect an organic growth amounting to between 3% and 5% in the period of 2020 and 2022.

The EBITDA margin before special items is expected to an amount of between 11.5% and 12%. The impact of our overall savings programme will still have a positive or will continue to have a positive effect in our margins and will partly finance investments in new technologies. The expectation in the medium-term is an unchanged 13% to 15% within the period of 2020 and '22, which is also a significant increase. As regards with return on capital employed, we also expect to be above 20% before the end of 2020.

So it's clear that the demerger of NKT and the listing of Nilfisk as an independent company was not an end of the journey, on the contrary, be considered the beginning of a new and strong chapter in Danish industrial history and a possibility of realising, in this case, Nilfisk's potential, and thereby create considerable added value. So Nilfisk's journey has just started and we look forward to continuing the journey together with you.

Before I'll end, I would like to thank the employees of Nilfisk. The 5,800 Nilfisk colleagues everywhere in the world have contributed greatly and they have all contribute to creating the Nilfisk that we see today. Also, I thank you to our loyal customers throughout the world who also play an essential role as good partners that helped us develop our business.

Last but not the least, thank you to you, the shareholders of Nilfisk. You show us trust, you support us and you have supported us in the exciting journey which culminated in 2017 with the visiting. Thank you and thank you for your attention.

Joergen Kjergaard Madsen

Thank you very much. Now, this means that we have covered the first items on the agenda that's reported by the Board of Directors, the presentation of the audited annual report, the adoption of the annual report and the proposal for the distribution of profits. And we say that we have been – received a clean or great report from Deloitte at page 129, if you wish to read it. And now, of course, I can open the floor for questions and comments. We have a couple of shareholders who've asked for the floor.

First of all, representing ATP and then a representative of Danish Shareholders Association. And if you wish to speak, if we have any more, then please go and see the girl sitting up here and make sure that we have your name so that we know who is coming up to speak. But, first of all, Claus Wiinblad from ATP.

Q&A

Claus Wiinblad

Thank you for giving me the floor. As you've heard, I'm Claus Wiinblad and I represent ATP. Let me start by thanking the Chairman and the CEO for their excellent reports and their presentation of the 2018 report. It's good to see that organic sales growth has ended in the – ended in the upper interval of the 2% to 4 % and that was growth was above 5% in the elements such as EMEA and Americas. I'd like you to praise you for the way you have set up the demerger from NKT. The demerger was well received and was, in my view, implemented in the best possible way that was very good, and an informative capital market day which was sort of the start of the process. And I think this demerger was an excellent decision. NKT and Nilfisk face very different challenges, and I think it's important for us as investors to specifically being able to assess the investment case for each of these companies and the various problems they encounter.

Nilfisk faces one specific problem, as mentioned by the chairman, the speculation concerning a possible merger with the major American competitor, Tennant. All I will say there is that this speculation has been an ongoing theme almost for as long as I started observing and following NKT many years ago, and it's something that has often debated. We think it makes industrial sense if it were possible. But I'm wondering whether, at some time, it will be feasible. And I really don't have any opinion. But the demerger of NKT and Nilfisk was an important catalyser for perhaps giving rise to further speculations at this time because that could be one concrete effect of the demerger.

And another point of interest is the effect of the development of robotics. We see that the Horizon programme and Liberty A50, you have taken an important step in the direction of automated cleaning equipment. And my impression is that Nilfisk in, in fact, way ahead of their competitors in this field. I know it's early days yet, but it is certainly an area that has great potential with respect to transforming the whole where we use cleaning equipment.

Also, a new proposal concerning an incentive programme which I'd like to comment. I appreciate that the programme is based on conditioned shares rather than options which we had in the past. And I also appreciate the fact that you have introduced a cap on the potential value of the long-term share programme at the time when the shares vest. And there are a few very few day aged companies that operates with it, and it's something that we appreciate a great deal, and we would like to see it used more broadly.

There's some fairly demanding key performance indicators both in the long-term and short-term programme, which we appreciate. The absolute remuneration framework is, however, fairly high seeing the size of the company. So in the future, it must be clear that we have neither of the way the results are measured and the way awards are given that we have some very strict requirements.

With this, I wish you all the best both to the Board and management and the staff of Nilfisk. Good luck in the future. Thank you for giving me the floor.

Joergen Kjergaard Madsen

Thank you, and some praise. Any comments from the Chairman? Yes?

Jens Due Olsen

Thank you, Claus Wiinblad at ATP, for acknowledging our actions in 2017 and the listing on our stock. So carrying out a listing is quite – it entails a lot of work and you really don't see that before you start. So I'll pass on your acknowledgement and recognition. I'm also happy that you support your logic behind and we see all these in – with the interest that people show us in the conversations and so on.

And thank you also for supporting the replacement of the warrant programme with the condition share awards. And you're right, the purpose is to ensure some ambitious targets at our company and our management have to meet solely as a relationship between the strategic targets and the shares, and also that the long-term pay and the shareholder revenue. Of course, the value of the shares corresponds to value of earlier programmes so we do not give out more than before. But the conditions will be relatively difficult targets on the long term. And we will also make sure that this is included in our incentive programmes. And I believe that more and more companies adopt this. I think within a year, you have to actually say in your annual report how the pay is and strategic targets are related.

So, thank you for your words here. And, well, the AGM is often a one-way communication – it's often a one-way communication from management to shareholders, from the Board to shareholders. I would like to say to you today that more and more of yours and mine and everyone else's pension funds or pension money is invested in portfolio administrators. And often, there's a very little dialogue here. And often, they are measured on revenue or return on a quarterly basis or on a one-year basis so – which is also what we do here once a year when we tell you how the company is doing. But as a company, we cannot invest if we – every three months, have to tell you whether this investment is a success or not. We need to look at things in the long time – long-term also if we need to invest in new technologies.

So, in a situation when many of our investors use external portfolio administrators, then many of these didn't been often, proxy advisors take place at annual general meetings. And I'm not going to criticise this because proxy advisors, they really familiarise themselves with what's going on. But for us as a company, if we want a strategic dialogue with our shareholders where we can tell them how much we will invest, where and what we want to do in the long-term and so on, it can be difficult to have this strategic dialogue. And we need the strategic dialogue to develop as a company because shares, for us, is a long-term money, and that money we get every three months.

So back to I wanted to say to you, Claus, and to other large investors, so the dialogue that we can have and the kind of active leadership or ownership, sorry, that you have, this is what we need. So thank you very much and please continue in this way.

Joergen Kjergaard Madsen

Thank you very much. And then the next speaker is the Danish Shareholders Association.

Karsten Kristiansen

Thank you for giving the floor. I'm Karsten Kristiansen and I represent the Danish Shareholders Association. First of all, I would like to thank the Chair for a good report and I also have a question which I'd like you to answer.

I would like to express my appreciation of the Nilfisk annual report. It gives a good, clear expectation overview for 2018 onwards. This is one of the focus areas for the Shareholders Association when we attend general meetings. When you look at sales, it's showing good growth against the targets that have been setup. But I think the development on the bottom line is slightly less promising. The results for '16 and '17 have a negative in effect from individual single items more than NOK20 million, so that the result does not develop so well.

There's an explanation of these exceptional items in the accounts, but can we see these kind of items occurring also over the next two years but with different explanations? They could, for example, owe to the programme you call Nilfisk Next, or are these individual items are just something that will be reduced to a minimum?

And also sales, how are they distributed globally? When you look at your sales over the world, 69% of our revenue out of the €10,200,000 is in ten countries even though you sell your products in more than a hundred countries. The remaining €331,000,000 should be distributed all over 90 countries or you have your own representation in 35 out of these countries. It's

not many millions of euro in sales per country. So I wonder whether perhaps we could have more growth in sales in these countries, I think there should be some good potential there.

And I think it's a food for thought that 52% of your sales or revenue is distributed Germany, United States, France and the UK, four countries. I think that it gives us an idea of Nilfisk being dependent on a few large markets. It's great with countries where you have solid sales, where you have a strong position, such as, for example, in Germany. But there's also a certain risk associated with it.

A few years ago, we saw that the revenue had a challenge because of organisational difficulties in our organisation in Germany. So maybe we should encourage more activity in the markets where we are not so strong today so we're less sensitive to a possible negative development in some of our markets, and I hope that Nilfisk would share this view with me.

With these comments and questions, I like to thank you for giving me the floor.

Jens Due Olsen

Thank you very much. I don't know whether the chairman will answer these questions.

Thank you very much to Karsten Kristiansen the Danish Shareholders association for appreciating the level of information in our material, and thank you also for your excellent questions. I will attempt to answer. For example, there are those one-off items in the accounts. It's not – we're not trying to say that – it's not because we're trying to hide how we've making money. It is so that you investors can understand that these are costs that occur that's only associated with one activity or whether they are costs that occur every year

So these one-off items have been affected by the structural changes that we have seen in Nilfisk in recent years. For example, cost associated with the demerger from NKT and costs associated with the restructurations that we've implemented as part of our strategy programme we called Accelerate Plus. In 2018, we see a transformative year and we see sort of the remaining effects of these cost-saving initiatives. We had reached 20 million so far and we were supposed to achieve 35 by 2020. So there will be one-off items again, and they may be at a fairly high level again in 2018. But these items should be one-off and one-off only. That means that they occur and then disappear, so they should not be kept up over a period.

And then you talked about the concentration of our sales in countries whether that was an asset or liability for the company, and it's true. If we look at the four major countries you mentioned, United States, Germany, France, and the UK, geographically about half – this geography makes half of our sales. If you drop this sort of this GNP and took it after the world BNP, I think we're at perhaps 30% to 31%. Maybe we are overrepresented in these countries but these are also the countries where you buy more cleaning equipment per inhabitant than you do in less industrialised countries. So, we will have a larger share of our sales in those countries. But we're not just trying to maintain our market share in these countries.

We are also looking at investments, in market access in growing countries to developing countries. In China, we had a double-digit organic growth last year, so China is also an important area for us. Is it a geographical concentration? Well, not really. We see high figures for these countries, but I wouldn't say it's a concern for us. It's more natural for us to operate in those markets. And if you look at the ten biggest customers we have that also, of course, work across geographies, and see what share they have of our sales, these ten customers make up 10% of our sales. So, I think we have a good diversification of our sales efforts.

And if you look into the accounts, what we are sort of losing on debtors and unpaid debts, and that's also a good assessment, is very little because we have such a large credit base. We are not dependent on the credit risks involving individual customers. I do understand your questions but I'm actually happy with our specification both geographically and on customers. But of course we will attempt to have growth in those developing markets. The countries that are on the course of becoming a developed company and economy. I think that was all. Thank you very much for your interest.

Joergen Kjergaard Madsen

Thank you. Then the next speaker is Bjorn Hansen.

Bjorn Hansen

I made the questions for him. Joke. So, now I'll get a raise. Okay, seriously, I'd like to start by saying congratulations, and I think that Jens Due presented the report very well and I like the way he – I also like the new remuneration programmes that we actually caught the bottle and focus on the business. And I believe that when the – I assume that when the board of directors get a raise, the shareholders will see an increase. And so, I think we're doing well here.

I've also noticed that we have a very good member of the board now. He's also from Sweden, which is good. That is one half of the Swedish owned, and he has something that others can't, because there have been very many good points in the Swedish industrial adventure and the industry has always been better in Sweden and quicker in Sweden than in Denmark because we are the Dutchmen of the north when it comes to trade route. So, selling and buying. But we also – we had something in asbestos[?] and one of them was Nilfisk HP Cleaner and has been part of the family always.

And my first question to Jens is after NKT has received some competition for Russia, after the Soviet Union broke apart and after Boris Yeltsin, what happened with those money, it didn't arrive at Nordea or the Danish Bank in Latvia but where did that money go? I would like to know because I haven't been able to work out. Okay, that was one question.

Then you – IT, and you've talked about that a lot, and we've been able to look at its material and I have printed something from the webpage of Nilfisk. The first page show – I thought, actually that you produced furniture, actually, but your other texts just disappeared and it was – I took it from your website in January and six pages here, I can see, you could do so much better of – perhaps it has been a little bit better. I think perhaps because I criticised NKT last year when it came to the website because now we see all this millions of euro has to be invested.

But Nilfisk has the well renowned name because Nilfisk – I still believe that Nilfisk should be – I believe that Nilfisk and NKT should still be one company. I think together they work well. I understand why they need to separate them because one has to do with ordinary dust and one has to do the metal dust and so on. I see why. Now, there's lot of information in English and note that somewhere is just a lot of nonsense and that but something else is very good. So, I still suggest, propose, that you simplify your information and also on your website, an image not of a chair but of a vacuum cleaner and the history of that vacuum cleaner because the Americans love this kind of information.

So, show the image from 1800 or 1900 or whatever, and I remember that my mom and dad had a Nilfisk product then and when it had gone on – when it continued for almost 20 years then we couldn't even get it repaired and then they placed it in the weekend house and my brother and I were not very happy with that.

But it kept going and it just went on and on. And the next one we bought was also a Nilfisk and then I think my dad said, 'We need a Swedish product,' and I thought, 'Does he mean a woman?' No, he didn't. He didn't mean a cleaning lady, he meant a new vacuum cleaner. I don't remember, but Uner[?], you know this. I can't remember. It was produced in Jun Kirbing[?], I think in Electrolux or Husqvarna or something like that. But they were also very good at producing equipment.

I hope that you will maintain your leading position and that the product can last for at least ten years, so the consumers won't be able – won't say, 'Okay, we bought this last year, it doesn't work anymore and can't handle corners and so on.' And then we – the IT has to – we have to pay four times more for this technology than for the vacuum cleaners, because then you will not be able to continue. You will just look at the car manufactures in 1960s, they created very good cars and then suddenly everything had to become electric and there were many problems.

Today, President Trump has created a custom barrier especially towards China, and that perhaps will have an impact on NKT, but maybe perhaps also your market even though I've seen at Chicago airport some good Nilfisk news because – and they were well-functioning and they all said, 'No, the Danish products, don't know the American products, but we don't know where we got them from.' So, it's important that they learn the history over there. If they learn the history, they'll buy it because they like Scandinavian products. So, you know, just think of the commercial on Volvo and commercial about Volvo and Saab run in California some years ago, they like that. It was very successful. It was a commercial and then I can tell you that commercials like that they can sell.

I hope that this company – I understand that you still have the nimbus trademark. I don't know what happened with that because no one actually perceived that, but there was an agreement earlier from 2016 between Claus Støvlbæk Clausen from Clainer[?],

and someone else, and they wanted to create a motorbike, but why not get royalties, because royalties are always good. And I think there are some tax benefits there as well. We have seen some problems when it comes to taxes and I had a question on this and it has taken quite a while to carry it out. I think that the Danish Bank said to me and – something to me and Nordea said something to me – they said, ‘We cannot agree on prices.’ So I said, ‘What? What do you mean?’ I have to admit I didn’t see your email, Jens, it took quite a while before I saw that.

I don’t know whether we actually had a choice at that time, but it’s important that we have a good start and I can see that Nilfisk has made a good start and I’m happy about that. I also hope that NKT will have a good start because they’re two very, very nice companies in Danish history. Thank you very much.

Joergen Kjergaard Madsen

Thank you very much, and also here praise to the company, some questions a little bit of history. Jens Olsen, do you have a response?

Jens Due Olsen

Thank you very much for a nice presentation, and also thank you for your support of the change of our remuneration programme and the nice words to Anders Muller[?]. I can see that he is posing here in the front row, and we’re also happy with our Swedish member, I must say. I did not realise that we had actually received money in connection with some kind of expropriation from Russia, but if money has come into the company, well, it only goes out two ways: either we create value or we pay dividend. So, I’m sure that if we received some money, it has to be invested in the company in the best possible way.

Your comment as regards the website, well, they have been well received. We have just employed or we have a new chief marketing officer who has just begun, who has just started with us, and she has started to look at that area and give it a shine, so I’m sure that – I’m sure they will do better in the future and we will do better in the future, so point taken. We are working on it.

Then I don’t like that you mentioned a product of one of our competitors here, and it a sort of gave me – I didn’t quite like that. I understand you’re enthusiastic about the product because I can tell you that we can actually make it for them.

Well, customs and the US, well, that is just definitely a challenge to all of us and there is new information every day, but we get good feedback from our Scandinavian-looking products, but we actually produce them in the US So we are actually also American producers, we are an American company when we are at the US and we have American employees and follow American rules and American culture and so on. And this is important if you want to be in the American market.

Then you had a question about Nimbus. Nimbus is actually a – it is a strong brand. And it’s true that many have wanted to exploit it. I would not like to – I do not like to comment on the possible collaborations there, but we are safekeeping the brand and guarding it. And we’re not willing to just hand it out to anyone.

And your last question regarding what happens in regards taxation when it comes to the NKT Holding shares which have now been divided into NKT Holding shares and Nilfisk Holding shares, well, taxation is always a very complicated issue. I’ll try to answer or give you general answer. The tax authorities have given their permission so that the acquisition of the NKT Holdings share that price is still amount but how is this divided into different shares to new shares, it’s divided proportionally according to the price at the time of listing.

And so I’ll give you a simple example, let’s say you bought a share in NKT Holding for DKK100 and the two new shares that came out of this, the price of 300 and the price of 200, that’s 500 altogether. Let’s say that that’s what it is, let’s say that NKT had the requisition price of 200, then two fifths of the original share price and that is DKK40 out of the hundred, they would be related to the NKT share and three fifths out of the DKK100, that is DKK60, that would be related to the Nilfisk share. None of the financial experts here are actually nodding, I can’t see. But I can tell you this is how it is. And we can talk about it afterwards if it’s not really clear, but thank you for your praise and thank you for the words and thank you for your interest. Thank you.

Joergen Kjergaard Madsen

Thank you, I can’t see any more speakers on the list. Oh yes, we have one over here. We just need to register your name.

Jan Steen Knudsen

Thank you for your presentation, but I would like to have three comments and a couple of questions put to you. First of all, we saw a curve showing the share development compared with the C25 cap on the Danish stock exchange, and I did find that curve rather odd because the vertical edge had the 25 cap. So, one field was 2% on the cap, but if you look at the Nilfisk share, the spacing was different. So it doesn't actually show the volatility, it depends on where you are with the volatilities, 6 or 7 to 10. I have never seen a curve like this before, so why don't you start with index 100 or something? This gives us the impression that the Nilfisk has actually flexed less than the C25 curve and that's not the case, but never mind.

The bonus that you're talking about paying to the executive management, I thought the long-term targets where EBITDA to be between 13% or 15% to 2020. If I was in the board I say, if you reach sort of just the level of 13%, then we get the bonus. And the question concerning the share incentive pay you're going from share options to conditions, yes, and you say the cost will be the same, but my question is then, one thing is that the cost is the same, but what are the tax consequences? Will there will be identical after taxes where if you assume that the share price is 300 issue some options, the option is then perhaps calculated to 33%, that's a SEK100, then you get 10 options and you have about SEK1,000 or you get shares at SEK300 you get 3.3 of those sets also SEK1,000.

But these two examples that cost the same, do they have the same tax consequences for the company? When you buy these shares at 300 for the options, and then you can buy options for SEK300 with perhaps four years into the future, and then the price is at SEK500, what are the tax consequences for the company, and if you have condition shares, will the tax consequences be the same?

For us as shareholders, what's interesting is what's left after tax. So the question is, whether it's the same before tax, and after tax?

Joergen Kjergaard Madsen

Thank you very much. Three very specific questions in different directions. I don't know whether Jens Due Olsen, our Chairman, would like to just comment?

Jens Due Olsen

Good questions. First of all, could we just get the curve on the screen? We were talking about the share price. It was an odd curve you said, but I do follow your point. And while we're waiting for it to appear on the screen, we are looking at a graph, and you show the development of the Nilfisk share, that's on one axis, and then the development of the index, OMX C20, that's on the other axis.

And since this scale is different for the two, then Nilfisk shows a more horizontal curve than the OMX C20. And if you look at it that way, of course, yes, it is a distorted image. We're not trying to conceal the variations, or the flexes, we're not trying to conceal that, but I realize that perhaps we could have improved on this kind of diagrams so that we change the scale, point taken. What we were trying to do was, say that, we have done it fairly well, in comparison, and that's still the case.

The bonus scheme, yes, I do understand, let me try and explain. In our management contracts, there's a fixed based salary, and a short-term bonus, and a long term bonus, and that is set out in programmes. In normal circumstances when Hans Henrik was appointed, we would have been able to offer him a share programme, an incentive programme of 35% of his salary, and he couldn't get it because we couldn't issue the month of the previous programmes and we wanted to await the shareholders' approval of the new programme. So, he has not received any shares before the listing.

So, it's a value that has been retained. We're talking about a lot of money, so it's very difficult to be very sort of neutral. It's unusual to introduce a new CEO, to set the course for a stock exchange listing, without being offering something like this. He actually left our share program when he left his previous employer, so we feel we should compensate in some way, to recognise the contribution he's been making, and I think it's fair.

There are many reasons why Hans Henrik has not been able to buy shares in our company, but yeah, there is that this should be specked on shares in the company.

And the last question, is the cost the same before or after tax? Well, it depends on how the programs develop. When you issue options, then, what's typical of options is that they're a little bit less in value than shares, so you have to give it a few more, that means than when you have options, you can make a lot of money if the share price goes up, but the options are such don't have any value. And we don't think there's enough symmetry in this. If you have a share, then you make a gain, if it grows in value, but you also lose out if it loses value. So, there's a different focus we would like to – management also, to feel the pain if the share price falls. And that's what we do by giving shares rather than options.

So there's less potential rise, but there's also still a value left if the share falls, but we think there's more symmetry between this value creation, and also, we reflect the possible loss that shareholders might have.

Is the cost going to be the same? Well, that depends on which direction the company takes. The cost of a share programme and an option programme should be registered as salary cost, during the period it is accumulated. And, of course, that is something that we can deduct from our taxes, so that's standard. But the profile is different after taxation, so, yes. With different profit profiles, the effect on taxes may also differ. Thank you very much.

Thank you. Any other speakers, any other questions, comments? It does not seem to be the case.

Then I will conclude that the report has been considered and that the AGM has adopted the annual report from 2017, and that proposal for a dividend has also been adopted.

And then we have reached item 5, the discharge of management and Board of Directors from the liabilities. I would like to ask you if anybody wants to comment. That is not the case, the AGM has adopted that proposal.

Then item 6, the remuneration of the Board of Directors. And the Chairman in his report has commented this that it is the same. The proposal is the same as the one for 2017. So, any questions or comments to that? That is not that case. So, I will conclude that it has been adopted by the AGM.

And then we reach item 7, election of Board Members. And the proposal is that all members be re-elected. Any comments to that, questions? And I also have to ask – I'd like to ask if there are other – if they admit others who want an election. No, that is not the case. So, this – the present members have all been re-elected.

And now we have reached item 8, election of one or more public accountants. And the Board of Directors proposes that Deloitte will be re-elected. And that is in accordance with the recommendations of the Audit Committee. I'd like to hear if there are any other proposals. No? Then they have been re-elected.

So now, we have reached item 9 of the agenda, proposals from the Board of Directors and the shareholders that they have – no proposals from shareholders, but we have three proposals from the Board of Directors. And the two proposals have always been commented and motivated by the Chairman in his report. I take for granted that there is no room for further motivation here. No?

So the first proposal, the proposal regarding remuneration policy, and I'd like to ask whether you have any questions or comments to that. It has been partly commented during the AGM, and you have received some answers. Okay. I will conclude then that the AGM has adopted this proposal, the proposal of remuneration policy. That is item 9A.

Then item 9B, the question of the extraordinary one-off bonus, which you have also heard about. Any questions, comments to that? Because this is the – we have now reached the time where we have to adopt it. No question or comment? So, the proposal has been adopted, as well.

And then Item 9C, this is a more sort standard proposal, which is that the company can acquire treasury shares up to 10% and the price at a max of 10% of the – at the time of the purchase. There is one question to that, I see. Yes, you just need to register.

Over to you.

Jens Frederik Demant

Yes. My name is Jens Frederik Demant, and I have attended the – a general meeting today at 11.00 in another company. And in that company, they had a similar proposal. I have to say that I have shares in – whole shares in about 60 Danish companies so I know this kind of proposal. I'm here now because I want to ask a question and I appreciate that the – only ask for this authorisation for one year because I have attended other AGMs where they wanted it for five years to have this authorisation, for five years. Why five years and not just one year? And then I'd like to mention that it is possible to propose just one or two years as a smaller part of this proposal, the proposal from the Board of Directors. So perhaps we can decide on that or vote on that as well. Thank you.

Jens Due Olsen

Thank you, Hans Volak Demit. When we ask for an authorisation for five years, we do that because that is the maximum time you can get according to legislation. Well, I guess we do not mind asking you every year about this, but it's just to make it more practical that we ask for five years. And the idea is that we use some of that shares to cover cost of our conditional share program or it could be a beneficial way of giving out money to shareholders, because if we have more than we would normally have, then it could be a good way of channelling money back to you. And if we use this authorisation quicker than it is, then we would just ask you for a new one. So, I hear you and I'll bring up the question next year. Thank you.

Joergen Kjergaard Madsen

Any other questions under this item on the agenda? No? Then I will take it that it has been adopted by the annual general meeting. And item 10? That's the last item. Any other business? And I would just ask whether anybody wishes to speak under item 10. No? Yes. Mr Bjorn Hansen, again.

Bjorn Hansen

I shall be brief. Jens, you gave us that share price for one company and then OMX. But when you're talking about taxes, that would be different because tax decides that these are two companies, and it's from the October listing, and then we have 31st December. And on 31st December there are two shares. It's not sort of a mixture of nets that have been left out of the charge. And I'm sure Runi[?] would like what I'm saying since he's a Swedish national.

Joergen Kjergaard Madsen

Thank you for your comment under any other business. Anybody else who wishes to speak under any other business? If that's not the case, in that case we've exhausted the agenda and I will just give the floor back to the Chairman of the Board, Jens Due Olsen.

Jens Due Olsen

I'd like to thank you for a good and orderly AGM. And I'd like to thank you for your debate and your good comments. This annual general meeting is the first of its kind in the new independent listed Nilfisk, and an important milestone in our history. I'd like to thank you for the backup to the Board of Directors and to the journey that Nilfisk has undertaken. We're looking forward to it.

And I'd like to thank you, Joergen Kjergaard Madsen, our interpreters, our technicians, and employees who have made sure that this has been a successful event.

Now, it's Friday afternoon and we can meet outside in the foyer where we will offer you some refreshments. And please also take a look at the exhibition which shows us our history and how innovation has been a leading light for our interesting history and also how we can see the development of future cleaning solutions. We just have to meet outside as a whole, and then we will come back and speak to you if you have anything else that you haven't heard from this rostrum today. Thank you very much for your attendance.