ANNUAL REPORT 2022

Towards long-term sustainable growth

NILFISK

AT A GLANCE

Global presence

We are a leading global provider of professional cleaning equipment and services

100+
Countries
Our products and services are sold in more than 100 countries.

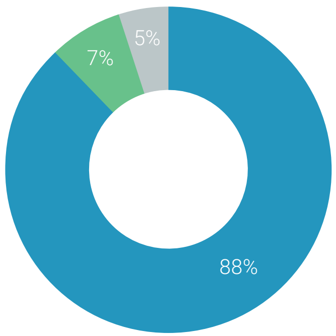
40+
Sales companies
We have sales companies in more than 40 countries.

9
Manufacturing sites
Asset-light assembly-focused production. Main manufacturing facilities are located in the US, Mexico, Hungary, Italy, and China.

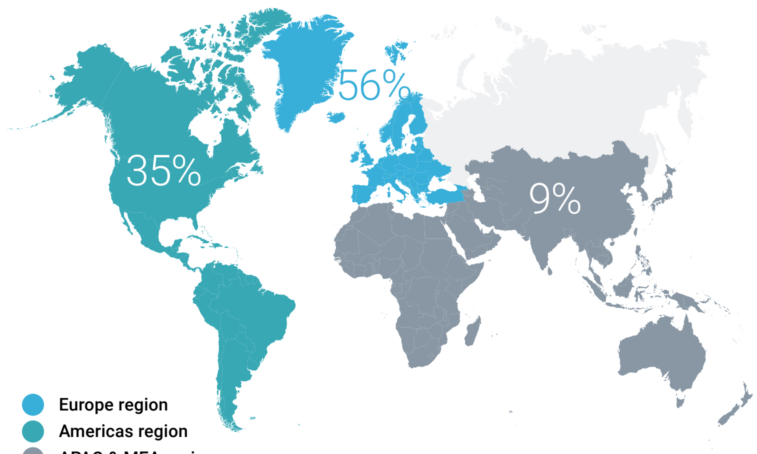
8
R&D sites
Product development for most products is managed from three competence centers, one in each region.

8
Distribution centers
Our distribution centers are located in Americas, Europe and Asia. We also provide direct shipment from selected manufacturing sites.

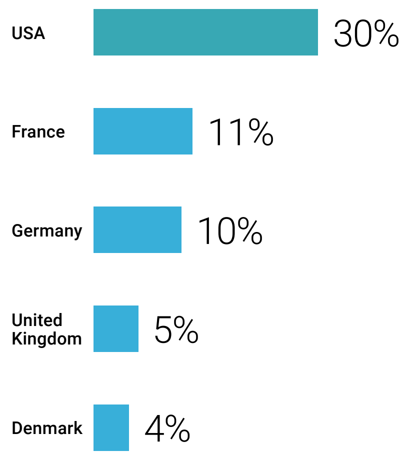
Revenue
Share of revenue 2022



Geographies
Share of revenue 2022



Key markets
Share of revenue 2022



Total revenue in 2022
1,069.5 mEUR

EBITDA margin before special items
EBITDA margin before special items was in line with the revised outlook announced on October 26, 2022

13.2%

Employees, FTEs
approximately

4,700

AT A GLANCE

Increased focus on cleaning

In a new study Nilfisk asked 400 decision makers representing key customer segments how COVID-19 has impacted their cleaning habits. The study showed an increased perception of the value of clean combined with changed cleaning behaviors. Almost all of the organizations expecting this change to be long-lasting.

Over

90%

of respondents report an increase in the expected standard of cleaning compared with before 2020.

Nearly

80%

of respondents expect this change to be long-term.

The industries we serve

The need for cleaning is universal, and the effect of clean is valuable to our customers everywhere. Nilfisk serves customers across the world, targeting strategic customer segments and key applications.

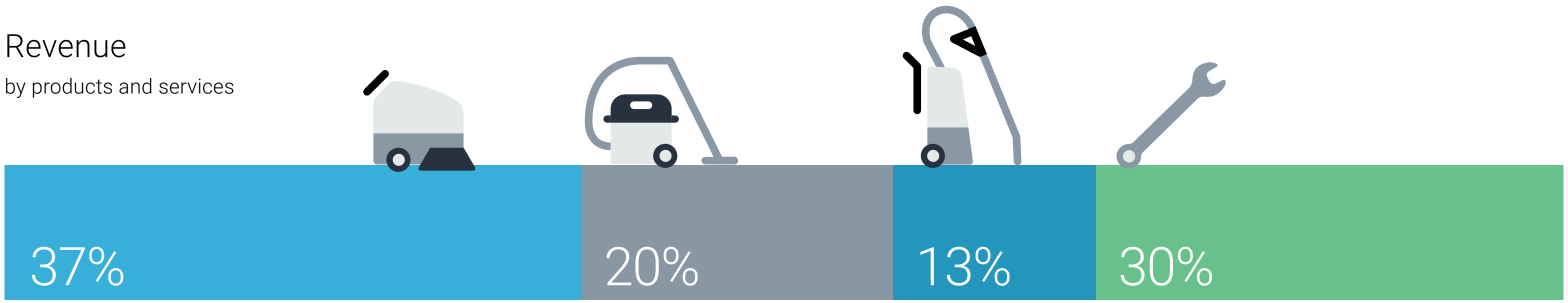
Agriculture
Automotive
Building & Construction
Contract cleaners
Education
Food & Beverage
Healthcare
Hospitality
Iron & Metal
Manufacturing
Offices & Public buildings
Pharma
Retail
Warehousing & Logistics

A wide range of solutions

With a product portfolio spanning from professional floorcare equipment to advanced industrial vacuum solutions to high-pressure washers, Nilfisk has the widest breadth of product solutions in the industry. We have an unparalleled capacity to provide comprehensive product and service solutions to our customers.

Revenue

by products and services



Floorcare

Scrubber dryers, sweepers, combination machines, carpet extractors, burnishers.

Vacuum cleaners

Commercial vacuum cleaners, wet & dry vacuum cleaners, industrial solutions, vacuum cleaners for domestic use.

High-pressure washers

Professional mobile pressure washers that use hot/cold water, stationary pressure washers, petrol/diesel driven pressure washers, high-pressure washers for domestic use.

Aftermarket

Service, parts and accessories.

Management Review

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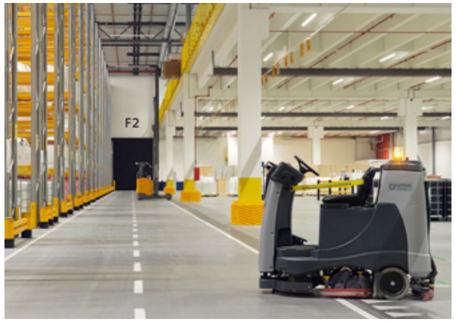
EcoVadis Gold Medal confirmed our sustainability effort is on track towards delivering on targets.

Financial Statements



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A tornado destroyed Nilfisk's only distribution center in the US, but a dedicated employee effort mitigated the repercussions.

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The growth platforms in Business Plan 2026 delivered progress already in 2022.

Resilient strategy execution fostering revenue growth in 2022

We entered 2022 with strong sales growth momentum that continued from our record year 2021. Additionally, in early 2022 we launched our new strategy, our 5-year Business Plan 2026 focused on value creation and long-term sustainable growth. To achieve this, we have anchored Nilfisk in a distinct customer-value proposition. We have started building growth platforms focused on carefully-selected strategic priorities and optimization opportunities. And fundamentally, we have implemented new Ways of Working as a key enabler for successful strategy execution.

As a result, we achieved revenue of 1,069.5 mEUR, an increase of 7.5% from 2021 and equivalent to organic revenue growth of 4.9%. The growth was driven by our Branded Professional business, which grew 8.6% organically with all regions contributing. As in 2021, the strongest growth was achieved in our Americas region, which grew 12.5%. On the other hand, our Consumer business declined by 15.5% and our Private Label business declined by 15.7%, in line with market developments. EBITDA before special items reached 140.8 mEUR, just around 2% below the record in 2021, representing an EBITDA margin before special items of 13.2%.

Business Plan as a guiding principle

Our Business Plan 2026 has served us well in 2022, helping us to weather the challenges the year brought. The invasion of Ukraine by Russia fueled not only a humanitarian catastrophe but also had severe economic implications. In early March 2022, we decided to cease business in Russia, which represented around 1% of our 2021 revenue. The war also contributed to accelerating cost inflation, which central banks countered by raising interest

"Our Business Plan 2026 has served us well in 2022, helping us to weather the challenges the year brought

rates. Consequently, the overall geo-political and economic climate deteriorated over the course of the year.

A significant internal challenge in 2022 was caused by a tornado wiping out our US distribution center end-March 2022. Fortunately, no employees were injured. This disruptive incident caused shipment delays to our customers, non-availability of parts for months, as well as temporarily higher costs while resuming operations in a new distribution center. Even by year-end, process stability and efficiency were not yet fully restored. Nevertheless, we achieved 10% organic revenue growth in the US, which puts us well on the way in terms of delivering on our strategic priority to grow in the large-scale US market as outlined in Business Plan 2026. A great result made possible by the cross-functional collaboration and determination of our people.

2022 marked a rapidly increasing level of cost inflation unprecedented in the last 30 years. Next to cost inflation across most material categories, concerns about energy supply led to substantially higher energy costs. We countered those inflationary pressures with disciplined pricing actions. Our pricing practice and diligent implementation contributed increasingly to preserve margins over the course of the year. At the same time, global supply chain challenges and availability of critical parts continued to constrain our growth. As set out in our Business Plan 2026, we invested into enhancing supply chain robustness. Short term this led to higher levels of inventory. Longer term this is building towards reliable, cost optimized supply supporting our long-term sustainable growth targets.

A core element of our strategy is to develop Service-as-a-business. We made good progress in building a dedicated service organization who will be driving this initiative. This is allowing us to gain traction in the implementation of a new business model substantially contributing to future value creation.

New Chair leading Board of Directors
On 25 March 2022, Peter Nilsson was elected as new Chair of the Board of Directors of Nilfisk. Peter brings a wealth of relevant business experience into the board. As CEO, Board Member or Board Chair, Peter was involved in numerous successful implementations of value creation strategies. Under his leadership, the Board of Directors have been working closely with the Nilfisk Leadership Team to ensure the successful execution of Business Plan 2026 throughout 2022. The progress in the implementation of the strategy is visible in the resilient execution of its key initiatives enabling to achieve another year of organic revenue growth while overcoming the challenges.

Milestone towards our Sustainability commitment: EcoVadis Gold achieved in 2022
Our sustainability commitment is an integral part of our Nilfisk value proposition and core to our strategy. Our customers are looking more and more for a reliable partner supporting them in their own sustainability targets. In 2022, we continued pushing the boundaries of our industry when it comes to sustainability. We were awarded a Gold Medal by EcoVadis, the world's largest provider of business sustainability ratings. This makes Nilfisk part of the top 5% companies globally rated by EcoVadis. This achievement is a firm step on the way towards our ambition to lead the professional cleaning industry with sustainable products.

> Our sustainability commitment is an integral part of our Nilfisk value proposition and core to our strategy. In 2022, we continued pushing the boundaries of our industry when it comes to sustainability.

New Ways-of-Working enabling Business Plan 2026 off to a strong start
We have been impressed again with our people in Nilfisk in 2022. Teams came together around the initiatives of Business Plan 2026. As part of our new Ways of Working multiple training sessions were held in the methodology of the Nilfisk Operating System (NOS). Organizationally, we empowered our people by allocating more decision-making authority closer to markets and business units, in order to promote agility and customer-focus. All of this was instrumental to enable our results in 2022. Our people gave an impressive demonstration of a growth mindset. Our employee survey also demonstrated the dedication of our people when we by the end of the year got an overall engagement score of 8.1, which is significantly above benchmark for our industry. We would like to thank all our employees for their great work in 2022 and for their exceptional commitment to serve our customers.

We would also like to thank our customers for their continued loyalty and belief in Nilfisk. We are committed to overcome the ongoing global supply chain challenges, and we feel encouraged by your feedback in the customer value creation potential of our lifecyle services solution approach.

Finally, we would like to extend a thank you to our shareholders for their continued support. We highly appreciated any feedback during 2022. Your support of Business Plan 2026 unlocks its significant value creation potential enabling long-term sustainable growth.

On behalf of Nilfisk

Peter Nilsson
Chair

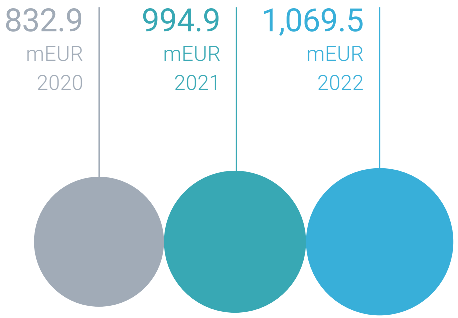
Torsten Türling
CEO

Financial highlights 2022

Organic revenue growth and EBITDA margin before special items were in line with the revised outlook announced on October 26, 2022.

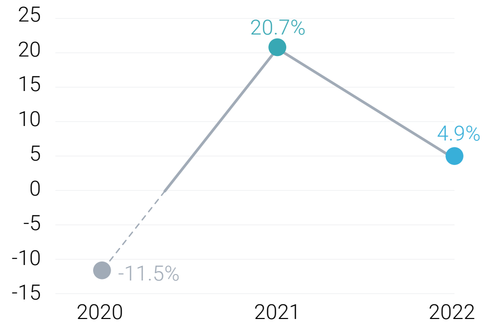
1,069.5 mEUR
Revenue

Total revenue grew 7.5%, driven by continued demand for our branded professional products and services across regions as well as determined pricing actions.



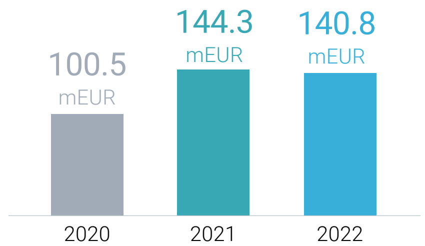
4.9%
Organic revenue growth

Organic growth (OG) for the total business was 4.9%, driven by OG of 8.6% within branded professional across all regions. Consumer and Private label declined in line with their respective markets, negatively impacting overall OG.



140.8 mEUR
EBITDA before special items (bsi)

EBITDA bsi came to 140.8 mEUR, a decline of 3.5 mEUR. The solid performance of branded professional and determined pricing actions during 2022 helped deliver the second best year in Nilfisk history as a listed company. The lower gross margin, driven by higher freight rates and raw material costs as well as lower capacity utilization, adversely impacted EBITDA bsi. The overhead cost ratio was unchanged, despite a high inflation environment.



13.2%
EBITDA margin before special items (bsi)

The EBITDA margin before special items came to 13.2%. The combined impact from lower gross margin and an unchanged overhead cost ratio had a negative impact on the EBITDA margin before special items of 1.3 percentage points compared to 2021, where Nilfisk reported an all-time high EBITDA bsi.

2020	2021	2022
12.1%	14.5%	13.2%

40.6 mEUR
Profit for the year

Profit for the year amounted to 40.6 mEUR compared to 51.0 mEUR in 2021. A lower operating profit in combination with higher special items and higher financial costs drove the decline.

2020	2021	2022
-2.6 mEUR	51.0 mEUR	40.6 mEUR

54.5 mEUR
Free cash flow

Free cash flow amounted to 54.5 mEUR. Operating cash flow grew during 2022, but increased investments into the US Distribution Center rebuild and strategic R&D investments consumed an additional 9 mEUR in cash compared to 2021. In addition, Nilfisk acquired an additional 5% share position in M2H S.A., increasing ownership to 49%. Cash flow benefitted from changes in working capital, which was positively impacted by the non-recourse factoring program initiated in autumn 2022.

2020	2021	2022
73.5 mEUR	58.5 mEUR	54.5 mEUR

324.7 mEUR
Net interest-bearing debt (NIBD)

The improvement was the result of the solid operating profit and the non-recourse factoring program, partly offset by increased working capital. The gearing remained unchanged at 2.3x.

2020	2021	2022
382.0 mEUR	338.5 mEUR	324.7 mEUR

5-year consolidated financial highlights

EUR million	2022	2021	2020	2019	2018[1]
Income statement					
Revenue	1,069.5	994.9	832.9	966.5	1,054.3
EBITDA before special items[3]	140.8	144.3	100.5	117.7	125.5
EBITDA[3]	133.3	139.9	90.6	95.0	69.8
Operating profit before special items[3]	79.5	84.1	32.9	49.8	87.4
Operating profit[3]	69.6	79.7	22.1	25.9	18.9
Special items, net	-9.9	-4.4	-10.8	-23.9	-68.5
Financial items, net	-17.0	-11.6	-14.7	-14.0	-11.3
Profit (loss) for the year	40.6	51.0	-2.6	8.7	10.0
Cash flow					
Cash flow from operating activities	82.0	74.7	89.5	76.1	33.1
Cash flow from investing activities	-27.5	-16.2	-16.0	-40.8	-38.6
— hereof investments in property, plant and equipment	-10.5	-5.8	-5.4	-10.4	-18.6
— hereof investments in intangible assets	-15.9	-11.7	-11.6	-33.0	-33.8
Free cash flow excluding acquisitions and divestments	54.5	58.5	73.5	35.3	-8.6
Statement of financial position					
Total assets	863.4	841.2	763.5	840.1	794.4
Group equity	260.7	207.7	134.8	158.0	147.5
Working capital	202.1	175.7	131.6	157.9	170.4
Net interest-bearing debt	324.7	338.5	382.0	414.1	369.6
Capital employed	585.4	546.2	516.8	572.1	516.8
Financial ratios and employees					
Organic growth	4.9%	20.7%	-11.5%	-4.1%	2.0%
Organic growth Nilfisk branded professional business[2]	8.6%	20.1%	-13.7%	-2.6%	2.8%
Gross margin[3]	39.5%	40.5%	41.6%	42.1%	42.0%
EBITDA margin before special items[3]	13.2%	14.5%	12.1%	12.2%	11.9%
EBITDA margin[3]	12.5%	14.1%	10.9%	9.8%	6.6%
Operating profit margin before special items[3]	7.4%	8.5%	4.0%	5.2%	8.3%
Operating profit margin[3]	6.5%	8.0%	2.7%	2.7%	1.8%
Financial gearing[3]	2.3	2.3	3.8	3.5	2.9
Overhead costs ratio[3]	32.0%	32.0%	37.7%	37.0%	33.1%
CAPEX ratio	2.5%	1.8%	2.0%	4.5%	5.0%
Working capital ratio[3]	21.6%	15.4%	18.8%	20.6%	18.5%
Return on Capital Employed (RoCE)[3]	13.4%	15.8%	5.9%	8.5%	16.7%
Basic earnings per share (EUR)	1.50	1.88	-0.10	0.32	0.37
Diluted earnings per share (EUR)	1.50	1.88	-0.10	0.32	0.37
Number of full-time equivalents, end of period	4,655	4,887	4,339	4,886	5,482

Please find definitions in note 8.6

[1] Comparative figures are not restated with the effect of IFRS 16.
[2] In 2019, the reportable segments were changed, and the Nilfisk branded professional business was established. The related key figures from 2018 have not been calculated.
[3] In 2020, amortization/impairment of acquisition-related intangibles is no longer presented in a separate line in the income statement. In addition share of profit from associates is presented in a separate line under operating profit in the income statement. 2019 key figures have been restated, however the related key figures from 2018 have not been calculated.

Sustainability highlights

Scope 1, 2 and 3

Nilfisk 2030 Science Based Targets for scope 1, 2 and 3 have been verified and approved by SBTi. In 2022, Nilfisk made solid progress towards these targets.

Absolute scope 1 and 2 greenhouse gas emissions
Reduction in 2022 of 10% compared to the base year 2019. Target reduction of 35% by 2030 from 2019.

Scope 3 greenhouse gas emission intensity
Reduction in 2022 of 11% compared to the base year 2021. Target reduction of 48% per gross profit unit by 2030 from the use of sold products, from 2021.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

EcoVadis 2022

Nilfisk has industry-leading ambitions for sustainability and in 2022 our efforts were awarded with the EcoVadis Gold Medal. This means Nilfisk is among the top 5 % of global companies rated by EcoVadis and in top 4 % of our industry.

Gold Medal
93rd percentile

Diversity and inclusion

Nilfisk is committed to achieving equal representation in senior management. Therefore, we have set a gender diversity milestone target of 25% women in senior management in 2026.

In base year 2021, Nilfisk had 14% women in senior management.

In 2022, Nilfisk achieved an increase to 19% women in senior management.

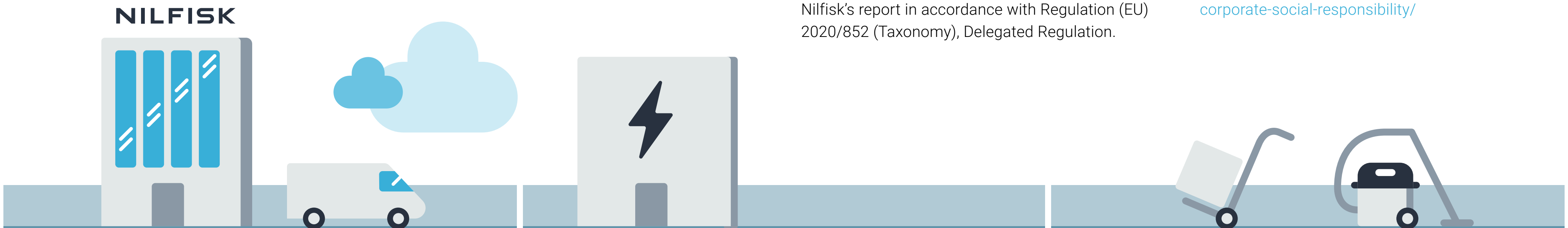
Upholds strong CDP score

Nilfisk in CDP's leadership category for the 3rd consecutive year.

Nilfisk received a 2022 A- score from CDP, an international nonprofit organization, reflecting how Nilfisk upholds high standards in climate and environmental actions and continues to implement best practices.

Sustainability Report 2022

Nilfisk published a separate Sustainability Report 2022, which contains our Statutory Statement for Corporate Social Responsibility per section 99a, 99b, 99d, and 107d of the Danish Financial Statements Acts. The Sustainability Report 2022 also contains Nilfisk's report in accordance with Regulation (EU) 2020/852 (Taxonomy), Delegated Regulation. (EU) 2021/2139 on climate change mitigation and climate change adaptation, and Delegated Regulation (EU) 2021/2178 on the presentation of this information. The report can be found at: https://www.nilfisk.com/global/about-nilfisk/corporate-social-responsibility/



Scope 1
Scope 1 emissions are directly created by owned or controlled sources, including facilities and car fleet

Scope 2
Scope 2 emissions are from purchased sources such as electricity, steam, heating, and cooling

Scope 3
Scope 3 emissions are all other indirect upstream and downstream emissions that occur in the value chain

Our strategy

At the beginning of 2022, Nilfisk launched the growth-focused Business Plan 2026. The plan has clear priorities underpinned by a detailed implementation plan that will allow us to achieve our financial targets by 2026. The goal is to position Nilfisk for long-term sustainable growth.

Year one of Business Plan 2026

At the beginning of 2022, Nilfisk launched Business Plan 2026. That makes 2022 year one of building platforms for long-term sustainable growth.

The strategic framework of Business Plan 2026 has been turned into a roadmap for delivering on our long-term growth targets. The starting point is Nilfisk's distinct customer-value proposition.

Our focus is on building and developing growth platforms focusing on three carefully-selected strategic priorities and three optimization opportunities. Each identified as key to ensuring long-term sustainable growth.

Finally, with the implementation of new Ways of Working, we are building a powerful execution engine by mobilizing our people throughout the organization. On the following pages, we present the elements in Business Plan 2026 and follow up on the progress made during 2022.

Nilfisk value proposition

We see opportunities to create value for our customers, our people, our shareholders, and our communities. Our strategy is focused on long-term sustainable growth, and our value creation proposition is based on three fundamental pillars: Lifecycle services, Customer-centric innovation, and our Sustainability commitment. These pillars act as guideposts for each element within the rest of Business Plan 2026.

Lifecycle services
Optimizing customer value creation

Customer-centric innovation
Ensuring technology-enabled value creation

Sustainability commitment
Creating value for all stakeholders

Business Plan 2026

Focus on long-term sustainable growth

NILFISK VALUE PROPOSITION

Lifecycle services
Optimizing customer value creation

Customer centric innovation
Ensuring technology-enabled value creation

Sustainability commitment
Creating value for all stakeholders

STRATEGIC PRIORITIES

Develop **service-as-a-business**

Grow in **large-scale markets**

Lead with **sustainable products**

OPTIMIZATION OPPORTUNITIES

Optimize **European leadership position**

Enhance **supply chain robustness**

Unleash growth of **specialty business**

WAYS OF WORKING (WOW)

Execution culture
- Nilfisk Operating System
- Strategy deployment and managing projects

Digitally enabled
- IT backbone
- Digital applications and customer interface

Empowered people
- Mobilizing the organization
- Growth mindset

Growth platforms for value creation

Business Plan 2026 is centered around three strategic priorities and three optimization opportunities identified as key to ensuring long-term sustainable growth.

Strategic priorities are growth platforms that we will strengthen to harvest substantial long-term growth and value creation potential.

Optimization opportunities are existing growth platforms that offer significant additional value creation opportunities.

Strategic priorities

The strategy review process in 2021 clearly identified three growth platforms that offer significant potential for value creation across all stakeholders. These are our strategic priorities in Business Plan 2026.

Develop Service-as-a-business
Service-as-a-business is a key strategic priority for Nilfisk. For us, this means a shift from the product-centric traditional model with a reactive repair offering to a proactively managed business providing a lifecycle solution combining a range of services around the products to provide maximum customer value. This entails a move towards complementing the product offering with a range of services throughout the lifecycle of our professional cleaning equipment. The return is expected in the form of increased customer satisfaction and loyalty as well as an improved ability to generate stable recurring revenues and enhance profitability.

Progress report
Develop Service-as-a-business

The year 2022 was formative for the service organization. In August, several functions came together in the new Service Business under one leadership working towards a dedicated profit and loss responsibility with reporting from 2023. Anupam Bhargava was appointed EVP, Head of Global Service and member of the Nilfisk Leadership Team.

Together with 900 colleagues in the service organization as well as colleagues across Nilfisk, Anupam initiated the strategically important work of integrating Service-as-a-business into our offerings.

One key goal is to ensure professionalization of the service offering and scaling of service contracts across our markets and customers. This is a fundamental evolution: from a traditional and reactive model of selling repair services and spare parts towards a company that proactively delivers total solutions for maximum customer value across the lifecycle of equipment ownership and use.

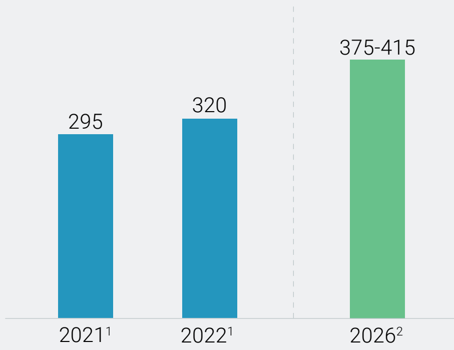
As we increase our focus on customer-centric innovation and life-cycle services, Service-as-a-business will help maximize the customer value proposition. We will help our customers to optimize productivity and sustainability of their own processes. This will be done through a focus on ensuring cleaning performance, reducing total operating costs, while improving sustainability. These efforts, combined with an ambition to deliver a best-in-class customer experience, will help Nilfisk to become the professional cleaning partner of choice for our customers.

The objectives for the service organization are clear and backed with actions to ensure tangible results. We are applying our Nilfisk Operating System methodology for consistent strategy deployment to ensure progress and follow up. As from 2023, the Service Business will be fully established in the internal reporting and will be reported as an operating segment in the external reporting.

Estimated global service market size, 2021

2.5 bnEUR
2021 McKinsey Study

Revenue from Service Business, mEUR



[1] *For 2021 and 2022, Aftermarket has been used as an estimate for Service Business revenue.*

[2] *Target for Service-as-a-business in Business Plan 2026.*

In 2023 Service-as-a-business will focus on further developing an improved and seamless end-to-end customer experience that includes preventive maintenance and repairs, as well as parts, accessories and consumables. With a premium contract, Nilfisk tends to all the customer's needs to ensure maximum uptime, ensuring that the customer always have their machines up and running.

Strategic priorities – continued

Grow in large-scale markets – first step US
We have opportunities to strengthen our position in several large-scale markets. The US market is by far the largest single market for professional cleaning equipment, and it represents approximately 35% of the global market. We have a substantial and growing market presence in the US, and while our market position was strengthened significantly in 2021 and 2022, we see further opportunities for above-market growth. That means the US market is of particular importance and a clear priority. We are building on a strong manufacturing base while further leveraging the highly-skilled team at our US R&D center. In 2022, we primarily directed our focus to two distinct areas for value creation. We used our strong ability to generate leads to support our distribution partners and we leveraged our targeted approach to large customers to drive growth in this strategically important region. As a result, revenue in US grew 10% organically in 2022 and increased its share from 25% of the total business in 2021 to 30% in 2022.

Progress report
Growth in large-scale US market

Building a strong organization
In 2022, we introduced an Americas region empowered to make decisions close to the customers. In June, Jamie O'Neill was appointed EVP, General Manager Americas Region, and member of the Nilfisk Leadership Team. With this appointment, a new region covering USA, Canada and Latin America, responsible for coordinating the day-to-day activities across all functions was created. This entailed developing leadership closer to the front line, with oversight across all functional areas, enabling responsiveness and customer focus. The collaboration around mitigating the severe business interruption when a tornado wiped out Nilfisk US based distribution center end-March 2022, was a good example of the importance of leadership at the front line.

During 2022, our new ways of working were implemented across the Americas region. Investments in people and competencies were made and we took steps to empower our people and unleash the potential in the organization. This in turn contributed to creating a growth mindset and collaboration culture.

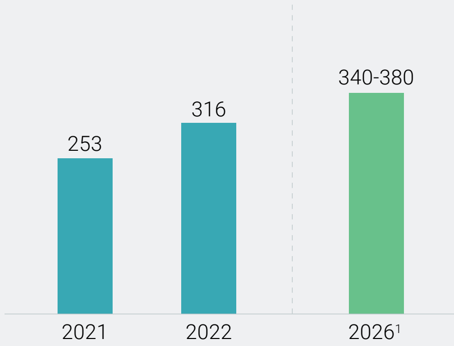
Additionally, three key areas to drive growth in the large-scale US market were identified:

- focus on strategic accounts
- transforming customer perception of Nilfisk from being a vendor to becoming a preferred partner and
- focus on sustainability, diversity, and Corporate Social Responsibility (CSR)

Winning with strategic accounts
A customer-centric approach was the basis of the quality and profitability review of more than hundred strategic accounts over the last years. The goal was to ensure close ties to each customer and that they were being serviced in the right setup. This approach led to the 2021 win of a substantial agreement with United Rentals, the largest equipment rental company in the world. This collaboration was expanded in 2022. The partnership with the major US retail chain Walmart was also enhanced and extended.

The strongest 2022 growth, however, came from two strategic accounts. Menards, an American home improvement retail company has been a long a time partner. In 2022 that partnership strengthened when they named Nilfisk as their exclusive autonomous partner for more than 300 stores. In addition, Envoy Solutions, a nationwide distributor of cleaning equipment became a Nilfisk strategic partner.

Revenue in the US, mEUR



[1] *Target in Business Plan 2026.*

Strategic priorities – continued

Lead with sustainable products
We aim to lead the industry when it comes to sustainable products and solutions. To reach this target, we will provide upgrades to our current offering of products and services in the years ahead. The upgrades will introduce new technologies, features, and digital functionalities. We have fundamentally reviewed our product and technology development roadmap to focus on delivering sustainable technologies, products, and solutions. Any new product or platform will be designed to be significantly more energy and resource efficient than previous versions, and through modularity, will be able to broaden our offering while controlling costs, improving serviceability, and reducing complexity. This will allow for resource-optimized, scalable growth that contributes to our enhanced sustainability commitments.

Progress report
Lead with sustainable products

During 2022, we made important progress on our modularity initiatives, as well as with our technology projects.

Furthermore our focus was on reducing the energy consumption and resource usage in our product lines. This strongly supports our ambition for scope 3 and will reduce the carbon footprint of our products.

As part of our initiatives in Business Plan 2026, we will upgrade existing product ranges. In 2022, four Lithium-Ion battery driven products were launched within floorcare and IVS. Further product launches based on this technology are in the pipeline to come to market in 2023.

In addition to the upgrade of existing products, Business Plan 2026 is also focused on new product offerings. In 2022, we expanded the line of safety vacuums with the new Aero series launched in October. A technical upgrade of Nilfisk performance and filtration system enabled us to accommodate our customers' need for a compact safety vacuum in the building and construction segment.

To ensure sustainable and profitable growth, a cost of goods sold optimization program in close collaboration between R&D, sourcing and operations was initiated in 2022. The first tangible effects were achieved within floorcare and vacuum cleaners. The results came from assembly optimizations and from the use of batteries and metal parts sourced through this program.

Optimization opportunities

Our strategy review process in 2021 clearly identified three optimization opportunities of existing growth platforms. For each of these growth platforms, we can optimize and strengthen our leading position in the professional cleaning equipment industry to ensure higher value creation. These are our optimization opportunities in Business Plan 2026.

Optimize European leadership position
Europe remains our largest and most profitable region. The implementation of a segmented go-to-market approach will enable us to achieve broader and more efficient market coverage. The goal is to optimize customer value creation while increasing sales efficiency, including for our Service and Industrial Vacuum Solutions (IVS).

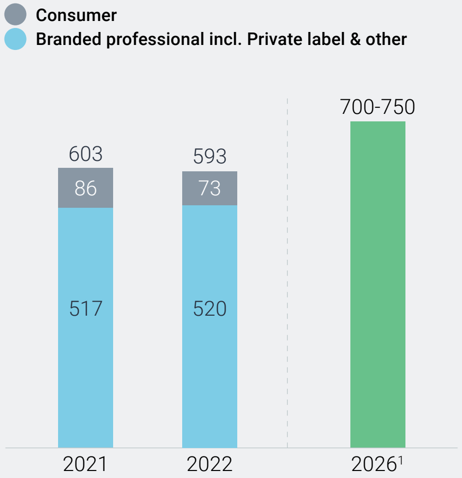
Progress report
Optimize European leadership position

Our work to optimize Europe is focused on our branded professional business. Here, our work to regain momentum and further develop the segmented go-to-market approach continued during 2022. Smaller customers were to a larger extent served via inside sales support function and through the Nilfisk e-commerce platform. More resources were deployed towards our growth platforms, enabling the development of lifecycle service relationships and an increased focus on offering IVS solutions.

Additionally, in 2022 we aimed our attention at Nilfisk focus segments: Contract Cleaners, Warehouse & Logistics, Manufacturing, Healthcare, Education and Retail. The ability to attract large strategic accounts within these segments and across the European countries benefited revenue. Our broad product range, solid service offering, and an improved supply situation on most product lines also drove revenue.

Finally, our pricing excellence was an important revenue driver. During 2022, we significantly stepped up our pricing actions and professionalized our processes. This resulted in an improved stick ratio on our pricing actions, which was a key contributing factor to offset the margin dilution impact of the cost inflation. Summing up, we achieved a modest revenue development in 2022 within our European branded professional business. Growth was strongest in countries, where the integrated service-business model has been developed and matured. We will continue the roll-out of the integrated business model throughout Europe.

Revenue in Europe, mEUR



[1] Target in Business Plan 2026.

Optimization opportunities – continued

Enhance supply chain robustness
Global supply chain challenges over the past two years have stress tested the robustness of our supply chain. We have identified important optimization opportunities that allow us to cater for targeted volume growth with moderate investments. In addition, Business Plan 2026 incorporates key optimization levers that will positively impact cost competitiveness as well as the overall robustness of our supply chain.

Progress report
Enhance supply chain robustness

A key operational focus in 2022 was managing the business interruption from the tornado destruction of the US distribution center end-March 2022.

However, our strategic focus during the year was on four key topics to enhance supply robustness and manage the accelerating increase in both material and energy costs:

- Restoring our delivery performance while catching up with back orders
- Ensuring capacity for growth. This led to investments into a line expansion at Brooklyn Park to expand production
- Enhancing robustness of materials supply and mitigating the effects of global supply chain issues by reconfiguration the supply base, expanding our sourcing capabilities, optimizing transport capacity, and reducing lead times
- Driving cost competitiveness of materials to secure margins

The aim is longer-term benefits. However, we did see slight improvements within logistics, sourcing, and lead times in the second half of 2022. Looking ahead, we expect global supply chain constraints to ease further in 2023. Finally, as a part of our new Ways of Working, we created regional operations for better synchronization with market needs and faster response times.

Optimization opportunities – continued

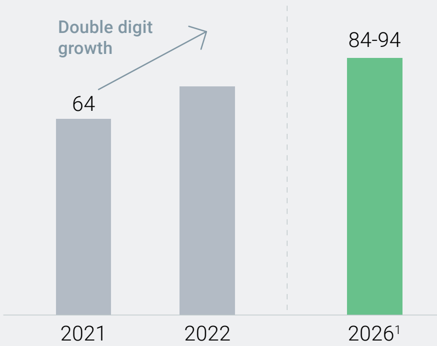
Unleash growth of specialty business
Industrial Vacuum Solutions (IVS) is a specialized niche within professional cleaning equipment. Products are often customized and used in highly regulated workplaces exposed to dangerous or combustible dust. In this environment, Nilfisk stands out as a world-leading manufacturer and service supplier with deep insights and know-how from decades-long experience with products and application.

Key customer segments for IVS include manufacturing environments within pharma and food as well as iron, metal and construction. By leveraging a broad product offering with deep customer understanding and application know-how, Nilfisk can take advantage of the growth potential in IVS. As a first step, Business Plan 2026 initiated a new organizational structure with IVS as a separate business to drive a new culture and entrepreneurial spirit, unleashing the potential in IVS.

Progress report
Industrial Vacuum Solutions (IVS)

During 2022, IVS strengthened its market position and expanded its market share through double-digit revenue growth. This was done by using a range of strategic levers laid out in Business Plan 2026. Each of the initiatives has a detailed implementation plan and concrete targets for business improvements. Nilfisk is targeting 40% growth in the IVS business from 2021 to 2026, equivalent to a revenue increase of between 20 and 30 mEUR.

IVS revenue development, mEUR



[1] Target in Business Plan 2026.

Creating an entrepreneurial IVS business
During 2022, Nilfisk recreated IVS as a separate business with its own value chain while leveraging the strength of the global Nilfisk sales force. An organizational structure with site leadership, an IVS General Manager, and a dedicated IVS Specialty Business Sponsor anchored in the Nilfisk Leadership Team was put in place to drive focused leadership of this business. The organizational changes were made in line with our Ways of Working to create an organization with end-to-end responsibility across functions that can act and adapt close to the customers.

A key component in the new business set-up was to strengthen the IVS Center of Excellence in Zocca, Italy to drive a value-chain centered around IVS specialist capabilities and know-how. Since its inception, the IVS business has evolved into a culture of entrepreneurship, collaboration, and community-feeling. The results include more business opportunities and in turn strong revenue growth, higher customer satisfaction, and increased retention of IVS employees.

New Ways of Working are creating a powerful execution engine

Successful strategy implementation is rooted in clear priorities and focus but it also depends on disciplined execution and structured follow up. Ways of Working is comprised of three distinct areas: strategy deployment in the form of our Nilfisk Operating System (NOS), creating a digitally-enabled organization and empowered people. Collectively the Ways of Working will enable the organization to deploy business levers through an enhanced focus on problem solving, process improvement, end-to-end responsibility and digital support. Separately and together, these new Ways of Working form a powerful execution engine that is instrumental in implementing our strategy.

Building execution culture with Nilfisk Operating System
During 2022, we took large strides towards a broad-based implementation of NOS. NOS involves strategy deployment and a common methodology for problem solving and continuous process improvement. For all strategic priorities, we have established specific action plans with concrete targets. A total of 600 managers and project participants were trained in NOS during 2022.

NOS consists of 4 elements

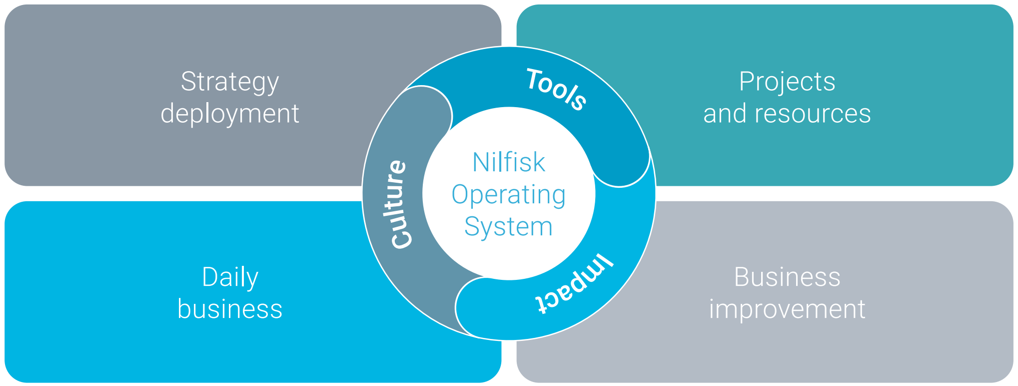
Strategy deployment into strategic priorities and optimization opportunities, each with clearly defined targets.

Project and resources, including how to best manage projects and allocate resources towards our strategic priorities and optimization opportunities.

Business improvement, including structures, tools, and data points to manage progress and navigate opportunities and risks proactively.

Daily business, including structures, tools, and data points to manage everyday activities to achieve operational targets.

The inner core of the NOS is based on 3 building blocks: Culture, Tools and Impact



Creating a digitally-enabled organization
Strong execution requires real time data and transparency. For Nilfisk, digital enablement means providing all relevant information digitally in real-time at the fingertips of decision makers, and driving efficiency and value with a digitized customer interface. Together with NOS, digital enablement creates successful execution. As part of our Business Plan 2026, we have put strong investment plans in place for creating a digitally-enabled organization.

Digitally enabled is centered around 4 initiatives

Global SAP rollout to reach more than 90% revenue coverage with a standardized SAP solution. At the beginning of 2022, we kicked off the project in Mexico for a roll-out to our factory as well as sales and service units.

Expansion of Nilfisk's own business systems, including CRM, eCommerce solutions, and Global Service System.

Harmonization of Master Data to standardize data and process it. In the first half of 2022, we put a dedicated organization in place.

Build-up of Nilfisk Business Intelligence Systems to provide fast and standardized decision support and allow for predictive analytics to support decision making.

Empowered people as a prerequisite for an execution-focused organization
People are the most essential part of a successful strategy execution. In Nilfisk, empowerment is based on our strategy deployment methodology (NOS). This means being digitally enabled and empowered decision makers. It requires a broadened end-to-end responsibility for more agile and closer to customers accountability and decision making. To foster customer-centricity, execution agility, and results ownership, we are empowering our people in the business by delegating responsibility. This will instill a culture that supports execution.

2022 progress

During 2022, we worked towards creating clear accountability for each area in Business Plan 2026.

Early 2022, IVS was carved out as a separate business and the Service organization was announced. In June 2022, the Americas Region was created. Finally, in early 2023, we announced Europe and APAC as separate regions going forward. This created a more empowered organization. At the same time, we are fostering a culture based on growth mindset, the belief that capabilities can grow over time, and that any setback is an opportunity to learn, adapt, and grow. From Q2 2022, we initiated the process of mobilizing the entire organization to ensure that everyone contributes to the successful implementation of Business Plan 2026.

Outlook for 2023

For our outlook, we expect that the current macro-economic uncertainty will continue into 2023, leading to some volume decline, particularly in the European market.

The range for organic revenue growth is expected to be -2% to 2%. This is supported by full-year effects of pricing actions completed in 2022 and by a substantial order book at end-2022. Negative organic growth would require a worsening of current trading conditions.

The range for the EBITDA margin bsi is expected to be 12% to 14%.

Given our ongoing initiatives and investments in structurally improving the business, our financial targets for 2026 are confirmed.

-2 to +2%

Organic revenue development

12% to 14%

EBITDA margin before special items

Financial targets for 2026

Market conditions
The demand for cleaning is on a path towards long-term growth, driven by a fundamental need for hygiene to preserve health, safety, and overall wellbeing. Rising wage levels are driving the demand for equipment and services that enable labor productivity, and this demand is further fueled by labor shortages. In addition, we foresee tighter regulatory requirements for health and safety standards and a sharp increase in sustainability requirements. We expect the digital transformation will enhancing our value proposition to customers and drive demand for Nilfisk products and services in the longer term.

Organic growth
We expect our business to generate long term sustainable growth and to organically reach revenue between 1.2 bnEUR and 1.3 bnEUR in 2026. This assumes the continuation of the outlined positive market trends based on global economic growth and implementation of Business Plan 2026 initiatives. Acquisitions may become relevant medium-term, but they are not included in this revenue target.

EBITDA margin before special items
We expect EBITDA margin before special items to be above 16% no later than 2026, benefitting from targeted revenue growth and the implementation of Business Plan 2026 initiatives.

1.2 bnEUR to 1.3 bnEUR

Revenue in 2026

Above 16%

EBITDA margin before special items in 2026

1.5x to 2.0x

Gearing measured as net interest-bearing debt to EBITDA before special items in 2026

Forward-looking statements
Statements made about the future in this report reflect the Executive Management Board's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from the expectations, due to economic and financial market developments, legislative and regulatory changes in markets that the Nilfisk Group operates in, development in product demand, competitive conditions, energy and raw material prices, and other risk factors.

Nilfisk Holding A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.

Capital allocation principles towards 2026

Our capital structure is constructed to always ensure the required financial flexibility to execute on our strategy.

The implementation of Business Plan 2026 initiatives is linked to investments, primarily in three areas. We will invest in R&D to ensure New Product & Technology development, in IT systems, and in increasing our productivity and supply capacity to accommodate for the expected volume growth. As a result, CAPEX spend is expected in the range of 3% to 4% of revenue. After an initial investment phase in the first years, CAPEX will trend down towards the long-term sustainable level of 3% of sales. Cash flow is expected to improve substantially.

Gearing, measured as net interest-bearing debt to EBITDA before special items, will be targeted in the range between 1.5x and 2.0x. This excludes financing of any potential M&A.

When the gearing is sustainably within the target range, distributions by way of dividends are expected at around one third of adjusted profit after tax. Additional capital will be distributed via share buy backs.

Sustainability progress in 2022

From commitments to action on a science-based pathway
As a global market leader for professional cleaning solutions, we acknowledge the importance of reducing our climate footprint and have chosen to follow a science-based approach in doing so.

Nilfisk has committed to decarbonizing the business across scope 1, 2 and 3 as verified by the Science Based Target initiative (SBTi). Having science-based targets provide Nilfisk with a clearly defined path to reduce emissions in line with the Paris Agreement goals.

This commitment aligns to a decarbonization trajectory curbing the global temperature rise to well-below 2°C above pre-industrial levels. In 2030, it will be delivered by achieving a 48% reduction of greenhouse gas (GHG) emissions intensity from the use of our products compared to 2021 in addition to a 35% absolute reduction of scope 1 and 2 emissions compared to 2019.

In June 2022, Nilfisk's GHG emissions of 2021 were verified by the external inspection and certification company, SGS. In addition, for 2022 data, limited assurance was provided on selected ESG data as disclosed in Nilfisk's Sustainability Report 2022.

In 2022, absolute scope 1 and 2 emissions decreased by 10% compared to base year 2019 and scope 3 emission intensity decreased by 11% compared to base year 2021.

Diversity and inclusion
Nilfisk is committed to providing an inclusive and equal experience for all employees, regardless of race, ethnicity, religion, physical or mental ability, gender, gender-identity or expression, sexual orientation, and age. In Business Plan 2026, Nilfisk set a near-term target, as a first step, to increase the equal representation of the under-represented gender in senior management positions from 14% in 2021 to 25% by 2026. In 2022, the representation of women in senior management was 19%, which is 5 percentage points more than in 2021. Progress on this target, as well as the other sustainability targets, is reported quarterly to the Nilfisk Leadership Team.

Diversity drives belonging
The culture of empowering diversity across the company was verified in Nilfisk's engagement survey from November 2022. When asked if people from all backgrounds are treated fairly at Nilfisk the average score given from all employees was 8.7 (on a 10 scale). Breaking down this number by gender it was 8.7 for men, 8.6 for women. With a response rate of 88%, the survey results give a good indication on Nilfisk as an inclusive workplace.

Sustainability targets towards 2030

35% reduction

of absolute scope 1 and 2 GHG emissions by 2030 from a 2019 base year

48% reduction

of scope 3 GHG emissions from use of sold products per unit of gross profit by 2030 from a 2021 base year

25% women

in senior management by 2026

Our business

Nilfisk is a global supplier of cleaning solutions and services, and among the global market leaders in the professional cleaning equipment industry. Through a combination of direct and indirect sales, we serve a wide range of customers, including contract cleaners, retailers, industrial customers, and healthcare facilities across more than 100 markets.

From fleet to single machine customers

Our customers range from large global contract cleaners buying fleets of machines across the product range to smaller businesses that buy a single machine. We work with our customer segments in three business verticals: CCI, Industry, and ABCA.

CCI

The CCI segment is made up of Contract Cleaners and Institutions, including customers in

Education
Offices & Public buildings
Retail
Healthcare
Hospitality

Optimizing cleaning task efficiency is key for these customers, since they are facing severe labor shortages alongside increasing requirements for high-quality cleaning results in public-facing environments.

Industry

Industry covers areas like

Manufacturing
Warehousing & Logistics
Food & Beverage
Iron & Metal
Pharma

For these customers, cleaning is a key element in ensuring efficient and safe production workflows, proper maintenance of production equipment, and compliance with quality standards and regulations.

ABCA

ABCA refers to

Agriculture
Building & Construction
Automotive

Robust and high-performing cleaning solutions play an important role in securing safe work conditions in dirty, dusty, and harsh environments, as well as ensuring that key equipment is regularly maintained for optimal efficiency.

As part of Business Plan 2026, six application segments were identified as focus segments with above-market growth and where Nilfisk is well positioned to gain share. The segments are

Contract cleaners
Warehousing & Logistics
Manufacturing
Healthcare
Education
Retail

These focus segments cover about two-thirds of the global market for professional cleaning equipment.

Consumer

In addition to our professional customer base, Nilfisk also offers consumers a range of high-pressure washers and vacuum cleaners.

Providing a wide range of customer-centric solutions

Nilfisk develops, manufactures, and sells a comprehensive portfolio of cleaning solutions and services targeting the premium and value market for professional cleaning, complemented by cleaning solutions tailored to households.

At Nilfisk, innovation and product development begin with our value proposition that anchors our efforts to provide lifecycle services, ensure customer centric innovation and fulfill our sustainability commitment. In combination with deep customer insights, this value proposition is the guiding principle for the development of products and services via close cross-functional collaboration between R&D, Product Management, external technology partners, and customers.

Product development for most of our products is managed from three competence centers, one in each of our regions (Europe, Americas and APAC & MEA). R&D is spread across a total of eight locations in Denmark, Italy, Hungary, US, Mexico, and China. In 2022, 2.9% of total revenue was spent on Research & Development, an increase from the average level of 2.7% for the years 2020 to 2021.

Nilfisk has a unique product range in terms of breadth and depth versus peers in the industry. Our product portfolio spans from advanced industrial vacuum solutions to pressure washers and floorcare equipment to simpler yet effective household vacuum solutions. These products and our services are designed to ensure customer value through high durability, enhanced productivity, and a strong focus on sustainability and safety. Our product and service offerings are described below.

Floorcare
Our largest product line is floorcare, spanning a wide range of scrubber dryers from small walk-behinds to large ride-ons and autonomous solutions. It also includes sweepers, combination machines, carpet extractors and burnishers. Our products enable our users to deliver a great customer experience and to provide good working conditions for employees and students, as well as a safe environment for workers, customers, and patients in compliance with health and safety regulations.

Vacuum cleaners
Nilfisk offers a wide range of vacuum cleaners for households and commercial customers. Our products range from small commercial canisters, upright and backpack vacs to professional wet & dry, and safety vacs to large industrial systems. Each product is designed to ensure clean, attractive spaces in homes, hospitality, offices, and transportation as well as safe and clean working conditions in building and construction, manufacturing, and food production by removing hazardous and explosive dust and fumes.

Pressure washers
Our wide selection of pressure washers spans an extensive range of domestic use products to professional cold or hot water pressure washer products, both stationary and mobile. The range is tailored to ensure that home and gardening needs are easily handled, and that farming, building, transportation and industrial equipment is always in great condition, ready for use. Our products are known for their compliance with strict health and safety regulations common in farming and food production.

Aftermarket
Easy and quick access to professional service is a key value proposition for our customers. They know Nilfisk products can help them run their day-to-day operations smoothly, predictably, and with maximum uptime. With the help of our service technicians, customers can maximize the efficiency of their cleaning operation across the entire equipment lifecycle. In addition to our range of service solutions, Nilfisk offers spare parts, accessories, and consumables for all product groups. Nilfisk service contracts provide a combination of preventive maintenance, needed repairs including parts and labor, and consumables to ensure optimal performance.

2022 developments
In 2022, organic revenue growth was driven by floorcare and aftermarket.

Within branded professional, revenue from floorcare and vacuum cleaners grew organically across the three regions, with Americas growing the fastest. Organic revenue from pressure washers saw a small decline within branded professional compared to 2021. This was caused by a pullback in Europe driven by lower revenue from ABCA customers.

Revenue from Consumer and Private label & other declined organically in line with their respective markets.

Finally, aftermarket grew revenue organically in 2022, driven by growth from the branded professional segment across regions, with Europe being the strongest growth driver. Aftermarket as a share of total revenue increased slightly from 29.6% in 2021 to 29.9% in 2022.

Channels to serve our customers

With a global sales force and well-established sales channels, we have developed valuable customer relationships and partnerships all over the world, supporting our targeted go-to-market approach. More than 1,500 full-time employees work in our Nilfisk sales force and sales support function across more than 40 countries in our three regions: Europe, Americas, and APAC & MEA. These employees support both direct sales to customers and indirect sales via distributors.

Direct sales
Building relationships with customers while offering personal attention and quality service are key parameters for our national sales teams. Dedicated national key account management means our sales force can provide customers with the most relevant information along with offers for standardized packages of machines and cleaning solutions. Direct sales to customers predominate in our Europe region, where they account for more than 50% of sales.

Distributors
Some geographies and customer types are served by handpicked and validated distributors. Through an extensive network of dealers and distributors, Nilfisk's products and solutions are sold in more than 100 countries. Our distributors range from large national exclusive dealers to smaller vendors selling a variety of cleaning products and brands. These distributors help us achieve solid market access, a wide customer base, and an intimate understanding of the local market, in many cases building on existing relationships with specific businesses and customer segments. Indirect sales to customers are predominant in our Americas region, where they account for more than 75% of sales.

Strategic accounts
We serve our largest customers as a dedicated and, where needed, global partner. We offer internationally coordinated key account management for our strategic accounts, such as global contract cleaners and large fleet buying enterprises. We offer individually-selected packages of equipment and autonomous solutions, financial solutions, as well as installation and training.

Service
Professional customers are constantly looking for productivity gains. For these customers, professional cleaning equipment, maintenance, service and access to parts, accessories, and consumables (PAC) are key parameters for success. Nilfisk offers comprehensive service and aftermarket attention, with the goal of optimizing customer value creation through maximum uptime on cleaning equipment throughout the utilization lifecycle. With our increased focus on building Service-as-a-business, both existing and new customers are offered service contracts with their equipment. About 500 Nilfisk Field Service Technicians and an additional 300 authorized third-party technicians work within Nilfisk Service Solutions to deliver the desired customer outcomes. Third-party technicians are certified by Nilfisk to ensure consistent service quality across our global network.

E-commerce
Our web-based platform gives dealers the ability to do business in a convenient way, allowing for a faster buying process and enhanced flexibility. In 2022, we continued the global roll-out of the new global e-commerce platform in North America. The goal is to ensure improved online customer experiences while simplifying and globalizing the digital sales process.

Operations setup

Nilfisk's manufacturing setup is based on assembling components purchased from external suppliers or made in-house. Assembly is done in Nilfisk's nine manufacturing sites located across three continents. These nine sites cover the full range of products. Most products are only produced at one specific site worldwide. The majority of Nilfisk's product range is shipped from the Distribution Centers (DC's), but an increasing share is shipped directly from factories.

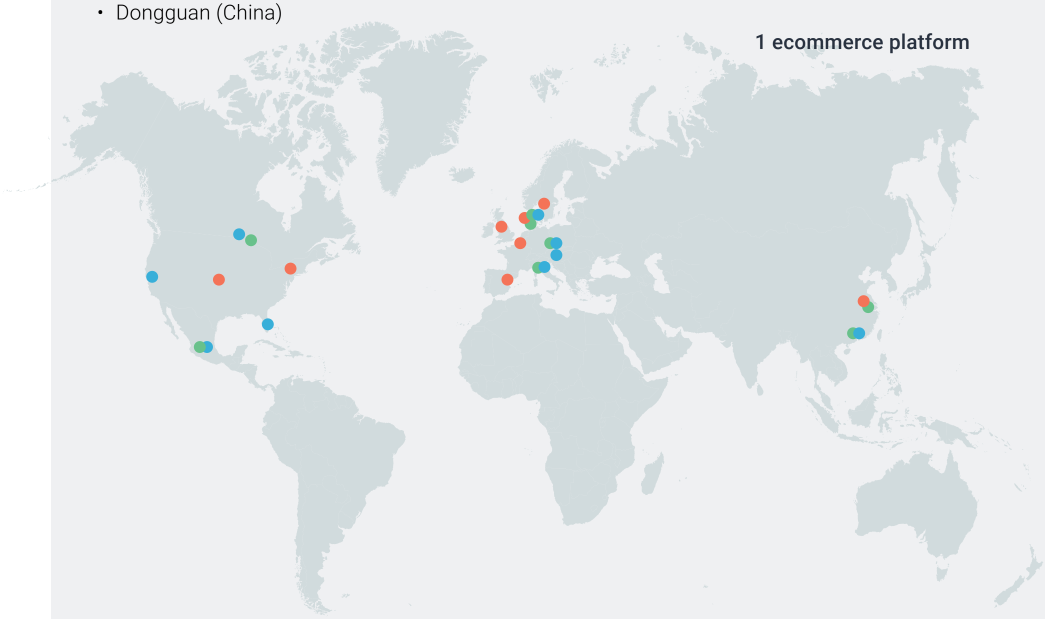
Nilfisk's manufacturing, R&D and distribution locations

9 manufacturing sites
- Brooklyn Park (MN, US)
- Fort Pierce (US)
- Redlands (US)
- Querétaro (Mexico)
- Sziget (Hungary)
- Nagykanizsa (Hungary)
- Aalborg (Food, Denmark)
- Zocca (IVS, Italy)
- Dongguan (China)

8 R&D facilities
- Brooklyn Park (US)
- Querétaro (Mexico)
- Sziget (Hungary)
- Hadsund (Denmark)
- Aalborg (Food, Denmark)
- Zocca (IVS, Italy)
- Dongguan (China)
- Suzhou (China)

8 distribution centers
- Springdale (US)
- Morgantown (IVS, US)
- Penrith (UK)
- Ghent (Belgium)
- Tarragona (Spain)
- Trollhättan (Sweden)
- Horsens (Denmark)
- Shanghai (China)

1 ecommerce platform



Ongoing supply chain constraints
Cost-effective sourcing of components as well as efficient manufacturing and distribution are important value creation factors for our operations.

Mitigating the effects of the global supply chain constraints that arose in 2021 was a major theme for Nilfisk in 2022. So was the significant increase in the cost of energy and materials.

Limitations in material and component supply as well as transportation capacity continued during 2022. In the second half of the year, we recognized a gradual improvement of the cost and availability of transportation capacity. We stayed focused on actions we began in 2021 to mitigate constraints on material and components. Global supply chain challenges continued to limit growth, but to a lesser extent in the second half of 2022. Challenges were limited to fewer products and production sites. Despite continued COVID-19 challenges in China, we managed to keep manufacturing and distribution functioning in China throughout the year.

To mitigate the ongoing supply constraints, we continued to support our suppliers and optimized transportation capacity as needed to reduce cost and lead time. In addition, we implemented alternative supply sources for components to enhance our supplier network and worked with adapting product specifications where relevant to enable a broader base of supply.

Transportation capacity improved during 2022 and rates on sea freight steadily declined. Rates on road transportation to end customers remained high. An initiative to lower costs for freight was initiated in Q4 2021 and freight costs improved further during the second half of 2022.

Finally, capacity expansion investments were made in the Brooklyn Park facility during 2022. These investments will improve output capacity in 2023 and onwards.

Tornado destroying our USDC
A natural catastrophe occurred at the end of March 2022 when a tornado hit our US distribution center in Springdale, Arkansas and destroyed it completely. Operations were quickly resumed in a new location with a close-to-normalized level of machine supply in June 2022. However, parts recovery was challenged in the second half of 2022 and only normalized towards end-2022.

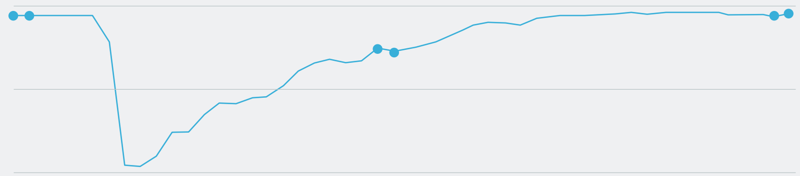
Moving towards a more regional structure
During 2022, we reorganized the Operations organization, moving towards a more regional structure. Three regional Operations (Europe, Americas and APAC & MEA) were charged with serving our respective customers end-to-end in the markets. Global teams within functions such as planning, sourcing, quality, and operational excellence continue to ensure direction and consistency of our operations.

The outcome is a more customer-focused Operations organization. It works in close connection with customers and our sales organizations, allowing for fast decision-making as close to the market as possible.

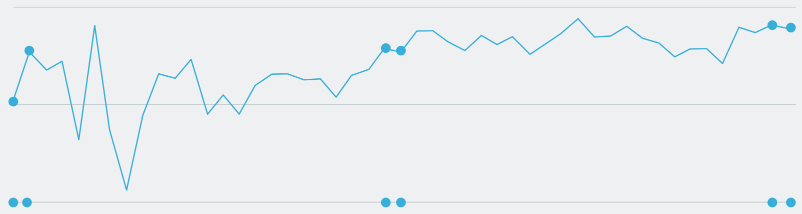
Digitally-enabled Ways of Working
During 2022, we initiated a SAP implementation project in Mexico as part of our digitally-enabled new Ways of Working. We will continue expanding the implementation of SAP in 2023 and beyond.

Tornado destroyed Nilfisk US Distribution Center

Parts supply out of US distribution center



Machine supply out of US distribution center



On March 30, a tornado swept through Springdale, Arkansas.
In a three-mile path, it hit private homes, schools, and businesses. Nilfisk's 190,000 square foot distribution center was destroyed completely.

Fortunately, nobody was injured. But inventory and 85% of all parts and machinery were erased.

But from here on, a truly impressive and determined team effort was initiated by the Nilfisk employees. Determined to get the business up and running, they struggled day and night to resume activities.

As soon as the second day after the tornado had hit, the first order was shipped from a local post office. After just three weeks, our colleagues in Springdale were able to begin service for customers and distribute parts and materials, although at a small scale compared to prior levels.

One of the first steps was to secure another location and map out facilities and IT infrastructure. Internet, computers, racking, power equipment, handheld units for processing and Vertical Lift Modules were among the things that had to be re-established.

Everyone contributed – around the clock in the first days and weeks – and a two-shift workday was implemented to increase capacity. Nilfisk workers helped setup the new location and get it operational. Others contributed to manual processes to receive and ship out products.

Dedicated employees enabled a fast recovery and helped lead the way back to some form of normality. Capacity, facilities, and Ways of Working remain less than perfect, but at year-end 2022, the distribution center in Springdale was servicing domestic parts orders within 36 hours. And equally important, IT infrastructure, equipment, digital and storage tools were all 95% operational.

The tornado event impacted daily operations for months and added a significant amount of additional costs towards resuming operations in the new distribution center. Despite this, we achieved a double digit organic revenue growth in the US in 2022. This great result was only made possible by the cross-functional collaboration and determination of our people.

> "I said several times during my visits in Springdale during the recovery that these people had so much Nilfisk in their hearts that I was sure that they also had Nilfisk tattoos.
>
> **Peter Tanzer**
> SVP, Global Operations in Nilfisk

Study confirms increased perception of value of clean

During 2022 Nilfisk surveyed more than 400 floorcare machine purchase decision makers. The study showed continued structural demand for cleaning as well as increased perception of the value of clean.

This has led to changed cleaning behaviors and more focus on health and safety in the wake of the COVID pandemic.

The findings in the study support the foundation for Business Plan 2026, which sees professional cleaning as a growth market driven by long-term structural demand.

> The study shows that the increased standards of cleaning, we saw during the height of the pandemic, remains. Over nine in ten organizations reported an increase in the expected standard of cleaning compared with before COVID-19.

Martin Troelsgaard
Global Head of Insights

Over 90% of respondents report an increase in the expected standard of cleaning compared with before 2020

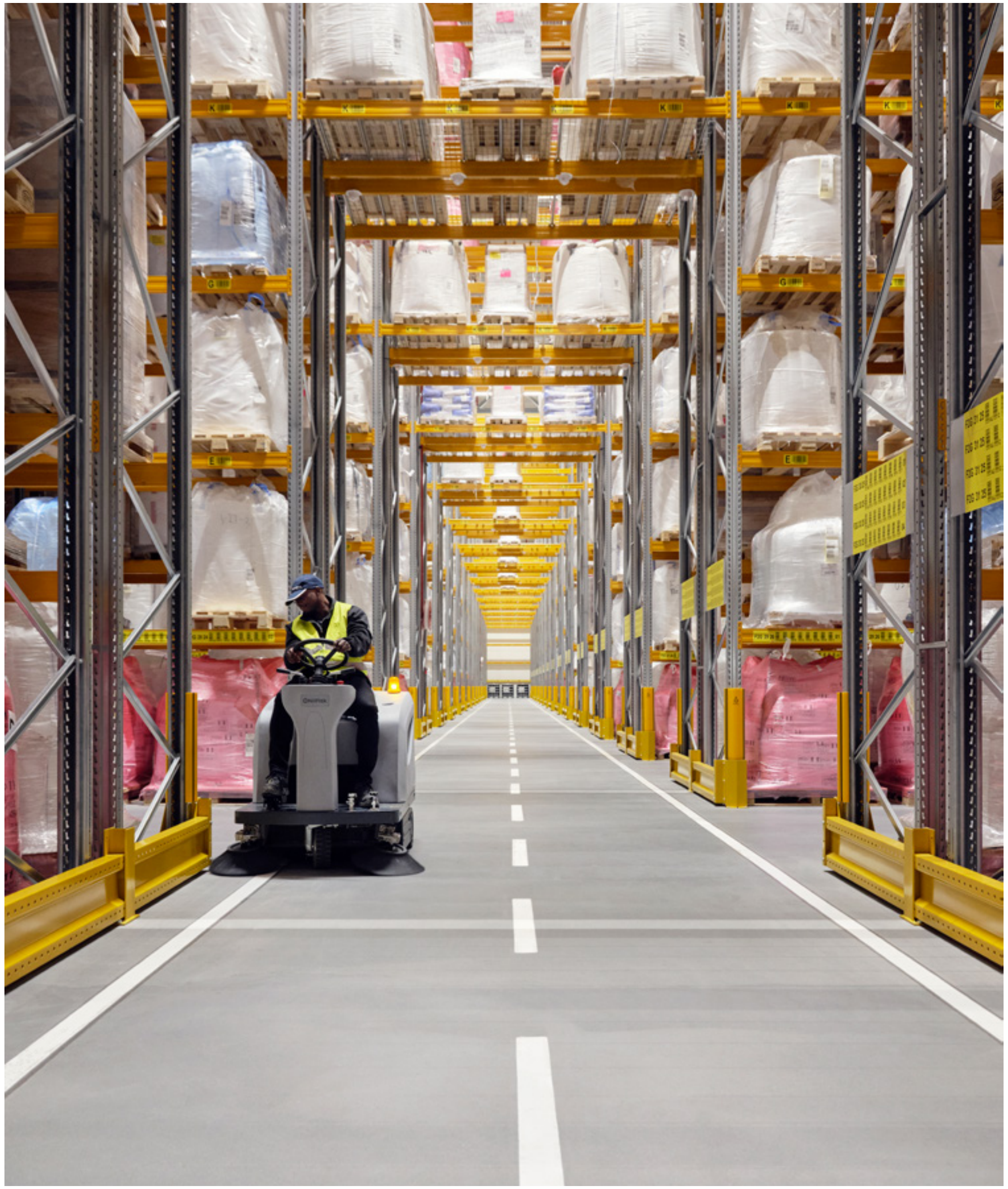
Nearly 80% of respondents expect this change to be long term

Nearly 50% of respondents are monitoring cleaning more frequently. Especially increased inspections and documentation of processes and task completion

Nearly 70% of respondents reporting increased monitoring of cleaning see this as a long term change

85% of respondents report increased focus on the health and safety of their cleaning staff

Almost 50% of respondents are challenged by the increased cost of cleaning.

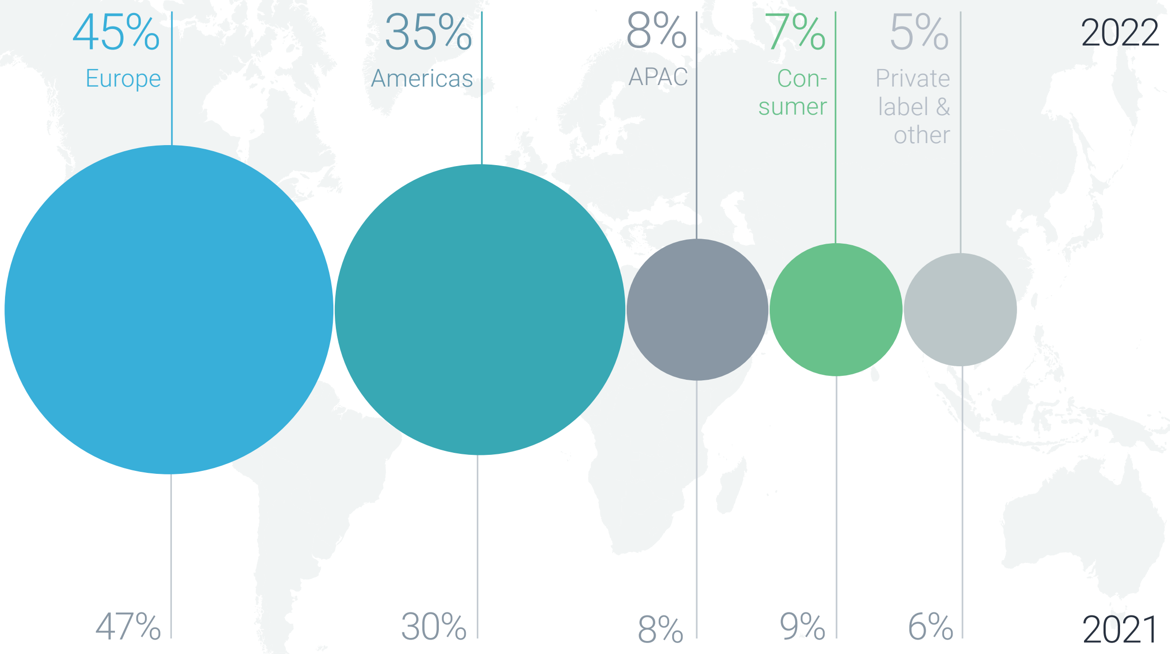


Our results

In 2022, Nilfisk continued the growth trajectory and delivered a solid set of results. Demand for our products and services remained fundamentally strong and the company made good progress on the execution of our strategy Business Plan 2026. For the year, we realized total revenue of 1,069.5 mEUR and organic growth of 4.9%, driven by branded professional across all regions. Growth in Americas remained very strong and above market growth. EBITDA before special items amounted to 140.8 mEUR corresponding to an EBITDA margin before special items of 13.2%. EBITDA amounted to 133.3 mEUR, corresponding to an EBITDA margin of 12.5%.

Business performance

Revenue



Revenue and organic growth by operating segments

EUR million	Revenue 2022	Revenue 2021	Organic growth 2022	Other	Impact of foreign exchange rates	Total growth
Europe	481.0	466.0	6.7%	-1.7%	-1.8%	3.2%
Americas	372.2	296.3	12.5%	-	13.1%	25.6%
APAC	86.8	79.2	4.6%	-	5.0%	9.6%
Nilfisk branded professional business	**940.0**	**841.5**	**8.6%**	**-1.0%**	**4.1%**	**11.7%**
Consumer	72.7	86.0	-15.2%	0.3%	-0.6%	-15.5%
Private label and other	56.8	67.4	-15.7%	-	-	-15.7%
Total	**1.069.5**	**994.9**	**4.9%**	**-0.8%**	**3.4%**	**7.5%**

2022 in brief

1,069.5 mEUR

Total revenue of 1,069.5 mEUR, corresponding to reported growth of 7.5%

4.9%

Organic growth for the total business was 4.9%, driven by branded professional across all regions and particularly in Americas, while Consumer and Private label declined in line with their respective markets

140.8 mEUR

EBITDA before special items amounted to 140.8 mEUR, corresponding to an EBITDA margin before special items of 13.2%

133.3 mEUR

EBITDA amounted to 133.5 mEUR, corresponding to an EBITDA margin of 12.5%

9.9 mEUR

Special items amounted to 9.9 mEUR, and were mainly related to the liquidation of Nilfisk Russia and restructuring in connection with the implementation of Business Plan 2026

69.9 mEUR

Operating profit amounted to 69.6 mEUR, corresponding to an operating profit margin of 6.5%

82.0 mEUR

Operating cash flow reached 82.0 mEUR, up by 7.3 mEUR compared to the prior year. Free cash flow came to 54.5 mEUR, a decline of 4.0 mEUR due to higher investments

202.1 mEUR

Working capital amounted to 202.1 mEUR, corresponding to a working capital ratio of 21.6% measured on a rolling 12 months basis

Europe

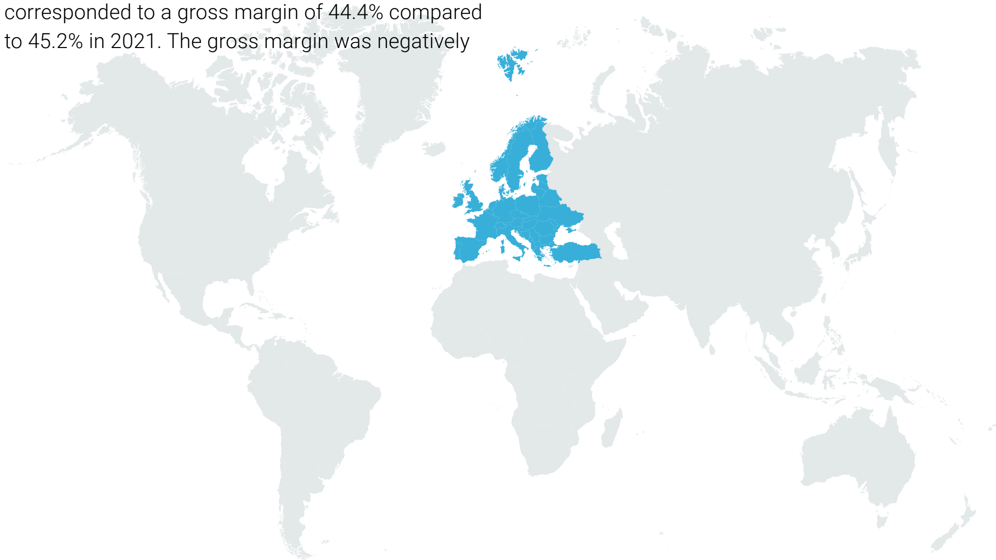
In 2022, Europe achieved growth across many markets, supported by strong pricing execution. Although there has been a slowing of the economy in connection with the war in Ukraine and subsequent energy crisis and high inflation levels, Europe continued to grow revenue through 2022.

Revenue came to 481.0 mEUR compared to 466.0 mEUR in 2021 corresponding to reported growth of 3.2%. The effect from foreign exchange rates was -1.8% and the organic growth for the full year came to 6.7%. The Europe South region saw the largest growth year over year, expanding our significant market share in France, while continuing to expand in other markets like Spain and Turkey. Europe North and Europe Central regions saw the first signs of an economic slowdown, while key markets such as Denmark and the UK performed well.

Gross profit for Europe amounted to 213.5 mEUR in 2022, an increase of 3.0 mEUR from 2021. This corresponded to a gross margin of 44.4% compared to 45.2% in 2021. The gross margin was negatively impacted by high inflation in raw material costs and lower capacity utilization in our manufacturing facilities. However, the negative impact from raw materials was offset to a large extent by two price increases executed during the year.

Overhead costs landed at 103.3 mEUR in the year. The cost increase was driven by a mixture of sales activity-related costs and costs impacted by the inflation increases, such as fuel and energy. Despite the challenge on overhead cost and gross margin, the overhead cost to sales ratio improved slightly year over year to 21.5%, 0.1 percentage point lower than 21.6% in 2021.

As a result, the EBITDA before special items came to 125.2 mEUR, 0.2 mEUR lower than 2021, leading to an EBITDA margin before special items of 26.0%, compared to 26.9% in 2021.

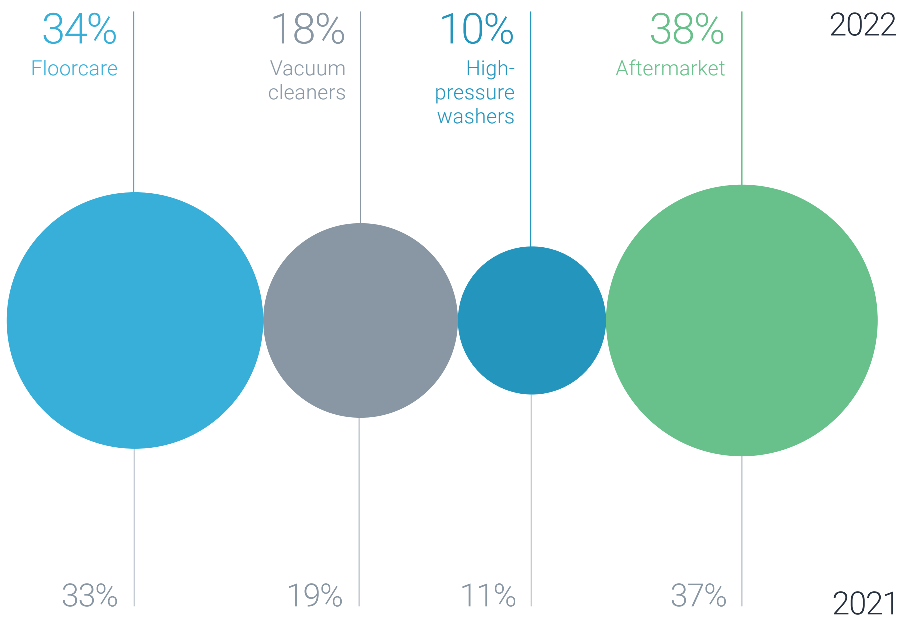


Financial highlights

481.0 mEUR Revenue	6.7% Organic growth	125.2 mEUR EBITDA before special items
45% Share of total revenue	44.4% Gross margin	26.0% EBITDA margin bsi

Key markets: Germany, France, UK, Denmark, Sweden

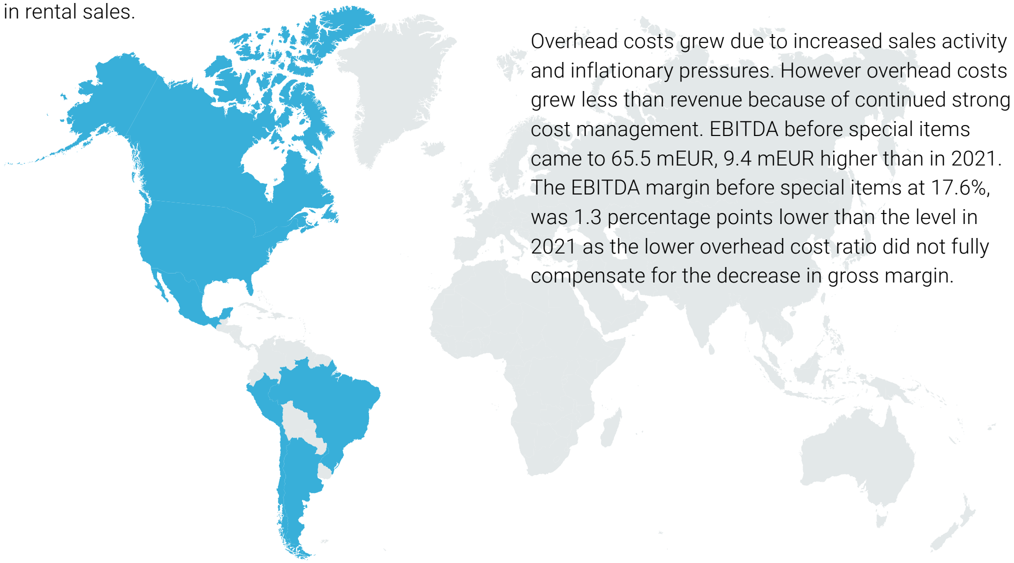
Sales by product – Europe



Americas

The Americas again provided the highest growth of our regions. The strategic priority in Business Plan 2026 to 'Grow in large-scale markets' remained focused on the US and delivered a strong performance in 2022. We saw solid market demand, determined pricing execution, and an increasing market share. This was in spite of the destruction of the US Distribution Center by a tornado end-March 2022, which affected supply of all products primarily during Q2 and Q3. It also led to a lower share of delivery of parts, accessories, and consumables for the last nine months of 2022.

Total revenue in Americas amounted to 372.2 mEUR in 2022 compared to 296.3 mEUR in 2021, corresponding to reported growth of 25.6%. The effect of foreign exchange rates was 13.1%, implying an underlying organic growth for the full year of 12.5%. All areas in the region delivered double-digit organic growth. Latin America delivered the highest growth through the dealer business and in rental sales.



The US continued its growth based on strategic initiatives within Business Plan 2026, including an increasing share of direct sales to strategic accounts. Canada grew primarily driven by the continued development of our dealer business.

Gross profit for Americas amounted to 136.6 mEUR in 2022, up from 115.6 mEUR in 2021. The gross margin was 36.7%, 2.3 percentage points lower than the level of 39.0% in 2021, driven mainly by higher costs relating to higher raw material prices and freight costs. The revenue mix also contributed negatively to the gross profit margin, due to a lower share of parts, accessories, and consumables revenue, and some dilution from orders from the backlog, which still had old prices. A large deal within strategic accounts also impacted the gross profit margin negatively, while overall contributing substantially to EBITDA. The gross margin decrease was partly offset by two price increases executed during the year.

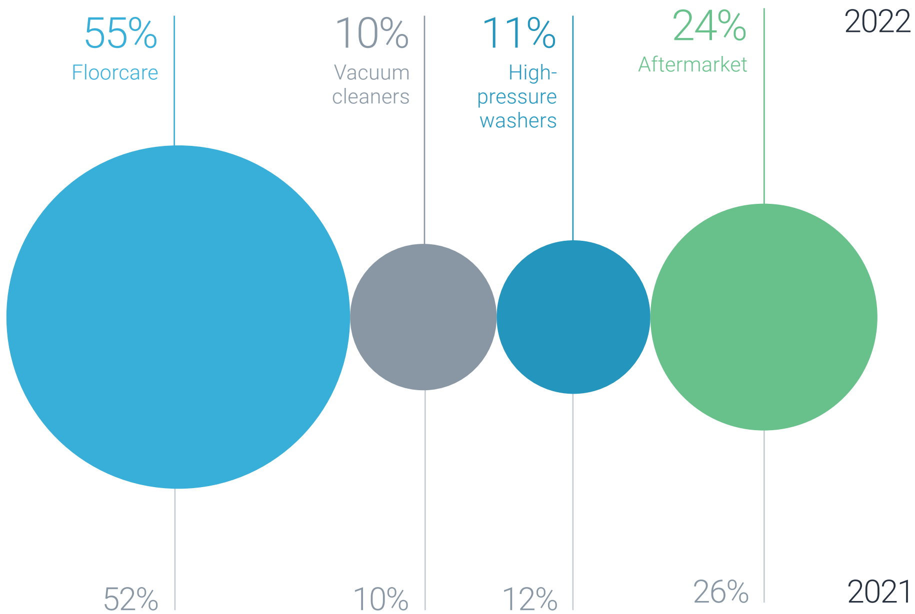
Overhead costs grew due to increased sales activity and inflationary pressures. However overhead costs grew less than revenue because of continued strong cost management. EBITDA before special items came to 65.5 mEUR, 9.4 mEUR higher than in 2021. The EBITDA margin before special items at 17.6%, was 1.3 percentage points lower than the level in 2021 as the lower overhead cost ratio did not fully compensate for the decrease in gross margin.

Financial highlights

372.2 mEUR Revenue	12.5% Organic growth	65.5 mEUR EBITDA before special items
35% Share of total revenue	36.7% Gross margin	17.6% EBITDA margin bsi

Key markets: US, Canada

Sales by product – Americas

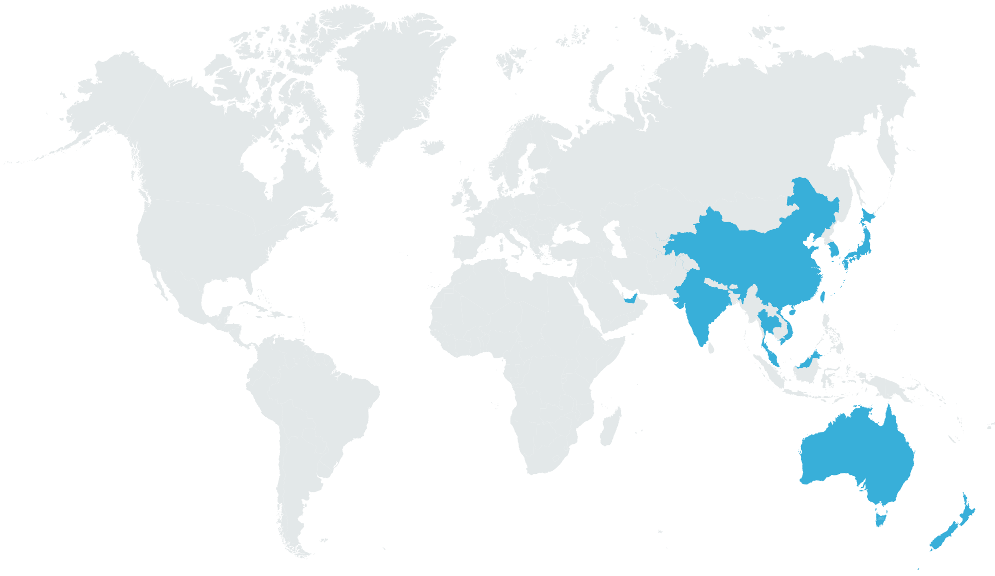


APAC

Total revenue amounted to 86.8 mEUR, 7.6 mEUR higher than 2021, corresponding to reported growth of 9.6%. Foreign exchange rates positively impacted the result by 5.0%, leading to an underlying organic growth of 4.6%. The southeast Asian markets delivered strong organic growth due to increasing post-COVID economic activity, especially in the hospitality segment. China experienced negative growth due to continuous COVID-19 lockdowns until early December. Organic growth in the Pacific region was driven by Australia.

Gross profit amounted to 35.6 mEUR in 2022, up from 32.6 mEUR in 2021. The gross margin was 41.0% compared to 41.2% in 2021. The negative impact of higher costs was offset by pricing efforts.

Overhead costs grew only slightly because of continued strong cost management. EBITDA before special items came to 12.9 mEUR compared to 10.1 mEUR in 2021, driven by the positive development in gross profit and limited overhead cost increase. The EBITDA margin before special items increased to 14.9% compared to 12.8% in 2021 due to the decrease in the overhead cost ratio.



Financial highlights

86.8 mEUR
Revenue

4.6%
Organic growth

12.9 mEUR
EBITDA before special items

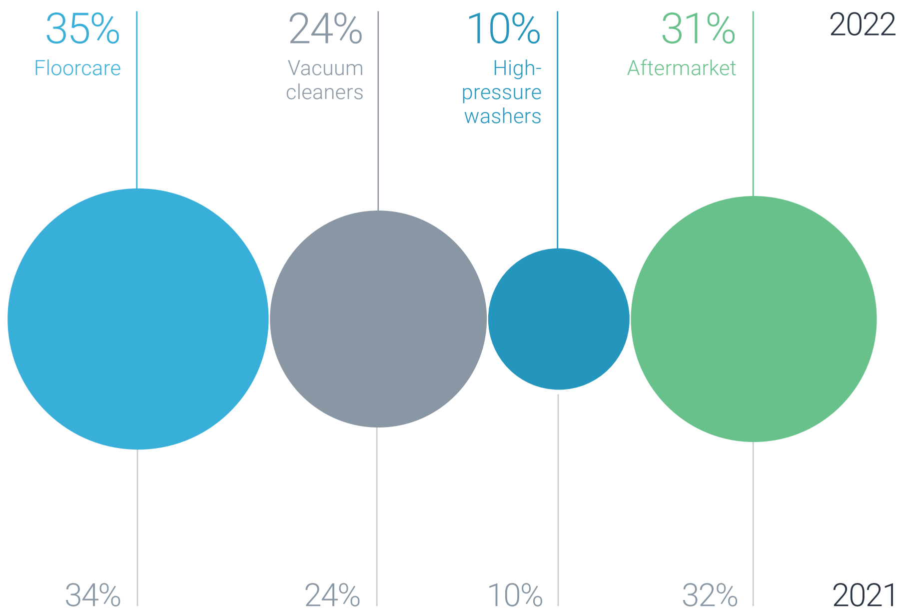
8%
Share of total revenue

41.0%
Gross margin

14.9%
EBITDA margin bsi

Key markets: Australia, China, Singapore, Thailand

Sales by product – APAC



Consumer

The Consumer business was impacted by reduced consumer confidence throughout 2022. The impact was larger in the second half. As a consequence of high inflation and energy price increases, end-consumers displayed a reluctance to buy outdoor and household equipment. In addition, our distribution partners in retail markets reduced their inventory levels, which impacted our sell-in volume. Despite these challenges, the Consumer business saw market share gains in Germany and France. These share gains were realized through the acquisition of new customers alongside the successful launch of two new products, the Core150 and Premium200.

The Consumer business posted revenue of 72.7 mEUR, compared to 86.0 mEUR in 2021, resulting in reported growth of -15.5%. Underlying organic growth amounted to -15.2% and was driven by a slowdown in most markets, predominantly UK, Sweden, and France.

Gross profit decreased by 4.7 mEUR to 24.5 mEUR in 2022, while the gross margin declined slightly by 0.3 percentage point to 33.7% in 2022, from 34.0% in 2021. The margin continued to be impacted by higher freight rates, almost fully offset by price increases executed during the year.

Private label and other

Revenue in the Private label business amounted to 56.8 mEUR compared to 67.4 mEUR in 2021, resulting in reported growth of -15.7%. The foreign exchange effect was 0.0% and, consequently, organic growth was -15.7%. The decrease in revenue throughout the year was due to a decline in demand from key customers.

Gross profit decreased by 3.0 mEUR due to a decline of demand from our key customers in the Building & Construction segment and came to 11.8 mEUR. The gross margin decreased by 1.2 percentage points to 20.8%, driven by increased raw material costs only partly mitigated by price increases.

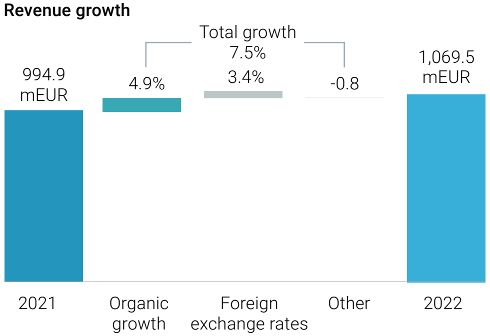
Financial review for the total business

EUR million	2022	2021
Revenue	1,069.5	994.9
Gross Profit	422.0	402.7
Overhead costs	342.5	318.6
EBITDA before special items	140.8	144.3
Profit for the period	40.6	51.0
Financial ratios:		
Organic growth	4.9%	20.7%
Gross margin	39.5%	40.5%
EBITDA margin before special items	13.2%	14.5%
Overhead costs ratio	32.0%	32.0%
CAPEX ratio	2.5%	1.8%

Revenue

In 2022, total revenue for Nilfisk amounted to 1,069.5 mEUR compared with 994.9 mEUR in 2021, corresponding to a reported growth of 7.5%. Foreign exchange rates had a positive impact of 3.4%, with USD as the main driver. This was partly offset by impact from other of -0.8% predominantly driven by the liquidation of Nilfisk Russia. Consequently, organic growth reached 4.9%, and was within the revised outlook for organic revenue growth of between 4.5% and 6.5% given on October 26, 2022. Organic growth in Nilfisk's branded professional business was 8.6%, positively impacted by performance in all the regions, while the organic growth in Consumer and Private label businesses was -15.2% and -15.7%, respectively.

Revenue growth



Gross profit

Gross profit for the total business amounted to 422.0 mEUR in 2022 compared to 402.7 mEUR in 2021. The gross margin was 39.5%, 1.0 percentage point lower than in 2021. The decline was primarily due to the continuing increase in raw material costs, and to a lesser extent due to lower capacity utilization at our manufacturing facilities. Alongside this, freight costs increased in the first six months of 2022. The two price increases executed during the year, partly offset the negative effects.

Overhead costs and ratio

Overhead costs came to 342.5 mEUR, an increase of 23.9 mEUR compared to 2021, of which foreign exchange rate effects contributed 9.6 mEUR. The remaining increase was due to higher activity, inflationary pressure, as well as investments in our growth platforms in line with Business Plan 2026. The overhead cost ratio was stable at 32.0%, reflecting continued focus on strict cost management relative to the increased business activity while still enabling investments into Business Plan 2026 growth initiatives.

EUR million	2022	2021
Total R&D spend	30.8	25.6
Capitalized	12.4	9.7
Expensed in the P&L	18.4	15.9
R&D ratio (% of revenue)	**2.9%**	**2.6%**
Expensed R&D spend	18.4	15.9
Amortization. depreciation and impairment	12.8	13.2
Total R&D expenses[1]	**31.2**	**29.1**

[1] *Excluding special items.*

Total R&D spend increased by 5.2 mEUR compared to 2021 and amounted to 30.8 mEUR, equivalent to 2.9% of total revenue in 2022. The increase was driven by investments into modular platforms and software development as part of the strategic priority 'Lead with sustainable products' within Business Plan 2026. Out of the total spend of 30.8 mEUR, 18.4 mEUR was recognized as an expense in the income statement compared to 15.9 mEUR in 2021, while 12.4 mEUR was capitalized compared to 9.7 mEUR in 2021. In addition to expensed costs, total reported R&D costs for 2022 of 31.2 mEUR (2021: 29.1 mEUR) also include amortization, depreciation, and impairment of 12.8 mEUR, compared to 13.2 mEUR in 2021.

Sales and distribution costs increased by 15.9 mEUR and amounted to 243.5 mEUR. Foreign exchange rates contributed 8.7 mEUR, while the remaining increase was driven by increased activity and cost inflation within staff costs, freight to customers, marketing costs and travel costs.

Administration costs rose to 70.1 mEUR compared to 63.8 mEUR in 2021. Foreign exchange rates contributed 1.2 mEUR, while the remaining increase was driven by cost inflation and investments in Business Plan 2026.

Other operating income/expenses was a net income of 2.3 mEUR compared to a net income of 1.9 mEUR in 2021.

EBITDA before special items and EBITDA

EBITDA before special items amounted to 140.8 mEUR in 2022, corresponding to an EBITDA margin before special items of 13.2% compared to 14.5% in 2021. The EBITDA margin before special items was in line with the revised 2022 outlook of an EBITDA margin before special items of around 13% provided on October 26, 2022. The impact from the lower gross margin, and an unchanged overhead cost ratio, led to a decline of the EBITDA margin before special items of 1.3 percentage points.

EBITDA amounted to 133.3 mEUR, down from 139.9 mEUR in 2021. The EBITDA margin declined by 1.6 percentage points to 12.5%, driven by higher special items.

Operating profit before special items and operating profit

Operating profit before special items amounted to 79.5 mEUR compared to 84.1 mEUR in 2021. This corresponds to an operating profit margin before special items of 7.4% compared to 8.5% in 2021.

Operating profit came to 69.6 mEUR compared to 79.7 mEUR in 2021. As a consequence, the operating profit margin declined to 6.5% from 8.0% in 2021. The decrease was driven by the lower operating profit, as well as higher special items compared to 2021.

Special items

Special items amounted to 9.9 mEUR compared to 4.4 mEUR in 2021. Special items for 2022 were mainly related to the decision to liquidate Nilfisk Russia, leading to a write down of assets in Nilfisk Russia and additional costs for redundancies. Special items were also impacted by restructuring costs in connection with the implementation of Business Plan 2026. Special items in 2021 were impacted by redundancy costs in connection with changes in the executive Management Board.

Details on special items are described in Note 2.4 - Special items.

Share of profit from associates
Share of profit from associates amounted to 2.0 mEUR compared to 0.6 mEUR in 2021. The increase was driven primarily by higher earnings in the company M2H S.A.

Financial items
Financial items, net amounted to a cost of 17.0 mEUR in 2022 compared to a cost of 11.6 mEUR in 2021. The increase in financial expenses was primarily due to an increase in foreign exchange losses as well as higher costs related to the new loan facilities established in 2022.

Tax on profit for the year
Tax on profit for the year was a cost of 14.0 mEUR compared to 17.7 mEUR in 2021. Tax on profit for the year 2022 was related primarily to current tax on profit of 23.4 mEUR partly offset by adjustment of deferred tax of 3.4 mEUR. In 2021, tax on profit for the year related was related primarily to current tax on profit of 13.9 mEUR and adjustment of deferred tax of 3.5 mEUR.

The effective tax rate for 2022 was 25.6 % compared to 25.8% in 2021.

Profit for the year
Profit for the year amounted to 40.6 mEUR compared to a profit of 51.0 mEUR in 2021.

Working capital
At the end of 2022, working capital was 202.1 mEUR, up by 26.4 mEUR compared to 2021.

Inventories amounted to 220.2 mEUR, unchanged from end of 2021, but down from the levels seen in prior quarters of 2022. Inventory was in 2022 impacted by cost inflation and supply chain constraints causing difficulty in sourcing certain components and impacting lead times in production. Despite this, inventories have been brought down to the level end of 2021. In the main production sites and distribution centers, inventory levels were reduced with exception of the Americas region adapting to the higher activity levels. Inventory days decreased compared to 2021.

Trade receivables were 7.2 mEUR lower than same time last year and amounted to 166.7 mEUR at the end of 2022. The decrease was a combination of higher sales activity, especially in Europe and Americas, offset by a non-recourse factoring program during the second half of 2022, with a total volume of 21.1 mEUR. Days sales outstanding were notably reduced compared to 2021 across several markets.

Trade payables decreased by 22.7 mEUR and came to 113.2 mEUR in correlation with the inventory development as described above.

Other receivables increased by 7.3 mEUR of which approximately 5 mEUR was related to a remaining insurance recovery receivable for the estimated damaged inventory and other damaged assets in the US Distribution Center. During 2022 approximately 21 mEUR has been received in insurance recovery. Please also see Note 8.4 contingent liabilities, securities and contractual obligations.

Other current liabilities decreased by 5.3 mEUR primarily related to repayments of government COVID relief packages during 2022 and lower employee related payables.

The 12-month average working capital ratio came to 21.6% at the end of 2022. The increase of 6.2 percentage points compared to 2021 was driven by the higher average inventory level, only partly offset by higher revenue.

Capital employed and RoCE
As of December 31, 2022, capital employed amounted to 585.4 mEUR, an increase of 39.2 mEUR compared to 2021. The increase in capital employed was to a significant extent driven by the above-mentioned development in working capital.

The return on capital employed was 13.4%, 2.4 percentage points lower than 2021 driven by the decrease in operating profit.

Cash flow
Cash flow from operating activities before financial items and income taxes amounted to 103.6 mEUR, 12.3 mEUR higher than in 2021. The development was driven by a combination of lower operating profit offset by cash inflow from changes in working capital, which was positively impacted by the non-recourse factoring program. Net financial expenses and income tax paid amounted to a net outflow of 21.6 mEUR, 5.0 mEUR higher than 2021, mainly influenced by higher taxes paid. Overall, total cash flow from operating activities in 2022 was 7.3 mEUR higher than in 2021 and came to 82.0 mEUR.

Cash flow from investing activities for 2022 amounted to a net cash outflow of 27.5 mEUR, corresponding to an increase of 11.3 mEUR compared to 2021. The increase was due to investments for the US Distribution Center facility rebuild, as well as strategic R&D investments and the acquisition of additional 5% financial asset from company M2H S.A.

Free cash flow decreased by 4.0 mEUR compared to 2021 and amounted to 54.5 mEUR.

Equity
Equity was 260.7 mEUR at the end of 2022 against 207.7 mEUR at the end of 2021. The increase came primarily from profit for the year. Foreign exchange rate effects and hedge value adjustments also had a positive impact.

Net interest-bearing debt
At the end of 2022, total net interest-bearing debt was 324.7 mEUR, down by 13.8 mEUR compared to 2021. The reduction was a result of a solid operating profit, starting a non-recourse factoring program and partly offset by increased working capital.

The financial gearing at the end of the year was 2.3 unchanged from the end of 2021.

Performance in Q4 2022

EUR million	**Q4 2022**	**Q4 2021**
Revenue	270.3	260.6
Gross Profit	108.1	101.2
Overhead costs	84.7	85.7
EBITDA before special items	39.5	31.5
Profit for the period	11.8	11.5
Financial ratios:		
Organic growth	2.3%	16.7%
Gross margin	40.0%	38.8%
EBITDA margin before special items	14.6%	12.1%
Overhead costs ratio	31.3%	32.9%
CAPEX ratio	3.3%	2.5%

In Q4 2022, revenue amounted to 270.3 mEUR corresponding to reported growth of 3.7% compared to revenue in Q4 2021 of 260.6 mEUR. Organic growth was 2.3%, with a positive foreign exchange effect of 2.5%. The negative impact on reported growth was driven by discontinued activities, predominantly the liquidation of Nilfisk Russia. The positive demand seen in previous quarters for our professional products continued through to the year-end seeing a strong finish to 2022.

In Europe, organic growth was 5.5%, driven by a strong performance within branded professional in Europe South and continued good demand in Europe North. Europe Central saw a softening of demand alongside supply constraints impacting revenue. In Americas, organic growth was 9.4%, driven by growth across all markets with the strongest performance in Canada and LATAM. In APAC, organic growth was 11.9%, supported across all regions except for China, where we continued to see negative impacts from COVID actions.

The branded professional business delivered organic growth of 7.5% compared to Q4 2021, with growth across all product segments except for pressure washers.

The Consumer business recorded organic growth of -23.1%, driven by the reduced consumer demand. For The Private label business, organic growth declined by 41.4% following decreased demand from key customers.

Gross profit was 108.1 mEUR in 2022, an increase of 6.9 mEUR from 2021. The gross margin was 40.0%, 1.2 percentage points higher than in Q4 2021. The increase in margin was driven by the executed price increases offsetting the raw material increases, alongside freight rates starting to reduce versus the prior year.

Overhead costs decreased by 1.0 mEUR compared to Q4 2021 and amounted to 84.7 mEUR, corresponding to an overhead cost ratio of 31.3%, 1.6 percentage points lower than Q4 2021. The cost development was supported by continued cost management.

EBITDA before special items came to 39.5 mEUR, which was 8.0 mEUR higher than Q4 2021. The increase was due to higher revenue and gross margin, as well as strong cost management. As a result, the EBITDA margin before special items was 14.6%.

EBITDA came to 38.7 mEUR, corresponding to an EBITDA margin of 14.3%.

Quarterly financial highlights

EUR million	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Income statement					
Revenue	270.3	263.0	272.0	264.2	260.6
EBITDA before special items	39.5	29.2	34.5	37.6	31.5
EBITDA	38.7	26.3	33.3	35.0	31.5
Operating profit before special items	23.4	13.8	19.8	22.5	15.5
Operating profit	22.5	10.8	18.6	17.7	15.5
Special items, net	-0.9	-3.0	-1.2	-4.8	-
Financial items, net	-7.4	-0.9	-5.5	-3.2	-3.2
Profit for the period	11.8	7.6	10.4	10.8	11.5
Cash flow					
Cash flow from operating activities	57.1	24.8	18.4	-18.3	20.9
Cash flow from investing activities	-8.7	-7.1	-7.3	-4.4	-5.4
— hereof investments in property, plant and equipment	-3.9	-2.2	-2.9	-1.5	-2.2
— hereof investments in intangible assets	-5.1	-3.6	-3.5	-3.7	-4.2
Free cash flow excluding acquisitions and divestments	48.4	17.7	11.1	-22.7	15.5
Statement of financial position					
Total assets	863.4	922.2	910.8	896.1	841.2
Group equity	260.7	266.8	245.4	224.8	207.7
Working capital	202.1	250.4	244.1	226.6	175.7
Net interest-bearing debt	324.7	365.1	367.5	372.4	338.5
Capital employed	585.4	631.9	612.9	597.2	546.2
Financial ratios and employees					
Organic growth	2.3%	5.4%	2.8%	9.3%	16.7%
Organic growth Nilfisk branded professional business	7.5%	10.8%	5.2%	11.2%	16.6%
Gross margin	40.0%	39.1%	38.8%	40.0%	38.8%
EBITDA margin before special items	14.6%	11.1%	12.7%	14.2%	12.1%
EBITDA margin	14.3%	10.0%	12.2%	13.2%	12.1%
Operating profit margin before special items	8.7%	5.2%	7.3%	8.5%	5.9%
Operating profit margin	8.3%	4.1%	6.8%	6.7%	5.9%
Financial gearing	2.3	2.7	2.7	2.6	2.3
Overhead costs ratio	31.3%	33.9%	31.5%	31.5%	32.9%
CAPEX ratio	3.3%	2.2%	2.4%	2.0%	2.5%
Working capital ratio	21.6%	20.4%	18.6%	16.7%	15.4%
Return on Capital Employed (RoCE)	13.4%	12.2%	13.8%	15.5%	15.8%
Basic earnings per share (EUR)	0.44	0.28	0.38	0.40	0.42
Diluted earnings per share (EUR)	0.44	0.28	0.38	0.40	0.42
Number of full-time equivalents, end of period	4,655	4,737	4,799	4,930	4,887

Please find definitions in note 8.6.

ESG performance

Climate and Environment

Data indicator	Unit	Assured[1]	2022	2021	2020	2019	Comments	GRI guidance
Environmental data								
GHG emissions								
Scope 1	tons CO_2 eq	●	15,608	14,756	13,353	14,231	Total absolute scope 1 and 2 GHG emissions decreased by 10% compared to base year 2019. Fleet emissions increased due to additional vehicles and increased mileage in 2022, while site emissions decreased driven by energy efficiency activities, Energy Attribute Certificates (EACs), and reduced production output. *Changes from 2021: the list of sites included in the updated calculations has been updated based on a revised materiality assessment. Fleet emissions have been recalculated based on additional data quality checks identifying outliers as well as improved estimation of missing data. The scope 1 and 2 emissions reported in Nilfisk's CSR Report 2021 (24,081 tons CO_2 eq in 2019, 18,349 tons CO_2 eq in 2020 and 22,626 tons CO_2 eq in 2021) have been restated.*	**GRI 305:** Emissions
Fleet	tons CO_2 eq	●	10,839	9,030	9,172	9,360		
Natural gas	tons CO_2 eq	●	4,414	5,330	3,823	4,291		
Other fuels	tons CO_2 eq	●	355	396	358	580		
Scope 2	tons CO_2 eq	●	4,708	7,548	7,014	8,405		
Electric power	tons CO_2 eq	●	4,575	7,402	6,731	7,963		
District heating	tons CO_2 eq	●	133	146	283	442		
Total scope 1 and 2	tons CO_2 eq	●	20,316	22,304	20,367	22,636		
Scope 3 – Use of sold products	kg CO_2 eq/ EUR gross profit	●	4.57	5.11	-	-	Absolute GHG emissions decreased while gross profit increased in 2022. This resulted in a reduction in scope 3 emission intensity by 11% compared to base year 2021. *Changes from 2021: emission factors have been changed to account for life cycle emissions of energy sources. Extrapolation of data has been reduced from 20% of product portfolio to 2.6% of product portfolio based on revenue following data collection on product-specific technical data. The unit used in Nilfisk's CSR Report 2021 has been corrected. The 2021 value of the indicator has been restated from 4.4 to 5.11 kg CO_2 eq/EUR gross profit.*	
Energy consumption								
Total amount of energy	MWh		92,816	93,085	87,867	93,232	Total energy consumption decreased in 2022 driven by energy efficiency projects, implemented since 2021, in addition to reduced production output.	**GRI 302:** Energy
Natural gas	MWh		24,177	29,095	20,787	23,337		
Other fuels (incl. fleet)	MWh		53,967	46,543	48,044	47,971		
District heating	MWh		2,104	2,387	5,060	5,738		
Electricity	MWh		12,569	15,060	13,976	16,186		
Renewable electricity from Energy Attribute Certificates	%		28%	0%	0%	0%	28% of Nilfisk's total electricity consumption was covered by EACs in 2022.	
Waste								
Total waste generated	tons		1,559	1,733	-	-	Non-hazardous waste reduced by 10% mainly driven by reductions at Nilfisk's largest manufacturing site in Hungary. Hazardous waste increased, driven by extraordinary waste clean-up after several years of storage. *Changes from 2021: Waste volumes have been recalculated due to correction of errors in data units as well as new waste data added from the largest manufacturing facility in the US. Total 2021 waste volumes have been restated from 1,218,982 tons to 1,733 tons.*	**GRI 306:** Waste
Total non-hazardous waste	tons		1,543	1,722	-	-		
Total hazardous waste	tons		16	12	-	-		
Water								
Water consumption	m^3		79,773	91,671	109,942	124,936	Water consumption decreased in 2022 mainly driven by Nilfisk's manufacturing site in China consuming less water for plastic molding. *Changes from 2021: Because of new sites materiality assessment water consumption has been recalculated to reflect the water usage of the updated sites' list. Reported water consumption volumes in Nilfisk's CSR Report 2021 were 122,909 m^3 in 2019, 108,465 m^3 in 2020 and 106,400 m^3 in 2021.*	**GRI 303:** Water and Effluents
Water recycled	m^3		12,926	12,235	17,995	36,575	Recycled water remained at 2021 level.	
ISO certifications								
Number ISO 14001-certified sites	number		9	7	7	7	Two new sites were ISO 14001-certified, a Swedish sales office and a US manufacturing site, in addition to recertification of 7 sites.	
Number ISO 9001-certified sites	number		13	11	11	12	Two new sites were ISO 9001-certified, a Swedish sales office and a workshop in Belgium, in addition to recertification of 11 sites.	

[1] *The data indicator has been subject for limited assurance, covering the columns 'unit' and '2022'. Information presented in columns '2021', '2020', '2019', 'Comments' and 'GRI guidance' was not included in the scope of the limited assurance.*

Workplace

Data indicator	Unit	Assured[1]	2022	2021	2020	2019	Comments	GRI guidance
Social data								
Number of employees (FTEs)	number		4,655	4,887	4,339	4,886	Total number of full-time equivalents (FTEs) end of period decreased by 5%.	
Blue collar workers	% FTE		27%	30%	28%	29%	Number of white collar workers increased due to additional hires while the number of blue collar workers decreased due to lower production output at the manufacturing facilities.	
White collar workers	% FTE		73%	70%	72%	71%		
Employee turnover (based on headcount)	%		23%	21%	20%	24%	Increase in employee turnover was driven by general labor market conditions.	**GRI 401:** Employment
Gender diversity in the company (% women, based on headcount)	%		29%	29%	27%	27%	The share of women in the company remained stable, while the share of women in senior management positions increased to 19%. One additional female EVP joined Nilfisk Leadership Team in 2022, increasing the share of women to 20%.	**GRI 405:** Diversity and Equal Opportunity
Gender diversity in senior management (% women, based on headcount)	%	•	19%	14%	-	-		
Gender diversity in Nilfisk Leadership Team (% women, based on headcount)	%		20%	12.5%	25%	17%		
Gender diversity in the Board of Directors (% women, based on headcount)	%		14%	14%	12%	14%	No changes in the Board of Directors' gender ratio. The 2024 gender diversity target for the Board is 25%.	
Unadjusted gender pay gap (headcount)	%		19%	-	-	-	2022 is the first year Nilfisk discloses the unadjusted gender pay gap.	
CEO pay ratio (based on FTE)	ratio		36.4	38.6	-	-	CEO pay ratio decreased, driven by an increase in average salary per employee.	
Engagement survey participation rate	%		88%	90%	92%	92%	There was a decrease in employee survey participation although it remained above industry benchmark.	
Employee engagement score	score		8.1/10	8.1/10	8.0/10	7.8/10	Employee engagement score remained stable.	
Fatalities (headcount)	number		0	0	0	0	There were no fatal accidents in 2022. Significant improvement in lost time injury frequency rate was driven by a 47% decrease in the number of lost time injuries. The improvement was due to successful implementation of preventive actions. *Change from 2021: the lost time injury frequency rate replaces the injury frequency rate reported in the past years.*	**GRI 403:** Occupational Health and Safety
Lost time injury (LTI) frequency rate	rate		5.1	9.6	-	-		
Lost time injury (LTI) severity rate	rate		0.06	-	-	-		

Society

Data indicator	Unit	Assured[1]	2022	2021	2020	2019	Comments	GRI guidance
Governance data								
EcoVadis rating	rate	•	Gold	Silver			Nilfisk obtained the Gold rating by raising its score by 3 points. The improvement is mainly driven by environmental efforts.	
EcoVadis score	score	•	68/100	65/100				
Share of supplier spend who align with the UNGC 10 principles	%		83%	86%	93%	93%	Share of suppliers' spend who align with the UNGC principles decreased, mainly driven by a change in spend distribution among suppliers in APAC. Change from 2021: Correction of wrongly titled 'Number of suppliers signed the UNGC'.	**GRI 2:** General Disclosure
Number of audits of suppliers	number		25	34	63	10	Number of supplier audits decreased due to COVID-19 related travel restrictions. In the meantime, online audits were conducted of some high-risk entities.	
Cumulative number of suppliers covered by CSR assessments*	number		156	129	14	-	Number of suppliers covered by CSR assessments continued to increase. *Changes from 2021: Correction of identified error. Reported numbers in Nilfisk's CSR Report 2021 were 18 in 2020 and 153 in 2021.*	
Number of whistleblower cases submitted through whistleblower function	number		1	2	6	9	Number of whistleblower cases submitted through the whistleblower system decreased, driven by Nilfisk employees using other channels. In 2022, 9 reports were received through internal channels.	
Whistleblower cases admissible	number		1	2	2	1		
Whistleblower cases resolved	number		0	2	6	9		

[1] The data indicator has been subject for limited assurance, covering the columns 'unit' and '2022'. Information presented in columns '2021', '2020', '2019', 'Comments' and 'GRI guidance' was not included in the scope of the limited assurance.

Our governance

The duties and responsibilities of Nilfisk's various governing bodies are determined by Danish law and Nilfisk's corporate governance principles, which aim to ensure active and accountable business management across the Group

Corporate governance

Nilfisk's governance structure consists of its Shareholders, the Board of Directors, and the Nilfisk Leadership Team.

Shareholders
The shareholders of Nilfisk Holding A/S exercise their decision-making rights at general meetings. At the Annual General Meeting, shareholders elect board members and the independent auditor, and they approve the Annual Report including company financial results, remuneration of the Board of Directors, discharge of liability for Management and the Board of Directors, as well as any dividend proposal or amendment to Nilfisk Holding A/S' Articles of Association. Shareholders may include additional topics on the agenda of the Annual General Meeting in accordance with the company's articles of Association and the Danish Companies Act.

The general meeting adopts decisions in accordance with the general rules set out in the Danish Companies Act.

The Board of Directors
The Board of Directors holds overall responsibility for the management of Nilfisk and the company's strategic direction.

The Board of Directors consists of a total of eleven members, seven members are elected by the shareholders and four members are elected by the employees.

All shareholder-elected members are up for election every year at the Annual General Meeting. The employee-elected members serve four-year terms. The current employee-elects were elected in March 2022, and their terms will expire in 2026.

Among the shareholder-elected members are one woman and six men. The employee-elected members include one woman and three men. Of the seven shareholder-elected members, two live in Denmark, one lives in Sweden, one lives in Norway, one lives in the US, one lives in Italy, and one lives in Luxembourg. Four members are considered independent and three are considered non-independent.

The Board of Directors includes people with strong international business experience in the areas of industry, energy, high technology, finance, business management and development. They are deemed to possess the required expertise and seniority. See pages 46-47 for particulars of Nilfisk's Board of Directors.

The Board of Directors has adopted an annual plan ensuring that all relevant matters are addressed throughout the year. A minimum of six ordinary Board meetings are held annually.

Part of the Board's responsibility is to ensure that the company has a capital and share structure that matches its strategic direction and the long-term creation of value for the benefit of its shareholders. Considerations on capital and share structure are undertaken annually by the Board of Directors, and in 2022 Nilfisk renewed its credit facility and linked the new credit facility directly to Nilfisk's sustainability targets for scope 1, 2 and 3 CO_2 emissions, as validated by the Science Based Targets initiative, EcoVadis rating as well as targets for increased gender diversity. These targets will in turn support the delivery of Business Plan 2026 and the company's strategy towards long-term sustainable growth, where a strong sustainability focus is anchored in both Nilfisk's value proposition and strategic priorities. With this new credit facility it was affirmed that Nilfisk's capital and share structure are appropriate for and supportive of the company's current strategic direction and initiatives.

Under the company's Articles of Association, the Board of Directors holds authorizations granted by the shareholders to issue new shares and convertible loans. The maximum aggregate nominal share capital increase allowed under these authorizations is 200 mDKK. However, in no event can the issuance of new shares without preemptive rights for existing shareholders exceed an aggregate nominal share capital amount of 100 mDKK. These authorizations are valid until March 24, 2027.

The Board of Directors also holds an authorization from the shareholders to acquire treasury shares up until and including March 22, 2023, up to an aggregate nominal amount of 54,252,720 DKK, corresponding to almost 10% of the company's current share capital. The company's holding of treasury shares at any time may not exceed 10% of the company's issued share capital. The purchase price for the relevant shares may not deviate by more than 10% from the price quoted on Nasdaq Nordic at the time of purchase.

Board Committees
The Board of Directors has appointed three standing committees: an Audit Committee, a Nomination Committee, and a Remuneration Committee. Additionally, the Chairmanship meets regularly with the Executive Management of Nilfisk to discuss relevant topics in between Board meetings.

All board committees report to the Board of Directors, and senior representatives from Nilfisk act as secretariat for the committees. The Audit Committee and the Remuneration Committee each has two members, whereas the Nomination Committee has three members. The Board of Directors considers this composition appropriate

Nilfisk Board of Directors Committees

Audit Committee
Jutta af Rosenborg
(Chair)

Are Dragesund

Remuneration Committee
Peter Nilsson
(Chair)

Thomas Lau Schleicher

Nomination Committee
René Svendsen-Tune
(Chair)

Peter Nilsson

Franck Falezan

to ensure efficient and focused committee work, reporting, and decision-making within the Board of Directors.

Audit Committee

In 2022, the Audit Committee consisted of two members. The Audit Committee is appointed for one year at a time. All members possess the relevant financial expertise, and the chair of the committee qualifies as being independent.

The principal duties are:

- To monitor the financial reporting process and compliance with existing legislation, standards and other regulations for listed companies relating to presentation and publication of financial reporting
- To monitor whether the company's internal control and risk management systems function efficiently
- To monitor the statutory audit of the annual financial statements
- To monitor the independence of auditors and their supply of non-audit services to the Nilfisk Group
- To make recommendations to the Board of Directors concerning the election of auditors

The work of the Audit Committee is described in its charter available online at Nilfisk's Investor Relations site and is formalized in an annual plan approved by the Board of Directors.

Internal control and risk management related to the financial reporting process

Nilfisk has several policies and procedures in specific areas of financial reporting, including the Finance Manual, the Risk Management Policy, the IT Security Policy, the Treasury Policy, the Insurance Policy, the Tax Policy, and the Integrity Policy & Business Code of Conduct. These policies and procedures apply for all subsidiaries.

The internal control and risk management systems for financial reporting are designed to ensure that the financial reporting presents a true and fair view of Nilfisk's result and financial position and is in compliance with applicable financial legislation and accounting standards. The control and risk management systems are designed to mitigate the risks identified in the financial reporting process.

Internal controls related to the financial reporting process are established to detect, mitigate, and correct material misstatements in the financial statements.

Risk assessment

The risks related to each accounting process and line item in the financial statement are assessed based on quantitative and qualitative factors. The associated risks are identified based on the evaluation of the likelihood of occurring and the potential impact. The financial reporting control framework covers all material subsidiaries. Please refer to the Risk Management section on page 50.

Control activities

Nilfisk has implemented a formalized financial reporting process for the strategy process, budget and forecast process as well as for the monthly reporting on actual performance. Financial information reported is reviewed both by controllers with regional or functional knowledge of the individual companies/functions and by technical accounting specialists.

The financial reporting is dependent on IT systems. Any weaknesses in the system controls or IT environment are compensated for by manual controls to mitigate any significant risk related to the financial reporting to an acceptable level.

A central controlling function conducts financial compliance reviews throughout the organization based on a defined review strategy and risk assessment. The key controls implemented based on the financial reporting framework are systematically monitored and tested in conjunction with controller visits performed by Nilfisk Group Controlling. Key controls, including general IT controls for subsidiaries considered relevant from a risk or/and risk perspective, are tested at least once every three years.

Remuneration Committee

The overall responsibility of the Remuneration Committee is to oversee the remuneration of the Board of Directors, the Executive Management Board, and other members of the Nilfisk Leadership Team to ensure that the company's remuneration practice is appropriate, balanced, and effective to achieve growth, profitability, and shareholder value. This responsibility includes establishing the Remuneration Policy for the Board of Directors and the Executive Management Board, making proposals on changes to the Remuneration Policy, and obtaining the approval of the Board of Directors prior to seeking shareholders' approval at the Annual General Meeting.

The Remuneration Committee also oversees the company's short-term and long-term incentive programs, including awards, target-setting, and a review of target achievements every year. The Remuneration Committee reports to the Board of Directors at all regular board meetings to ensure efficient decision-making.

Main activities in 2022

In 2022 the main activities of the Remuneration Committee have been:

- Redefining the annual bonus plan for the year to make it more focused and simpler
- Setting targets for the performance share program this year
- Evaluating and adjusting the current performance share program to align with market practice and shareholder value creation
- Reviewing achievement against targets under the company's annual bonus plan and the performance share program
- Conducting a benchmark survey of the pay levels among the wider workforce of Nilfisk
- Completing a review of the Remuneration Policy to ensure it continues to support the realization of Nilfisk's strategy as well as recognizes the changes in the governance environment in accordance with the Danish Companies Act and the amended EU Directive on the encouragement of long-term shareholder engagement
- Preparing, drafting, and approving a new Remuneration Policy, which was adopted at the 2022 Annual General Meeting, to align with international practices on the terms and conditions for indemnity of the Board of Directors and Executive Management Board in relation to situations where the Directors & Officers (D&O) insurance coverage would be insufficient

Nomination Committee

The purpose of the Nomination Committee is to define and assess the qualifications required of the Board of Directors, the Group CEO, and the Group CFO, to initiate an annual self-assessment within the Board of Directors, and to exercise grandfather rights with respect to members of the Nilfisk Leadership Team.

Self-assessments

The purpose of the annual self-assessment is to evaluate the performance and expertise required within the Board of Directors, and to identify future areas of focus.

Every third year the Board of Directors utilizes a professional consultant to assist with this assessment. The next self-assessment with an external consultant support is planned for 2023. Conclusions from the 2022 board self-assessment conducted in the last quarter of 2022 were that the Board has the necessary and relevant competencies and experience but could benefit from additional industrial competencies. Board meetings could be scheduled further ahead to ensure participation, and the length of Board meetings should also be considered when scheduling Board meetings to facilitate deep discussions and deepening the common understanding of the business, so discussions are based on the same starting point.

The Board of Directors also performs an annual assessment of the Group CEO and Group CFO covering two main areas: the interaction between these executives and the Board of Directors, and the expertise of these executives. The assessment takes the form of a general discussion by the Board of Directors, after which the assessment findings are communicated by the Chair to the Group CEO and Group CFO.

The Chair will share the key messages from the Board of Directors' self-assessment at the Annual General Meeting.

The Nilfisk Leadership Team
The day-to-day responsibility for Nilfisk's management lies with the Nilfisk Leadership Team, consisting of eight members counting the Group CEO and seven direct reports. The Nilfisk Leadership Team is responsible for the conduct of business, all operational matters, organization, allocation of resources, establishing and implementing strategies and policies, direction-setting, and timely reporting of information to the Board of Directors. See pages 48-49 for particulars of the Nilfisk Leadership Team.

Target figure for the under-represented gender
Nilfisk seeks to provide equal opportunities for all genders, and gender is in focus when assessing qualifications and experience of Board candidates. While Nilfisk believes the current Board of Directors has an optimal composition based on qualifications, the target figure of the under-represented gender, guided by section 99b of the Danish Financial Statements Act, is consistently monitored to ensure it is realistic and ambitious. A new Nilfisk target figure for the under-represented gender among shareholder-elected Board members of minimum 25% was set in 2021 to be achieved by no later than 2024.

Nilfisk's focus on diversity and inclusion is described in our CSR Report, which includes the UN Global Compact Communication on Progress report and can be found at Nilfisk's website: https://www.nilfisk.com/global/about-nilfisk/corporate-social-responsibility/

Corporate governance recommendations
As a listed company on Nasdaq Nordic, Nilfisk is subject to Nasdaq Nordic's rules governing share issuers, and by that also the corporate governance recommendations issued by the Danish Committee on Corporate Governance which can be found at https://corporategovernance.dk.

Nilfisk fulfils its obligations with respect to the corporate governance recommendations by complying with all recommendations. More details can be found in Nilfisk's annual reporting on the corporate governance recommendations available at Nilfisk's Investor Relations site https://nilfisk.gcs-web.com/.

Board of Directors - 2022 Attendance overview

	Board of Directors meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	9	5	4	4
Peter Nilsson[1]	●●●●●●●		●●●	●●●●
René Svendsen-Tune	●●●●●●●●●			●●●●
Jens Due Olsen[2]	●●			
Richard Bisson	●●●●●○○○○			
Are Dragesund	●●●●●●●●●	●●●●●		
Franck Falezan	●●●●●●●●○			●●●●
Jutta af Rosenborg[3]	●●●●●●●●○	●●●●●	●	
Thomas Lau Schleicher	●●●●●●●●○		●●●●	
Gerner Raj Andersen	●●●●●●●●○			
Claus Dalmose[4]	●●●●●●●			
Nadia Roya Damiri[4]	●●●●●●●			
Marcus Faber Kappendrup[4]	●●●●●●●			
Yvonne Markussen[5]	●○			
Thorkil Vinum[5]	●●			

[1] *Elected for the Board of Directors on March 25, 2022. Chair of the Remuneration Committee and member of the Nomination Committee since March 25, 2022.*
[2] *Member and Chair of the Board of Directors until March 25, 2022.*
[3] *Member and Chair of the Remuneration Committee until March 25, 2022.*
[4] *Member of the Board of Directors since March 25, 2022.*
[5] *Member of the Board of Directors until March 25, 2022.*

Board of Directors

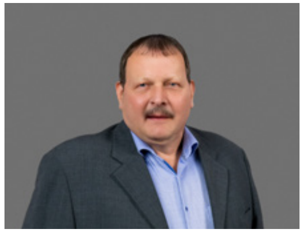





	Peter Nilsson	**René Svendsen-Tune**	**Richard Bisson**	**Are Dragesund**	**Franck Falezan**	**Jutta af Rosenborg**
	Chair, Born 1962 Independent	Deputy Chair, Born 1955 Independent	Member, Born 1959 Independent	Member, Born 1975 Non-independent	Member, Born 1971 Non-independent	Member, Born 1958 Independent
First elected in	March 2022	October 2017	March 2019	June 2020	June 2020	October 2017
Expiry of current term	March 2023	March 2023	March 2023	March 2023	March 2023	March 2023
Core competencies	• Executive management • Management of listed companies • Application of business models and value chains, including service and aftermarket	• International management • Management of listed companies • Leading Listed Companies • Service businesses • Large account sales	• Strategy Development and Implementation • Branded Product Management and Innovation • Global Manufacturing • Supply Chain	• M&A and capital markets, restructuring and profit improvement, strategy and organization	• Strategy, restructuring, and finance	• International management • Management of listed companies • Finance and business optimization
Committees	• Nomination Committee • Remuneration Committee	• Nomination Committee	• N/A	• Audit Committee	• Nomination Committee	• Audit Committee
Selected positions and directorships	• Chair of the board of directors of Lindab Group • Deputy chair of Creaspac AB	• Deputy chairman of the board of directors of NKT A/S • Chairman of the board of directors of Stokke A/S	• Managing Partner of RBI Holdings	• Co-Head Ferd Capital, Ferd AS • Member of the board of directors of Mestergruppen A/S, Norkart AS and Brav AS	• Founder and Managing Partner at PrimeStone	• Member of the board of directors of JPMorgan European Growth & Income plc, BBGI Global Infrastructure S.A., RIT Capital Partners plc
Education	• MSc in Business and Economics	• BSc Eng. (hon.)	• BSc in Industrial Technology	• MsC Economics and Business Administration	• Master in Business Administration	• MSc in Business Economics and Auditing
Nilfisk shares end of 2022 (end of 2021 in brackets)	27,104 (19,104)	4,000 (4,000)	0 (0)	0 (0)	0 (0)	0 (0)

Board of Directors

	Thomas Lau Schleicher Member, Born 1973 Non-independent
First elected in	March 2019
Expiry of current term	March 2023
Core competencies	• Executive management. financial reporting, risk • Management, capital markets expertise, strategy and M&A
Committees	• Remuneration Committee
Selected positions and directorships	• Member of the board of directors of Adapture Renewables Inc, Falck A/S, Topsøe Holding A/S, KIRKBI Burbo Extension Holding (UK) Limited (a fully-owned subsidiary of KIRKBI A/S)
Education	• MSc in Finance and Accounting
Nilfisk shares end of 2022 (end of 2021 in brackets)	2,600 (2,600)



	Gerner Raj Andersen Employee representative Born 1966	Claus Dalmose Employee representative Born 1967	Nadia Roya Damiri Employee representative Born 1978	Marcus Faber Kappendrup Employee representative Born 1976
First elected in	March 2018	March 2022	March 2022	March 2022
Expiry of current term	March 2026	March 2026	March 2026	March 2026
Position at Nilfisk	• Customer Care Representative • Joined Nilfisk in 1990	• Director, Architecture & Technology • Joined Nilfisk in 2012	• Lead of Strategy & Transformation Project Management in Group Supply Chain • Joined Nilfisk in 2015	• Enterprise Architect • Joined Nilfisk in 1999
Committees	N/A	N/A	N/A	N/A
Selected positions and directorships	• Owner of Mågaard I/S • Member of the board of Sem Vandværk		• Daily Manager of the Occupational, Health & Safety team at Nilfisk HQ • Board Member in the staff association at Nilfisk • Voluntarily Team Leader in Save the Children Denmark	• Board Member in the staff association at Nilfisk
Education	• Secondary program	• MSc in Electrical Engineering	• MSc in Supply Chain Management, with a minor in IT-based modeling of Supply Chains and implementation	• Degree in Business administration
Nilfisk shares end of 2022 (end of 2021 in brackets)	210 (210)	30 (0)	145 (0)	32 (32)

Nilfisk Leadership Team

	 **Torsten Türling** CEO Member of the Executive Management Board	 **Reinhard Mayer** CFO Member of the Executive Management Board	 **Siam Schmidt** Executive Vice President HR	 **Anupam Bhargava** Executive Vice President Innovation, Service & Customer Experience
Joined Nilfisk	2021	2021	2022	2022
Core competencies	• International CEO experience in both B2B and B2C markets	• International Finance • IT • Legal and Compliance • Supply Chain • M&A	• People, Organization and Culture development • DE&I • Environment, Health, and Safety (EHS) • Mergers & Acquisitions	• Scaling service businesses • Commercializing sustainable technology • Business development and international collaborations • Change leadership and DE&I
Positions and directorships	N/A	N/A	N/A	• Member of the board of directors of Aquaporin A/S
Previous positions	• Linde Group • Carrier Corporation • Franke Group • Frigoglass • Ideal Standard	• Getinge AB • Hansgrohe SE	• Novo Nordisk • Leo Pharma A/S • Royal Unibrew	• Grundfos
Education	• MSc in Business Administration & Management from the University of Saarbrücken and from EM Lyon Business School	• B.Sc. degree in Business Engineering from Karlsruhe University of Applied Sciences	• MSc of Arts in Communications and Organizational Development from Aalborg University	• BS in Mechanical Engineering from Syracuse University and an MBA from Yale University
Nilfisk shares end of 2022 (end of 2021 in brackets)	16,980 (16,980)	13,869 (13,869)	2,000 (0)	6,000 (0)

Nilfisk Leadership Team

	Hans Flemming Jensen Executive Vice President Specialty Business & Corporate Affairs	**Petros Kapelles** Executive Vice President COO	**Camilla Ramby** Executive Vice President Marketing, CSR & Consumer	**Jamie O'Neill** Executive Vice President & General Manager Americas region
Joined Nilfisk	2017	2023	2018	2012
Core competencies	• General management & International business leadership • Business development, M&A, partnerships & ventures • Negotiation and international commercial relationships • Global corporate and commercial legal matters	• International experience in global operations • E2E supply chain improvements, global procurement development	• International Marketing, Sustainability & ESG • International B2C Sales and business development	• Global sales • Commercial & Strategic Account development • Customer relationship management & Enhanced Customer experience • Company culture
Positions and directorships	• Board member, Thoro.ai (US)	N/A	N/A	N/A
Previous positions	• Kromann Reumert • NKT Holding A/S	• Ideal Standard International • Frigoglass • Franke Kitchen Systems Group	• Danske Bank A/S • TDC A/S • Codan A/S	• Hilti
Education	• Master of Laws, University of Copenhagen	• MSc in Business Administration and a PDG in Management from Nottingham Trent University	• MSc in International marketing & Management	• BA in Business
Nilfisk shares end of 2022 (end of 2021 in brackets)	735 (735)	0 (0)	1,155 (1,155)	0 (0)

Risk management

Risk is a natural part of doing business. At Nilfisk we have a structured, consistent, and continuous approach to ensure that our risk exposure is assessed and managed.

The overall objective of risk management is to support the realization of Nilfisk's strategy and support our operational and financial objectives, ensuring that risks are properly identified and mitigated. We use an integrated risk management framework to identify, assess, manage, monitor, and communicate risks across the company.

The Board of Directors has oversight responsibility for risk management. One of the Board's responsibilities is overseeing and interacting with the Nilfisk Leadership Team with respect to key aspects of Nilfisk's business, including risk assessment and mitigation of key risks. Evaluation of key risks is carried out by the Board and risks are monitored on an ongoing basis.

The Nilfisk Leadership Team is responsible for the identification, assessment, prioritization, and mitigation of strategic, financial, operating, CSR, compliance, safety, and reputational risks as well as risks related to other areas. Risks are assessed according to a two-dimensional heat map rating system estimating the likelihood and business impact.

Risk areas

The following five risk areas are identified as high impact risks that could have a material, adverse effect on our business, financial condition and/or operating results (please refer to the overview on the following page):

- Commoditization and competition
- Economic and political instability
- Cost inflation, production and supply chain risk
- Cyber and IT security
- Failure to innovate

Nilfisk's high-impact risk areas

Description of the five risk areas identified as high-impact risks and related risk mitigation.
For further information of risks related to currency, interest rate, credit and liquidity, please refer to Note 6.3.

Risks	Risk description	Risk mitigation
Commoditization and competition	Customer demand is changing towards low-price "good-enough" products. At the same time, competition is intense, and low-cost competition might reach a level at which customers would be resistant to pay a premium for higher-quality products. The Nilfisk Group's competitors include various large global and regional enterprises as well as smaller regional or local companies. Our operational results and financial position may be negatively impacted if Nilfisk products do not satisfy customer demand. If we fail to adapt to changes in customer behavior and development of our products and services, our ability to execute on our growth strategy will be impaired and the long-term financial results of the Group will be impacted.	We monitor customer behavior via segment trends and purchasing loyalty. Nilfisk responds to changes in customer behavior with a strategy focused on product innovation and uniquely positioned customer offerings. With these offerings we add value beyond the machine to deliver cleaning solutions that blend into operations and integrate digital services, collectively increasing the value of clean. We leverage our strengths within brands, product portfolio range, product quality, and customer access, and we scale benefits due to our size and geographical coverage.
Economic and political instability	Adverse and instability in economic conditions including a risk of global economic conflicts may negatively impact our financial position, increasing costs and decreasing demand for Nilfisk products, affecting sales in a downward direction. At the same time, major social or political instability and changes may disrupt the cleaning industry and our business.	We closely monitor developments in our markets and the global economic situation to be able to respond in a timely manner to any adverse developments. We also mitigate possible negative macroeconomic changes by hedging and maintaining variability in our cost base as well as establishing a certain degree of flexible "plant-in-plant" production footprint.
Cost inflation, production and supply chain risk	Failures or delays may occur throughout the entire supply chain including sourcing of components, manufacturing, and distribution of products. In daily operations we are dependent on information technology systems, production companies, and distribution centers. If the functionality is interrupted in any of these for a substantial period, our business continuity planning might be insufficient to continue daily operations. In addition, our global operations are subject to various local legislation, creating a legal risk of not being compliant with such laws and regulations. Increasing commodity prices negatively affect the prices of raw materials, salary, and other inputs, thereby affecting the competitiveness of the business and the delivery of results.	We focus on creating an optimal production and distribution footprint including several production facilities and distribution centers, dual sourcing initiatives, optimization of supply chain processes and modularization strategy with the aim of increasing scale advantages and reduction of production complexity. We continuously monitor functionality of utilities and compliance with applicable regulations. Global purchasing programs include fixed-price contracts and purchase orders and pricing agreements. Price increases to customers. We continuously monitor development and react promptly as deemed necessary and we evaluate opportunities to hedge raw materials which contain commodity components.
Cyber and IT security	Nilfisk's information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, malware, catastrophic events, and user errors. Errors made due to lack of user awareness or deliberate misuse, such as individual attempts to gain access to systems, are among the risks Nilfisk faces. Inadequate management of changes to systems or service together with ineffective measures to deter, prevent, detect, and react to such attempts might expose Nilfisk to risks. Further, Nilfisk is faced with the threat of security breaches (viruses, ransomware, etc.) such as attempts of hacking our information technology systems.	We have implemented procedures and management processes to ensure necessary availability for critical IT systems and services. Furthermore, we have developed and actioned an IT security policy to prevent intentional damage to our systems and limit access to critical data and systems. Finally, initiatives have been planned and implemented to secure the digital business, strengthen the infrastructure platform, enhance IT service, and recovery business continuity plans.
Failure to innovate	Technological developments and improvements are key to stay competitive in the markets. If one or more of the Nilfisk competitors are able to develop and gain exclusive access to groundbreaking technologies, this could make it difficult or increasingly costly for the Nilfisk Group to compete effectively on the markets.	As a part of our strategy, we established a clear vision of making our customers' businesses smarter and more productive through intelligent cleaning solutions adding focus on opportunities within digitalization and autonomy. We consistently monitor customer trends against preferred technologies and cooperate with leading technology partners and Universities.

Shareholder information

Nilfisk is listed on Nasdaq Nordic and is included in the Copenhagen Mid Cap index.

Share capital	27,126,369 shares
Nominal value per share	20 DKK
Closing price at December 30, 2021	215.00 DKK
Closing price at December 30, 2022	146.60 DKK
Change during the financial year	-31.8%

Ownership structure

The company has approximately 12,000 registered shareholders, who together hold 96.6% of the total share capital. The company has one share class and the number of shares and voting rights are equal.

The breakdown of shareholders is set out in the table below:

Shareholders at December 31, 2022	Number of shares	Share capital
KIRKBI Invest A/S, Billund, Denmark	5,493,200	20.3%
Ferd AS, Oslo, Norway	5,409,277	19.9%
PrimeStone Capital LLP, London, United Kingdom	4,598,860	17.0%
Institutional investors, Denmark	3,372,506	12.4%
Institutional investors. International	4,892,383	18.0%
Private investors	2,475,008	9.1%
Non-registered	885,135	3.3%

Dividend policy and dividend for 2022

Board of Directors have adopted a dividend policy with a target pay-out ratio of approximately one third of the reported, consolidated profit for the year. The payment of dividends, if any, will in general be determined with a view to balancing the payout ratio mentioned above and the target for the Group's leverage ratio. It will further depend on a number of factors, including future revenue, profits, financial conditions, general economic and business conditions, future prospects, strategic initiatives such as acquisition activities or large-scale investments decided upon by the Board of Directors, or other factors the Board of Directors may deem relevant, as well as applicable legal and regulatory requirements.

At the Annual General Meeting to be held on March 23, 2023, the Board of Directors will propose not to distribute dividends for the financial year of 2022 as the leverage target in the capital allocation policy has not been met.

Investor relations website

Information about the Nilfisk Group and its shares, share price, financial data, in addition to company announcements, annual and interim reports, investor presentations, transcripts, corporate calendar, analyst coverage etc. are provided via https://investor.nilfisk.com.

Investor relations

We work to maintain a high and consistent level of information for investors, and we aim to be proactive and open when communicating with shareholder-related stakeholders within the boundaries of current regulation. We place great emphasis on providing consistent and high-quality information to the financial markets as well as to new investors, analysts, and other stakeholders through road shows, conferences, company announcements, and via our investor relations website. For further details on our investor relations policy, please visit https://investor.nilfisk.com.

At year-end 2022, Nilfisk Holding A/S is covered by four equity analysts. For a full list of analysts, please visit https://investor.nilfisk.com.

Corporate calendar 2023

February 23	Annual Report 2023
March 23	Annual General Meeting
May 17	Q1 Interim Report 2023
August 18	Q2 Interim Report 2023
November 16	Q3 Interim Report 2023

Financial statements

Consolidated financial statements 2022

Key accounting judgments

Key accounting judgments made by the Executive Management Board are included in the notes to which they relate in order to increase clarity.

Key accounting estimates

Key accounting estimates made by the Executive Management Board are included in the notes to which they relate in order to increase clarity.

Sensitivity

Sensitivity analysis often accompanies key accounting estimates and is included in the notes to which it relates in order to increase clarity.

Accounting policy

Accounting policies are included in the notes to which they relate in order to facilitate understanding of the contents and the accounting treatment applied. Accounting policies not relating directly to individual notes are stated in Note 1.1.

Income statement

for the years ended December 31

EUR million	Note	2022	2021
Revenue	2.1, 2.2	1,069.5	994.9
Cost of sales	2.5, 3	-647.5	-592.2
Gross profit		**422.0**	**402.7**
Research and development costs	2.3, 2.5, 3	-31.2	-29.1
Sales and distribution costs	2.5, 3	-243.5	-227.6
Administrative costs	2.5, 3	-70.1	-63.8
Other operating income		4.5	3.4
Other operating expenses		-2.2	-1.5
Operating profit before special items		**79.5**	**84.1**
Special items, net	2.4, 2.5	-9.9	-4.4
Operating profit		**69.6**	**79.7**
Share of profit from associates	6.2	2.0	0.6
Financial income	2.6	0.5	1.6
Financial expenses	2.6	-17.5	-13.2
Profit before income taxes		**54.6**	**68.7**
Tax on profit for the year	2.7	-14.0	-17.7
Profit for the year		**40.6**	**51.0**
To be distributed as follows:			
Profit attributable to shareholders of Nilfisk Holding A/S		40.6	51.0
Total		**40.6**	**51.0**
Earnings per share (based on 27,126,369 shares issued)			
Basic earnings per share (EUR)	6.4	1.50	1.88
Diluted earnings per share (EUR)		1.50	1.88

Statement of comprehensive income

for the years ended December 31

EUR million	Note	2022	2021
Profit for the year		40.6	51.0
Other comprehensive income			
Items that may be reclassified to the income statement:			
Exchange rate adjustments of subsidiaries		6.2	14.2
Value adjustment of hedging instruments:			
Value adjustment for the year	6.3	12.3	5.6
Transferred to cost of sales	6.3	-5.0	0.7
Transferred to inventory	6.3	-0.5	-
Tax on value adjustment of hedging instruments	2.7	-1.5	-1.4
Items that may not be reclassified to the income statement:			
Actuarial gains on defined benefit plans	4.6	0.8	1.9
Tax on actuarial gains on defined benefit plans	2.7	-0.1	-0.3
Total comprehensive income for the year		**52.8**	**71.7**
To be distributed as follows:			
Comprehensive income attributable to shareholders of Nilfisk Holding A/S		52.8	71.7
Total		**52.8**	**71.7**

Statement of financial position

as of December 31

EUR million	Note	2022	2021
Assets			
Goodwill		170.4	169.1
Trademarks		6.1	7.3
Customer related assets		3.8	5.2
Development projects completed		24.9	25.8
Software, know-how, patents, and competition clauses		18.6	23.5
Development projects, and software in progress		20.5	18.6
Total intangible assets	4.2, 4.3	**244.3**	**249.5**
Land and buildings		6.9	8.3
Plant and machinery		4.9	4.0
Tools and equipment		29.3	28.5
Assets under construction incl. prepayments		4.3	3.1
Right-of-use assets	4.5	57.4	56.2
Total property, plant, and equipment	4.2, 4.4	**102.8**	**100.1**
Investments in associates	6.2	33.2	29.0
Interest-bearing receivables	6.1	2.0	2.0
Other investments and receivables		12.0	3.3
Deferred tax	2.7	20.6	15.7
Total other non-current assets		**67.8**	**50.0**
Total non-current assets	4.1	**414.9**	**399.6**
Inventories	5.1, 5.2	220.2	220.1
Trade receivables	5.1, 5.3, 6.3	166.7	173.9
Interest-bearing receivables	6.1, 6.3	0.4	0.6
Income tax receivable	5.1	3.8	4.6
Other receivables	5.1, 6.3	34.7	27.4
Cash and cash equivalents		22.7	15.0
Total current assets		**448.5**	**441.6**
Total assets		**863.4**	**841.2**

EUR million	Note	2022	2021
Equity and liabilities			
Share capital	6.4	72.9	72.9
Reserves		14.8	3.3
Retained earnings		173.0	131.5
Total equity		**260.7**	**207.7**
Deferred tax	2.7, 4.1	7.3	5.9
Pension liabilities	4.1, 4.6	4.4	5.1
Provisions	4.1, 4.7	5.8	2.3
Interest-bearing loans and borrowings	6.1, 6.3	288.2	292.7
Lease liabilities	6.1, 6.3	36.9	35.3
Other liabilities	6.3	3.1	5.4
Total non-current liabilities		**345.7**	**346.7**
Interest-bearing loans and borrowings	6.1, 6.3	1.7	5.8
Lease liabilities	6.1, 6.3	23.0	22.3
Trade payables	5.1, 6.3	113.2	135.9
Income tax payable	5.1	10.8	7.5
Other liabilities	5.1, 6.3	96.2	101.5
Provisions	4.1, 4.7	12.1	13.8
Total current liabilities		**257.0**	**286.8**
Total liabilities		**602.7**	**633.5**
Total equity and liabilities		**863.4**	**841.2**

Cash flow statement

for the years ended December 31

EUR million	Note	2022	2021
Operating profit		69.6	79.7
Depreciation, amortization, and impairment	2.5	63.7	60.2
Other non-cash adjustments	7.1	-0.5	-6.0
Changes in working capital	5.1	-29.2	-42.6
Cash flow from operations before financial items and income taxes		103.6	91.3
Financial income received		6.4	2.3
Financial expenses paid		-13.1	-10.0
Income tax paid		-14.9	-8.9
Cash flow from operating activities		**82.0**	**74.7**
Purchase of property, plant, and equipment	4.4	-10.5	-5.8
Sale/disposal of property, plant, and equipment		0.5	0.1
Purchase of intangible assets	4.3	-15.9	-11.7
Purchase of financial assets		-3.5	-0.1
Disposal of financial assets		0.6	-
Dividends received from associates	6.2	1.3	1.3
Cash flow from investing activities		**-27.5**	**-16.2**
Free cash flow		**54.5**	**58.5**
Changes in current interest-bearing receivables		0.1	1.0
Changes in current interest-bearing loans and borrowings		-5.2	-102.1
Changes in non-current interest-bearing loans and borrowings		-16.1	69.1
Payment of lease liabilities		-25.2	-24.4
Cash flow from financing activities	6.1	**-46.4**	**-56.4**
Net cash flow for the year		**8.1**	**2.1**
Cash and cash equivalents, January 1		15.0	13.1
Exchange rate adjustments		-0.4	-0.2
Net cash flow for the year		8.1	2.1
Cash and cash equivalents, December 31		**22.7**	**15.0**

Statement of changes in equity

for the years ended December 31

	2022					2021				
EUR million	**Share capital**	**Foreign exchange reserve**	**Hedging reserve**	**Retained earnings**	**Total equity**	**Share capital**	**Foreign exchange reserve**	**Hedging reserve**	**Retained earnings**	**Total equity**
Equity, January 1	**72.9**	**-0.7**	**4.0**	**131.5**	**207.7**	**72.9**	**-14.9**	**-0.9**	**77.7**	**134.8**
Other comprehensive income										
Exchange rate adjustments	-	6.2	-	-	6.2	-	14.2	-	-	14.2
Value adjustment of hedging instruments:										
Value adjustment for the year	-	-	12.3	-	12.3	-	-	5.6	-	5.6
Transferred to cost of sales	-	-	-5.0	-	-5.0	-	-	0.7	-	0.7
Transferred to inventory	-	-	-0.5	-	-0.5	-	-	-	-	-
Actuarial gains on defined benefit plans	-	-	-	0.8	0.8	-	-	-	1.9	1.9
Tax on actuarial gains on defined benefit plans	-	-	-	-0.1	-0.1	-	-	-	-0.3	-0.3
Tax on value adjustment of hedging instruments	-	-	-1.5	-	-1.5	-	-	-1.4	-	-1.4
Total other comprehensive income	**-**	**6.2**	**5.3**	**0.7**	**12.2**	**-**	**14.2**	**4.9**	**1.6**	**20.7**
Profit for the year	-	-	-	40.6	40.6	-	-	-	51.0	51.0
Comprehensive income for the year	**-**	**6.2**	**5.3**	**41.3**	**52.8**	**-**	**14.2**	**4.9**	**52.6**	**71.7**
Share option program	-	-	-	0.2	0.2	-	-	-	1.2	1.2
Total changes in equity	**-**	**6.2**	**5.3**	**41.5**	**53.0**	**-**	**14.2**	**4.9**	**53.8**	**72.9**
Equity, December 31	**72.9**	**5.5**	**9.3**	**173.0**	**260.7**	**72.9**	**-0.7**	**4.0**	**131.5**	**207.7**

Section 1 Basis for reporting

This section describes the applied reporting framework, including a definition of materiality for disclosures as well as any changes in the accounting policies for the consolidated financial statements.

1.1 Basis for preparation

Nilfisk Holding A/S is a public limited company domiciled in Denmark.

The consolidated financial statements included in this Annual Report for the year 2022 are prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and additional requirements under the Danish Financial Statements Act. The parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Basis for preparation
The consolidated financial statements included in this Annual Report are presented in EUR million rounded with one decimal.

The consolidated financial statements included in this Annual Report are prepared according to the historical cost principle. The only exceptions are derivatives and financial instruments in a trading portfolio, which are measured at fair value.

Except for that stated in Note 1.3, the accounting policies described in the individual notes are applied consistently during the financial year and for the comparative figures.

Applying materiality
The provisions in IFRS contain extensive disclosure requirements. The specific disclosures required according to IFRS are stated in the consolidated financial statements included in this Annual Report unless the disclosures concerned are considered irrelevant or immaterial for financial decisions made by the financial statement users.

The Group has operations in Argentina and Türkiye and is therefore subject to Hyperinflation accounting (IAS 29). Based on an assessment of materiality, IAS 29 has not been applied as it is immaterial to the Nilfisk Group.

Going concern
The Executive Management Board is required to decide whether the consolidated financial statements can be presented on a 'going concern' basis. Based on estimated future prospects, expectations of future cash flows, existence of credit facilities, etc., the Executive Management Board is of the opinion that there are no factors giving reason to doubt whether Nilfisk Holding A/S can continue operating for at least 12 months from the balance sheet date.

Principles of consolidation
The consolidated financial statements incorporate the financial statements of Nilfisk Holding A/S and entities controlled by Nilfisk Holding A/S. Control exists when Nilfisk Holding A/S has effective power over the entity and has the right to variable returns from the entity.

Where necessary, adjustments have been made to the financial statements of subsidiaries to bring their accounting policies in line with Nilfisk Group policies. All intragroup transactions, balances, income, and expenses are eliminated in full when consolidated.

Translation of foreign currencies
Functional and presentation currency
Items included in the financial statements of each of Nilfisk Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Euro (EUR). The functional currency of Nilfisk Holding A/S is DKK. The presentation currency is EUR as the Nilfisk Group's main business activities are EUR denominated and the internal reporting is presented in EUR.

Translation of transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation of Nilfisk Group companies
Financial statements of foreign subsidiaries are translated into EUR at the exchange rates prevailing at the end of the reporting period for items in the statement of financial position, and at average exchange rates for income statement items.

All effects of exchange rate translations are recognized in the income statement, with the exception of exchange rate adjustments of investments in subsidiaries arising from:

- the translation of foreign subsidiaries' net assets at the beginning of the year to the exchange rates at the end of the reporting period
- the translation of foreign subsidiaries' statements of comprehensive income from average exchange rates to the exchange rates at the end of the reporting period
- the translation of non-current intragroup receivables that are considered to be an addition to net investments in subsidiaries

These specific exchange rate adjustments are recognized in other comprehensive income.

1.1 Basis for preparation – continued

ESEF regulation

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) requires the use of a specific digital reporting format for annual reports of listed companies in the EU. More precisely, the ESEF regulation requires the annual report to be prepared in XHTML format with iXBRL tagging of the consolidated financial statements in the form of income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and notes.

The iXBRL tagging of Nilfisk Holding A/S has been made using the ESEF taxonomy disclosed in the annexes to the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. The latest 2021 version of the ESEF taxonomy has been used for the annual report for 2022.

The line items in the consolidated financial statements are XBRL-tagged to the elements of the ESEF taxonomy that are considered to match the content of those line items. For line items not considered to be covered by line items defined in the taxonomy, company-specific extensions to the taxonomy have been incorporated. Except for subtotals, these extensions are anchored to standard elements of the ESEF taxonomy.

Consistently with the requirements of the ESEF Regulation, the annual report approved by Management is comprised of a ZIP file identified as "529900FSU45YYVLKB451-2022-12-31-en.zip", which includes an XHTML file that may be opened using standard web browsers, and a series of technical XBRL files enabling mechanical retrieval of the XBRL data incorporated.

1.2 Key accounting estimates and judgments

When preparing the consolidated financial statements, the use of reasonable estimates and judgments is an essential part. Given the uncertainties inherent in our business activities, the Executive Management Board makes a number of accounting estimates and judgments. The estimates and judgments are based on assumptions which form the basis for recognition and measurement of our assets, liabilities, cash flows, and related disclosures. Estimates and judgments are regularly reassessed.

Key accounting estimates are expectations of the future based on assumptions that to the extent possible are supported by historical experience, customer demands, competitor actions and other reasonable expectations. Estimates, by their nature, are associated with uncertainty and unpredictability. The actual amounts may differ from the amounts estimated as more detailed information becomes available. The Executive Management Board believe that the estimates are reasonable, appropriate and the most likely outcome of future events under the given circumstances.

Key accounting judgments are made when applying accounting policies. Key accounting judgments are judgments made that can have a significant impact on recognition, classification, and disclosures of amounts in the financial statements.

Please refer to the specific notes for further information on the key accounting estimates and judgments as well as assumptions applied.

Particular risks referred to in the 'Risk management' section of the Management Review and in Note 6.3 may have substantial influence on the financial statements.

Key accounting estimates and judgments

Note		Key accounting estimates and judgments	Estimate/ judgment	Impact of accounting estimates and judgments
2.4	Special items	Determine the classification of special items	Judgment	Medium
2.7	Tax	Estimate the value of the deferred tax assets and recognition of income taxes	Estimate	High
4.2	Impairment test	Estimate of the value-in-use for intangible assets based on assumptions used when impairment testing	Estimate	High
4.5	Right-of-use assets	Estimate of the lease period and discount rate when the underlying contract can be prolonged or terminated early	Estimate	Low
4.6	Pension liabilities	Estimate the value of defined benefit plans based on actuarial assumptions	Estimate	Low
4.7	Provisions	Estimate the value of provisions	Estimate	Low
5.2	Inventories	Determine the allocation of production overhead costs	Judgment	Low
	Inventories	Estimate the value of expected write-down	Estimate	Low
5.3	Trade receivables	Estimate the value of expected credit losses	Estimate	Low

1.2 Key accounting estimates and judgments – continued

COVID-19

Compared to what was disclosed in the Annual Report 2021, the COVID-19 outbreak is considered to impose continuously less uncertainty on the financial statements. APAC is currently the only region notably affected by COVID-19 measures.

We have realized no specific impairments of assets, and no additional obligations or liabilities have been recognized in 2022 as a direct result of COVID-19. Depending on the situation with COVID-19 in the future and thereby the long-term impact for Nilfisk, there is an inherent risk that the estimates and judgments made in 2022 could change. Future changes in estimates and judgment may have an impact on the Group's result and financial position.

Russia

The Russian invasion into Ukraine led to a decision to suspend business in Russia in Q1 2022. Assets were consequently written down in Nilfisk Russia following a decision shortly after to initiate a liquidation of the company.

Local staff has been substantially reduced to only those needed to facilitate the liquidation, which is estimated to be completed in early 2023.

The liquidation of Nilfisk Russia is considered to have an immaterial impact on Nilfisk Group. Please see Note 2.4 Special items for further details.

Tornado impact on US Distribution Center

End of Q1 2022, Nilfisk's Distribution Center in Springdale, Arkansas, was hit by a tornado. Dialogue is still ongoing with the insurance company around the final assessment of damaged inventory. The expected insurance recovery is therefore affected by uncertainty.

On September 15, 2022 the owner of the US Distribution Center building filed a claim against Nilfisk with respect to contractual obligations related to terminating the contract.

On October 15, 2022 our insurer filed a lawsuit against Nilfisk with respect to the insurance payout for the tornado destructions of the US Distribution Center.

Please see Note 8.4 Contingent liabilities, securities and contractual information for further details.

1.3 Implementation of new or changed accounting standards and interpretations

Amendments to accounting standards that are mandatorily effective for the current reporting period

IASB has issued amended standards which apply for the first time in 2022. None of these amended standards and interpretations have had any significant impact on our financial statements.

New and amended IFRS standards and interpretations not yet effective by the EU

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2022. Nilfisk expects to adopt the accounting standards and interpretations as they become mandatory.

The new or amended standards or interpretations are not expected to have a significant impact on our consolidated financial statements.

Section 2 Profit for the year

This section relates to profit for the year, including revenue, segment information, research and development costs, special items, amortization, depreciation, and impairment, financial items, and income tax.

Revenue by operating segments is split between five segments: Europe, Americas, APAC, Consumer, and Private Label & other.

Key developments in 2022

Revenue

Revenue increased from 994.9 mEUR to 1,069.5 mEUR in 2022, corresponding to a 7.5% increase compared to 2021. This was mainly due to positive organic growth in the branded professional business across all regions.

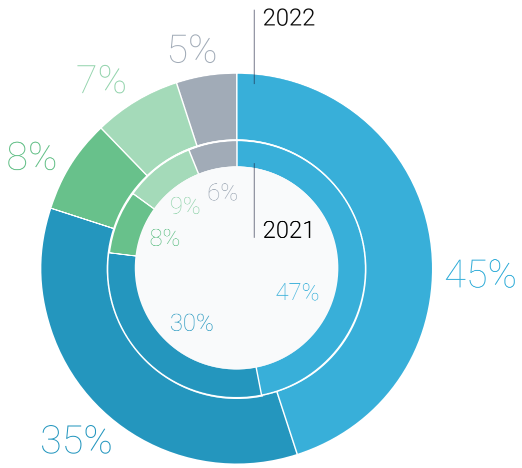
The strategic priority in Business Plan 2026 to 'Grow in large-scale markets' remained focused on the US and delivered a strong performance in 2022, with growth in Americas above market growth.

Share of revenue by operating segment grew to 35% for Americas in 2022, up by 5 percentage points from 2021.

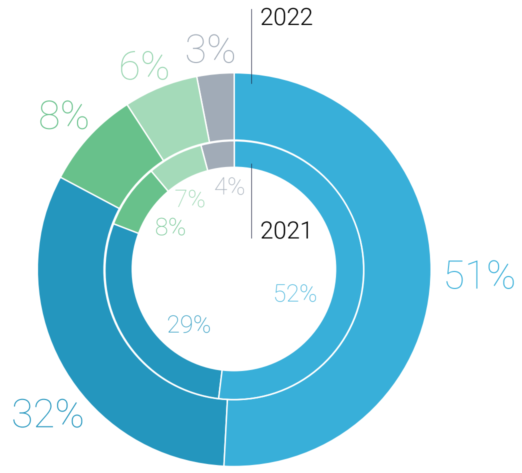
Gross profit

Gross profit was 422.0 mEUR, up by 19.3 mEUR compared to last year. Gross margin was 39.5%, down by 1.0 percentage point compared to last year. The decrease was to a large extent driven by the continuing increase in raw material costs and to a lesser extent by lower capacity utilization at our manufacturing facilities and increased freight costs. The negative effect was partly offset by the two price increases executed during the year.

Revenue by operating segment



Gross profit by operating segment



Europe
Americas
APAC
Consumer
Private label & other

2. Profit for the year – continued

Accounting policy

Segment information
The segment information is based on internal management reporting and is presented in accordance with the Nilfisk Group's accounting policies.

Segment income and expenses include those items that are directly attributable to the individual segment and those items that can be reliably allocated to it.

Operating segments
The reportable segments are generally referred to as operating segments. The operating segments consist of Europe, Americas, APAC, Consumer and Private Label & other.

Europe, Americas, and APAC cover sales of professional products to markets globally, excluding sales in the carved out segments Consumer and Private Label & other. Consumer covers domestic vacuum cleaners and high-pressure washers for the consumer markets. Private Label & other covers high-pressure washers and vacuum cleaners in both the consumer and professional business, sold in their own brands.

The Executive Management Board assesses revenue, gross profit, and EBITDA before special items of the operating segments separately to enable decisions concerning allocation of resources and measurement of performance.

Revenue in the operating segments
The reportable segments are identified without aggregation of operating segments.

Cost of sales in the operating segments
Cost of sales consists of costs incurred in generating the revenue for the year. The cost of raw materials, consumables, inbound freight, production staff, and a proportion of production overheads, including maintenance, amortization, depreciation, and impairment of intangible and tangible assets used in production as well as operation, administration, and management of the production facilities are recognized as cost of sales.

Cost of sales also includes shrinkage, waste production, and any write-downs on inventory for obsolescence.

Assets in the operating segments
Because the production units deliver products to several operating segments and because the operating segments in some cases use the same assets, it is not possible to attribute assets reliably to the individual segments.

Sales and distribution costs
Sales and distribution costs include costs incurred for distribution of goods and services sold and costs for sales and distribution personnel, advertising costs, and amortization, depreciation, and impairment of intangible and tangible assets used in the sales and distribution process.

Administrative costs
Administrative costs include costs of staff functions, administrative personnel, office costs, rent, lease payments, amortization, depreciation, and impairment of intangible and tangible assets not relating specifically to cost of sales, research and development, and sales and distribution activities.

2.1 Segment information

Nilfisk reportable segments are based on a geographical split of our branded professional business.

Non-allocated within the branded business contains costs allocated to the branded business which cannot be directly attributed to the individual geographical segments. The costs cover shared distribution centers, shared marketing, IT, and research and development.

The Consumer business is reported separately.

The Private Label business area is reported under "Private Label & other" including the remaining other business areas and corporate costs that are not directly associated with any of the operating segments.

No single customer accounts for more than 10% of revenue.

Please see Management review for further information on revenue development in the reportable segments.

EUR million	Europe	Americas	APAC	Non-allocated	Total branded professional	Consumer	Private Label & other	Group
2022								
Revenue	481.0	372.2	86.8	-	940.0	72.7	56.8	1,069.5
Gross profit	213.5	136.6	35.6	-	385.7	24.5	11.8	422.0
EBITDA before special items	125.2	65.5	12.9	-56.0	147.6	5.1	-11.9	140.8
Reconciliation to profit before income taxes:								
Special items								-9.9
Amortization, depreciation, and impairment								-61.3
Share of profit from associates								2.0
Financial income								0.5
Financial expenses								-17.5
Profit before income taxes								**54.6**
Gross margin	44.4%	36.7%	41.0%	-	41.0%	33.7	20.8%	39.5%
EBITDA margin before special items	26.0%	17.6%	14.9%	-	15.7%	7.0%	-21.0%	13.2%
2021								
Revenue	466.0	296.3	79.2	-	841.5	86.0	67.4	994.9
Gross profit	210.5	115.6	32.6	-	358.7	29.2	14.8	402.7
EBITDA before special items	125.4	56.1	10.1	-49.3	142.3	9.4	-7.4	144.3
Reconciliation to profit before income taxes:								
Special items								-4.4
Amortization, depreciation, and impairment								-60.2
Share of profit from associates								0.6
Financial income								1.6
Financial expenses								-13.2
Profit before income taxes								**68.7**
Gross margin	45.2%	39.0%	41.2%	-	42.6%	34.0%	22.0%	40.5%
EBITDA margin before special items	26.9%	18.9%	12.8%	-	16.9%	10.9%	-11.0%	14.5%

2.2 Revenue

Geographical information

Nilfisk has sales companies represented in approximately 40 countries and reaches more than 100 countries through direct sales and dealers.

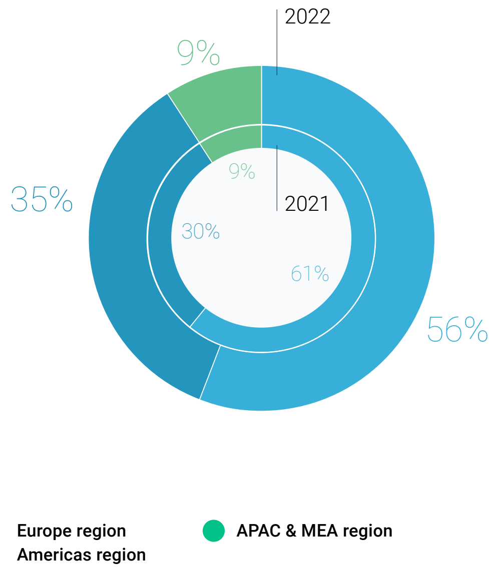
The table below shows a split of revenue based on the geographical regions in which the customers are located. Non-current assets are allocated based on the location of the assets. The corporate headquarters located in Denmark is included in the Europe region.

Revenue by country

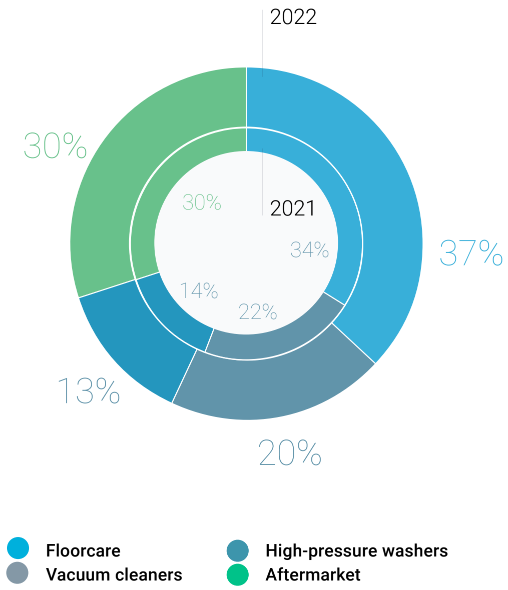
The table below shows a split of revenue based on the top 10 countries in which the customers are located.

EUR million	2022		2021	
USA	316.0	30%	253.4	25%
France	115.7	11%	113.0	11%
Germany	111.4	10%	115.9	12%
United Kingdom	48.5	5%	48.6	5%
Denmark	42.1	4%	44.8	5%
Sweden	35.9	3%	37.6	4%
Canada	35.8	3%	31.2	3%
Netherlands	28.0	3%	26.9	3%
Italy	27.5	3%	26.3	3%
Spain	24.0	2%	22.7	2%
Other	284.6	26%	274.5	27%
Total	**1,069.5**	**100%**	**994.9**	**100%**

Revenue by geography



Revenue by product line and service offering



Revenue and non-current assets by geography

EUR million	2022 Revenue	2022 Non-current assets[1]	2021 Revenue	2021 Non-current assets[1]
Europe region	592.7	282.6	602.8	276.0
Americas region	378.8	76.0	303.4	69.7
APAC & MEA region	98.0	35.7	88.7	38.2
Total	**1,069.5**	**394.3**	**994.9**	**383.9**

[1] *Non-current assets less deferred tax asset.*

Revenue by product line and service offering

EUR million	2022	2021	Organic growth
Floorcare	396.6	338.1	13.2%
Vacuum cleaners	214.3	217.9	-2.5%
High-pressure washers	139.0	144.4	-6.6%
Aftermarket	319.6	294.5	6.4%
Total	**1,069.5**	**994.9**	**4.9%**

2.2 Revenue – continued

Contract assets and liabilities

Generally, trade receivables are recognized at the same point in time as revenue recognition and invoicing. Payment terms vary within the different customer segments due to local and specific agreements but are generally due within 30 to 90 days. In some cases the Group receives upfront payments which results in contract liabilities. Nilfisk does not have contract assets.

The Group splits contract liabilities into either deferred revenue or prepayments from customers depending on the nature of the payment and activity. Prepayments from customers are primarily upfront payments for machines and services that have not yet been delivered. Deferred revenue covers unsatisfied performance obligations that have not yet been recognized as revenue. These are mostly services but can also be goods which have not yet been delivered or orders not yet fulfilled.

EUR million	December 31, 2022	December 31, 2021	December 31, 2020
Prepayments from customers	1.3	1.6	2.8
Deferred revenue (non-current)	2.8	2.0	1.1
Deferred revenue (current)	8.2	7.6	5.9
Total contract liabilities	**12.3**	**11.2**	**9.8**

Set out below is the amount of revenue recognized from:

EUR million	2022	2021
Amounts included in contract liabilities at the beginning of the year	9.2	8.7

§ Accounting policy

Revenue from sale of goods for resale, finished goods and service is recognized in the income statement when transfer of control of products or services to a customer has taken place. Sales are recognized when control of the goods has transferred, meaning when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from Aftermarket sales which include service packages relating to products and contracts as well as sale of parts, consumables, and accessories is recognized concurrently with the supply of those services. Depending on the type of contract, service revenue is recognized over time or at a point in time.

Some contracts include multiple deliverables, such as the sale of machines and related installation services. However, the installation is simple and does not include an integration service and could be performed by another party. Installation is not accounted for as a separate performance obligation.

Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Revenue is measured at the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognized in the revenue.

2.3 Research and development costs

Research and development costs specification

EUR million	2022	2021
Staff costs	19.9	17.7
Other costs	10.9	7.9
Total research and development spend	**30.8**	**25.6**
Recognized as follows:		
Expensed in the income statement	18.4	15.9
Capitalized	12.4	9.7
Total	**30.8**	**25.6**
R&D ratio (% of revenue)	2.9%	2.6%
Presented in the income statement:		
Expensed in the income statement, cf. above	18.4	15.9
Amortization, depreciation and impairment	12.8	13.2
Research and development costs excluding special items	**31.2**	**29.1**
Special items	0.2	-
Total research and development costs	**31.4**	**29.1**

The research and development spend increased by 5.2 mEUR in 2022 compared to the same period last year and total research and development spend as a percentage of revenue increased by 0.3 percentage point.

For further information see the research and development comments in the Management review.

2.4 Special items

EUR million	2022	2021
Business restructuring	5.9	5.1
Divestment	4.0	-0.7
Total	**9.9**	**4.4**

Special items recognized in 2022 were mainly legal, advisory, and redundancy costs incurred in regards to strategic projects related to Business Plan 2026. Further, Nilfisk has incurred costs and insurance income following the tornado impact on Nilfisk's US Distribution Center in Springdale, Arkansas at the end of Q1 2022. Divestment costs in 2022 were related to the ongoing liquidation of Nilfisk Russia.

Special items recognized in 2021 were redundancy costs in connection with changes in the Executive Management Board.

Special items are disclosed separately in the income statement and have been reconciled to the income statement line items as specified in the table to the right.

EUR million	2022	Special items	2022 adjusted	2021	Special items	2021 adjusted
Revenue	1,069.5	1.5	1,071.0	994.9	-	994.9
Cost of sales	-647.5	-1.9	-649.4	-592.2	-	-592.2
Gross profit	**422.0**	**-0.4**	**421.6**	**402.7**	**-**	**402.7**
Research and development costs	-31.2	-0.2	-31.4	-29.1	-	-29.1
Sales and distribution costs	-243.5	-1.0	-244.5	-227.6	-0.2	-227.8
Administrative costs	-70.1	-8.1	-78.2	-63.8	-4.3	-68.1
Other operating income/expenses, net	2.3	-0.4	1.9	1.9	0.1	2.0
Special items, net	-9.9	9.9	-	-4.4	4.4	-
Operating profit	**69.6**	**-0.2**	**69.4**	**79.7**	**-**	**79.7**
Share of profit from associates	2.0	-	2.0	0.6	-	0.6
Financial income/expenses, net	-17.0	0.1	-16.9	-11.6	-	-11.6
Profit before income taxes	**54.6**	**-0.1**	**54.5**	**68.7**	**-**	**68.7**
Tax on profit for the period	-14.0	0.1	-13.9	-17.7	-	-17.7
Profit for the period	**40.6**	**-**	**40.6**	**51.0**	**-**	**51.0**

Key accounting judgments

Identification and classification of income and expenses as special items is based on management's judgment of the individual income and expenses as being non-recurring by nature.

Accounting policy

Special items consist of non-recurring income and expenses that the Nilfisk Group does not consider to be a part of its ordinary operations such as restructuring projects and gains and losses on divestments, including impairment write-downs which are not presented as discontinued operations.

2.5 Amortization, depreciation, and impairment

This note shows the split of amortization, depreciation, and impairment for the Nilfisk Group in the income statement.

	Intangible assets		Property, plant and equipment		Total	
EUR million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Amortization and depreciation:						
Cost of sales	0.1	0.1	18.0	17.1	18.1	17.2
Research and development costs	10.3	11.1	0.6	0.6	10.9	11.7
Sales and distribution costs	3.1	3.1	10.1	9.9	13.2	13.0
Administrative costs	7.2	7.5	9.7	9.3	16.9	16.8
Special items	-	-	0.4	-	0.4	-
Total amortization and depreciation	**20.7**	**21.8**	**38.8**	**36.9**	**59.5**	**58.7**
Impairment:						
Cost of sales	-	-	0.3	-	0.3	-
Research and development costs	1.9	1.5	-	-	1.9	1.5
Special items	-	-	2.0	-	2.0	-
Total impairment	**1.9**	**1.5**	**2.3**	**-**	**4.2**	**1.5**
Total amortization, depreciation, and impairment	**22.6**	**23.3**	**41.1**	**36.9**	**63.7**	**60.2**

Amortization of acquisition-related intangibles was 3.1 mEUR in 2022 (2021 3.0 mEUR), hereof 0.1 mEUR included in cost of sales (2021: 0.1 mEUR) and 3.0 mEUR included in sales and distribution costs (2021: 2.9 mEUR).

2.6 Financial items

Specification of financial items

	Financial income		Financial expenses	
EUR million	**2022**	**2021**	**2022**	**2021**
Interest on financial assets (liabilities) measured at amortized costs	0.3	0.6	6.1	7.7
Foreign exchange losses	-	-	3.9	1.0
Interest, lease liabilities	-	-	1.9	1.4
Other financial items	0.2	1.0	5.6	3.1
Total	**0.5**	**1.6**	**17.5**	**13.2**

Financial items, net represented a cost of 17.0 mEUR in 2022 compared to a cost of 11.6 mEUR in 2021.

Financial income decreased by 1.1 mEUR, while financial expenses increased by 4.3 mEUR compared to 2021.

The increase in financial expenses was primarily driven by an increase in foreign exchange losses as well as costs related to the new loan facilities established in 2022.

§ Accounting policy

Financial income includes interest, dividends, gains on receivables and transactions denominated in foreign currencies, amortization of financial assets etc. Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial expenses include interest, losses on and impairment of securities, payables and transactions denominated in foreign currencies, amortization of financial liabilities, including lease commitments etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

2.7 Tax

Tax recognized in the income statement

EUR million	2022	2021
Tax for the year is specified as follows:		
Tax on profit for the year	14.0	17.7
Tax on other comprehensive income	1.6	1.7
Total tax for the year	**15.6**	**19.4**
Tax on profit for the year is specified as follows:		
Current tax on profit for the year	23.4	13.9
Deferred tax current year	-3.4	3.5
Prior year adjustment, current and deferred tax	-6.0	0.3
Total tax on profit for the year	**14.0**	**17.7**
Tax on other comprehensive income is specified as follows:		
Tax on value adjustment of hedging instruments	1.5	1.4
Tax on actuarial gains on defined benefit plans	0.1	0.3
Total tax on other comprehensive income	**1.6**	**1.7**

Tax rate

EUR million	2022		2021	
Reconciliation of the effective tax rate for the year:				
Calculated tax on profit before income taxes	12.0	22.0%	15.1	22.0%
Adjustment of calculated tax in foreign subsidiaries relative to 22%	-1.4	-2.6%	1.7	2.6%
Tax effect of:				
Non-deductible expenses/non-taxable income	2.4	4.4%	-0.2	-0.3%
Uncertain tax position	7.8	14.3%	-	-
Tax assets valuation allowances	-5.9	-10.8%	0.7	1.0%
Change in tax rate	0.5	0.9%	-	-
Non-recoverable withholding taxes	-0.1	-0.2%	-	-
Other taxes and adjustments	0.5	0.9%	0.1	0.1%
Prior year adjustment	-1.8	-3.3%	0.3	0.4%
Effective tax rate	**14.0**	**25.6%**	**17.7**	**25.8%**

The effective tax rate in 2022 of 25.6% was mainly impacted by a profitable year. A stable income distribution gives a effective tax rate closer to the expected weighted corporate tax income rate. The effective tax rate in 2021 of 25.8% was mainly impacted by a profitable year, moving the effective tax rate closer to the weighted corporate income tax rate compared to 2020.

Uncertain tax positions of 7.8 mEUR have been recognized in 2022, based on likelihood and impact. The uncertain tax positions includes considerations around when we have taken a position of uncertainty, created by complex legislation subject to interpretation, in the countries where we operate. In response to the tax risks connected to cross border activities we have made tax-related provisions in accordance with IAS 12, IAS 37 and relevant interpretations, such as IFRIC 23.

Nilfisk is engaged in dialogue with tax authorities in cases of varying scope. Appropriate provisions and recognition of uncertain tax positions has been made where the aggregated probability of the tax position being upheld is considered less than 50%.

Key accounting estimates

The Group recognizes deferred tax assets, including the expected value of tax losses carryforwards, based on an assessment of the recoverability of the deferred tax assets. The assessment of the recoverability of the deferred tax assets involve estimates by the Executive Management Board as to the likelihood of the realization of the deferred tax assets within a foreseeable future. This depends on a number of factors including whether there will be sufficient taxable profits available in future periods, against which the tax losses carryforwards can be utilized.

The Executive Management Board's assessment of the recoverability of the deferred tax assets is based on taxable income projections which contain estimates of and tax strategies for the future taxable income for the next 5 years, taking into account the general market conditions and the Nilfisk Group's future development outlook. The projections are based on the Group's budget and mid-term targets, and are inherently subject to uncertainty, as the realization of the projections are dependent on the outcome of future events.

In the event that actual future taxable profits generated are less than expected, and depending on the tax strategies that the Nilfisk Group may be able to implement, impairment of the deferred tax assets may be required.

It is the Executive Management Board's assessment that the budgets and mid-term targets are achievable and support the recognized deferred tax assets.

Nilfisk operates in a large number of tax jurisdictions where tax legislation is complex and subject to interpretation. Management makes judgments on uncertain tax positions to ensure recognition and measurement of tax assets and liabilities.

2.7 Tax – continued

Deferred tax assets and liabilities

EUR million	2022	2021
Specification of deferred tax assets and liabilities:		
Intangible assets	-15.0	-14.9
Property, plant, and equipment	-2.4	1.3
Other non-current assets	-0.3	-
Current assets	-1.1	4.9
Other non-current liabilities	4.0	6.5
Current liabilities	15.7	6.7
Tax base of tax loss carryforwards and credits	13.8	13.1
Valuation allowances	-1.4	-7.8
Deferred tax assets/liabilities	**13.3**	**9.8**

EUR million	2022	2021
Presentation of deferred tax:		
Deferred tax assets	20.6	15.7
Deferred tax liabilities	-7.3	-5.9
Deferred tax assets/liabilities	**13.3**	**9.8**

EUR million	2022	2021
Deferred tax assets, January 1	15.7	20.5
Deferred tax liabilities, January 1	-5.9	-6.9
Exchange rate adjustments	-0.1	0.4
Tax recognized in other comprehensive income	-1.6	-1.7
Deferred tax recognized in the income statement current and prior year	5.2	-2.5
Deferred tax, December 31	**13.3**	**9.8**

§ Accounting policy

Current tax payable and receivable is recognized in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on taxable income for prior years and for prepaid tax.

Tax for the year is comprised of current and deferred tax on profit for the year, including adjustments to previous years and changes due to change in tax rates. Tax for the year is recognized in the income statement, unless the tax expense relates directly to items included in other comprehensive income or equity.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognized with respect to temporary differences on initial recognition of goodwill and other items, apart from business combinations, where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry-forward, are recognized under Other non-current assets at their expected utilization value, either as set-off against tax on future income, or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the company has a legal right to offset current tax assets and tax liabilities and intends to settle current tax assets and tax liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealized intragroup profits and losses.

Deferred tax is measured according to the tax rules and the tax rates of the relevant countries at the reporting date and when the deferred tax is expected to materialize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement. Changes to deferred tax on items recognized in other comprehensive income are however recognized on other comprehensive income.

Section 3 Remuneration

This section relates to remuneration to the Board of Directors, Nilfisk Leadership Team, and employees, including long-term incentive programs

Key developments 2022

Staff costs increased by 7.5% to 283.2 mEUR and the average number of full-time equivalents increased by 1.6% corresponding to 76 employees, due to increased activity during the year.

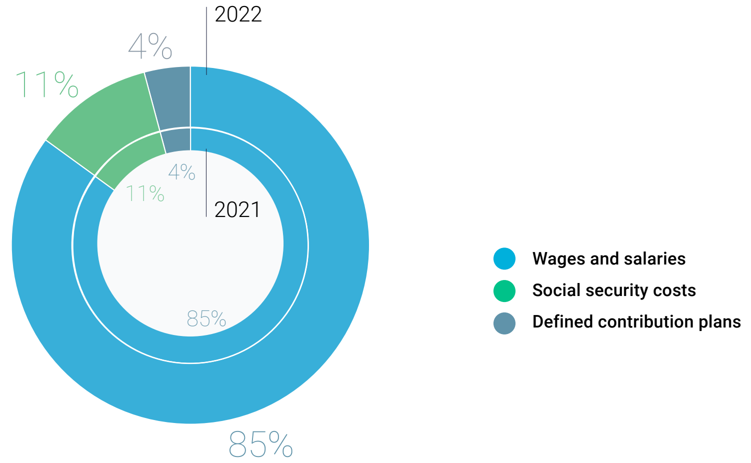
Remuneration policy

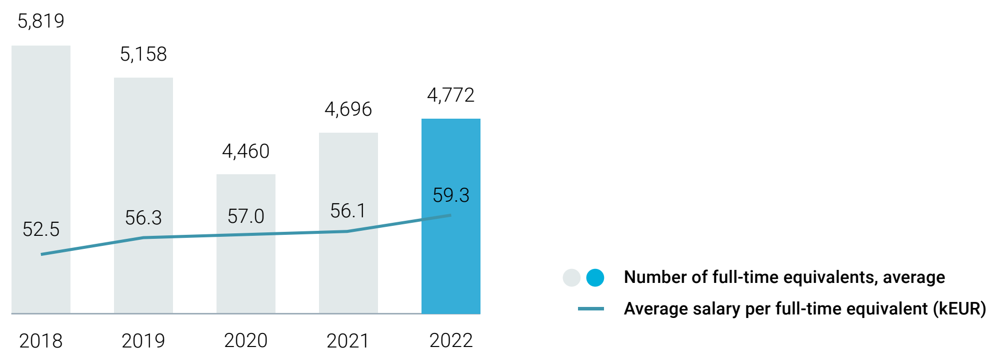
Nilfisk's remuneration policy contains guidelines for setting and approving the remuneration to the Board of Directors and the salaries of the Nilfisk Leadership Team.

The Board of Directors receive a fixed remuneration, while the members of the Nilfisk Leadership team receive a fixed salary base, including pension and other customary non-monetary benefits such as a company car. The remuneration further includes a short-term cash-based bonus program and a long-term incentive program. This structure ensures commonality of interest between Management and shareholders of Nilfisk and maintains Management's motivation to achieve both short- and long-term strategic goals.

More information on the compensation of the Board of Directors and the Nilfisk Leadership Team is available in our Remuneration Report available online at Nilfisk's **Investor Relations site**, where our Remuneration Policy is also located.

Staff costs





3.1 Staff costs

Staff costs specification

EUR million	2022	2021
Wages and salaries	239.8	223.2
Long-term incentive programs	0.2	0.8
Social security costs	31.4	28.2
Defined contribution plans	11.1	10.7
Defined benefit plans	0.7	0.5
Total	**283.2**	**263.4**
Number of full-time equivalents, average	4,772	4,696
Staff costs per full-time equivalents (EUR thousand)	59.3	56.1

§ **Accounting policy**

Staff costs is comprised of wages and salaries, remuneration, expenses under long-term incentive programs, pensions, etc.

3.2 Remuneration to the Board of Directors and the Nilfisk Leadership Team

Nilfisk Leadership Team

The remuneration to the Executive Management Board and the Nilfisk Leadership Team has decreased from 11.5 mEUR in 2021 to 7.6 mEUR in 2022, primarily due to the salary and redundancy costs to the former Executive Management Board in 2021.

Remuneration to the Nilfisk Leadership Team

EUR thousand	Executive Management Board	Nilfisk Leadership Team	Total
2022			
Salary and pension[1]	1,828.9	3,504.9	5,333.8
Annual bonus	1,001.8	456.5	1,458.3
Long-term incentive programs	362.8	123.0	485.8
Other benefits	144.6	190.6	335.2
Total	**3,338.1**	**4,275.0**	**7,613.1**
2021			
Salary and pension[2]	5,798.5	2,330.8	8,129.3
Annual bonus	1,324.9	848.1	2,173.0
Long-term incentive programs	576.5	341.4	917.9
Other benefits	174.3	117.6	291.9
Total	**7,874.2**	**3,637.9**	**11,512.1**

[1]Includes salary and redundancy costs for former Nilfisk Leadership Team members, partly included in special items
[2]Includes salary and redundancy costs for the former Executive Management Board, partly included in special items

Board of Directors

The remuneration to the board of directors covers 11 board members in 2022 (2021: 10 board members) whereof one member has waived the remuneration.

Remuneration to the Board of Directors

EUR thousand	2022	2021
Board of Directors	546.1	492.6
Audit Committee	28.5	26.8
Remuneration Committee	21.4	20.1
Nomination Committee	26.8	20.1
Total remuneration to the Board of Directors	**622.8**	**559.6**

3.3 Long-term incentive programs

The expense for all long-term incentive programs is calculated under the provision for share-based payments in accordance with IFRS 2.

In 2022, the remaining phantom share program was exercised. In 2021, the phantom share program was recognized under other liabilities with the amount of 0.6 mEUR.

The performance share program is recognized under equity with an amount of 2.4 mEUR (2021: 2.2 mEUR).

In 2022, the remaining program costs for good leavers from the 2019 program were reversed in accordance with IFRS 2. The 2020 program costs were adjusted based on the performance in the vesting period, and therefore came to 0 mEUR in 2022. Expenses for the 2021 and 2022 program came to 0.7 mEUR in 2022. Hence total costs for the performance share programs came to 0.2 mEUR in 2022 compared to 0.8 mEUR in 2021.

The table below shows the costs recognized for share-based payments in the income statement.

Phantom share program
In the period 2014 to 2016 a phantom share program granted a number of employees the right to a potential payment. For the purpose of calculating the outcome under the phantom share program, the participants were treated as if they earned phantom shares on a monthly basis in Nilfisk Holding A/S up to the relevant maximum number of phantom shares during the period beginning April 1 in the year the phantom shares were granted and the subsequent four years (the vesting period).

The participants were only entitled to the maximum number of phantom shares if they remained employed during the vesting period. Upon termination of the employment prior to the expiry of the vesting period, the number of phantom shares earned was calculated pro rata corresponding to the relevant part of the vesting period in which the participant was employed. The phantom shares could be exercised by the participants in May following the four-year vesting period or the subsequent two years in May. Remaining phantom shares were exercised in May 2022.

The value of the phantom shares is based on the market value of the Nilfisk Holding A/S shares traded on Nasdaq. When participants exercise phantom shares the value of the phantom shares are based on the average share price for the month prior to the exercise. In 2022, all remaining phantom shares were exercised, which leaves the total number of outstanding phantom shares on December 31, 2022 at 0. The development in outstanding phantom shares in 2022 and 2021 is reflected below.

The Black & Scholes model has been applied for calculation of the fair value of the phantom shares. The expected volatility is based on the historical share price volatility for the Nilfisk Holding share from the date of listing. It is expected that the phantom shares on average will be exercised between the vesting date and the expiry date.

Recognition of share-based payments

EUR million	2022[1]	2021
2019 performance share program	-0.5	-0.2
2020 performance share program	-	0.7
2021 performance share program	0.3	0.3
2022 performance share program	0.4	-
Total long-term incentive programs	**0.2**	**0.8**

[1]*Includes costs for long-term incentive program to former employees, partly included in special items*

Phantom shares

	Number of phantom shares		Avg. exercise price per phantom share (DKK)		Avg. exercise price per phantom share (EUR)	
	2022	2021	2022	2021	2022	2021
Outstanding, January 1	31,195	52,896	83	89	11	12
Exercised during the period	-31,195	-21,701	102	98	14	13
Outstanding, December 31	**-**	**31,195**	**-**	**83**	**-**	**11**
Weighted average share price at the exercise date during the period			102	189	14	25
Number of phantom shares fully vested at the balance sheet date					-	31,195
Weighted average remaining contractual life (months)					-	-

3.3 Long-term incentive programs – continued

Performance share program
In line with the remuneration policy approved by the Annual General Meeting in March 2022, the Nilfisk Leadership Team and selected key employees have been awarded performance shares with a three-year cliff vesting depending on performance measures on EBITDA and Total Shareholder Return (TSR).

In 2022, 28 employees were offered participation in the 2022 program with a total of 89,405 performance shares equal to 0.33% of the total number of shares in Nilfisk Holding A/S. The selected key employees outside the Nilfisk Leadership Team have been offered the opportunity to participate in return for a reduction in their annual bonus. Below is an overview of outstanding performance shares at December 31.

Outstanding performance shares

EUR million	2022	2021
2020 performance share program	128,277	133,924
2021 performance share program	77,143	87,020
2022 performance share program	83,677	-
Total outstanding performance shares	**289,097**	**220,944**

Upon exercise of the performance shares awarded, Nilfisk Holding A/S is entitled to settle in cash. As Nilfisk Holding A/S does not currently have an intention to settle the shares in cash upon exercise the program is accounted for as an equity-settled program.

The performance share program measures have been divided into three separate categories, where the third category is new for the 2022 performance share program:

1. EBITDA	EBITDA is defined as a non-market condition and is based on the company's expectations for future financial results.
2. TSR	TSR is defined as a market condition which is based on a Monte Carlo simulation to determine the expected increase in share price over the period. Since the TSR is defined as a market condition the valuation is fixed at grant date.
3. Sustainability (new)	Sustainability performance is based on Nilfisk performance in relation to CO_2 emissions from the use of sold products, according to category 11 of the Greenhouse Gas Protocol, corresponding to scope 3 targets. Actual performance is reported annually in the CSR report.

Performance shares

	Number of performance shares		Avg. exercise price per performance share (DKK)		Avg. exercise price per performance share (EUR)	
	2022	2021	2022	2021	2022	2021
Outstanding, January 1	220,944	191,714	150	171	20	23
Granted during the period	89,405	87,020	203	178	27	24
Forfeited during the period	-21,252	-57,790	170	-	23	-
Outstanding, December 31	**289,097**	**220,944**	**165**	**150**	**22**	**20**
Weighted average remaining contractual life (months)					10	17

Accounting policy

The Nilfisk Group's long-term incentive programs include a performance share program and a phantom share program for Nilfisk Leadership Team and selected key employees.

The performance share program is accounted for as an equity-settled share-based payment to employees and measured at the fair value of the option. The Total Shareholder Return (TSR vesting condition) is measured at grant date, whereas estimated EBITDA (vesting condition) will be updated based on the plans approved by the board.

The fair value is expensed on a straight-line basis over a period of three years. At the end of the period the participants will be awarded shares corresponding to the achieved targets.

The phantom share program is accounted for as cash-settled share-based payments. An expense and a liability are recognized for the service acquired on a straight-line basis over the vesting period for the individual portion of the program that vests in the specific month, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured with any changes in fair value recognized in the income statement for the year.

Please see Note 6.3 for hedge accounting policy.

Section 4 Capital employed

This section covers Nilfisk Group's investments in non-current assets that form the basis for the Group's operations, and non-current liabilities arising as a result thereof.

The non-current liabilities in this section are regarded as non-interest-bearing and are comprised of employee pension benefits and provisions. Interest-bearing receivables and liabilities are covered in Section 6.

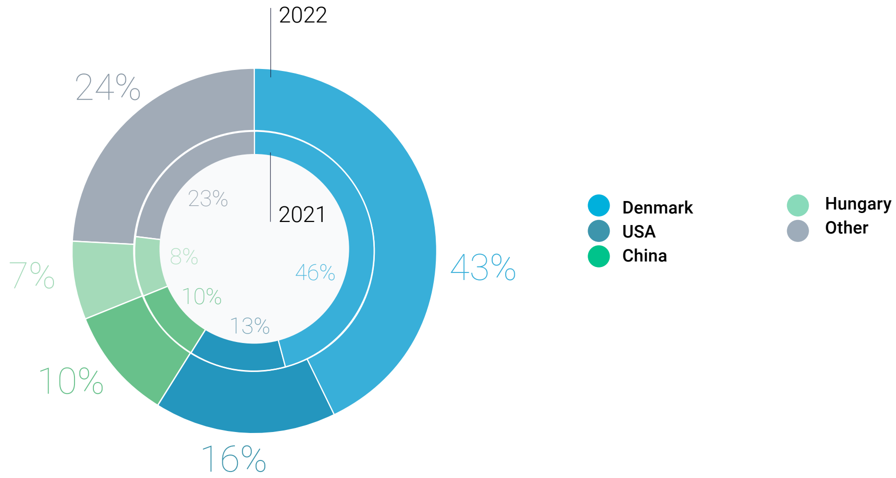
The Nilfisk Group mainly invests in production equipment to ensure satisfactory delivery flow to customers. Investments in intangible assets are driven by development projects focusing on renewing and optimizing the product portfolio and on software in relation to front-end applications and ERP systems.

Production sites in Nilfisk are mostly assembly lines and they are therefore not capital-intensive in terms of fixed assets.

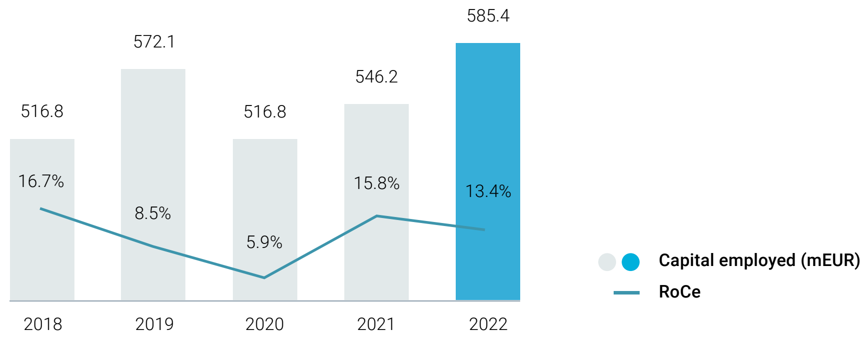
Key developments 2022
Capital employed increased by 39.2 mEUR compared to 2021. The development in capital employed was largely driven by an increase in working capital and non-current assets.

In 2022, Nilfisk's return on capital employed (RoCE) decreased by 2.4 percentage points to 13.4% from 15.8% in 2021. The decrease was mainly driven by the increase in average capital employed as mentioned above, which was further impacted by a lower operating profit before special items driven primarily by the lower gross margin and an unchanged overhead cost ratio.

Property, plant and equipment and intangible assets by country excluding goodwill



Capital employed and RoCe



4.1 Capital employed

EUR million	2022	2021
Intangible assets	244.3	249.5
Property, plant, and equipment	102.8	100.1
Investments in associates	33.2	29.0
Other investments and receivables	12.0	3.3
Deferred tax	13.3	9.8
Provisions	-17.9	-16.1
Pension liabilities	-4.4	-5.1
Working capital	202.1	175.7
Capital employed	**585.4**	**546.2**

4.2 Impairment test

§ Accounting policy

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment. Development and software projects in progress are also tested annually for impairment.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows (value in use) from the business or activity (cash-generating unit) to which goodwill is allocated.

Other non-current assets
The carrying amount of other non-current assets is reviewed annually for indication of impairment. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount is the fair value of the asset less anticipated costs of disposal, or its value in use, whichever is the higher. The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit of which the asset is part.

Impairment loss
Impairment is recognized if the carrying amount of an asset or a cash-generating unit exceeds the respective recoverable amount thereof. The impairment is recognized in the income statement under the functions it relates to. Gain or loss of divestment of businesses is recognized as special items.

Impairment of goodwill is not reversed. Impairment of other assets is reversed in the event of changes having taken place in the conditions and estimates on which the impairment calculation was based. Impairment is only reversed if the new carrying amount of the asset does not exceed the carrying amount that would have applied after amortization if the asset had not been impaired.

! Key accounting judgments

Allocation of goodwill on cash-generating units
Goodwill is allocated to the reportable segments.

The calculation of EBITDA for each cash-generating unit is based on certain judgment relating to allocation of future EBITDA which is allocated to the cash-generating units.

The carrying amount of goodwill per cash-generating unit as of December 31, is as follows:

EUR million	2022	2021
Europe	122.7	121.8
Americas	32.5	32.2
APAC	14.1	14.0
Consumer	1.1	1.1
Total	**170.4**	**169.1**

The change in the goodwill balances from January 1, 2022 to December 31, 2022 relates to exchange rate adjustments during the year.

4.2 Impairment test - continued

Key accounting estimates - continued

Impairment test on goodwill allocated to cash-generating units as of December 31, 2022
Impairment tests are performed for each cash-generating unit based (CGU) on budget for 2023 and forecasts for the period 2024-2027. The impairment tests performed for the CGUs show a comfortable headroom as of December 31, 2022. No indication of impairment exists in any of the CGUs.

Key assumptions applied
The future cash flow projections are based on Management's estimates of the Nilfisk Group's development in the next five years, which are based on key assumptions and considerations. The significant changes to the macroeconomic environment during 2022 are included in Management's estimates.

Macroeconomic environment factors
Russia's invasion of Ukraine has had significant economic implications throughout the world. In 2022, it was decided to cease our business in Russia, which represented around 1% of our revenue in 2021, and has therefore had no significant impact on the future cash flow projection.

The invasion contributed to accelerating cost inflation and raising interest rates, which deteriorated the overall geo-political and economic climate. In the future cash flow projection, we have assessed and considered the impact of inflation triggered increase in material costs and energy supply costs, both on short- and long-term. The negative impact from increasing material and supply costs is countered by disciplined pricing action strategy and projects within Business Plan 2026. Uncertainties related to supply chain challenges and availability of critical parts that could constrain our growth projection was implemented together with investment initiatives in enhancing supply chain robustness and building towards a reliable cost optimized supply, which is a key factor in supporting our long-term sustainable growth targets.

Increasing requirements for more sustainable production, leading to increased costs e.g., converting cost towards more a sustainable production and customers focusing more and more on having a reliable partner that can support them in their own sustainability journey was implemented in the cash flow projection, based on our strong sustainability strategy growth target for each CGU on both short- and long-term.

Climate-related uncertainties related to our business were also assessed in the cash flow projection period, both from a short- and long-term perspective. On short-term we have had considerations towards the Americas segment in the light of the internal challenges we experienced in 2022 caused by a tornado wiping out our US Distribution Center. Based on experience from this incident and the increasing climate changes, the long-term effect hereof was included in the projection of future growth on CGU level.

Revenue growth:
Projections in the forecasting period for the individual CGUs are estimated on the basis of expected market development including strategic initiatives, autonomous machines and the macroeconomic environment described above. Past experience is taken into consideration as well as the expected impact from growth initiatives.

Gross margin development:
When estimating the CGUs margin development in the forecasting period, past experience and the impact from expected efficiency improvements are taken into consideration. The expected impact of initiatives such as component standardization through value engineering and platforming, macroeconomic environment factors described above, and other initiatives is taken into consideration for the relevant CGUs.

Terminal growth:
The terminal growth rate does not exceed the expected long-term average growth rate including inflation for the segments and countries in which we operate. The applied terminal growth rate for all cash generating units was 1.0%, unchanged from 2021.

Discount rate:
A pre-tax discount rate of 7.5% and a post-tax discount rate of 7.3% compared to 8.1% and 7.9% respectively in 2021 has been applied in the performed impairment tests. The discount rate has been applied to all CGUs, assuming our targeted ratio between the market value of our debt and equity value. The increase in interest rates has not impacted the calculated discount rate significantly compared to 2021. The discount rate after tax decreased 0.6 percentage point compared to last year.

Net working capital:
The development is linked to the current level of net working capital, budgets, and revenue growth.

4.2 Impairment test - continued

Key accounting estimates - continued

Capital expenditure:
The development is linked to the budgets and expected future activity level, including only reinvestments.

Development projects
Development projects/products completed and development projects/products in progress includes capitalized development costs for projects that support Business Plan 2026 to become a global leading cleaning provider with focus on digitalization and development of new products within autonomous cleaning. The value of the development projects is dependent on a number of factors, including the timely and successful completion of in-progress development projects as well as the Group's ability to successfully commercialize completed development projects/products. Since the products are under development or in the early stages of the product life cycle, any assessment of market potential, product performance and viability, customer demand, potential impact from technological innovations and competitor actions, marketing and services cost, the ability to scale production and reduce production costs etc. is inherently subject to uncertainty. These uncertainties are assessed throughout the maturity of the projects and as such, the risk is reduced the closer the projects get to the completion stage. Where possible, the estimates are based on past experience, but are also dependent on the outcome of future events, which will be highly project dependent. It is Management's assessment that a significant market potential exists, and that the value-in-use of development projects completed and development projects in progress exceed the carrying amounts under the assumptions mentioned above.

Other non-current intangible assets, property, plant and equipment
Other non-current assets were also tested for impairment indications together with goodwill as of 31 December 2021. No indication of impairment was identified in connection with these tests.

Sensitivity

The Group has conducted an analysis of the sensitivity of the impairment test to determine the lowest forecast growth rates and/or highest discount rates (WACC) that can occur in the CGUs leading to any impairment loss. The sensitivity tests calculate the impact of higher interest rates and challenging macroeconomic situations. Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the related segments (CGUs).

4.3 Intangible assets

	2022							2021						
EUR million	**Goodwill**	**Trade-marks[1]**	**Customer related assets**	**Development projects completed**	**Software, Know-how, Patents and Competition Clauses**	**Development projects and software in progress**	**Total**	**Goodwill**	**Trade-marks[1]**	**Customer related assets**	**Development projects completed**	**Software, Know-how, Patents and Competition Clauses**	**Development projects and software in progress**	**Total**
Costs, January 1	169.1	24.1	31.1	159.0	95.1	20.1	498.5	166.0	23.0	29.2	146.5	94.2	23.2	482.1
Exchange rate adjustments	1.3	-	0.5	-0.1	0.7	-	2.4	3.1	1.1	1.9	0.5	1.7	0.1	8.4
Additions	-	-	-	1.7	0.7	13.5	15.9	-	-	-	1.3	0.8	9.6	11.7
Disposals	-	-	-	-	-0.3	-	-0.3	-	-	-	-	-1.8	-1.9	-3.7
Transferred between classes of assets	-	-	-	8.0	2.0	-10.0	-	-	-	-	10.7	0.2	-10.9	-
Costs, December 31	**170.4**	**24.1**	**31.6**	**168.6**	**98.2**	**23.6**	**516.5**	**169.1**	**24.1**	**31.1**	**159.0**	**95.1**	**20.1**	**498.5**
Amortization and impairment, January 1	-	-16.8	-25.9	-133.2	-71.6	-1.5	-249.0	-	-15.2	-23.1	-121.7	-63.6	-1.8	-225.4
Exchange rate adjustments	-	-	-0.3	0.1	-0.7	-	-0.9	-	-0.4	-1.1	-0.6	-1.8	-0.1	-4.0
Amortization for the year	-	-1.2	-1.6	-10.3	-7.6	-	-20.7	-	-1.2	-1.7	-10.9	-8.0	-	-21.8
Impairment	-	-	-	-0.3	-	-1.6	-1.9	-	-	-	-	-	-1.5	-1.5
Disposals	-	-	-	-	0.3	-	0.3	-	-	-	-	1.8	1.9	3.7
Amortization and impairment, December 31	**-**	**-18.0**	**-27.8**	**-143.7**	**-79.6**	**-3.1**	**-272.2**	**-**	**-16.8**	**-25.9**	**-133.2**	**-71.6**	**-1.5**	**-249.0**
Carrying amount, December 31	**170.4**	**6.1**	**3.8**	**24.9**	**18.6**	**20.5**	**244.3**	**169.1**	**7.3**	**5.2**	**25.8**	**23.5**	**18.6**	**249.5**
Investment ratio (% of amortizations)	-	-	-	94%	36%	-	125%	-	-	-	110%	13%	-	104%

[1]Trademarks with a carrying amount of 2.7 mEUR (2021: 2.7 mEUR) are not amortized, as they are regarded as having an indefinite useful life.

Impairment losses

In 2022, impairment losses of 1.9 mEUR were included in research and development costs. The impairment losses were related to a consumer product outphasing and an early-stage research and development project that was stopped.

In 2021, impairment losses of 1.5 mEUR were included in research and development costs. The impairment losses were a result of changed priorities in the R&D roadmap.

4.3 Intangible assets – continued

Accounting policy

Intangible assets are initially recognized in the statement of financial position at cost. Subsequently, intangible assets are measured at cost less accumulated impairment losses.

Goodwill
The carrying amount of goodwill is allocated to the Nilfisk Group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the managerial structure and internal financial control. As a result of the integration of acquisitions in the existing Nilfisk Group, and identification of operating segments based on the presence of segment managers, the Executive Management Board has assessed that the smallest cash-generating units to which the carrying amount of goodwill can be allocated during testing for impairment are the reportable segments. The reportable segments are comprised of the Nilfisk Group's operating segments without aggregation (Note 2.1 Segment information).

Development projects
Development projects are recognized as intangible assets when the projects are clearly defined and identifiable for which the technical feasibility, adequacy of resources and a potential future market or internal utilization can be demonstrated, and where it is intended to manufacture or utilize the asset. This assumes that the costs can be reliably determined, and that there is also adequate certainty that the future earnings or net selling prices can cover the carrying amount as well as the development costs necessary for finalizing the project.

Capitalized development projects are measured at cost less accumulated amortization and impairment losses. The costs include wages, amortization and other costs relating to the Nilfisk Group's development activities.

Development projects and software in progress
Internally generated intangible assets are recognized when the technical feasibility, adequacy of resources, and a potential market or internal utilization can be demonstrated, provided the costs can be reliably determined and it is probable that the project will generate future earnings.

Initial cost of the internal generated asset is the sum of expenditures incurred from the date when the asset first meets the recognition criteria. This includes all directly attributable cost necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. This includes cost of material and services and employee benefits.

Modularity
Modularity projects include a platform and connected products. When the platform is at a maturity that can commence the development of the products, the modularity platform is assessed to be financially completed and amortization will start. Any future cost related to the platform will be capitalized as part of the development cost for the products.

Modularity products share a common platform but are capitalized as separate assets when the criteria for recognition is met. The useful life of the assets is assessed separately. The platform is expected to have a useful life of 15 years and the useful life of the products will be within the range of 3-8 years, depending on the type of product.

Amortization
Intangible assets are amortized on a straight-line basis over the expected useful life which is:

Trademarks, etc.	Indefinite or 3-10 years
Customer related assets	3-15 years
Development projects	3-8 years
Development projects, platform – modularity	15 years
Software, know-how, patents and competition clauses	2-15 years

Intangible assets with an indefinite useful life are not amortized but are tested annually for impairment.

4.4 Property, plant, and equipment

	2022					2021				
EUR million	Land and buildings	Plant and machinery	Tools and equipment	Assets under construction incl. prepayment	Total	Land and buildings	Plant and machinery	Tools and equipment	Assets under construction incl. prepayment	Total
Costs, January 1	20.9	15.9	139.6	3.1	179.5	19.4	14.2	133.2	3.1	169.9
Exchange rate adjustments	-0.1	0.4	2.0	-0.1	2.2	1.5	0.7	3.9	-	6.1
Additions	-	0.1	7.9	8.8	16.8	-	0.1	6.5	5.1	11.7
Disposals	-2.4	-0.8	-10.0	-	-13.2	-	-0.3	-7.9	-	-8.2
Transferred between classes of assets	-	1.8	5.7	-7.5	-	-	1.2	3.9	-5.1	-
Costs, December 31	**18.4**	**17.4**	**145.2**	**4.3**	**185.3**	**20.9**	**15.9**	**139.6**	**3.1**	**179.5**
Depreciation and impairment, January 1	-12.6	-11.9	-111.1	-	-135.6	-11.5	-10.8	-103.8	-	-126.1
Exchange rate adjustments	0.1	-0.4	-1.5	-	-1.8	-0.7	-0.5	-3.0	-	-4.2
Depreciation for the year	-0.4	-1.0	-11.5	-	-12.9	-0.4	-0.9	-11.6	-	-12.9
Impairment	-	-	-0.3	-	-0.3	-	-	-	-	-
Disposals	1.4	0.8	8.5	-	10.7	-	0.3	7.3	-	7.6
Depreciation and impairment, December 31	**-11.5**	**-12.5**	**-115.9**	**-**	**-139.9**	**-12.6**	**-11.9**	**-111.1**	**-**	**-135.6**
Carrying amount, December 31	**6.9**	**4.9**	**29.3**	**4.3**	**45.4**	**8.3**	**4.0**	**28.5**	**3.1**	**43.9**
Investment ratio (% of depreciation)	-	190%	118%	-	188%	-	144%	90%	-	130%

Impairment losses

The impairment loss recognized in 2022 was related to a consumer product that was phased out.

In 2021, no impairment losses were recognized.

4.4 Property, plant, and equipment – continued

§ Accounting policy

Land and buildings, plant and machinery, tools and equipment, and other property, plant, and equipment is measured at cost less accumulated depreciation and impairment losses.

The costs are comprised of the purchase price and any costs directly attributable to the acquisition until the asset is ready for use. The costs of self-constructed assets are comprised of costs of materials, components, subcontractors, and wages. The costs are supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilized.

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant, and equipment, are recognized in the carrying amount of the asset if it is likely that the costs will result in future economic benefits for the Nilfisk Group. The carrying amount of the replaced parts is derecognized in the statement of financial position and recognized in the income statement. All other costs relating to ordinary repair and maintenance are recognized in the income statement as incurred.

If individual parts of an item of property, plant, and equipment have different useful lives, they are depreciated separately.

Property, plant, and equipment are depreciated on a straight-line basis over the expected useful lives which is:

Buildings	8-50 years
Plant and machinery	3-20 years
Tools and equipment	3-15 years
Land	not depreciated

The basis of depreciation is calculated according to the residual value less impairment losses. The residual value is determined at the acquisition date and reviewed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Property, plant, and equipment under construction and prepayments are measured at cost. When ready for use, the asset is transferred to the relevant category and depreciated.

4.5 Right-of-use assets

	2022				2021			
EUR million	**Land and buildings**	**Plant and machinery**	**Tools and equipment**	**Total**	**Land and buildings**	**Plant and machinery**	**Tools and equipment**	**Total**
Costs, January 1	81.3	4.7	33.0	119.0	76.7	3.5	30.2	110.4
Exchange rate adjustments	1.5	-	0.3	1.8	1.9	-	0.4	2.3
Additions	18.5	0.2	12.8	31.5	7.4	1.6	7.2	16.2
Disposals	-13.7	-0.1	-7.1	-20.9	-4.7	-0.4	-4.8	-9.9
Costs, December 31	**87.6**	**4.8**	**39.0**	**131.4**	**81.3**	**4.7**	**33.0**	**119.0**
Depreciation and impairment, January 1	-41.2	-2.5	-19.1	-62.8	-28.7	-1.9	-14.6	-45.2
Exchange rate adjustments	-0.3	-	-0.2	-0.5	-2.1	-	-0.7	-2.8
Depreciation for the year	-15.7	-1.0	-9.2	-25.9	-14.8	-0.9	-8.3	-24.0
Impairment	-2.0	-	-	-2.0	-	-	-	-
Disposals	10.4	0.2	6.6	17.2	4.4	0.3	4.5	9.2
Depreciation and impairment, December 31	**-48.8**	**-3.3**	**-21.9**	**-74.0**	**-41.2**	**-2.5**	**-19.1**	**-62.8**
Carrying amount, December 31	**38.8**	**1.5**	**17.1**	**57.4**	**40.1**	**2.2**	**13.9**	**56.2**

Impairment losses
In 2022, impairment losses of 2.0 mEUR were included in special items. The impairment losses were mainly related to damaged assets from the tornado that hit Nilfisk's US Distribution Center and the suspension of activities in Russia.

In 2021, no impairment losses were recognized.

Not recognized right-of-use assets and liabilities
The Group has signed lease contracts in which the assets were not available for use by the Group at year-end. The value of these right-of-use assets and corresponding liabilities are not included in the statement of financial position but will be included when the assets are available for use by the Group.

Total minimum payments for signed but not recognized contracts are 11.9 mEUR (2021: 5.2 mEUR)

Lease contracts recognized as overhead costs
Short-term and low value lease contracts are expensed directly as overhead costs. For 2022, the overhead costs amounted to 1.1 mEUR (2021: 0.7 mEUR).

The expected overhead costs relating to short-term and low value lease contracts are 1.2 mEUR for 2023.

Payments relating to lease arrangements
Total cash-out for right-of-use assets recognized in the statement of financial position in the year was 27.1 mEUR (2021: 25.8 mEUR). The amount is made up of repayment of lease liabilities of 25.2 mEUR (2021: 24.4 mEUR) and interest of 1.9 mEUR (2021: 1.4 mEUR).

See Note 6.1 for development of the lease liabilities.
See Note 6.3 for maturity analysis of the lease liabilities.

4.5 Right-of-use assets – continued

Key accounting estimates

The individual right-of-use assets and the corresponding liabilities are highly impacted by the estimated lease period and the discount rate, where the underlying contracts can be prolonged or terminated early. As of December 31, 2022 the estimated useful life can be summarized as follows:

Leased buildings: 1-10 years, with a remaining average of 2.3 years (2021: 1-9 years with average of 2.2 years)

Other leases: 1-6 years with a remaining average of 1.8 years (2021: 1-6 years with average of 1.7 years)

Average discount rate for active contracts as of December 31, 2022 was 4.0% (2021: 2.8%).

Accounting policy

Leases are recognized as right-of-use assets with the corresponding liability at the time the asset is available for use by the Group. Assets and liabilities arising from a lease are measured on a present value basis.

Lease liabilities are comprised of expected fixed payments throughout the expected lease period (including options to extend the lease when exercise is reasonably certain), less any lease incentives. The lease payments are discounted using the contract's internal discount rate or the Group's incremental borrowing rate.

The costs of right-of-use assets are comprised of the calculated lease liabilities, payments made prior to entering the lease, initial direct costs, and expected restoration costs.

Right-of-use assets and lease liabilities are re-measured when a factual or contractual change is executed or if a significant event or change affects the expected use of the assets. The impact is discounted to a present value basis.

Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses. When changing the value of right-of-use assets through remeasurement or when changing the depreciation period, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Right-of-use assets are depreciated on a straight-line basis of the expected length of the contract or the expected useful lives of the assets, whichever is the shorter.

Lease costs for low value assets and short-term leases are included as overhead costs throughout the period based on a straight-line basis.

4.6 Pension liabilities

Most employees in the Nilfisk Group are covered by pension plans, primarily in the form of defined contribution-based plans or alternatively by defined benefit plans.

The Nilfisk Group companies contribute to these plans either directly or by contributing to pension funds administered independently. The nature of such plans varies according to legislative and regulatory regimes, rules regarding tax, and the economic conditions in the countries in which the employees work. The contributions are usually based on employee salary and seniority. The liability relates to pensions for already retired staff as well as for employees retiring in the future.

The Nilfisk Group's defined benefit plans primarily relate to the UK, Germany, and Switzerland.

Key accounting estimates

The present value of defined benefit plans are based on actuarial assumptions. An increase/decrease in these assumptions may lead to an increase/decrease in the present value of the defined benefit plans.

Principal actuarial assumptions at the balance sheet date (as weighted average)	2022	2021
Discount rate	2.9%	0.6%
Future salary increases	2.2%	1.0%
Future pension increases	0.6%	0.4%

The anticipated duration of the plan liability, expressed as a weighted average, was 12.2 years at December 31, 2022 (2021: 14.0 years). The Nilfisk Group's expected contribution to defined benefit plans in 2022 amounts to 0.5 mEUR (2021: 0.4 mEUR)

Net liabilities recognized in the statement of financial position

	2022			2021		
EUR million	**Present value of obligations**	**Fair value of plan assets**	**Net obligation**	**Present value of obligations**	**Fair value of plan assets**	**Net obligation**
Obligations and assets, January 1	32.7	27.6	5.1	31.7	24.6	7.1
Recognized under staff costs in the income statement:						
Current service cost	0.7	-	0.7	0.5	-	0.5
Calculated interest expenses/income	0.4	0.4	-	0.3	0.3	-
Total	**1.1**	**0.4**	**0.7**	**0.8**	**0.3**	**0.5**
Recognized in other comprehensive income:						
Actuarial gains from changes in financial assumptions	-7.3	-	-7.3	-2.0	-	-2.0
Other return on plan assets	-	-6.5	6.5	-	-0.1	0.1
Total actuarial gains on defined benefit plans	**-7.3**	**-6.5**	**-0.8**	**-2.0**	**-0.1**	**-1.9**
Other changes:						
Contributions to plans	0.6	0.9	-0.3	0.1	0.8	-0.7
Benefits paid/received	-1.1	-0.6	-0.5	0.3	0.4	-0.1
Exchange rate adjustments	-0.5	-0.7	0.2	1.8	1.6	0.2
Total	**-1.0**	**-0.4**	**-0.6**	**2.2**	**2.8**	**-0.6**
Net recognized plan obligations and assets, December 31	**25.5**	**21.1**	**4.4**	**32.7**	**27.6**	**5.1**

EUR million	2022	2021
Plan assets recognized as follows:		
Securities with quoted market price	14.2	19.0
Cash	0.1	1.9
Other	6.8	6.7
Total	**21.1**	**27.6**

4.6 Pension liabilities – continued

Sensitivity

The table below shows the sensitivity of the pension liability to changes in the key assumptions

EUR million	2022	2021
0.5% point increase in the discount rate	-1.4	-2.5
0.5% point decrease in the discount rate	1.6	2.8
0.5% point increase in the future salary increases	0.3	0.3
0.5% point decrease in the future salary increases	-0.3	-0.2

Accounting policy

The Nilfisk Group has contracted pension plans and similar arrangements with the majority of its employees.

Liabilities with respect to defined contribution-based pension plans for which the Nilfisk Group makes fixed regular payments to independent pension companies are recognized in the income statement in the period to which they relate. Any contributions outstanding are recognized in the statement of financial position under other payables.

In the case of defined benefit plans, an annual actuarial calculation (the Projected Unit Credit Method) is made of the present value of future benefits payable under the plan. The present value is determined based on assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Nilfisk Group. The actuarial present value less the fair value of any plan assets is recognized in the statement of financial position under employee benefits.

Pension expenses for the year are recognized in the income statement based on actuarial estimates and financial expectations at the start of the year. The differences between calculated return and realized return on plan assets and liabilities are designated actuarial gains or losses and recognized in other comprehensive income.

If a pension plan constitutes a net asset, the asset is only recognized if it offsets cumulative actuarial losses or future refunds from the plan, or if it will lead to reduced future payments to the plan.

4.7 Provisions

Development in provisions

EUR million	Warranties	Other	Total
2022			
Provisions, January 1	11.5	4.6	16.1
Exchange rate adjustments	0.1	0.2	0.3
Provisions made during the year	8.9	3.8	12.7
Used during the year	-9.6	-1.1	-10.7
Reversed during the year	-0.4	-0.1	-0.5
Provisions, December 31	**10.5**	**7.4**	**17.9**
Provisions are presented as:			
Non-current liabilities	-	5.8	5.8
Current liabilities	10.5	1.6	12.1
Total	**10.5**	**7.4**	**17.9**
2021			
Provisions, January 1	12.7	6.7	19.4
Exchange rate adjustments	0.3	0.3	0.6
Provisions made during the year	9.0	1.6	10.6
Used during the year	-10.5	-4.0	-14.5
Provisions, December 31	**11.5**	**4.6**	**16.1**
Provisions are presented as:			
Non-current liabilities	-	2.3	2.3
Current liabilities	11.5	2.3	13.8
Total	**11.5**	**4.6**	**16.1**

Key accounting estimates

The amount recognized as a provision is the Executive Management Board's best estimate of the amount required to settle the obligation.

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted on products, based on past experience.

Accounting policy

Provisions are recognized when, as a result of events arising before or at the balance sheet date, the Nilfisk Group has a legal or a constructive obligation, and it is more likely than not that the settlement is expected to result in an outflow of resources.

When measuring provisions, the costs required to settle the obligation are discounted if this significantly affects the measurement of the liability. A pre-tax discount rate is applied that reflects the current market interest rate and the specific risks relating to the obligation. Changes in present values during the year are recognized under financial expenses.

Warranty commitments are recognized in step with sale of goods and services based on the level of warranty expenses incurred in previous years. Serial fault is included as a warranty provision. Serial faults only become a warranty at the time the items have left the factory and are up for sale. Until then, handling faults are part of the quality review and are recognized as such cost under cost of sales.

Provisions for restoring rented facilities when vacated are measured at the present value of the expected clearance and closure obligation at the balance sheet date. The provision is based on existing encumbrances and estimated costs discounted to present value. Specific risks considered to attach to the obligation are included in the estimated costs. A discount rate is applied that reflects the current market interest rate. The obligations are included as they occur and are continuously adjusted to reflect changed requirements and price levels, etc. The present value of the costs is included in the costs of the relevant tangible assets and depreciated accordingly. The increase in the present value over time is recognized in the income statement under financial expenses.

Other provisions include the restoration of rented facilities, provisions related to restructuring, legal cases, etc.

Section 5 Working capital

This section covers the Nilfisk Group's working capital.

The working capital represents the assets and liabilities necessary to support the day-to-day operations. Working capital is defined as current assets less current and other non-current liabilities, excluding interest-bearing items and provisions, but including derivatives.

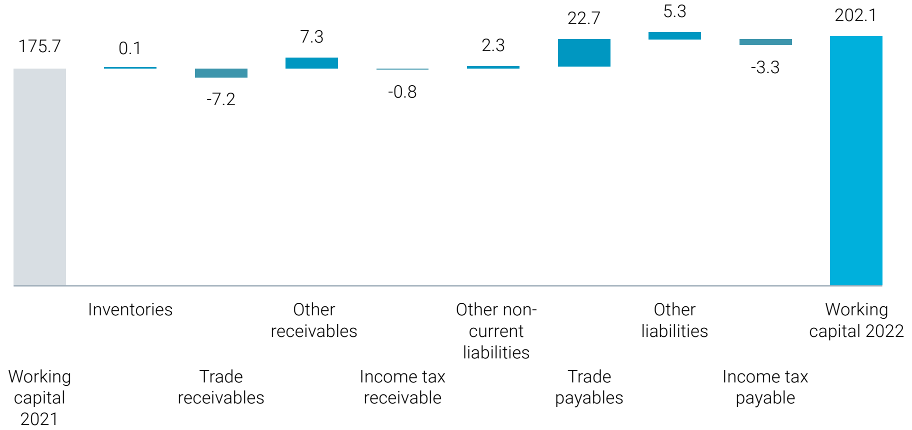
Key developments in 2022

Nilfisk began 2022 with its highest inventory level ever, so working capital and inventory management were a key focus during the year. Supply chain constraints and difficulties in sourcing of critical components challenged the inventory levels throughout the year, further impacted by cost inflation. With a focused effort, inventory levels remained unchanged compared to 2021 and ended at 220.2 mEUR.

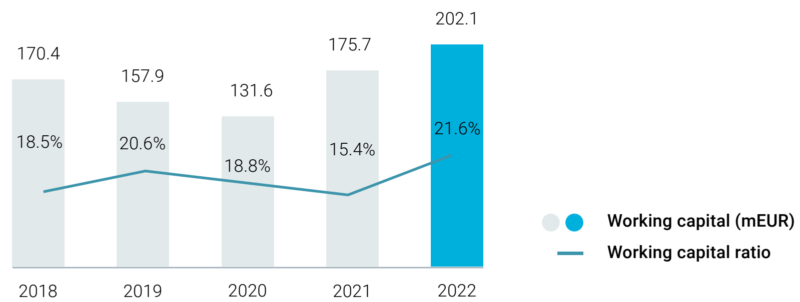
Trade receivables ended 7.2 mEUR below last year and amounted to 166.7 mEUR, also helped by the implementation of a non-recourse factoring program of 21.1 mEUR. Days sales outstanding were notably reduced compared to 2021.

Working capital increased by 26.4 mEUR ending at 202.1 mEUR with a working capital ratio at 21.6%. The increase in working capital was partly affected by one-offs on other receivables and liabilities but to a large extent also driven by the decrease in trade payables as a result of inventory management.

Working capital and working capital ratio



Working capital and working capital ratio



5.1 Working capital

The working capital bridge is split between cash flows and non-cash changes.

Cash flows

Cash flows in working capital reflect the working capital disclosed in the cash flow statement.

Non-cash changes

Exchange rate adjustments

Cash flow is calculated by applying, to the foreign currency amount, the average exchange rate between the functional currency of the Group and the foreign currency at the date of the cash flow. As the working capital in the statement of financial position is translated into the year-end exchanges rates, the working capital bridge will be impacted by an exchange rate adjustment.

Provision

Provision includes provision for expected credit loss and provision for inventory obsolescence.

Reclassifications

Reclassification comprises both reclassifications within working capital but also reclassification from different sections in the statement of financial position. The net movement of -6.1 mEUR (2021: -3.2 mEUR) includes mainly movement in prepaid tax and income tax payable and leasing assets.

Working capital bridge

	2021						2022				
			Non-cash changes					Non-cash changes			
EUR million	**January 1**	**Cash flows**	**Exchange rate adjustments**	**Provisions**	**Reclas-sifiations**	**December 31**	**Cash flows**	**Exchange rate adjustments**	**Provisions**	**Reclas-sifiations**	**December 31**
Inventories	149.3	69.4	5.6	0.9	-5.1	220.1	5.4	5.0	-0.2	-10.1	220.2
Trade receivables	154.2	18.0	1.9	0.4	-0.6	173.9	-9.0	0.5	-0.7	2.0	166.7
Other receivables	19.1	1.5	0.3	-	6.5	27.4	0.1	-	-	7.2	34.7
Income tax receivable	5.0	-	-	-	-0.4	4.6	-	-	-	-0.8	3.8
Other non-current liabilities	-1.3	-4.1	-0.1	-	0.1	-5.4	2.4	-0.1	-	-	-3.1
Trade payables	-99.9	-32.2	-3.4	-	-0.4	-135.9	22.7	-1.6	-	1.6	-113.2
Other liabilities	-93.6	-10.0	-0.9	-	3.0	-101.5	7.6	0.4	-	-2.7	-96.2
Income tax payable	-1.2	-		-	-6.3	-7.5	-	-	-	-3.3	-10.8
Working capital	**131.6**	**42.6**	**3.4**	**1.3**	**-3.2**	**175.7**	**29.2**	**4.2**	**-0.9**	**-6.1**	**202.1**
Working capital ratio (LTM)	18.8%					15.4%					21.6%

5.2 Inventories

Composition and drivers

The Nilfisk Group manufactures products and operates in different markets. The Group's operating model, with several assembly locations and a number of distribution hubs for finished products, leads to a relatively high level of inventory.

The Nilfisk Group's entities carry inventory to support their operations. Inventory days decreased from 144 to 142 by the end of December 2022.

Specification of inventories

EUR million	2022	2021
Raw materials, consumables, and goods for resale	76.9	73.9
Work in progress	1.7	0.4
Finished goods	141.6	145.8
Total	**220.2**	**220.1**

Movements in inventory write-down

EUR million	2022	2021
Write-down on inventories, January 1	9.8	11.0
Exchange rate adjustments	0.1	0.2
Write-down on inventories for the year	2.6	1.6
Reversal/disposal of write-downs	-2.4	-3.0
Write-down on inventories, December 31	**10.1**	**9.8**

Key accounting judgments

Allocation of production overheads, such as indirect materials, wages/salaries and maintenance and depreciation of production machinery, buildings and equipment, along with costs for production administration and management are based on relevant assumptions related to capacity utilization, production time and other relevant factors.

Key accounting estimates

Changes in assumptions may affect gross profit margins as well as the valuation of the inventories.

The write-down in inventories is based on the expected sales forecast and slow moving items.

Accounting policy

Inventories are measured at cost in accordance with the FIFO method. If the net realizable value is lower than cost, inventories are written down to this lower value.

Raw materials, consumables and goods for resale are measured at cost, comprised of purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, which includes the costs of raw materials, consumables, direct wages/ salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment, along with costs for production administration and management.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs incurred in effecting the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

5.3 Trade receivables

Trade receivables decreased by 7.2 mEUR amounting to 166.7 mEUR in 2022. The outstanding balances are being monitored closely with a continuing focus on collecting receivables. The days sales outstanding was 49.0 and decreased compared to the same period last year (2021: 53.8).

In autumn 2022, Nilfisk implemented a non-recourse factoring program for customers across certain markets. At December 31, 2022, non-recourse factoring amounted to 21.1 mEUR (2021 0.0 mEUR).

Specification of trade receivables

EUR million	2022	2021
Trade receivables, gross incl. VAT	173.6	179.9
Allowance for expected credit losses	-6.9	-6.0
Total	**166.7**	**173.9**

Movements in allowance for expected credit losses

EUR million	2022	2021
Allowance, January 1	6.0	6.1
Exchange rate adjustments	0.2	0.2
Allowance losses recognized	1.9	0.9
Reversal of allowance losses	-0.9	-1.0
Realized allowance losses	-0.3	-0.2
Allowance, December 31	**6.9**	**6.0**

The following table details the risk profile of trade receivables based on the Group's provision matrix. The Group's historical credit losses do not show different patterns for different customer segments.

Specification of expected credit losses

	2022			2021		
EUR million	Trade receivables	Lifetime expected credit losses	Expected weighted average credit loss rate	Trade receivables	Lifetime expected credit losses	Expected weighted average credit loss rate
Not past due	128.7	0.2	0.1%	147.2	0.3	0.2%
Overdue < 1 months	21.5	0.1	0.6%	16.0	0.1	0.7%
Overdue 1-2 months	8.2	0.2	2.8%	4.9	0.2	3.0%
Overdue 2-4 months	5.7	0.5	10.2%	3.7	0.2	5.8%
Overdue 4-12 months	4.8	1.8	42.2%	4.3	1.6	36.8%
Overdue > 12 months	4.7	4.1	98.2%	3.8	3.6	70.4%
Total	**173.6**	**6.9**		**179.9**	**6.0**	

§ Accounting policy

Receivables are recognized initially at their transaction price and subsequently measured at amortized cost, which usually corresponds to the nominal value less lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the market in which the debtor operates. The Group recognizes a loss allowance for expected credit losses and writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The amount of write-downs is recognized in the income statement under other operating expenses. Subsequent recoveries of amounts previously written down are credited against other operating expenses.

In certain markets, the Group has entered into factoring agreements on a non-recourse basis, which involves selling trade receivables to a factor. Trade receivables subject to factoring agreements are derecognized once the criteria for derecognition have been met and all substantial risk and rewards transferred.

Prepaid expenses are measured at cost.

Key accounting estimates

The allowance for expected credit losses for trade receivables is based on historical credit loss experience combined with forward-looking information on macroeconomic factors affecting the credit risk. The expected loss rates are updated at every reporting date.

Section 6 Capital structure

This section covers the Nilfisk Group's capital structure and financial risks.

The Group's objective is to have capital resources to meet operating needs as well as capital for potential acquisitions. To achieve and maintain an efficient capital structure, the Group's financial gearing target is to ensure that the net interest-bearing debt should be between 1.5 – 2.0 x EBITDA before special items.

During 2022 Nilfisk entered into a sustainability-linked credit facility with financing costs directly linked to progress on our sustainability targets toward 2030. This was an important milestone into our sustainability commitment in Business Plan 2026.

Total committed credit facilities available to Nilfisk are 400 mEUR (2021: 450 mEUR), provided by BNP Paribas, Danske Bank A/S, HSBC Continental Europe, Nordea Danmark, branch of Nordea Bank Abp, Finland and Unicredit Bank Austria AG. The long-term committed loans includes a financial covenant with reference to the ratio between net interest-bearing debt and EBITDA. The facilities are available for general funding purposes.

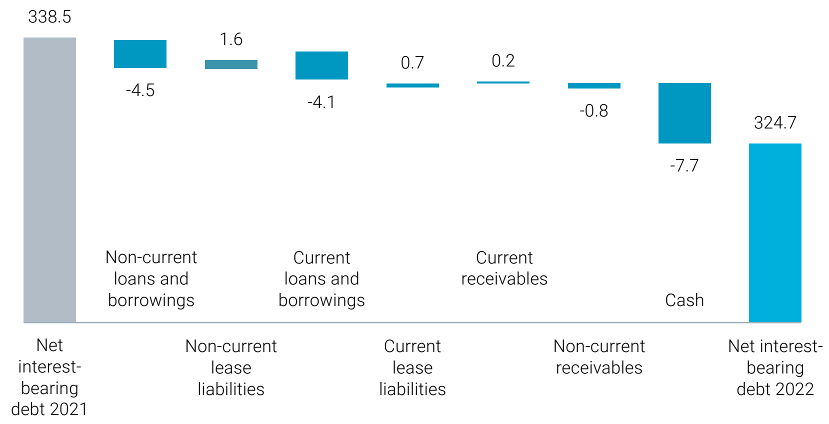
Key developments in 2022

Net interest-bearing debt at December 31, 2022 was 324.7 mEUR and hence decreased by 13.8 mEUR compared to December 31, 2021, supported by the solid operating profit and the non-recourse factoring program.

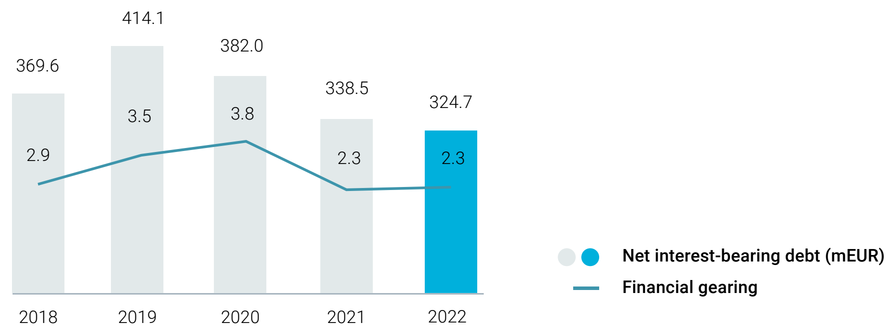
As of December 31, 2022 the net interest-bearing debt primarily consisted of short- and long-term credit facilities and cash and cash equivalents. The interest-bearing debt was denominated primarily in EUR.

The financial gearing at the end of the year was 2.3, unchanged from end of 2021.

Development interest-bearing debt
EUR million



Net interest-bearing debt and financial gearing



6.1 Net interest-bearing debt

Specification of net interest-bearing debt	2021					2022			
			Non-cash changes				Non-cash changes		
EUR million	January 1	Cash flows	Exchange rate adjustments	Leases	December 31	Cash flows	Exchange rate adjustments	Leases	December 31
Non-current interest-bearing loans and borrowings	227.3	69.1	-3.7	-	292.7	-4.9	0.4	-	288.2
Non-current lease liabilities	44.3	-	-0.2	-8.8	35.3	-	-0.2	1.8	36.9
Current interest-bearing loans and borrowings	105.2	-102.1	2.7	-	5.8	-4.1	-	-	1.7
Current lease liabilities	22.5	-24.4	-0.1	24.3	22.3	-25.2	-0.1	26.0	23.0
Interest-bearing liabilities	**399.3**	**-57.4**	**-1.3**	**15.5**	**356.1**	**-34.2**	**0.1**	**27.8**	**349.8**
Current interest-bearing receivables	-3.0	1.0	1.4	-	-0.6	0.1	0.1	-	-0.4
Interest-bearing receivables	**-3.0**	**1.0**	**1.4**	**-**	**-0.6**	**0.1**	**0.1**	**-**	**-0.4**
Net liabilities from financing activities	**396.3**	**-56.4**	**0.1**	**15.5**	**355.5**	**-34.1**	**0.2**	**27.8**	**349.4**
Non-current interest-bearing receivables	-1.2	-0.1	-0.7	-	-2.0	-	-	-	-2.0
Non-current interest-bearing receivables	**-1.2**	**-0.1**	**-0.7**	**-**	**-2.0**	**-**	**-**	**-**	**-2.0**
Net liabilities from investing activities	**-1.2**	**-0.1**	**-0.7**	**-**	**-2.0**	**-**	**-**	**-**	**-2.0**
Cash and cash equivalents	13.1	2.1	-0.2	-	15.0	8.1	-0.4	-	22.7
Net interest-bearing debt	**382.0**	**-58.6**	**-0.4**	**15.5**	**338.5**	**-42.2**	**0.6**	**27.8**	**324.7**

§ Accounting policy

Payables to credit institutions, etc. are recognized at the amount of proceeds received at the date of borrowing, net of transaction costs paid. In subsequent periods the financial liabilities are measured at amortized costs using 'the effective interest method', the difference between the proceeds and the nominal value therefore being recognized in the income statement under financial expenses over the term of the loan.

The carrying amount of payables to credit institutions and other payables corresponds in all material respects to fair value and nominal value.

6.2 Investments in associates

Associated companies include M2H S.A., CFM Lombardia S.r.l. and Thoro LLC.

The primary activity of M2H is sale of industrial equipment and associated services to cleaning companies. Since 2000, M2H have been the "Cleaning Division" of Nilfisk in France. Additional 5% of shares in M2H was acquired on July 10, 2022 resulting in an ownership of 49%.

The primary activity for CFM Lombardia is the design and sale of industrial vacuum cleaners for dusts, solids, and liquids in Italy. CFM Lombardia is a historical distributor for Nilfisk Italy and was created to promote Nilfisk IVS products (and Outdoor at the time) in the north of Italy.

Thoro is a joint venture with Carnegie Robotics LLC established in 2020. The primary activity of Thoro LLC is the development and sale of autonomous technology software and services.

Carrying amount of associated companies

EUR million	2022	2021
Carrying amount, January 1	29.0	29.3
Exchange rate adjustments	1.0	0.4
Share of profit recognized in the income statement	2.0	0.6
Additions	2.5	-
Dividends	-1.3	-1.3
Carrying amount, December 31	**33.2**	**29.0**

Details of associated companies

	2022				2021			
	M2H	CFM Lombardia	Thoro	Total	M2H	CFM Lombardia	Thoro	Total
EUR million	France	Italy	US		France	Italy	US	
Revenue	85.1	2.5	1.8	89.4	68.7	1.6	0.1	70.4
Profit (loss) after tax	10.0	0.1	-5.2	4.9	6.4	-	-4.4	2.0
								-
Non-current assets	17.6	0.1	7.9	25.6	12.6	0.1	10.9	23.6
Current assets	66.4	1.8	-	68.2	62.7	1.2	-	63.9
Total assets	84.0	1.9	7.9	93.8	75.3	1.3	10.9	87.5
Equity	61.1	0.4	7.9	69.4	51.3	0.4	10.9	62.6
Non-current liabilities	12.5	0.2	-	12.7	15.1	0.2	-	15.3
Current liabilities	10.4	1.3	-	11.7	8.9	0.7	-	9.6
Equity and liabilities	84.0	1.9	7.9	93.8	75.3	1.3	10.9	87.5
Ownership in %	49%	33%	50%	-	44%	33%	50%	-
Share of profit after tax	4.6	-	-2.6	2.0	2.8	-	-2.2	0.6
Share of equity	28.2	0.1	4.0	32.3	22.5	0.1	5.5	28.1
Goodwill recognized	0.9	-	-	0.9	0.9	-	-	0.9
Carrying amount	**29.1**	**0.1**	**4.0**	**33.2**	**23.4**	**0.1**	**5.5**	**29.0**
Goods sold to associated companies	26.5	1.0	-	27.5	27.4	1.1	-	28.5
Goods purchased from associated companies	-	-	1.4	1.4	-	-	0.1	0.1
Dividends received from associated companies	1.3	-	-	1.3	1.3	-	-	1.3
Receivables from associated companies	9.1	0.6	-	9.7	7.4	0.6	-	8.0

§ **Accounting policy**

An associated company is an entity in which the Nilfisk Group has significant influence, but not control, which in general will be when holding 20% to 50% of the voting rights. Such investments are accounted for using the equity method of accounting. The investment is adjusted by the Nilfisk Group's share of the results after tax of the associated company. The Nilfisk Group's share of the results is recognized in a separate line in the income statement. The share of results will be recognized based on the associated company's full-year outlook, with adjustment for the actual full-year result in the following year.

6.3 Financial risks and financial instruments

Risk management policy

The Nilfisk Group is exposed to and manages different financial risks through its operations, investments, and financing activities. As a matter of policy, the Nilfisk Group does not actively speculate in financial risks.

The overall objectives and policies for the Nilfisk Group's financial risk management are outlined in an internal Treasury Policy, which is approved by the Board of Directors. The general principle is that only financial risk exceeding a defined risk threshold is hedged. The risk thresholds are defined to provide the Nilfisk Group with sufficient risk protection while taking hedging costs into consideration.

The Nilfisk Group uses financial instruments to hedge exposures relating to currency, interest rate and remuneration risks.

The financial risks are divided into:

- Interest rate risks
- Remuneration risks
- Credit risks
- Liquidity risks
- Currency risks

Interest rate risks

Interest rate risks refer to the influence of changes in market interest rates on future cash flows concerning the Nilfisk Group's net interest-bearing debt.

Nilfisk Group has entered into interest rate cap agreements and is hedging 43% of gross debt at December 31, 2022 compared to 42% in 2021.

Interest caps

Effective date	Maturity date	Notional value (mEUR)	Cap strike	Carrying amount (mEUR)
2022				
June 30, 2021	June 30, 2023	150	0.50% p.a.	1.6
June 30, 2023	June 30, 2025	150	0.00% p.a.	9.1
Total				**10.7**
2021				
June 30, 2021	June 30, 2023	150	0.50% p.a.	-
June 30, 2023	June 30, 2025	150	0.00% p.a.	0.6
Total				**0.6**

Sensitivity

The table below shows the sensitivity of profit before tax and other comprehensive income to changes in the market interest rate for Nilfisk's Group's interest-bearing liabilities.

EUR million	Change recognized in OCI	Change recognized in P&L
1%-point decrease	-2.7	1.7
2%-points decrease	-5.3	3.5
3%-points decrease	-7.4	5.2
1%-point increase	2.6	-1.7
2%-points increase	5.2	-3.5
3%-points increase	7.7	-5.2

Remuneration risks

Nilfisk has an exposure on its share-based incentive schemes (LTI programs) – cash-settled phantom share programs and equity-settled performance share programs. The exposure is the development in the price of the Nilfisk share that impacts the costs of the cash-settled scheme and liquidity required to settle the equity-settled schemes by own shares.

To mitigate the risk, Nilfisk has entered into a Total Return Swap (TRS). For 2022, the interest expense amounted to 0.0 mEUR (2021: 0.1 mEUR). Nilfisk is obligated to exercise all shares within the TRS at the date of expiration. Dividends from the shares are fully compensated to Nilfisk.

Total Return Swap

Shares	Maturity date	Strike price (DKK)	Notional value (mDKK)	Interest rate	Carrying amount (mEUR)
2022					
219,037	March 2, 2023	136.85	30.0	4.65%	0.3
Total					**0.3**
2021					
177,500	March 2, 2022	229.42	40.7	2.45%	-0.4
Total					**-0.4**

6.3 Financial risks and financial instruments – continued

Credit risks

The Nilfisk Group's credit risks relate partly to receivables and cash and cash equivalents, and partly to derivative financial instruments with positive fair values. The maximum credit risk attached to financial assets corresponds to the values recognized in the statement of financial position.

The Nilfisk Group has no material risks relating to a single customer or partner. The Nilfisk Group's policy for acceptance of credit risks entails ongoing credit rating of important customers and other partners.

Nilfisk has chosen to sell some of its trade receivables in selected European markets in non-recourse factoring agreements to expedite cash collection from groups of customers. Nilfisk does not carry any credit risk on these customers.

Insurance cover and similar measures to hedge receivables are rarely applied as this is not deemed necessary.

Liquidity risks

It is the Nilfisk Group's policy to maintain adequate cash resources for implementing planned operating activities and to be able to operate effectively in the event of unforeseen fluctuations in liquidity. The Nilfisk Group's cash resources consist of cash, cash equivalents and undrawn credit facilities.

The below items do not include interest. The forward contracts are recognized at fair value and the discount element is considered insignificant due to short maturity.

Payables to credit institutions are consequently recognized in the statement of financial position at the amounts stated in the table below.

Maturity of the Nilfisk Group's liabilities

EUR million	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
2022							
Forward contracts	3.4	-	-	-	-	-	3.4
Interest-bearing loans and borrowings	1.7	23.6	259.2	0.4	0.4	4.6	289.9
Lease liabilities	23.0	13.8	12.5	4.4	1.1	5.1	59.9
Trade payables	113.2	-	-	-	-	-	113.2
Other financial liabilities	92.8	1.9	0.8	0.3	0.1	-	95.9
Total	**234.1**	**39.3**	**272.5**	**5.1**	**1.6**	**9.7**	**562.3**
2021							
Forward contracts	2.0	-	-	-	-	-	2.0
Interest-bearing loans and borrowings	5.8	0.1	287.3	0.3	0.4	4.6	298.5
Lease liabilities	22.3	14.8	10.8	6.3	2.5	0.9	57.6
Trade payables	135.9	-	-	-	-	-	135.9
Other financial liabilities	99.5	4.8	0.6	-	-	-	104.9
Total	**265.5**	**19.7**	**298.7**	**6.6**	**2.9**	**5.5**	**598.9**

6.3 Financial risks and financial instruments – continued

Currency risks
With sales to more than 100 countries, the Nilfisk Group is exposed to currency risks that could have considerable impact on the income statement and statement of financial position.

Currency risks refer to the risks of losses (or opportunities for gains) resulting from changes in currency rates. Currency risks arise through transactions, financial assets, and liabilities denominated in currencies other than the functional currency of the individual Group businesses.

Translation risks relating to net investments in subsidiaries
As a basic principle, the hedging of currency risks is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to unhedged net assets in foreign subsidiaries are accounted for directly in other comprehensive income. Currency risks relating to other investments in foreign entities are not deemed significant.

Sensitivity

The table below shows the sensitivity of the Nilfisk Group's equity, if the exchange rate decreased by 10% for the most significant investments, excluding EUR/DKK.

EUR million	2022	2021
USD	-13.5	-11.8
CNY	-4.1	-4.0
GBP	-2.4	-2.4

Net financing
Significant currency risks relating to receivables and payables that influence the Nilfisk Group's net income are hedged. Balances with credit institutions are denominated in the functional currency of the businesses concerned.

Future cash flows
The Nilfisk Group's principal currency exposure relates to sales and purchases in currencies other than the functional currency of the individual Nilfisk Group businesses. Hedging of these currency risks is based on assessments of the likelihood of the future transaction being performed and whether the associated currency risk is significant.

Expected cash flows with significant currency risk are hedged on a 14 month rolling basis. The fair value of the effective part of the hedge is recognized in other comprehensive income on a continuous basis.

The table to the right shows net outstanding forward exchange hedging contracts at December 31 for the Nilfisk Group which are used for and fulfill the conditions for hedge accounting of future transactions. Forward exchange contracts relate to hedging of product sales/purchase.

Outstanding FX hedging contracts

	2022		2021	
EUR million	Notional value[1]	Recognized in OCI	Notional value[1]	Recognized in OCI
AUD/DKK	-4.7	-	-	-
CNH/DKK[2]	68.3	-0.5	75.9	4.3
GBP/DKK	-25.3	0.6	-18.2	-0.4
HUF/DKK	13.6	-0.1	-	-
NOK/DKK	-8.0	0.1	-7.2	-0.1
SEK/DKK	-9.2	0.4	-4.7	-
SGD/DKK	-9.6	-0.2	-	-
TRY/DKK	-7.4	-0.2	-2.1	0.5
USD/DKK	-19.5	0.5	-	-
CAD/USD	-15.4	0.6	-13.3	0.2
Total	**-17.2**	**1.2**	**30.4**	**4.5**

[1] Forward exchange contracts with positive notional values are purchases of the relevant currency; negative notional values are sales.
[2] The Chinese yuan traded offshore (CNH) is used as a proxy when hedging the CNY currency exposure for the Group.

6.3 Financial risks and financial instruments – continued

The following table details the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items.

Foreign currency forward contract assets are presented as "Other receivables" in the statement of financial position and foreign currency forward contract liabilities are presented in "Other liabilities" in the statement of financial position.

During the year, no ineffectiveness on hedge contracts has been recognized, and the change in value used for the calculated ineffectiveness is therefore equal to carrying amount.

Cash flow hedges

		2022				2021			
		Average exchange rate	Notional value: Foreign currency (tFCY)	Notional value: Local currency (tLCY)	Carrying amount of cash flow hedges, net EUR thousand	Average exchange rate	Notional value: Foreign currency (tFCY)	Notional value: Local currency (tLCY)	Carrying amount of hedges, net EUR thousand
Sell AUD	0-6 months	4.7329 AUD/DKK	-4,499 CNH	-21,293 DKK	-8.0	-	-	-	-
	7-14 months	4.7324 AUD/DKK	-2,909 CNH	-13,764 DKK	-14.5	-	-	-	-
Buy CNH	0-6 months	1.0554 CNH/DKK	271,290 CNH	286,315 DKK	-231.3	0.9799 CNH/DKK	338,930 CNH	332,127 DKK	3,130.4
	7-14 months	1.0364 CNH/DKK	230,985 CNH	239,403 DKK	-226.6	1.0048 CNH/DKK	209,041 CNH	210,045 DKK	1,124.2
Sell GBP	0-6 months	8.7517 GBP/DKK	-13,886 GBP	-121,529 DKK	471.5	8.6238 GBP/DKK	-8,745 GBP	-75,415 DKK	-317.8
	7-14 months	8.5555 GBP/DKK	-8,552 GBP	-73,169 DKK	78.9	8.7718 GBP/DKK	-6,574 GBP	-57,666 DKK	-108.0
Sell HUF	0-6 months	0.0186 HUF/DKK	2,925,473 NOK	54,409 DKK	-35.8	-	-	-	-
	7-14 months	0.0186 HUF/DKK	2,514,432 NOK	46,823 DKK	-30.0	-	-	-	-
Sell NOK	0-6 months	0.7391 NOK/DKK	-47,272 NOK	-34,938 DKK	134.3	0.7270 NOK/DKK	-41,287 NOK	-30,017 DKK	-110.9
	7-14 months	0.7194 NOK/DKK	-36,849 NOK	-26,510 DKK	7.0	0.7442 NOK/DKK	-30,909 NOK	-23,002 DKK	-15.8
Sell SEK	0-6 months	0.7102 SEK/DKK	-70,119 SEK	-49,797 DKK	318.7	0.7304 SEK/DKK	-41,068 SEK	-29,998 DKK	7.0
	7-14 months	0.6918 SEK/DKK	-32,405 SEK	-22,417 DKK	55.4	0.7294 SEK/DKK	-6,601 SEK	-4,815 DKK	0.7
Sell SGD	0-6 months	5.1809 SGD/DKK	-7,032 SEK	-36,432 DKK	-59.8	-	-	-	-
	7-14 months	5.1794 SGD/DKK	-6,725 SEK	-34,829 DKK	-103.2	-	-	-	-
Sell TRY	0-6 months	0.4133 TRY/DKK	-81,599 TRY	-33,724 DKK	-110.6	0.7239 TRY/DKK	-17,300 TRY	-12,524 DKK	390.5
	7-14 months	0.3906 TRY/DKK	-66,956 TRY	-26,155 DKK	-134.4	0.6480 TRY/DKK	-13,400 TRY	-8,683 DKK	143.8
Sell USD	0-6 months	7.079 USD/DKK	-10,644 USD	-75,351 DKK	-10.2	-	-	-	-
	7-14 months	7.500 USD/DKK	-10,155 USD	-76,168 DKK	547.7	-	-	-	-
Sell CAD	0-6 months	0.7753 CAD/USD	-13,274 CAD	-10,291 USD	428.6	0.7975 CAD/USD	-10,595 CAD	-8,449 USD	118.8
	7-14 months	0.7609 CAD/USD	-8,992 CAD	-6,842 USD	153.4	0.7952 CAD/USD	-8,734 CAD	-6,945 USD	96.1
Total					**1,231.1**				**4,459.0**

6.3 Financial risks and financial instruments – continued

The following table details the effectiveness of the hedging relationships and value adjustments reclassified from hedging reserve to the income statement:

Hedging reserve

	2022				2021			
EUR million	**Currency risk**	**Interest rate risk**	**Remuneration risk**	**Total**	**Currency risk**	**Interest rate risk**	**Remuneration risk**	**Total**
Hedging reserve, January 1	3.5	0.5	-	4.0	-0.8	-0.2	0.1	-0.9
Value adjustment for the year	2.3	10.0	-	12.3	4.8	0.9	-0.1	5.6
Value adjustment reclassified to cost of sales	-5.0	-	-	-5.0	0.7	-	-	0.7
Value adjustment reclassified to inventory	-0.5	-	-	-0.5	-	-	-	-
Tax on value adjustment of hedging instruments	0.7	-2.2	-	-1.5	-1.2	-0.2	-	-1.4
Hedging reserve, December 31	**1.0**	**8.3**	**-**	**9.3**	**3.5**	**0.5**	**-**	**4.0**

Sensitivity

The sensitivity analysis demonstrates currency rate changes equal to the individual currency's historic volatility, with all other variables held constant. The impact on the income statement is due to changes in the fair value of monetary assets and liabilities including fair value hedges. The impact on other comprehensive income is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Group's exposure to foreign currency changes for all other currencies is not material. The analysis shows that for instance a 6% increase in the CNH/DKK rate will impact other comprehensive income by 4.3 mEUR.

	2022			2021		
EUR million	**Historic volatility**	**Change recognized in OCI**	**Change recognized in P&L**	**Historic volatility**	**Change recognized in OCI**	**Change recognized in P&L**
AUD/DKK[1]	8%	-0.4	-	-	-	-
CNH/DKK	6%	4.3	-	4%	3.3	-0.6
GBP/DKK	7%	-1.8	-	6%	-1.1	0.1
HUF/DKK[1]	15%	2.0	-0.2	-	-	-
NOK/DKK	10%	-0.8	-	9%	-0.7	-
SEK/DKK	7%	-0.7	-0.1	6%	-0.3	0.1
SGD/DKK[1]	6%	-0.5	-0.1	-	-	-
TRY/DKK	27%	-2.0	-	40%	-0.8	0.1
USD/DKK[1]	7%	-1.3	0.6	-	-	-
CAD/USD	8%	-1.5	-	7%	-1.2	-

[1] Currencies were not hedged in 2021, and therefore sensitivity analysis for these currencies have not been prepared for 2021.

6.3 Financial risks and financial instruments – continued

Fair values

Financial instruments measured at fair value in the statement of financial position are designated as belonging to one of the following three categories (the 'fair value hierarchy'):

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Input, other than listed prices on Level 1, which is observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

Level 3: Input for the asset or liability which is not based on observable market data (non-observable input)

Financial instruments measured at fair value consist of derivative financial instruments. The fair value of the Nilfisk Group's forward transactions is measured in accordance with Level 2 as the fair value is based on official exchange rates and forward rates at the balance sheet date. The fair value of the TRS is measured in accordance with Level 2 as the fair value is based on inputs of which most are observable including the share price of Nilfisk. There are no financial instruments measured at Level 1 and 3.

Financial assets and liabilities by category

EUR million	2022	2021
Financial assets:		
Trade receivables	166.7	173.9
Interest-bearing receivables	0.4	0.6
Other financial receivables	19.3	19.4
Financial assets at amortized cost	**186.4**	**193.9**
Derivative financial instruments	14.2	5.8
Fair value through other comprehensive income	**14.2**	**5.8**
Derivative financial instruments	1.2	2.2
Fair value through profit and loss	**1.2**	**2.2**
Total	**201.8**	**201.9**
Financial liabilities:		
Interest-bearing loans and borrowings	289.9	298.5
Trade payables	113.2	135.9
Lease liabilities	59.9	57.6
Other financial liabilities	95.9	104.9
Financial liabilities at amortized cost	**558.9**	**596.9**
Derivative financial instruments	2.3	0.7
Fair value through other comprehensive income	**2.3**	**0.7**
Derivative financial instruments	1.1	1.3
Fair value through profit and loss	**1.1**	**1.3**
Total	**562.3**	**598.9**
Financial instruments, net	**12.0**	**6.0**

6.3 Financial risks and financial instruments – continued

Accounting policy

Derivative financial instruments
Derivative financial instruments are recognized from the trade date and measured in the statement of financial position at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and liabilities, respectively. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Fair value hedges
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as a fair value hedge of a recognized asset or a recognized liability are recognized in the income statement together with changes in the value of the hedged asset or hedged liability.

Apart from foreign currency hedging, hedge of future cash flows according to a firm commitment is treated as a fair value hedge.

The ineffective portion of the change in the fair value of a derivative financial instrument is presented under financial items.

Cash flow hedges
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of future cash flows are recognized in other comprehensive income and accumulated in a separate hedging reserve under equity until the hedged item influences the income statement. Gains or losses relating to such hedging transactions are then transferred through other comprehensive income and recognized in the income statement in the same item as the hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The accumulated reserve in equity remains in equity if it is still probable that the hedged cash flows will occur and is transferred through other comprehensive income to the income statement when the hedged cash flows influence the income statement.

If the hedged cash flows are no longer expected to be realized, the accumulated reserve in equity is immediately transferred to the income statement.

The ineffective portion of the change in the fair value of a derivative financial instrument is recognized immediately in the income statement and presented under financial items.

LTI program hedges
Cash-settled program
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of the impact from development in the price of the Nilfisk share on cash-settled programs are recognized in other comprehensive income and accumulated in a separate hedging reserve under equity. The accumulated reserve in equity is transferred through other comprehensive income and recognized in the income statement under staff costs when the expenses are recognized in the income statement. The hedge of subsequent changes to recognized expenses are accounted for as a fair value hedge.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The accumulated reserve in equity is immediately transferred through other comprehensive income to the income statement.

Equity-based programs
Hedge accounting cannot be applied on equity-based programs as fluctuations in the price of the Nilfisk share do not affect the income statement. Thus, changes in the fair value of derivative financial instruments hedging the liquidity risk related to the settlement of equity-settled programs are recognized in the income statement under financial items.

Other derivative financial instruments
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized under financial items as they arise.

6.4 Share capital

The total number of shares is 27,126,369 with a nominal value of 20 DKK each. The share capital is unchanged from 2021. All shares have been fully paid up and no shares carry special rights. Nilfisk Holding A/S' Articles of Association specifies no limits in respect of ownership or voting rights, and the Executive Management Board is unaware of any agreements in this regard.

Earnings per share
Earnings per share of 1.50 EUR is based on profit attributable to shareholders of Nilfisk Holding A/S of 40.6 mEUR and an average number of shares of 27,126,369.

EUR	2022	2021
Basic earnings per share	1.50	1.88
Diluted earnings per share	1.50	1.88

Dividends
At the Annual General Meeting to be held on March 23, 2023, the Board of Directors will propose not to distribute dividends for the financial year of 2022 (2021: 0.0 mEUR).

§ Accounting policy

Dividends are recognized as a liability at the date of adoption at the Annual General Meeting (declaration date). Proposed dividend payments for the year are disclosed as a separate item under equity.

Interim dividends are recognized as a liability at the date when the decision to pay such dividends are made.

Foreign exchange reserve
The foreign exchange reserve includes exchange rate adjustments arising on translation of the financial statements of foreign entities with a currency that is not the Group's functional currency

Hedging reserve
Hedging reserve covers:

- cash flow hedging of interest payments
- hedging of currency risk of cash flows
- hedging of LTI program

Section 7 Cash flow

This section contains notes related to cash flow

Key developments in 2022

In 2022 Nilfisk was again able to prioritize the strategic agenda towards sustainable growth, after a 2021 heavily impacted by the COVID pandemic.

During 2022, a focused effort was put into lowering cash tied up in working capital. Cash flow was impacted by an outflow for working capital of 29.2 mEUR, which was 13.4 mEUR lower than in 2021, also helped by the non-recourse factoring program introduced in autumn 2022.

Overall, total cash flow from operating activities improved with 7.3 mEUR in 2022 and came to 82.0 mEUR.

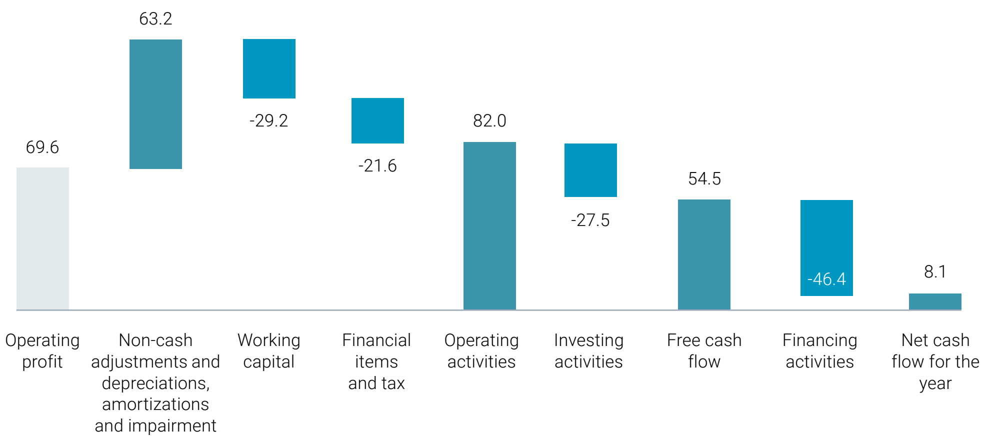
As per Business Plan 2026 Nilfisk invested into a new product generation and upgrade of our current portfolio. Investments were also impacted by the rebuild of our US Distribution Center. Consequently cash flow from investing activities for 2022 amounted to a net cash outflow of 27.5 mEUR, an increase of 11.3 mEUR compared to 2021.

Free cash flow came to 54.5 mEUR and with cash outflow from financing activities amounting to 46.4 mEUR, the net cash flow for the period ended at 8.1 mEUR, bringing cash and cash equivalents end of 2022 to 22.7 mEUR.

7.1 Other non-cash adjustments

EUR million	2022	2021
Change in provisions	2.6	-5.3
Other non-cash items	-3.1	-0.7
Total	**-0.5**	**-6.0**

Cash flow development 2022



Accounting policy

Cash flow from operating activities includes all cash transactions other than cash flows arising from investing and financing activities. Cash flow from operating activities is determined using the indirect method, whereby operating profit or loss is adjusted for non-cash items such as depreciations, amortization and impairment, provision, and capitalized borrowing cost. The actual payment of borrowing costs is included in cash flow from financing activities.

Cash flow from investing activities is comprised of the cash outflow related to investment in properly, plant and equipment, internal generated development and software projects, and lease payments related to right-of-use assets. Cash flow from financial assets are mainly linked to investment in associated companies with received dividend as cash inflow and new investments, increase of ownership in existing companies, or increase of loan facility as cash outflow.

Cash flow from financing activities is the net change in the long-term external financing including the use of credit facilities.

Foreign currency
Cash flows arising from transactions in a foreign currency has been recorded in the Group's functional currency by applying to the foreign currency amount the average exchange rate between the functional currency of the Group and the foreign currency at the date of the cash flow. The average exchange rate is an average of the previous month's end rate, including the end rate from December prior year.

Cash and cash equivalents
Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to a known amount of cash, and which are subject to an insignificant risk of change in value.

Section 8 Other notes

This note contains other statutory notes and notes considered less essential to the understanding of the Nilfisk Group's financial development.

8.1 Fees to auditors elected at the annual general meeting

EUR million	2022	2021
Deloitte:		
Statutory audit	1.0	0.9
Other assurance service	0.2	0.3
Total	**1.2**	**1.2**

The fee for other assurance services provided to the Group by Deloitte Statsautoriseret Revisionsselskab Denmark, amounted to 0.1 mEUR in 2022 (2021: 0.1 mEUR).

8.2 Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the consolidated financial statements.

8.3 Related parties

The Nilfisk Group has had the following transactions and balances with related parties:

EUR million	2022	2021
Goods sold to associated companies	27.5	28.5
Goods purchased from associated companies	1.4	0.1
Dividends received from associated companies	1.3	1.3
Receivables from associated companies	9.7	8.0

Please refer to Section 3 for remuneration to the Executive Management Board and Board of Directors and Note 6.2 for investments in associates.

8.4 Contingent liabilities, securities, and contractual obligations

EUR million	2022	2021
Guarantees to support local bank facilities	11.6	12.6
Rental guarantees	8.0	6.8
Other guarantees	4.0	4.3
Total issued guarantees	**23.6**	**23.7**

Claims filed against Nilfisk
On September 15, 2022, a claim has been filed against Nilfisk by the owner of the US Distribution Center building with respect to contractual obligations related to terminating the contract. The resulting costs may exceed the insurance coverage that has already been paid to the landlord.

On 15 October, 2022, our insurer filed a lawsuit in Denmark against Nilfisk with respect to the insurance payout for the tornado destructions of the US Distribution Center

We continue to see a high degree of uncertainty related to potential costs for both claims.

Other contingent liabilities
Nilfisk Holding A/S is liable for obligations attributable to the activities, assets, and liabilities of NKT A/S that existed at the demerger September 11, 2017. The joint and several liabilities of Nilfisk Holding A/S and NKT A/S respectively cannot exceed an amount corresponding to the net value of the assets and liabilities. Nilfisk Holding A/S has entered into an indemnification agreement with NKT A/S, under which each party has a defined right of recourse with respect to any liabilities a party may incur in respect of the other party under the joint and several liability.

The Nilfisk Group is engaged in certain disputes, legal proceedings, and inquiries from authorities, including tax authorities, the outcome of which is not expected to materially impact the Group's financial position.

§ Accounting policy

Contingent assets and liabilities
Disclosure concerning contingent assets and liabilities and when they must be recognized takes place against the background of evaluations of the expected outcome of the individual issues. These evaluations are based on legal opinions of the agreements contracted, which in significant issues also include opinions obtained from external advisors, including lawyers.

Assets are recognized when it is virtually certain that the issue will have a positive outcome for the company. A liability is recognized when it is likely that, at the balance sheet date, there will be an outflow from the Nilfisk Group's financial resources and when the liability can be reliably stated. If this is not the case, the matter is disclosed in the notes to the financial statements. Decisions relating to such situations may in future accounting periods lead to realized gains or losses that may differ significantly from the recognized amounts or disclosures.

8.5 Group companies

Denmark

Nilfisk Holding A/S	Denmark
Nilfisk A/S	Denmark
Nippon Investment Corporation ApS	Denmark

Europe

Nilfisk GmbH	Austria
Nilfisk N.V./S.A.	Belgium
Nilfisk s.r.o.	Czech Rep.
Nilfisk Oy	Finland
Nilfisk S.A.S.	France
Nilfisk-Advance Eppingen GmbH *(under liquidation)*	Germany
Nilfisk GmbH	Germany
Nilfisk Hellas S.A.	Greece
Nilfisk Production Kft.	Hungary
Nilfisk Commercial Kft.	Hungary
Nilfisk Ltd	Ireland
Nilfisk S.p.A.	Italy
Nilfisk B.V.	Netherlands
Nilfisk AS	Norway
Nilfisk Polska Sp.z.o.o.	Poland
Nilfisk Lda	Portugal
Nilfisk-Advance S.R.L.	Romania
Nilfisk LLC *(under liquidation)*	Russia
Nilfisk s.r.o.	Slovakia
Nilfisk S.A.	Spain
Nilfisk AB	Sweden
Nilfisk AG	Switzerland
Nilfisk Profesyonel Temizlik Ekipmanlari Ticaret. A.S.	Türkiye
Nilfisk Ltd.	United Kingdom
Floor Cleaning Machines	United Kingdom

North and Central America

Nilfisk Canada Company	Canada
Nilfisk de Mexico S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Manufacturing S. de R.L. de C.V.	Mexico
Nilfisk U.S Holding Inc.	US
Nilfisk Inc.	US
Nilfisk Robotics, Inc.	US
Hathaway North America Inc.	US
Hydro Tek Systems, Inc.	US
Nilfisk Pressure-Pro, LLC.	US

South America

Nilfisk S.R.L.	Argentina
Nilfisk Equipamentos de Limpeza Ltda.	Brazil
Nilfisk S.A.	Chile
Nilfisk S.A.C.	Peru

Asia/Pacific

Nilfisk Pty. Ltd.	Australia
Dongguan Viper Cleaning Equipment Co. Ltd.	China
Nilfisk Cleaning Equipment (Shanghai) Co. Ltd	China
Nilfisk Professional Cleaning Equipment (Suzhou) Co. Ltd. *(under liquidation)*	China
Suzhou Nilfisk Research and Development Co. Ltd.	China
Nilfisk Ltd.	Hong Kong
Nilfisk India Private Ltd.	India
Nilfisk Inc.	Japan
Nilfisk Korea Co. Ltd.	Korea
Nilfisk Sdn Bhd	Malaysia
Nilfisk Ltd.	New Zealand
Nilfisk Pte. Ltd.	Singapore
Nilfisk Ltd. (Branch)	Taiwan
Nilfisk Co. Ltd.	Thailand
Nilfisk Trading LLC	UAE
Nilfisk Company Ltd.	Vietnam
Nilfisk Ltd. (Branch)	Macau

Associates

M2H S.A. (49%)	France
CFM Lombardia S.r.l. (33%)	Italy
Thoro LLC (50%)	US

Ownership below 100% is disclosed in brackets.

8.6 Definitions

Item	Key figures and ratios	Definition
1	Cash conversion	Cash flow from operations before financial items and income taxes as a percentage of EBITDA
2	Capital employed	Non-current assets less interest-bearing receivables, provisions, pensions, and deferred tax liabilities and working capital
3	CAPEX	Capital expenditure (investments in property, plant, and equipment and intangible assets)
4	CAPEX ratio	CAPEX as a percentage of revenue
5	Days sales outstanding	Accounts receivables (excluding VAT) minus bad debt provision divided with latest three months net sales accumulated up to twelve months and multiplied by 365
6	Diluted earnings per share	Profit (loss) attributable to shareholders of Nilfisk Holding A/S as a percentage of diluted average number of outstanding shares
7	EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortization, impairment, and special items
8	EBITDA	Earnings (profit) before interest, tax, depreciation, amortization, and impairment
9	EBITDA margin before special items	EBITDA before special items as a percentage of revenue
10	EBITDA margin	EBITDA as a percentage of revenue
11	EBIT before special items	Earnings before interest, tax, and special items (operating profit before special items)
12	EBIT	Earnings before interest and tax (operating profit)
13	EBIT margin before special items	EBIT before special items as a percentage of revenue
14	EBIT margin	EBIT as a percentage of revenue
15	Earnings per outstanding share (EPS)	Profit (loss) attributable to shareholders of Nilfisk Holding A/S relative to average number of outstanding shares
16	Equity value per outstanding share	Equity attributable to shareholders of Nilfisk Holding A/S per outstanding share at December 31
17	Financial gearing	Net interest-bearing debt divided by EBITDA before special items LTM
18	Free cash flow	Cash flow from operating activities less cash flow from investing activities
19	Free cash flow excluding acquisitions and divestments	Free cash flow plus cash flow from acquisition of businesses and less cash flow from divestment of businesses
20	Full-time equivalent (FTE)	Full-time equivalent is calculated as the number of total hours worked divided by the number of hours for a full-time work.
21	Gross margin	Gross profit as a percentage of revenue
22	Inventory days	Gross inventory divided by latest three months cost of sales excluding amortizations and service department costs accumulated up to twelve months and multiplied by 365
23	Investment ratio	Additions as a percentage of depreciations/amortizations
24	LTM	Latest twelve months
25	Net interest-bearing debt	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash
26	OCI	Other comprehensive income
27	Organic growth	Organic growth in local currency excluding acquisitions and divestments and foreign exchange rates
28	Overhead cost ratio	Overhead costs as a percentage of revenue
29	R&D ratio	Research and development spend as a percentage of revenue
30	Return on capital employed (RoCE)	EBIT before special items LTM as a percentage of average capital employed, calculated by taking the capital employed at December 31 and at the end of the preceding four quarters
31	Working capital	Current assets minus current and non-current liabilities (excluding interest-bearing items and provisions)
32	Working capital ratio	Average working capital LTM as a percentage of revenue

8.6 Definitions – continued

Alternative performance measures

The Group assesses its performance using a variety of alternative performance measures which are not defined under IFRS. A reconciliation from these alternative performance measures to the nearest IFRS measure is presented below.

Organic growth

Organic growth is a measure that reflects the underlying performance of the Group. As such, this excludes the impact of acquisitions or divestments and foreign exchange movements. Below is a reconciliation from the movement in reported revenue according to IFRS to organic growth.

	2022	2021
Revenue growth (according to income statement)	7.5%	19.5%
Foreign exchange	-3.4%	1.2%
Other	0.8%	-
Organic growth	**4.9%**	**20.7%**

EBITDA and EBITDA before special items

In addition to measuring financial performance of the Group based on operating profit, EBITDA and adjusted EBITDA figures are also used. We consider EBITDA to be a useful measure because it approximates the underlying performance by eliminating depreciations and amortizations.

EUR million	2022	2021
Operating profit (EBIT)	69.6	79.7
Depreciation, amortization, and impairment	63.7	60.2
EBITDA	**133.3**	**139.9**
Special items (excl. depreciation and impairment)	7.5	4.4
EBITDA before special items	**140.8**	**144.3**

Overhead costs

Below is a breakdown of overhead costs, as presented in the income statement. Overhead costs consist of operating expenses, depreciations, amortizations, and impairment as well as other operating income and expenses.

EUR million	2022	2021
Research and development costs	-31.2	-29.1
Sales and distribution costs	-243.5	-227.6
Administrative costs	-70.1	-63.8
Other operating income	4.5	3.4
Other operating expenses	-2.2	-1.5
Total overhead costs	**-342.5**	**-318.6**

Parent company financial statements 2022

Notes

Income statement

for the period January 1 to December 31

EUR million	Note	2022	2021
Other income	1	3.7	3.4
Administrative costs	2, 3	-6.2	-9.0
Operating loss		**-2.5**	**-5.6**
Financial expenses	4	-1.2	-1.1
Loss before income taxes		**-3.7**	**-6.7**
Income taxes	5	1.4	1.5
Loss for the year		**-2.3**	**-5.2**
To be distributed as follows:			
Loss attributable to shareholders of Nilfisk Holding A/S	6	-2.3	-5.2
Total		**-2.3**	**-5.2**

Balance sheet

as of December 31

EUR million	Note	2022	2021
Assets			
Investments in subsidiaries	7	216.5	216.5
Deferred tax	5	1.6	1.5
Total non-current assets		**218.1**	**218.0**
Prepayments	8	0.6	1.0
Income tax receivable		0.3	0.4
Receivables from Group companies	9	18.5	11.9
Total current assets		**19.4**	**13.3**
Total assets		**237.5**	**231.3**
Equity and liabilities			
Share capital		72.9	72.9
Retained earnings		12.0	14.4
Total equity		**84.9**	**87.3**
Interest-bearing loans and borrowings		32.8	20.3
Loans from Group companies	9	117.3	117.3
Other liabilities		0.1	0.4
Total non-current liabilities		**150.2**	**138.0**
Trade payables and other liabilities		2.4	6.0
Total current liabilities		**2.4**	**6.0**
Total liabilities		**152.6**	**144.0**
Total equity and liabilities		**237.5**	**231.3**

Statement of changes in equity

for the years ended at December 31

EUR million	Share capital	Retained earnings	Total equity
2022			
Equity, January 1	**72.9**	**14.4**	**87.3**
Loss for the year	-	-2.3	-2.3
Share option program	-	-0.1	-0.1
Total changes in equity	**-**	**-2.4**	**-2.4**
Equity, December 31	**72.9**	**12.0**	**84.9**
2021			
Equity, January 1	**72.9**	**19.0**	**91.9**
Exchange rate adjustments	-		
Loss for the year	-	-5.2	-5.2
Share option program	-	0.6	0.6
Total changes in equity	**-**	**-4.6**	**-4.6**
Equity, December 31	**72.9**	**14.4**	**87.3**

The total number of shares is 27,126,369 with a nominal value of 20 DKK each. The share capital is unchanged from 2021. All shares have been fully paid up and no shares carry special rights. Nilfisk Holding A/S' Articles of Association specifies no limits in respect of ownership or voting rights, and the Executive Management Board is unaware of any agreements in this regard.

See Section 3 to the consolidated financial statements for a description of the share option programs to the Executive Management Board. Changes in equity in 2022 are comprised of loss for the year. No dividends are proposed for 2022.

Note 1-8

Nilfisk Holding A/S is the parent company of the Nilfisk Group.

The parent company holds transactions related to holding of the subsidiaries, please refer to the Management review.

1. Other income

Other income comprise management fee of 3.7 mEUR (2021: 3.4 mEUR) received by Nilfisk Holding A/S.

2. Administrative costs

EUR million	2022	2021
Wages and salaries	2.5	6.6
Bonus	1.0	1.3
Long-term incentive programs[1]	-0.1	0.6
Total staff costs	**3.4**	**8.5**
Number of full-time employees, average	2	2
Number of full time employees, year-end	2	2
Remuneration to Board of Directors	0.6	0.6
Remuneration to the Executive Management Board	3.3	2.4
Remuneration to former members of the Executive Management Board[1]	-0.5	5.5
Other administrative costs	2.8	0.5
Total administrative costs	**6.2**	**9.0**

[1]Includes reversal of the 2019 performance share program for former member of the Executive Management Board in accordance with IFRS 2.

The Executive Management Board are granted short-term bonus agreements contingent upon the fulfilment of the prerequisites, goals and conditions defined in a bonus agreement and long-term incentive programs. See Section 3 Remuneration of the consolidated financial statements.

3. Fees to auditors elected at the annual general meeting

EUR million	2022	2021
Deloitte:		
Statutory audit	0.1	0.1
Other assurance services	0.1	-
Total	**0.2**	**0.1**

4. Financial items

EUR million	2022	2021
Interest to Group companies	-1.2	-1.1
Total	**-1.2**	**-1.1**

5. Tax

Tax recognized in the income statement

EUR million	2022	2021
Deferred tax	0.1	-1.5
Adjustment, prior years	-1.5	-
Total	**-1.4**	**-1.5**
Reported tax rate	38.0%	22.0%
Reconciliation of tax:		
Calculated tax of 22.0% (2021: 22.0%) on loss before income taxes	-0.8	-1.5
Tax effect of:		
Non-taxable income/non-deductible expenses	0.6	-
Tax assets valuation allowances	-1.2	-
Total	**-1.4**	**-1.5**

Deferred tax assets

EUR million	2022	2021
Deferred tax assets, January 1	1.5	0.1
Exchange rate adjustments	-	-0.1
Deferred tax recognized in the income statement	0.1	1.5
Deferred tax assets, December 31	**1.6**	**1.5**

6. Proposed distribution of loss for the year

EUR million	2022	2021
Suggested distribution of loss for the year:		
Loss attributable to shareholders of Nilfisk Holding A/S	-2.3	-5.2
Total	**-2.3**	**-5.2**

7. Investments in subsidiaries

EUR million	2022	2021
Carrying amount, January 1	216.5	216.4
Exchange rate adjustments	-	0.1
Carrying amount, December 31	**216.5**	**216.5**

8. Prepayments

EUR million	2022	2021
Prepayments	0.6	1.0
Total	**0.6**	**1.0**

Note 9-12

9. Related parties

Transactions with affiliated undertakings comprise the following:

EUR million	2022	2021
Non-current interest-bearing loan from Nilfisk A/S	117.3	117.3
Receivables from Group companies	18.5	11.9

Management fee of 3.7 mEUR is included in the 18.5 mEUR as a net receivable (2021: 3.4 mEUR).

Other matters of interest in relation to related parties are disclosed in Section 8 Other notes of the consolidated financial statements.

10. Major shareholders

The following shareholders holds an excess of 5% of the share capital:

EUR million	Number of shares	Share capital
KIRKBI INVEST A/S, Billund Denmark	5,493,200	20.3%
Ferd AS, Oslo, Norway	5,409,277	19.9%
PrimeStone Capital LLP, London, United Kingdom	4,598,860	17.0%

11. Contingent liabilities, securities, and contractual obligations

EUR million	2022	2021
Rental guarantees	6.5	6.7

Nilfisk Holding A/S has issued rental guarantees relating to rental contracts in subsidiaries.

Nilfisk Holding A/S and all its Danish subsidiaries are subject to mandatory joint taxation. As the ultimate parent company in the Nilfisk Group, Nilfisk Holding A/S acts as the administration company of the joint taxation scheme and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognized under income tax related to net profit. Tax payable and tax receivable are stated under current assets/liabilities.

Nilfisk Holding A/S is liable for obligations attributable to the activities, assets, and liabilities of NKT A/S that existed at the demerger September 11, 2017. The joint and several liabilities of Nilfisk Holding A/S and NKT A/S respectively cannot exceed an amount corresponding to the net value of the assets and liabilities. Nilfisk Holding A/S has entered into an indemnification agreement with NKT A/S, under which each party has a defined right of recourse with respect to any liabilities a party may incur in respect of the other party under the joint and several liability.

12. Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the financial statements of Nilfisk Holding A/S.

Accounting policies

§ Accounting policy

The financial statements for the parent company are included in this Annual Report in pursuance of the requirements of the Danish Financial Statements Act.

The financial statements for the parent company are prepared in accordance with the Danish Financial Statements Act for accounting class D companies.

The financial statement for the parent company covers the period from January 1 to December 31

The Annual Report is presented in EUR million rounded with one decimal. The presentation currency is EUR as the Nilfisk Group's main business activities are EUR denominated

Description of accounting policies
In relation to the accounting policies described for the financial statements of the Nilfisk Group (see Note 1.1 to the consolidated financial statements), the accounting policies of the parent company differ in the following:

Income from investments in subsidiaries
Dividends from investments in subsidiaries companies are recognized in the income statement of the parent company in the year the dividends are declared.

Investments in subsidiaries
Investments in subsidiaries are measured at cost. If there is indication of impairment, impairment testing is carried out. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Tax
Nilfisk Holding A/S and all its Danish subsidiaries are subject to mandatory joint taxation. As the ultimate parent company in the Nilfisk Group, Nilfisk Holding A/S acts as the administration company of the joint taxation scheme and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognized under income tax related to net profit. Tax payable and tax receivable are stated under current assets/ liabilities. Companies that use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilized. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilized (full absorption).

Cash flow statement
The parent company has in accordance with the Danish Financial Statements Act, Section 86 (4) not prepared separate cash flow statements. Please refer to the consolidated cash flow statements.

For the following notes, see information in the consolidated financial statements:

- Remuneration – see Section 3 Remuneration
- Share capital – see Note 6.4 Share Capital

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report of Nilfisk Holding A/S for the financial year 2022.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards which have been adopted by the EU. The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

Furthermore, the consolidated financial statements and the parent company financial statements have been prepared in accordance with additional requirements under the Danish Financial Statements Act.

In our opinion the consolidated financial statements and the financial statements for the parent company give a true and fair view of the Nilfisk Group's and the parent company's assets, liabilities, and financial position at December 31, 2022 and of the results of the Nilfisk Group's and the parent company's operations and cash flow for the financial year 2022.

The Management review contains in our opinion a true and fair review of the development in the Nilfisk Group's and the parent company's operations, financial circumstances, and results for the year, and of the parent company's financial position, and describes the material risks and uncertainties affecting the Nilfisk Group and the parent company.

In our opinion, the Annual Report of Nilfisk Holding A/S for the year January 1 to December 31, 2022 identified as 529900FSU45YYVLKB451-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be approved at the Annual General Meeting.

Brøndby, February 23, 2023

Executive Management Board

Torsten Türling
President and CEO

Reinhard Josef Mayer
CFO

Board of Directors

Göran Peter Nilsson
Chair

René Svendsen-Tune

Richard Parker Bisson

Are Dragesund

Franck Falezan

Jutta af Rosenborg

Thomas Lau Schleicher

Gerner Raj Andersen

Claus Dalmose

Marcus Faber Kappendrup

Nadia Roya Damiri

Independent auditor's report

To the shareholders of Nilfisk Holding A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of Nilfisk Holding A/S for the financial year January 1, 2022 - December 31, 2022, which comprise the income statement, statement of financial position, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at December 31, 2022, and of the results of its operations and cash flows for the financial year January 1, 2022 - December 31, 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at December 31, 2022, and of the results of its operations for the financial year January 1, 2022 - December 31, 2022 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Nilfisk Holding A/S for the first time on October 12, 2017 for the financial year 2017. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 5 years up to and including the financial year 2022.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year January 1, 2022 - December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of development projects and development projects in progress
Management conducts annual impairment test to determine whether the carrying amounts of recognised completed development projects and development projects in progress are considered to be impaired and, hence, should be written down to the recoverable amount. Management determines the recoverable amount of development projects using a discounted cash flow model (value in use).

Key assumptions used in the impairment test are increase in revenue and margin and the applied discount rate.

The audit of the recoverable amount has been considered a key audit matter as the determination of the recoverable value is associated with significant estimation uncertainty.

Reference is made to note 4.2 to the financial statements and the accounting policies.

How the matter was addressed in our audit
We have assessed the appropriateness of valuation of development projects and development projects in progress based on the annual impairment test as well as the key assumptions used in the impairment test and the consistency thereof with the Group's accounting policies. In this context, we

- considered Management's procedures for capitalizing development projects, identifying impairment indicators and preparing impairment tests, including budget and forecasts
- tested relevant internal controls related to identification and evaluation of impairment needs
- assessed the appropriateness of models and the key assumptions applied by Management to calculate the values in use and performed recalculation
- tested the assumptions applied including consistency as well as internal and external documentation that supports the key assumptions
- assessed adequacy and appropriateness of the disclosures; Note 4.2 Impairment test and Note 4.3 Intangible Assets in the financial statements and compliance with the IFRS requirements

Statement on the management review
Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Nilfisk Holding A/S we performed procedures to express an opinion on whether the annual report of Nilfisk Holding A/S for the financial year January 1, 2022 - December 31, 2022 with the file name 529900FSU45YYVLKB451-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgment where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Nilfisk Holding A/S for the financial year January 1, 2022 - December 31, 2022 with the file name 529900FSU45YYVLKB451-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, February 23, 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen	Anette Beltrão-Primdahl
State-Authorized	State-Authorized
Public Accountant	Public Accountant
Identification No mne21358	Identification No mne45854

Nilfisk's Annual Report 2022 was published on February 23, 2023.
The report is also available at www.nilfisk.com.

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