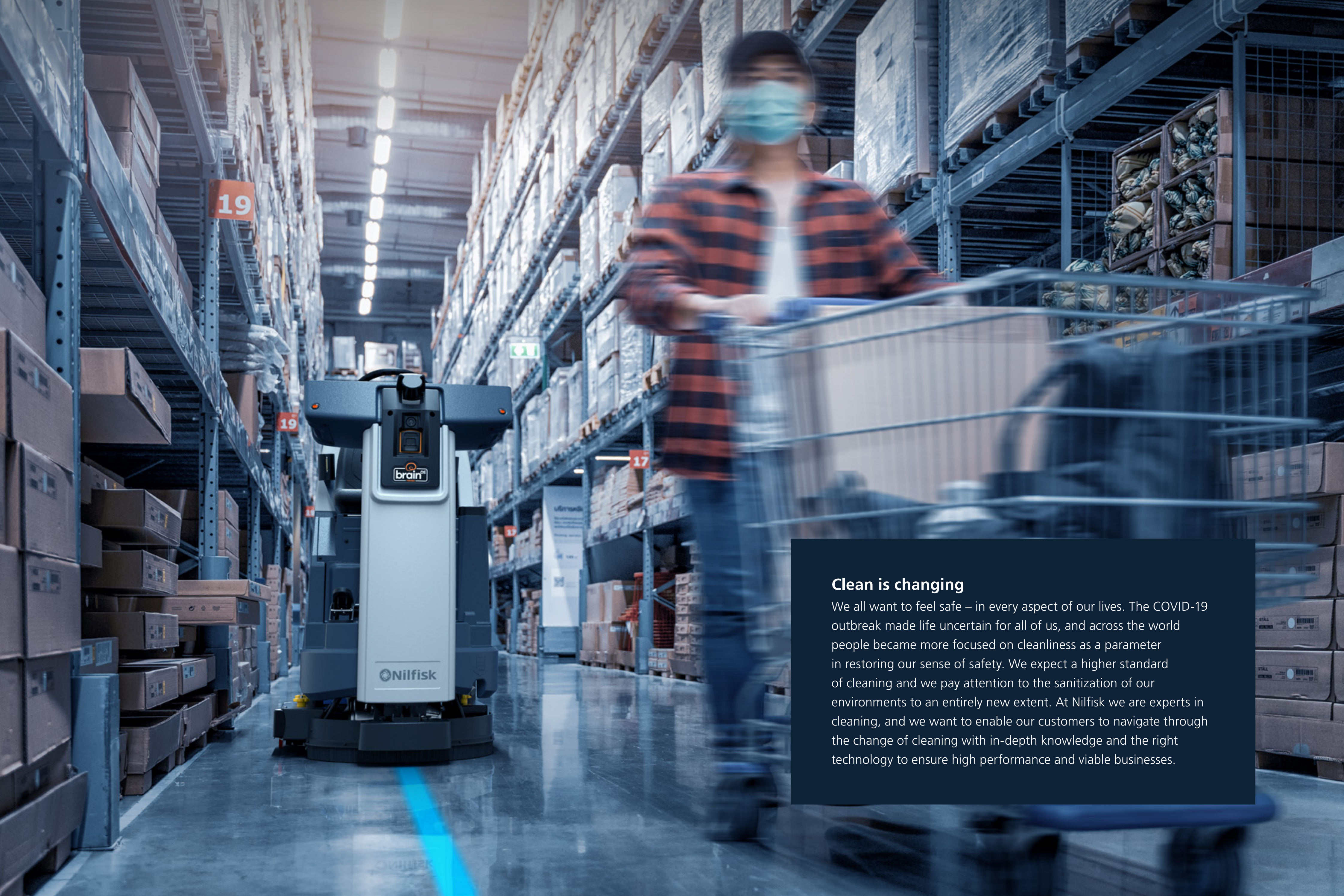
Annual Report 2020

CLEAN IS CHANGING

Let's change it for the better.

Nilfisk



Clean is changing

We all want to feel safe – in every aspect of our lives. The COVID-19 outbreak made life uncertain for all of us, and across the world people became more focused on cleanliness as a parameter in restoring our sense of safety. We expect a higher standard of cleaning and we pay attention to the sanitization of our environments to an entirely new extent. At Nilfisk we are experts in cleaning, and we want to enable our customers to navigate through the change of cleaning with in-depth knowledge and the right technology to ensure high performance and viable businesses.

4 2020 in brief
5 Letter from the Chairman
6 Letter from the CEO
7 Nilfisk at a glance
8 Financial highlights 2020
9 Key events
10 5-year consolidated financial highlights

11 Our strategy
12 Nilfisk Next
13 Strategic highlights
13 Strategic priorities
14 Outlook for 2021

16 Our business
17 Business model
18 Innovation
19 Portfolio
19 Operations
20 Sales and marketing
20 Our customers
21 Aftermarket

22 Our results
23 Business performance
24 EMEA
25 Americas
26 APAC
27 Consumer
27 Private label and other
28 Financial review

32 Our governance
33 Corporate governance
38 Board of Directors
40 Nilfisk Leadership Team
42 Corporate Social Responsibility (CSR)
44 Risk management
46 Shareholder information

48 Consolidated financial statements
49 Income statement and statement of comprehensive income
50 Statement of financial position
51 Cash flow statement
52 Statement of changes in equity
53 Notes to the consolidated financial statements

99 Parent company financial statements

104 Management's statement

105 Independent auditor's report

"No one expected a worldwide pandemic on the scale we witnessed during the year. We are obviously not satisfied with the overall performance for 2020, and we are convinced that our results can and will be improved."

Jens Due Olsen
Chairman

"In the first part of the year, we saw a steep decline in customer demand across markets. While navigating through this quite unusual situation, Nilfisk stayed focused on strategy. Key programs and initiatives were executed and progressed according to plan."

Hans Henrik Lund
CEO

Mitigating the heavy impact from COVID-19 and laying the groundwork for a stronger Nilfisk

When 2020 began, no one expected a worldwide pandemic on the scale we witnessed during the year. By the end of March, it was already clear that the COVID-19 outbreak would have a significant impact on Nilfisk. The rapid escalation of the pandemic created an unprecedented level of uncertainty and volatility that forced us to operate our business under challenging working conditions with a low level of visibility.

With vaccine programs being rolled out in many countries towards year-end, there was a glimpse of light at the end of the tunnel. But the COVID-19 pandemic has not disappeared, and it will likely continue to affect our business in 2021. We are obviously not satisfied with the overall performance for 2020, and we are convinced that our results can and will be improved. That said, we are satisfied with how we have navigated through the pandemic during 2020, and, with the actions taken, laid the groundwork for an improved Nilfisk.

The strategic direction of Nilfisk remains intact

The pandemic forced us to act. In order to minimize costs and investments and to free up management resources during the crisis, we initiated a widescale restructuring along with strict cost control. These were necessary measures, however, despite these adjustments, our strategic direction remained intact, and we believe the transformation we have carried out over the past three years is right.

The restructuring that we executed during the second quarter of 2020 was based on the global foundation that we have built during previous years, which is an important element in our transformation of Nilfisk. Many of the changes we initiated as part of the restructuring would not have been possible one or two years ago.

Emerging as a stronger company

The COVID-19 pandemic has left its mark not only on the way we work and do business, but also on cleaning in general. The value of clean has become even more evident. Nilfisk is in a solid position to benefit from this development and emerge as a stronger company on the other side of the pandemic.

We will continue our efforts to develop and market innovative products, maintaining a modern and streamlined portfolio that caters to customer needs across markets and sectors. We will again improve our commercial execution to offer our customers a great experience in both sales and service to drive growth. And we will leverage our global setup to implement efficiencies across Nilfisk and maintain our position as a market leader in cleaning.

I would like to thank our shareholders for your continued support and engagement in Nilfisk, especially during another challenging year marked by extraordinary circumstances. I would also like to thank our more than 4,000 employees for their continued engagement and contribution to Nilfisk, and finally, I would like to thank the Nilfisk Leadership Team for their dedication to the continued execution of the strategy and for their determination to persist with the execution despite tough market conditions.

On behalf of the Board of Directors,

Jens Due Olsen
Chairman

Taking action on the pandemic and navigating through an extraordinary year

The year 2020 was a year nobody could have foreseen. The COVID-19 pandemic impacted countries, individuals, and businesses around the world. At Nilfisk, we were also deeply affected by this extraordinary situation. Even though market demand picked up after a steep drop in the beginning of the year, 2020 did not materialize as we had anticipated.

As the COVID-19 outbreak escalated throughout the first quarter, we implemented extensive safety measures across our business to protect our employees and continue servicing our customers.

Staying operational during the pandemic has been a key focus for us, and I am pleased to see that over the course of 2020 we have been able to continue our production, our distribution, and our sales and service activities with little to no interruption.

We reacted swiftly to the new situation and disruptions in the marketplace. While balancing production output with lower demand, we focused on preserving cash by introducing strict cost management, tightly steering our working capital, and prioritizing investment. In parallel, we executed a restructuring plan with the aim of lowering our structural cost base.

All in all, this allowed us to conclude 2020 in a better position than when we entered the year. We found new ways of working, utilized our resources more efficiently, and established a lower structural cost base.

In the first part of the year, we saw a steep decline in customer demand across markets as restrictions and lockdowns in response to COVID-19 forced customers to scale down or temporarily close their operations. This impacted our revenue. There were large variations between customer segments and markets; among the most impacted markets were China and the southern part of Europe.

As the first wave of the pandemic started to ease, we saw a gradual and steady recovery in demand patterns month by month, despite the second severe wave of the pandemic towards year-end. Demand did not reach the level from before the pandemic, however. For the year as a whole, Nilfisk realized total revenue of 832.9 mEUR in 2020, corresponding to organic growth of -11.5%.

The decline in revenue led to a lower gross margin due to underutilization of our production capacity. However, through our efforts to tightly manage costs in combination with a lower structural cost base, we mitigated a large part of the negative impact from the lower revenue. Consequently, EBITDA before special items amounted to 100.5 mEUR corresponding to an EBITDA margin before special items of 12.1%. This was in line with last year despite a significant drop in revenue.

Staying focused on strategy

One key observation from 2020 is that while navigating through this quite unusual situation, Nilfisk stayed focused on strategy. Key programs and initiatives were executed and progressed according to plan.

One of these was the project to increase efficiency in our European supply chain setup, and during 2020 we went live with two new European distribution centers, leading to faster and more efficient deliveries to our customers. We also continued the execution of the growth plan for the US business and have started to see positive indications from this important market. Within our autonomous solutions we reported solid progress in the sales of the Liberty SC50 scrubber, while launching an additional autonomous scrubber, the Liberty SC60, as well as an advanced UV-C light solution that inactivates viruses and other pathogens.

The Nilfisk Next strategy continues to guide the company towards its vision of leading intelligent cleaning to make our customers' business smarter. In 2020, we have steered through turbulent waters in the marketplace, aiming to emerge on the other side of the pandemic with new learnings and as a more effective company.

We see 2021 as a year where we can turn our focus even more towards commercial execution and on systematic improvements of the experience we offer our customers.

Hans Henrik Lund
CEO

NILFISK AT A GLANCE

Nilfisk is a **global leader** in the **professional cleaning** equipment industry

Nilfisk delivers a wide range of premium cleaning products and a trusted aftermarket offering to the professional market. A combination of direct sales and partnerships with dealers gives us strong global customer access.

REVENUE
by products and services

- 30% Floorcare
- 22% Vacuum cleaners
- 15% High Pressure Washers
- 33% Aftermarket

REVENUE
by operating segment

- 48% EMEA
- 30% AMERICAS
- 8% APAC
- 9% CONSUMER
- 5% PRIVATE LABEL

Approximately 4,300 employees across the globe

- **37%** in operations
- **18%** in business support
- **45%** in sales & service

Asset-light assembly-focused production, key sites located in Hungary, China, Mexico, US, and Italy

Nilfisk Next

The Nilfisk Next strategy guides our transformational journey, driving our business to the peak of profitability while positioning Nilfisk as a leader in intelligent cleaning.

OBJECTIVES

Global | Solutions | Digital

STRATEGIC DRIVERS

Simplify | Grow | Digitize | Lead

Financial highlights 2020

832.9 mEUR
Revenue

2020	832.9
2019	966.5

Compared to 2019, total revenue was reduced by 133.6 mEUR, impacted by low demand due to the COVID-19 pandemic.

-11.5%
Organic revenue growth

Total organic growth was negatively impacted by low demand due to COVID-19 across all markets and customer segments in the branded professional business. Strong growth in the Consumer business had a positive impact while revenue declined in Private Label due to out phasing of certain customers.

12.1%
EBITDA margin before special items

EBITDA margin before special items was 12.1% in line with 2019. Cost reductions mitigated the negative impact of lower gross profit resulting from low demand.

22.1 mEUR
Operating profit

Reported operating profit decreased by 3.8 mEUR despite a significant drop in gross profit. Lower overhead costs and special items almost fully off-set the drop in gross profit.

73.5 mEUR
Free cash flow

Free cash flow increased by 38.2 mEUR compared to 2019 as a result of lower working capital, lower special item costs, and lower CAPEX.

KEY EVENTS 2020

Staying focused on strategy

While navigating through the pandemic, and responding to new customer needs and ways of working, Nilfisk continued to execute key strategic initiatives

Introducing the Nilfisk Liberty SC60

A key element in the Nilfisk Next strategy is to bring innovative digital solutions to market that enable our customers to clean smarter. Over the course of 2020, our innovations within autonomous solutions progressed, and we launched a new robotic floor scrubber, The Nilfisk Liberty SC60, which is suited for cleaning large indoor spaces. The SC60 complements the abilities of the other robotic floor scrubber in Nilfisk's portfolio, the Nilfisk Liberty SC50.

During the COVID-19 outbreak, cleaning has become even more essential for businesses and institutions, as they face new cleaning demands and requirements brought on by the pandemic.

During 2020, Nilfisk went live with two new distribution centers in Ghent (Belgium) and Trollhättan (Sweden) as part of a new distribution center structure in EMEA announced in 2019. *Learn more on page 19.*

New solutions addressing COVID-19 cleaning challenges

Selected new solutions were brought to market during the year, all tailored to specific cleaning challenges our customers were facing during the pandemic. A range of steam cleaners was re-introduced in selected markets, and in the US, a portable disinfectant sprayer solution was launched in a matter of weeks to meet customer demand. Later in the year, Nilfisk introduced an innovative UV-light solution to fight viruses and other pathogens.

Restructuring plan with steps to further globalize the company

To mitigate the impact of the pandemic, Nilfisk announced in May 2020 a restructuring plan to adjust and structurally lower the cost base. Measures included a reduction in the workforce by approximately 250 positions globally as well the implementation of structural changes that supported the continued globalization of the company. A global sales structure was established, along with a new function to drive a coherent solutions portfolio across machines, digital services and business models.

Enhancing the digital customer experience

Over the course of the year, Nilfisk continued the implementation of a global e-commerce platform to simplify and globalize digital sales processes and create a seamless and improved customer experience online. By year-end, the solution was rolled out in 16 European markets. Other initiatives like virtual product launch events and trainings, as well the migration to a scalable and efficient web platform, further supported an improved customer experience.

5-year consolidated financial **highlights**

EUR million	2020	2019	2018[1]	2017[1]	2016[1]
Income statement					
Revenue	832.9	966.5	1,054.3	1,081.9	1,058.5
EBITDA before special items[3]	100.5	117.7	125.5	120.1	116.8
EBITDA[3]	90.6	95.0	69.8	99.5	96.8
Operating profit before special items[3]	32.9	49.8	87.4	81.5	75.8
Operating profit[3]	22.1	25.9	18.9	60.9	54.0
Special items, net	-10.8	-23.9	-68.5	-20.6	-21.8
Financial items, net	-14.7	-14.0	-11.3	-8.9	-11.0
Profit for the year	-2.6	8.7	10.0	40.3	29.5
Cash flow					
Cash flow from operating activities	89.5	76.1	33.1	41.4	114.7
Cash flow from investing activities	-16.0	-40.8	-38.6	-35.3	-72.6
– hereof investments in property, plant and equipment	-5.4	-10.4	-18.6	-15.3	-20.6
Free cash flow excluding acquisitions and divestments	73.5	35.3	-8.6	6.1	74.2
Statement of financial position					
Total assets	763.5	840.1	794.4	827.2	983.1
Group equity	134.8	158.0	147.5	137.5	224.8
Working capital	131.6	157.9	170.4	163.5	141.7
Net interest-bearing debt	383.2	414.1	369.6	359.7	265.8
Capital employed	518.0	572.1	516.8	497.2	490.6
Financial ratios and employees					
Organic growth	-11.5%	-4.1%	2.0%	3.7%	3.1%
Organic growth Nilfisk branded professional business[2]	-13.7%	-2.6%	2.8%	-	-
Gross margin[3]	41.6%	42.1%	42.0%	42.2%	41.9%
EBITDA margin before special items[3]	12.1%	12.2%	11.9%	11.1%	11.0%
EBITDA margin[3]	10.9%	9.8%	6.6%	9.2%	9,1%
Operating profit margin before special items[3]	4.0%	5.2%	8.3%	7.5%	7.2%
Operating profit margin[3]	2.7%	2.7%	1.8%	5.6%	5,1%
Financial gearing[3]	3.8	3.5	2.9	3.0	2.3
Financial gearing excluding IFRS 16 impact[3]	4.3	3.9	-	-	-
Overhead cost ratio[3]	37.7%	37.0%	33.1%	34.1%	33.9%
Working capital ratio[3]	18.8%	20.6%	18.5%	16.2%	17.6%
Return on Capital Employed (RoCE)[3]	5.9%	8.5%	16.7%	16.0%	14.6%
Basic earnings per share (EUR)	-0.10	0.32	0.37	1.49	1.09
Diluted earnings per share (EUR)	-0.10	0.32	0.37	1.49	1.09
Number of full-time employees, end of period	4,339	4,886	5,482	5,769	5,607

[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 2016-2017 have not been calculated.
[3] See note 1.1 for changes made in presentation in the income statement. 2019 key figures have been restated, however the related key figures from 2016-2018 have not been restated.

Please find definitions in Note 7.7

Our strategy

Nilfisk Next is a transformational strategy initiated to simplify structures and processes, drive profitability, and position Nilfisk as the leader in intelligent cleaning. While 2020 was characterized by efforts to navigate through the COVID-19 pandemic and decline in market demand, we saw continued progress in key strategic initiatives including the expansion of the portfolio of autonomous cleaning solutions.

Nilfisk Next – a multi-year transformational strategy

Nilfisk Next is a multi-year transformational strategy introduced in early 2018 to position Nilfisk as a leader in intelligent cleaning while simplifying the business and driving profitability.

In 2019, our keyword was "Globalize", as we made significant progress towards having a global operating model across sales and business support functions. With the foundation for commercial execution in place, we entered 2020 determined to get value from the changes introduced over the previous year to drive growth in key areas of the business. The COVID-19 pandemic challenged this focus, as market activity dropped significantly because of lockdowns and local restrictions to fight the pandemic. While our efforts during 2020 to a large extent focused on addressing and acting upon the changed demand patterns in the marketplace, we remained focus on executing key initiatives rooted in Nilfisk Next, such as simplifying structures in the supply chain, developing our portfolio of autonomous solutions.

The year 2021 will be characterized by dedication to regaining sales volume as the world is recovering from the impact of the pandemic. Nilfisk Next will continue to set the overall direction of our priorities, while we navigate the highly dynamic market conditions brought on by COVID-19. With the progress made in terms of simplifying structures and processes over the past years, including the actions taken over the course of 2020, the foundation for commercial execution is solid.

The pandemic has fundamentally altered the perception of clean, and individuals and businesses have become more focused on cleanliness and hygiene. Both elements are now business-critical for all industries. At Nilfisk, we see this as a paradigm shift that will require many companies to completely reassess their approach to the concept of cleaning. We intend to be at the forefront of this development, guided by our vision and strategy.

Our vision

Technology is enabling smarter cleaning solutions, and at Nilfisk we have a clear vision of making our customers' businesses smarter through intelligent cleaning solutions.

Our vision and strategy are our responses to the ongoing changes affecting the cleaning industry, many of them reinforced by the pandemic. The difficulty for many companies is that these higher standards, including frequent disinfection, must be met without increasing cleaning time or costs. With no additional time or money to put toward cleaning, businesses need to get more productivity out of their existing labor resources. This is where technology comes in. Connected and autonomous solutions are a growing part of our customers' businesses, and together with our business partners, we will continue to wield the power of technology and develop new solutions to clean more effectively, safely, and sustainably.

VISION

We will lead **intelligent cleaning** to make your business **smarter**

OBJECTIVES

Global

Solutions

Digital

STRATEGIC DRIVERS

Simplify

Grow

Digitize

Lead

Our strategic objectives

Our response to trends and changing market dynamics is reflected in Nilfisk Next, which outlines three overall strategic objectives. We want our customers, shareholders and employees to characterize Nilfisk as:

- **A global company:** With a standardized global set-up including uniform processes, systems, and capabilities, we deliver consistent high-quality cleaning solutions, and a consistent high-quality customer experience resulting in increased customer loyalty and retention
- **A solution partner:** By adding value beyond the machine, we enhance our ability to provide complete solutions for our customers. We co-innovate with the largest, most advanced global customers while lowering costs to serve small-to-medium customers through an optimized mix of sales channels and value-adding service offerings
- **A digital leader:** We bring innovative digital solutions to market that enable our customers to clean smarter. In addition, we strive to establish a uniform data architecture and coherent IT backbone that allow us to scale our digital investments and deliver an improved customer experience

Strategic highlights

While navigating through a challenging year with the pandemic slowing market activity and disrupting sales and marketing plans, we stayed focused on executing key strategic projects defined in Nilfisk Next.

During 2020, the implementation of a global operating model was further reinforced as all sales entities across regions were put under one leadership in a global sales function. A new Solution Portfolio function was created to ensure a coherent global focus across our solutions offering, based on customer and market insights. Sales efficiency has been further improved as global CRM tools are now in place. Our IT competences have been moved to an IT hub in Hungary, which has also enabled us to reduce the use of consultants. Building on the progress made in earlier years in terms of simplifying and globalizing the business, we further strengthened the foundation for commercial execution based on a global operating model.

Other initiatives in 2020 supporting our strategic priorities in Nilfisk Next included:

Executing on the growth plan in the US

Following a challenging 2019 for Nilfisk in the US, a key priority for 2020 was continued execution of the growth plan, leveraging the full portfolio, serving our distribution partners better, and strengthening our approach to strategic accounts. Despite the COVID-19 pandemic, we have seen progress in all three areas during 2020. The plan was introduced in 2019 and included a restructure of the sales organization around key customer segments and around end-user orientation to fuel demand and bring added value to our comprehensive dealer network, ultimately benefitting our business.

Expanding sales of autonomous solutions

The Liberty SC50 launched in all key markets in Europe and North America as well as selected markets in Asia towards the end of 2019, and during 2020 we have continued the commercialization of this autonomous solution. Sales have been expanded to multiple customer segments and cleaning applications, including airports, retail, and health care in all key markets, supported by a growing interest in autonomous solutions brought on by the pandemic. New cleaning demands and requirements brought on by the pandemic have made cleaning even more essential for businesses and institutions, and many have turned to autonomous cleaning technology to meet these new demands, as it provides a number of benefits, such as freeing up human cleaning staff's time so they can get more done, guaranteeing complete coverage, and minimizing the time cleaners need to spend in populated spaces. During 2020, we introduced a UV-module for the SC50 autonomous scrubber to target viruses and other pathogens.

Launching an additional autonomous scrubber

In 2020, Nilfisk introduced a new and large autonomous scrubber, the Nilfisk Liberty SC60, equipped with the largest scrub deck in the autonomy ride-on category. Learn more on page 18.

Consolidating of the European distribution structure

To continue simplifying the supply chain and to further optimize the geographical locations of Nilfisk's distribution centers, Nilfisk continued in 2020 the implementation of a new distribution center structure in EMEA. During 2020, we opened new distribution centers in Ghent (Belgium) and Trollhättan (Sweden), operated by our third-party supply chain partner. These two distribution centers follow the opening of a distribution center in Tarragona, Spain, in late 2019. At all three locations that were determined in accordance with center of gravity analysis based on current and expected future sales, we will leverage expertise from our partners and drive efficiencies.

Outlook for 2021

Market conditions
We come from a situation where we have seen demand improving quarter over quarter in the second half of 2020, however, moving into 2021, there has been an increase in lockdowns and restrictions across markets as a result of the continued outbreak of COVID-19.
With the roll-out of vaccines across markets we expect a more normalized environment during the second half of the year, but we see, however, continued uncertainty for market conditions in the year.

Organic growth
We expect the total business in 2021 to generate organic growth of 5% to 10% compared to 2020, based on the market demands trends that we are experiencing and on the overall expected economic recovery.

EBITDA margin before special items
With our continued focus on cost discipline and revenue growth as described above, we expect EBITDA margin before special items to stay in the range of 12.5%-14.5%.

2021 outlook

5% to 10%
organic growth for the total business

12.5% to 14.5%
EBITDA margin before special items

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.

WORKING AT NILFISK DURING THE PANDEMIC

Presenting our products virtually

Chris McMunn, *Key Account Manager*

17 years with Nilfisk | Sales | Manchester, United Kingdom

The COVID-19 pandemic continues to test the resilience and agility of working cultures across the globe. While health authorities do their utmost to safeguard the public, companies are adopting new ways of working in order to meet their business objectives, maintain customer service and contribute to keeping the world's economy up and running.

At Nilfisk, maintaining business operations, ensuring employee safety, and continuing customer responsiveness under COVID-19 is our top priority. Our efforts to bring advanced cleaning technology and high-performance, industrial grade equipment to our customers worldwide have become even more relevant under COVID-19. We service customers worldwide, some of whom are on the frontlines of the pandemic, managing hygiene in critically-important indoor spaces such as hospitals, airports, supermarkets and schools.

In this year's Annual Report, we are sharing the personal stories of several employees working in different business areas and sites within the company. These stories illustrate some of the key organizational changes we have made under the pandemic and highlight our renewed sense of purpose and commitment to meet our customers' needs and deliver on our mission to 'enable sustainable cleaning worldwide to improve quality of life'.

Ask Chris McMunn how business has been under COVID-19 and you may be surprised by his response:

"After working 17 years as a key account manager, I actually made record sales in 2020."

Chris also found this a bit surprising at first. "It comes down to trust. I am very fortunate to have established myself in this position over my years with Nilfisk, forging many strong relationships and alliances with a good cross section of customers."

Presenting a product virtually is easier when you have already built relations with the customer. "They know me, so it was not always necessary to be in front of them for a product presentation."

"Customers have responded positively to virtual sales visits during COVID-19."

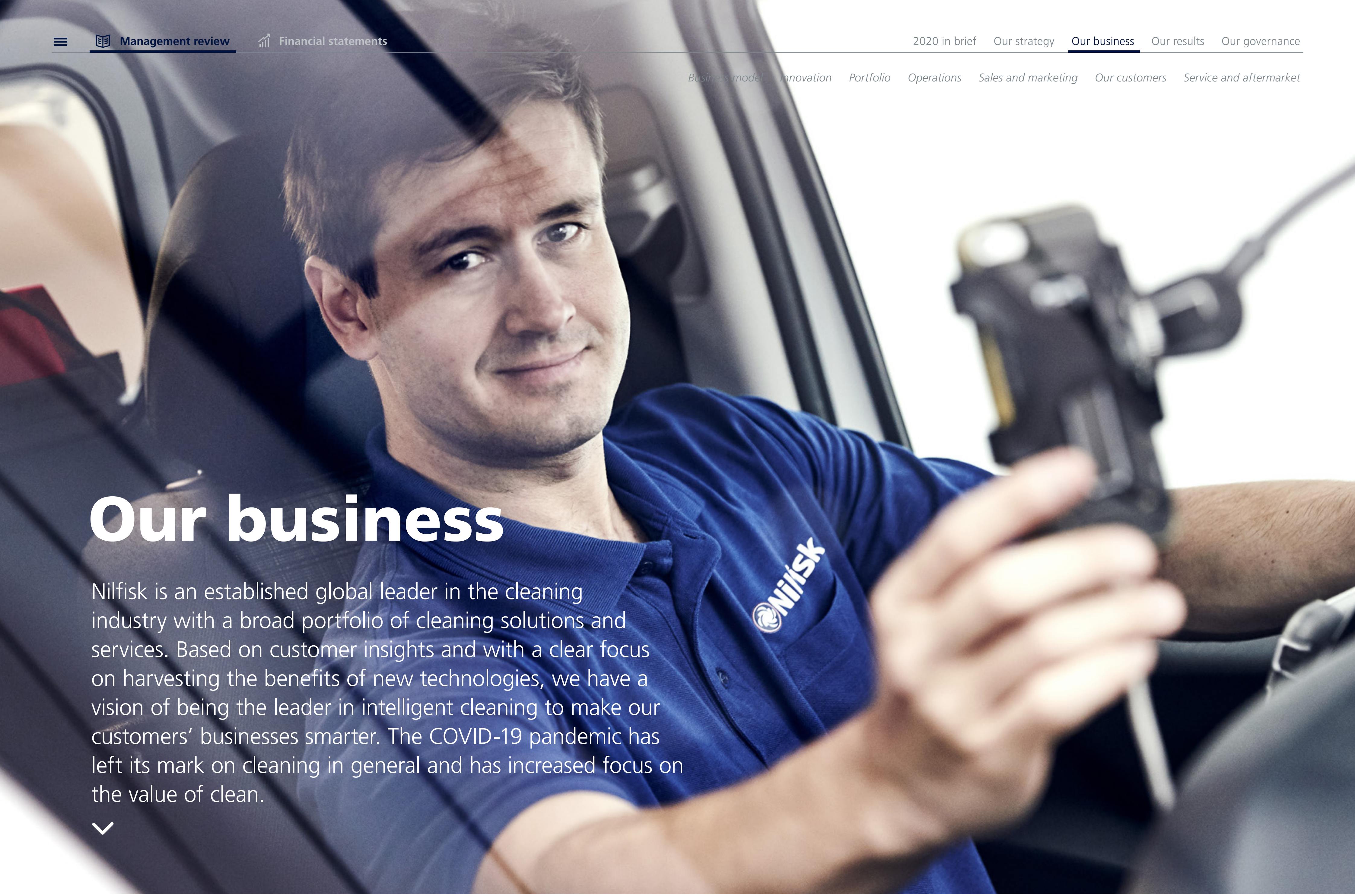
Instead, Chris adapted as best he could by using mobile phone video chat sessions, as well as links to YouTube training videos to reach out to his existing customer base. At first, he wasn't sure if some of the smaller machines could be demonstrated or installed virtually but he quickly realized that it can be done.

"My long-standing customers have responded positively to virtual sales visits during COVID-19." He is confident that the option to do some sales 'visits' remotely at Nilfisk will remain even after COVID-19. "In future, it will be hard to justify travelling two hours to do a 20-minute sales appointment that we now know can be done virtually. An additional bonus is that I can use the time saved not travelling to respond much quicker to customer email requests."

Chris adds that for new customer leads or demonstration of larger machinery, "I enlisted the support of some of my experienced colleagues to do these types of sales demonstrations."

Staying in touch with colleagues and management has worked well under COVID-19. Chris and colleagues attend bi-weekly virtual sessions with management to stay informed about the latest company updates on COVID-19 and other news. "Not once has there been pressure to do a field visit. On the contrary, the message is that if you can do your job from home…stay home, stay safe, especially as the pandemic continued to escalate in the UK."

Like so many others, Chris is anxious to get vaccinated against COVID-19. "It is likely this virus is not going away anytime soon so I am happy to work for a company that trusts us to find new ways to get the job done. With a little luck, I hope to be able to surpass my banner 2020 sales in this new year."



Our business

Nilfisk is an established global leader in the cleaning industry with a broad portfolio of cleaning solutions and services. Based on customer insights and with a clear focus on harvesting the benefits of new technologies, we have a vision of being the leader in intelligent cleaning to make our customers' businesses smarter. The COVID-19 pandemic has left its mark on cleaning in general and has increased focus on the value of clean.

Our **business model**

There is a universal need for cleaning, and the effect of clean is valuable everywhere. The COVID-19 pandemic has increased focus on cleanliness and hygiene, which have become business-critical for industries across the world and require companies to rethink how they approach cleaning. Our business model is based on creating value for our customers: By providing high-quality cleaning solutions and services, we enable our customers to increase their productivity. Cleaning has a measurable impact for our customers, but also for the general public, who benefit from living and working in a clean environment.

By providing high-quality cleaning solutions and services, we enable our customers to increase their productivity

Nilfisk is an established global supplier of cleaning equipment and services. Through a combination of direct and indirect sales, we service contract cleaners, industrial customers, healthcare facilities and many more across approximately 100 countries.

Resources

Capital provided by investors and financial partners

Insights from customers and market analysis

Facilities for development

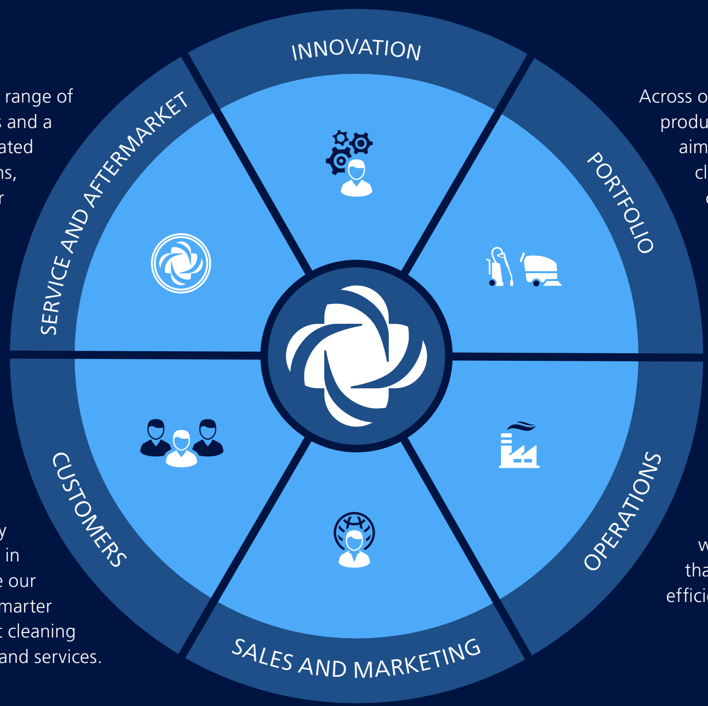
Innovation

A competent and diverse staff

Starting with customer insights, Nilfisk develops intelligent cleaning solutions and services rooted in new technologies and tailored to our customers' needs.

Through a broad range of aftermarket solutions and a global team of dedicated service technicians, we ensure that our customers get the support and service needed throughout the product life cycle.

Across our extensive Nilfisk product portfolio, we aim to deliver a top-tier cleaning performance, complemented by services that increase productivity and reduce total cost of ownership.



With innovative cleaning solutions we increase cleaning productivity and quality for our customers – in short, we make our customers' businesses smarter through intelligent cleaning solutions and services.

A global production footprint combined with a distribution set-up that ensure operational efficiency and quality.

Through a global team of sales representatives combined with dealers and e-commerce, we build customer relationships and drive sales across our strategic customer segments.

Value creation

For our shareholders:
– Total shareholder returns

For our customers:
– Productivity increase
– Improved cleaning, hence enhanced quality of life for people

For our employees and society:
– Job creation and development
– Tax contribution
– Better cleaning solutions for the benefit of people and environment
– Lower consumption of energy, water and detergent in our products

Innovation

Across the world, Nilfisk engineers and specialists work to bring innovative solutions and services to market.

At Nilfisk, innovation and product development begin with customer insights. These insights are the guiding principle for the development of products and services via close cross-functional collaboration between R&D, marketing, external technology partners and customers.

A global R&D organization

An integral part of the Nilfisk Next strategy is creating a global organization and operating model with uniform processes, systems, and capabilities across markets. As part of this, Nilfisk continued to streamline its operating model for R&D in 2020, integrating R&D activities related to the Consumer business and the Professional business into one organization.

As part of the restructuring in 2020, R&D further simplified its structure, both in terms of product categories and in the different R&D competence centers globally. R&D has maintained the mobility of its scalable operating model, increased efficiency, and adjusted capacity to reflect fewer product platforms as a result of simplifying the portfolio over the recent years.

2.8%
Share of revenue spent on R&D activities

Moreover, Nilfisk started to increase its R&D footprint in China towards the end of 2020 in order to leverage the capabilities of the competence centers in Suzhou and Dongguan and fully integrate them into the Global R&D organization.

99.5% coverage

The unique technology of Nilfisk's Liberty SC50 and SC60 autonomous scrubbers lets the operator map out routes that deliver 98% to 99.5% coverage of the application.

Building an industry leading portfolio of autonomous cleaning solutions

Nilfisk has a clear vision to be the leader in intelligent cleaning. Our work to bring autonomous solutions and digital services was a highlight during 2020, as we announced a significant and high-performance addition to the portfolio of autonomous solutions.

The Nilfisk Liberty SC60 is Nilfisk's first autonomous solution built on technology partner Brain Corp's BrainOS® AI software platform. It is equipped with the largest scrub deck in the autonomy ride-on category, making it ideal for cleaning large indoor spaces like hypermarkets, warehousing, logistic centers, light-industry environments, and similar. To this end, the SC60 complements the abilities of the other robotic floor scrubber in Nilfisk's portfolio, the Nilfisk Liberty SC50, which is developed in collaboration with our technology partner Carnegie Robotics for environments with tighter layouts that need more precision and agility. Intuitive programming, easy operation, and trackable performance data define the Liberty portfolio, allowing the system to integrate seamlessly with each cleaning team and improve productivity with minimal oversight.

The Nilfisk Liberty SC60 was introduced at an all-virtual launch event in September and will be commercially available for selected customers in 2021.

Portfolio

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.

During 2020, we have established a new function to drive a coherent solution portfolio across machines, digital services and business models bringing together various global functions and competences into one unit. We have also taken an agile approach to our portfolio, adjusting to the urgent demand for extra hygienic measures and virus control generated by the pandemic and developing innovative solutions to meet that demand.

Relaunch of steam cleaners to accommodate disinfection requirements

Steam helps customers clean and disinfect beyond the typical cleaning methods. As a response to COVID-19 outbreak and the heightened need for cleaning and disinfection, Nilfisk decided to relaunch its steam cleaner portfolio in EMEA during the second quarter. This range of stream cleaners is targeted towards customers and applications in various segments, including automotive, health care and hospitality.

Nilfisk pioneers new UV-C light module to disinfect virus

Nilfisk launched an innovation in the autonomous category: an integrated UVGI (Ultraviolet Germicidal Irradiation) module, which uses UV-C light to disinfect floors and which can be paired with our Nilfisk Liberty SC50. The new solution makes Nilfisk the first in the industry to offer customers a one-step floorcare solution for fully disinfected surfaces.

UV-C technology is a widely used, powerful solution that damages the DNA of viruses, bacteria, and other pathogens, preventing them from multiplying and causing diseases. A Nilfisk Liberty SC50 floor scrubber equipped with the UVGI module can remove dirt and debris while simultaneously disinfecting surfaces using UV-C light. This combination of solutions aims to deliver effective cleaning and disinfection of indoor spaces where hygiene is of the utmost importance, such as hospitals, supermarkets, airports, and schools. The module, which can be retrofitted on existing Liberty SC50 units already in operation or included as part of new Liberty SC50 installations, was was made commercially available in North America first and after that gradually introduced in other markets where the Liberty SC50 is currently sold.

Simplifying and extending our range of scrubber dryers within mid-market

Over time, Nilfisk has acquired companies all over the world, leading to a multitude of brands across the business. This has created complexity for our customers and partners across our value chain. In recent years, measures have been taken to reduce brand complexity. Nilfisk's scrubber dryer portfolio for the mid-market was simplified in 2020. The number of product platforms was reduced, but productivity and versatility retained. Old products have been modernized and replaced by new more contemporary machines, and the Viper branded portfolio has been extended to increase competitiveness while keeping price and complexity down.

Operations

In 2020, Nilfisk continued its efforts to simplify the company's operational footprint focusing on the continued consolidation of our distribution structure.

To continue simplifying the supply chain and to further optimize the geographical locations of Nilfisk's distribution centers, Nilfisk initiated the implementation of a new distribution center structure in EMEA in 2019. As laid out in the plan, three new regional distribution centers have been centrally placed in EMEA, reflecting the center of gravity of the European customer base according to current and expected future sales.

2
New distribution centers in Europe in 2020

In addition to the facility in Tarragona (Spain), which opened in late 2019, two additional distribution centers opened in 2020. One was the main European distribution hub in Ghent (Belgium) in July 2020, and the other a new facility in Trollhättan (Sweden) in December. Activities were moved from Nilfisk's inhouse facilities in Denmark, where operations terminated at year-end, to the new distribution facilities operated by a third-party supply chain partner.

Official opening of the new central distribution center in Ghent

An important step for Nilfisk in its journey towards simplifying and standardizing its supply chain was taken with the official opening of the second of the new regional distribution centers in 2020. As part of the Nilfisk Next strategy, the new distribution center in Ghent, Belgium became operational on July 13, 2020. It consists of 40,000 m^2 of warehousing operated by 60 employees securing day-to-day delivery to our customers in the European markets.

Additionally, a new workshop for customizing machines to meet special requirements and secure "plug & play" solutions for Nilfisk's customers has been built at the heart of the new distribution center. It is managed by a team of Nilfisk specialized technicians.

Sales and marketing

Nilfisk ensures strong customer access and global sales coverage by balancing direct and indirect sales channels.

More than 1,500 full-time employees are working in the Nilfisk sales force and sales support functions across more than 40 countries in EMEA, Americas and APAC. This is supplemented by e-commerce as well as an extensive network of dealers and distributors reaching customers across approximately 100 markets. They have obviously all been affected by the COVID-19 outbreak and the drop in demand experienced in 2020.

Interacting with customers in a COVID-19 reality

The pandemic led our sales and marketing force to explore new digital ways to interact with customers and external partners, as they were working under restrictions to meet in-person because of lockdowns and other restrictions. Online training sessions were arranged across segments for customers and dealers, with adaptations for the COVID-19 situation. For example, Nilfisk's ABCA (Agriculture, Building & Construction, Automotive) team rolled out a range of high-pressure-washer webinars designed to increase knowledge of Nilfisk's sales tools, product offerings, and the role that those who clean play in ensuring high hygiene levels and sustainable, cost-efficient cleaning. Additionally, our sales teams have increasingly met customers online, conducting virtual customer meetings and even product demos.

Virtual event on autonomous solutions

The first-ever virtual launch event, "Accelerating Your Autonomous Journey with Nilfisk" was held in September, bringing customers on the autonomous journey and introducing the next steps in the product road map. Over 1,600 external participants from 75 different countries registered for the event, and close to 700 viewers followed the event live. Since then, more participants have viewed the event 'on-demand'. During the event, the success of the Nilfisk Liberty SC50 was covered along with Nilfisk's multi-partner strategy for development of autonomous solutions. Participants had the opportunity to interact with an expert panel that provided live feedback. The event was promoted on global and local marketing channels, including customer invitations, social media and digital advertising.

A new perception of clean

As the COVID-19 outbreak spread to Europe and the Americas in March and became a global pandemic, the Nilfisk Insights team began to collect intelligence on how the pandemic would alter people's lives, and what this new reality would mean for professional cleaning. With that question in mind, Nilfisk developed a Trends eBook, "Cleaning in the COVID-19 era" that provided expert predictions on the long-term impact of COVID-19 within the industry, and the segments Nilfisk serves.

Topics of the eBook include:

- Understanding the world's new standard of clean
- Winning new business in contract cleaning and facility management
- The future of cleaning technology
- Protecting your workforce
- Forming partnerships for success in the new era

Nilfisk used the Trends eBook to share important new intelligence and put fresh perspectives on the agenda. The insights were distributed among key customers and shared on social media, in campaigns, and on other relevant platforms. In addition, the customer-facing staff at Nilfisk benefited from these insights, getting a better understanding how the needs and perception of clean were changing for customers and within segments.

7 trends
Based on insights Nilfisk presented seven new standards of clean in the Trends eBook

Our customers

The need for cleaning is universal, and the effect of clean is valuable to our customers everywhere. Nilfisk serves customers around the world, targeting the customer segments where we see the best fit between our portfolio and position in the market, and supported by insights and analytics these segments are served by a dedicated sales and service force that allows us to understand the needs of the customer, both now and in the future.

With a product portfolio spanning from advanced industrial vacuum solutions to high pressure washers and floorcare equipment, Nilfisk has a unique offering in terms of breadth and depth. We see this as a competitive edge that is especially relevant for customers in the manufacturing industries and contract cleaners, whose cleaning needs are many and varied.

91%
The professional market accounted for 91% of Nilfisk's total revenue in 2020 (87% in 2019)

Large variations in COVID-19 impact

Across markets, we have seen large variations in the impact of the COVID-19 pandemic with some customer segments being more heavily impacted than others. The hospitality sector experienced the most severe drop in activity due to local lockdowns, while, on the other end of the scale, customer segments like pharma and food manufacturers, food retailers, and the healthcare sector became busier. After they adjusted operations to the new reality, we saw demand from these customers return to a more normal level, and demand in some cases increased, however, not enough to compensate for the decline in sales to the hospitality sector.

During the latter part of 2020, several countries and regions experienced spikes in confirmed COVID-19 cases, causing local authorities to reintroduce restrictions and lockdown. Overall, Nilfisk has been able to continue sales and service activities even in areas with local spikes. This was partly a result of the work done by most companies and institutions to adjust their operations to the new reality brought on by the pandemic. These adjustments made it possible for Nilfisk to continue conducting customer visits, product demonstrations and service calls, either physically or digitally, even in areas with restrictions. As a result, we did not experience the same correlation between lockdowns and declining demand in the latter part of 2020 as we did during the earlier stages of the pandemic.

Service and aftermarket

With a comprehensive service and aftermarket offering, Nilfisk aims to ensure maximum uptime for our cleaning equipment used by customers around the world. In addition to a portfolio of cleaning equipment and solutions, Nilfisk provides value-added aftermarket offerings such as service solutions, parts, and accessories. The total aftermarket segment accounted for 33% of revenue in 2020.

A total of 500 Nilfisk Field Service Engineers and additionally 300 authorized third-party technicians work within Nilfisk Service Solutions to help ensure that the customers' cleaning equipment perform and has minimal downtime. Third-party technicians are certified by Nilfisk to ensure consistent service quality across our entire global network.

800
Technicians

125,000
Machines maintained annually

WORKING AT NILFISK DURING THE PANDEMIC

Servicing hospitals during COVID-19

Daniel Del Barrio Sanchez, *Field Service Engineer*

4 years with Nilfisk | Service | Madrid, Spain

Daniel Del Barrio Sanchez awoke on a clear morning in late March 2020 with a sense of dread. Normally, this would be just another typical day at work for the Nilfisk service technician, who was scheduled to make a routine repair on a BR855 scrubber dryer at a large community hospital in Guadalajara, Spain.

But these are not normal times. At this point, Spain was in the throes of the first wave of the COVID-19 pandemic. The country was gripped with uncertainty and there was a sense of chaos as public health officials still had more questions than answers about how to protect the nation's citizens against this new, and rapidly escalating threat.

"I had to enter the hospital to work with machinery that had been exposed to COVID-19. I could sense the tension and anxiety within the hospital corridors. Even though I had no direct contact with patients or personnel, I was still very nervous as so little was known about the virus at that time."

The hospital, which services a population of 90,000 residents, plays a key frontline role in the response to the pandemic. "The machine I was repairing helps to keep some of the most exposed areas of the hospital clean – perhaps even more relevant under COVID-19 – so I felt the importance of my job for both the hospital and the people they care for."

Daniel is thankful for his years of experience and the ongoing support from colleagues and managers at Nilfisk during the crisis:

"Every effort has been made to provide us with the necessary safety equipment and to adapt protocols so we can continue to respond to customer needs while staying safe. We now completely isolate the machines to thoroughly clean them before doing repairs. This has helped me to overcome my fear, stay focused and return home safely to my family."

"We have become better, more sensitive, people during this crisis."

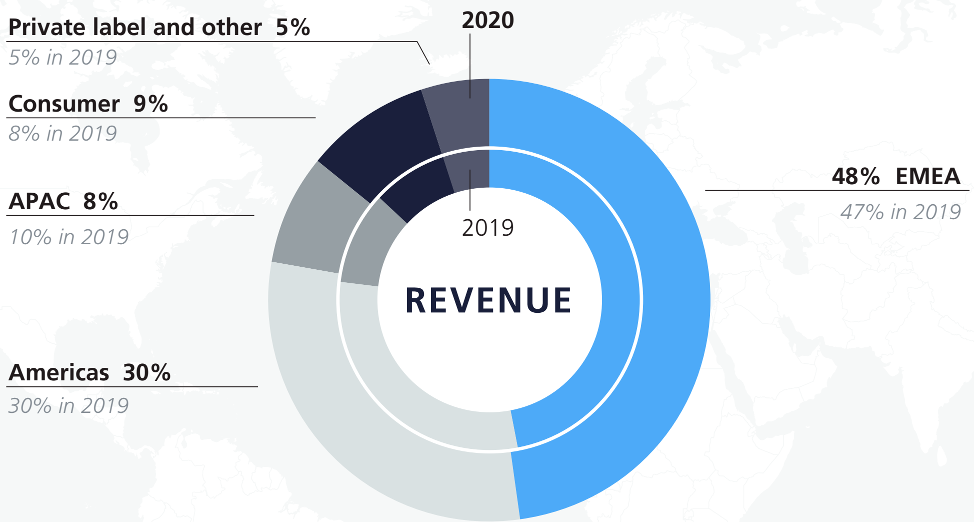
As a technician, Daniel is used to working on his own but under COVID-19, he appreciates the regular online and virtual meetings with colleagues and management. These meetings have helped him to stay informed about what's going on at the company, and to share encouragement and support with his colleagues during these difficult times.

"The humanity of the company and colleagues has shined brightly during this crisis. I believe that this experience is helping us to be better people, more sensitive towards to the needs and concerns of others."

Our results

The COVID-19 pandemic had a significant negative impact on market demand in 2020, in turn negatively impacting revenue. In 2020, Nilfisk realized total revenue of 832.9 mEUR and organic growth of -11.5%, positively impacted by sequential quarter-over-quarter improvement during the second half of the year in both EMEA and the Americas. EBITDA before special items amounted to 100.5 mEUR corresponding to an EBITDA margin before special items of 12.1%.

Business **performance**



2020 in brief

- Total revenue of 832.9 mEUR corresponding to reported growth of -13.8%
- Organic growth for the total business was -11.5% heavily affected by low demand due to the COVID-19 pandemic
- Organic growth in the branded professional business was -13.7% with improved quarter-over-quarter performance in EMEA and the Americas in the second half of the year
- EBITDA before special items amounted to 100.5 mEUR, corresponding to an EBITDA margin before special items of 12.1%. Excluding the positive impact from government support of 4.3 mEUR, the EBITDA margin was 11.6%
- Special items was 10.8 mEUR and mainly related to redundancy costs
- Operating profit amounted to 22.1 mEUR corresponding to an operating profit margin of 2.7%
- Working capital amounted to 131.6 mEUR, and working capital measured in percentage of revenue was reduced by 1.8 percentage points to 18.8%
- Free cash flow increased by 38.2 mEUR compared to 2019 and came to 73.5 mEUR

Revenue and organic growth by operating segments, 2020

EUR million	Revenue 2020	Revenue 2019	Organic growth 2020	Impact of acquisitions/ divestments	Impact of foreign exchange rates	Total growth
EMEA	396.6	453.0	-11.6%	-	-0.9%	-12.5%
Americas	247.6	291.3	-12.4%	-	-2.6%	-15.0%
APAC	65.8	93.5	-28.0%	-	-1.6%	-29.6%
Nilfisk branded professional business	**710.0**	**837.8**	**-13.7%**	**-**	**-1.6%**	**-15.3%**
Consumer	76.0	75.8	15.7%	-14.2%	-1.2%	0.3%
Private label and other	46.9	52.9	-11.3%	-	-	-11.3%
Total	**832.9**	**966.5**	**-11.5%**	**-0.8%**	**-1.5%**	**-13.8%**

EMEA

The COVID-19 pandemic affected all markets and customer segments in the EMEA region. The impact was most severe in EMEA South in the beginning of the pandemic. However, the region subsequently experienced a faster recovery compared to the two other regions. During the second part of the year, all key markets in EMEA experienced quarter-over-quarter pick-up in demand.

EMEA realized revenue of 396.6 mEUR compared to 453.0 mEUR in 2019 corresponding to reported growth of -12.5%. The effect from foreign exchange rates was -0.9% and the underlying organic growth for the full year was -11.6%. The EMEA South region in particular was impacted by the heavy restrictions that were imposed early in the year in larger markets such as France and Italy. However, EMEA South recovered faster than the other regions during Q3 and Q4. In both the EMEA North and EMEA Central regions, the demand decline was less severe in Q2, but recovery was slower during the second half of the year. EMEA North had the best performance and ended the year with flat organic growth compared to 2019.

Gross profit amounted to 183.1 mEUR in 2020, which is 32.2 mEUR lower than in 2019. This corresponds to a gross margin of 46.2% compared to 47.5% in 2019. The gross margin was negatively impacted by lower capacity utilization and higher freight costs compared to 2019.

The negative impact on gross profit from lower demand was partly mitigated through lower personnel costs and activity-related costs such as marketing and travel costs. As a result, EBITDA before special items came to 102.4 mEUR, which is 25.7 mEUR lower than 2019. This corresponds to an EBITDA margin before special items of 25.8% compared to 28.3% in 2019.

Map showing countries with Nilfisk sales entities in the region

396.6 mEUR
Revenue

-11.6%
Organic growth

47.7%
Share of total revenue

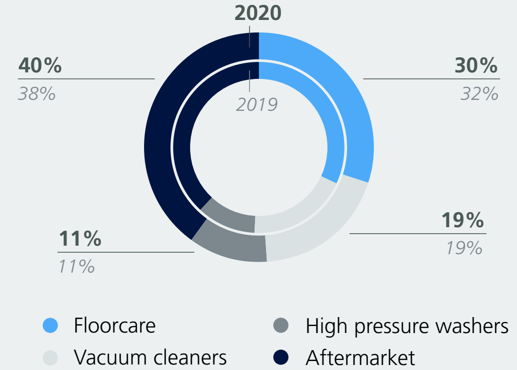
46.2%
Gross margin

102.4 mEUR
EBITDA before special items

25.8%
EBITDA margin before special items

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

SALES BY PRODUCT – EMEA



Americas

Despite significant negative impact from the COVID-19 pandemic, the full-year performance in Americas was positively affected by a quarter-over-quarter improvement in the US in the second half of the year. In Canada and the Latin American markets, demand remained low following the escalation of the pandemic.

Total revenue in Americas amounted to 247.6 mEUR in 2020 compared to 291.3 mEUR in 2019 corresponding to reported growth of -15.0%. Foreign exchange rates accounted for -2.6% of the decline, mainly due to a lower US dollar, leaving underlying organic growth of -12.4%. As mentioned above, despite a negative start to the year, the positive development in performance in the US during the second half of the year positively affected organic growth for 2020 for Americas as a whole. In contrast, Canada started the year with solid performance in Q1, but was heavily impacted by the COVID-19 pandemic and a subsequent slow recovery in demand through Q2, Q3 and Q4. In the Latin American markets that constitute approximately 5% of revenue in Americas, performance during the year was mixed, but on average, organic growth was lower than in Canada and the US.

Gross profit for Americas amounted to 100.5 mEUR in 2020 compared to 122.8 mEUR in 2019. The gross margin was 40.6% which was a decrease of 1.6 percentage points compared to 2019. The decrease is mainly explained by lower capacity utilization, while pricing effects had a slightly positive impact mainly driven by the US.

Lower overhead costs partly mitigated the drop in gross profit. The cost reduction was driven by both lower activity costs and lower personnel costs. EBITDA before special items was 8.6 mEUR lower than 2019 and came to 46.4 mEUR, but the EBITDA margin before special items was with 18.7% in the same level as in 2019.

Map showing countries with Nilfisk sales entities in the region

247.6 mEUR
Revenue

-12.4%
Organic growth

29.7%
Share of total revenue

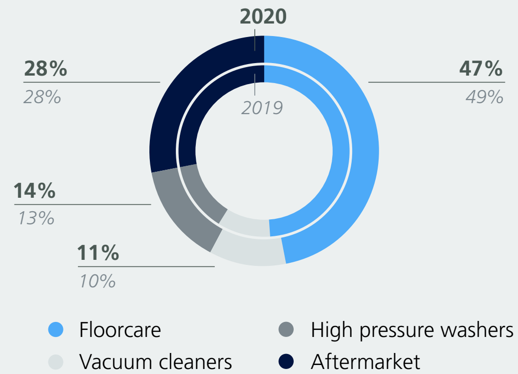
40.6%
Gross margin

46.4 mEUR
EBITDA before special items

18.7%
EBITDA margin before special items

Key markets:
US, Canada, Mexico

SALES BY PRODUCT – AMERICAS



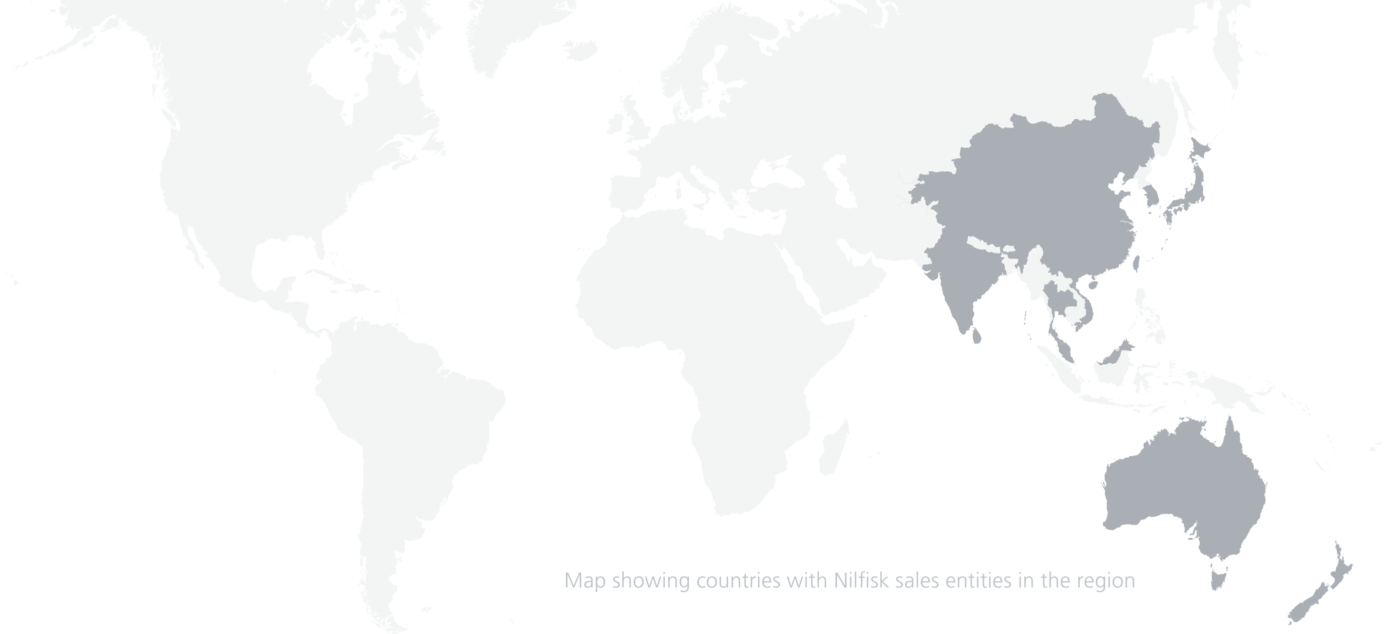
APAC

The COVID-19 pandemic had a severe impact on the APAC region in 2020, since the widespread outbreak began early in Q1 and demand in China dropped significantly as a result of extensive lockdowns. As the pandemic spread to other APAC markets, the hospitality segment was significantly impacted, which had a negative effect on revenue throughout the year. The Pacific region was also negatively impacted but showed good performance in the second half of the year.

Total revenue in APAC amounted to 65.8 mEUR for the full year, which was 27.7 mEUR lower than 2019 corresponding to reported growth of -29.6%. Foreign exchange rates had a negative impact of -1.6%, mainly due to lower AUD and CNY, and underlying organic growth was -28.0%. The negative organic growth in APAC in 2020 was to a large extent driven by the Southeast Asian markets such as Thailand, Malaysia, and Singapore, where our business is highly exposed to the hospitality segment. In this segment, covering hotels, restaurants, etc., the impact from the pandemic has been deep throughout the year. China also contributed to the negative organic growth in APAC due to a slow pickup in demand across channel partners.

Gross profit amounted to 25.5 mEUR in 2020 compared to 35.9 mEUR in 2019. The gross margin was 38.8% compared to 38.4% in 2019. Compared to 2019, the gross margin was negatively impacted by lower capacity utilization, whereas last year's margin was negatively impacted by mix effects from relatively lower sales in the Pacific region and inventory revaluations in the second half of 2019.

Lower activity related costs mitigated a small part of the drop in gross profit, and EBITDA before special items came to 3.5 mEUR compared to 12.4 mEUR the year before. This corresponds to an EBITDA margin before special items of 5.3% compared to 13.3% in 2019.



Map showing countries with Nilfisk sales entities in the region

65.8 mEUR
Revenue

-28.0%
Organic growth

7.9%
Share of total revenue

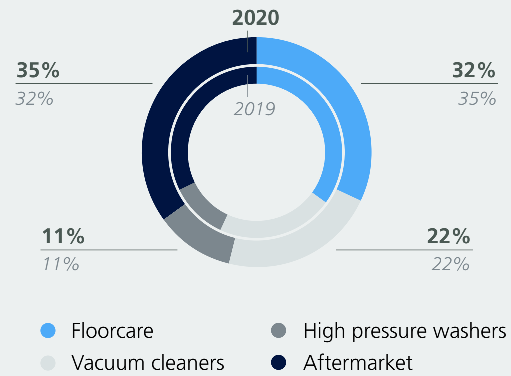
38.8%
Gross margin

3.5 mEUR
EBITDA before special items

5.3%
EBITDA margin before special items

Key markets:
Australia, China, Singapore, Thailand

SALES BY PRODUCT – APAC



Consumer

The Consumer business showed strong performance in 2020, partly driven by high demand as a result of the stay-at-home restrictions imposed in many markets, along with a focused commercial effort following a period with organizational changes in 2019. In addition to a strong sales momentum throughout the year, these efforts also led to several new customer wins in 2020.

The consumer business posted revenue of 76.0 mEUR in line with the year before resulting in reported growth 0.3%. The exit from the Pacific region early in Q4 2019 had a negative impact of -14.2%, and foreign exchange had a negative effect of -1.2%. Underlying organic growth amounted to 15.7% and was driven by strong growth in larger markets such as Denmark, UK, Germany, and France. On the product side, growth was strong within high pressure washers.

Gross profit increased by 3.0 mEUR to 25.6 mEUR in 2020 and so did the gross margin by 3.9 percentage points to 33.7%. The gross margin was negatively affected by higher freight costs due to a relatively larger share of railroad freight compared to 2019. In Q4 2019, the gross margin was significantly negatively affected by large one-time sales with low margins in connection with the exit from the Pacific region.

Private label and other

Revenue in the Private label business amounted to 46.9 mEUR compared to 52.9 mEUR in 2019. Foreign exchange effect was zero and, consequently, organic growth equaled total growth of -11.3%. The reduction in revenue is primarily due to phase out of certain customers during the year.

Gross profit increased by 1.3 mEUR and came to 12.0 mEUR. The gross margin increased by 5.4 percentage points to 25.6% driven by product mix effects, in particular higher sales of parts and accessories in Q4 2020.

Financial review for the total business

Revenue

In 2020, total revenue for Nilfisk amounted to 832.9 mEUR compared to 966.5 mEUR in 2019, which corresponds to reported growth of -13.8%. The exit from the Consumer business in the Pacific region in Q4 2019 had a negative impact of -0.8%, whereas foreign exchange rates had a negative impact of -1.5% of which USD accounts for approximately one third. Underlying organic growth was negative by 11.5%.

Revenue growth	FY 2020
Organic	-11.5%
Consumer exit from Pacific	-0.8%
Foreign exchange	-1.5 %
Total growth	**-13.8%**

Organic growth in Nilfisk's branded professional business was -13.7%, positively impacted by performance in EMEA and the US in the second half of the year.

The Consumer and Private label businesses posted organic growth of 15.7% and -11.3%, respectively, leading to negative organic growth for the total business of -11.5 %.

Gross profit

Gross profit for the total business amounted to 346.7 mEUR in 2020 compared to 407.3 mEUR in 2019. The gross margin was 41.6%, which was 0.5 percentage point lower than in 2019 mainly due to lower capacity utilization. Higher freight costs in the second part of the year also had a negative impact.

Pricing and improved margin in the consumer business, as earlier described, had a positive impact on the margin compared to 2019.

Overhead costs and ratio

Overhead costs were reduced by 43.7 mEUR compared to 2019 and came to 313.8 mEUR, partly compensating for the lower gross profit. During Q2 and Q3, Nilfisk received government support of 4.3 mEUR in total. The underlying reduction of 39.4 mEUR was driven partly by restructurings leading to lower personnel costs and partly by lower activity-related costs such as marketing, freight and travel costs. In addition, the use of consultants was significantly lower than in 2019. Finally, foreign exchange had a positive impact of approx. 5 mEUR driven by USD and MXN. The overhead cost ratio was 37.7% compared to 37.0% in 2019. Excluding the positive impact from government support programs, the overhead cost ratio was 38.2%.

Total R&D spend decreased by 13.0 mEUR compared to 2019 and amounted to 23.1 mEUR equivalent to 2.8% of the total revenue in 2020. The reduced spend is partly a result of low activity during the most severe phase of the pandemic in Q2 and Q3 but also a result of a more effective R&D setup as well as a smaller and more streamlined product portfolio compared to 2019. Out of the total spend of 23.1 mEUR, 15.0 mEUR was recognized as an expense in the income statement (2019: 13.4 mEUR) while 8.1 mEUR or 35.1% was capitalized (2019: 22.7 mEUR or 61.2%). In addition to expensed costs, total reported R&D costs for 2020 of 31.7 mEUR (2019: 30.9 mEUR) also includes amortization, depreciation and impairment of 16.7 mEUR in line with the level in 2019.

In line with our strategy we continued to invest in the future growth of Nilfisk. Consequently, out of the total of 8.1 mEUR in capitalized R&D costs, roughly half was directed towards development of digital solutions, connectivity devices and autonomy.

Research and development costs	2020	2019
Total R&D spend	23.1	36.1
Capitalized	8.1	22.7
Expensed in the P&L	15.0	13.4
R&D ratio (%of revenue)	**2.8%**	**3.7%**
Expensed R&D spend	15.0	13.4
Amortization, depreciation and impairment	16.7	17.5
Total R&D expenses	31.7	30.9

Sales and distribution costs were reduced by 24.0 mEUR and amounted to 220.8 mEUR. The reduction was partly driven by lower personnel costs and partly by lower activity-related costs such as marketing, freight and travel costs.

Administration costs were also reduced and amounted to 64.6 mEUR compared to 82.1 mEUR in 2019. The reduction was mainly driven by lower personnel costs, but lower consultancy and travel costs also contributed.

Other operating income/expenses was net 3.3 mEUR compared to net 0.3 mEUR in 2019. The income was positively impacted by directly received government support of 4.3 mEUR.

EBITDA before special items and EBITDA
EBITDA before special items decreased by 17.2 mEUR compared to 2019 and came to 100.5 mEUR for the full year, which corresponds to an EBITDA margin before special items of 12.1% in line with 2019. The margin was negatively impacted by a lower gross margin as a result of low capacity utilization, whereas the operating cost ratio improved compared to 2019. Adjusting for government support of 4.3 mEUR, EBITDA before special items was 96.2 mEUR and the corresponding margin was 11.6%.

EBITDA amounted to 90.6 mEUR compared to 95.0 mEUR in 2019. The EBITDA margin improved by 1.1 percentage points to 10.9% due to lower special items.

Operating profit before special items and operating profit
Operating profit before special items amounted 32.9 mEUR compared to 49.8 mEUR in 2019. This corresponds to an operating profit margin before special items of 4.0% compared to 5.2% in 2019.

Operating profit came to 22.1 mEUR compared to 25.9 mEUR 2019. Despite the lower result, the operating profit margin was unchanged at 2.7% due to lower special items compared to 2019.

Special items
Special items for the full year amounted to 10.8 mEUR compared to 23.9 mEUR in 2019. The special items primarily related to redundancy costs related in connection with the restructuring carried out in Q2 (and to a minor extent Q3) as response to the COVID-19 situation, and to costs incurred for the consolidation of our European distribution centers.

Details on special items are described in Note 2.4.

Share of profit from associates
From 2020, in addition to the part ownership of M2H in France and CFM Lombardia in Italy, associates in Nilfisk Group also include Thoro LLC, a newly established joint venture in Q3 2020 with Carnegie Robotics.

In Q3 2020, Nilfisk carved out the IP rights for the autonomous robotics software developed in corporation with Carnegie Robotics to Thoro LLC. The technology has potential and is proven within cleaning. It is now at a maturity stage where it can be leveraged further through development in a separate technology company focused on commercial applications that can be offered to third-party customers. In connection with the carve-out, a fair value assesment has been carried out resulting in IP being transferred at book value.

Share of profit from associates amounted to 0.1 mEUR compared to 3.7 mEUR in 2019. The decrease was driven by a loss in Thoro as well as lower earnings in M2H.

Financial items
Financial items, net increased by 0.7 mEUR to -14.7 mEUR in 2020 compared to 2019.

Financial income decreased by 0.6 mEUR, while financial expenses were at the same level as 2019. Interest expenses increased due to refinancing and increased funding cost, partly offset by lower exchange rate losses and costs related to phantom hedge compared to 2019.

Tax on profit for the year
TTax on profit for the year was -10.1 mEUR compared to -6.9 mEUR in 2019. Tax on profit for the year 2020 was related to current tax on profit of 6.4 mEUR and deferred tax of 3.6 mEUR. In 2019 tax on profit for the year of 6.9 mEUR was mainly 11.5 mEUR in current tax on profit, partly offset by -5.5 mEUR in deferred tax.

The tax on profit for 2020 is mainly related to tax asset valuation allowances of 7.2 mEUR compared to 1.3 mEUR in 2019.

Profit (loss) for the year
Loss for the year amounted to -2.6 mEUR compared to a profit of 8.7 mEUR in 2019.

Working capital
At the end of 2020, working capital was 131.6 mEUR, down by 26.3 mEUR compared to 2019. The reduction was driven by lower operating working capital - inventory and trade receivables in particular – as a result of lower revenue impacted by the COVID-19 pandemic, and pro-active adjustment of inventories and receivables collection in response.

At the end of 2020, inventories were 23.4 mEUR lower than end of 2019 as a result of a lower activity level in Q4 compared to 2019. Despite a high level of uncertainty, we have proactively adjusted production activity and inventory levels to expected demand throughout the year. As a result, we have reduced the level of inventory days compared to 2019.

Trade receivables were 20.8 mEUR lower than same time last year and amounted to 154.2 mEUR at the end of 2020. The decrease was mainly driven by lower sales, with an additional contribution from an increased focus on credit collection throughout the year. As a result, days sales outstanding was notably reduced compared to 2019, especially in APAC.

Trade payables were reduced by 12.0 mEUR and came to 99.9 mEUR as a result of lower activity compared to 2019 in correlation to the inventory development as described above.

The 12-month average working capital ratio was reduced by 1.8 percentage points compared to 2019 and came to 18.8%.

Capital employed and RoCE
As of December 31, 2020, capital employed amounted to 518.0 mEUR, which was a reduction of 54.1 mEUR compared to 2019. The reduction in capital employed was to a large extent driven by lower working capital but also by a lower level of capitalized assets such as R&D projects.

The return on capital employed was 5.9%, which is 2.6 percentage points lower than 2019 mainly due to lower operating profit.

Cash flow

Cash flow from operating activities before financial items and income taxes amounted to 113.5 mEUR, which is 9.5 mEUR higher than in 2019. The improved cash flow was mainly driven by higher operating profit after special items and non-cash adjustments, but cash flow from working capital also contributed. Net financial expenses and income tax paid amounted to a net outflow of 24.0 mEUR, which is 3.9 mEUR lower than 2019 due to lower financial income as described earlier. All in all, total cash flow from operating activities in 2020 was 13.4 mEUR higher than in 2019 and came to 89.5 mEUR.

Cash flow from investing activities for 2020 amounted to a net cash outflow of 16.0 mEUR, which is 24.8 mEUR lower than in 2019 due to postponement of projects during the most severe phase of the pandemic.

All-in-all, the free cash flow increased by 38.2 mEUR compared to 2019 and amounted to 73.5 mEUR.

Equity

Equity was 134.8 mEUR at the end of 2020 against 158.0 mEUR at the end of 2019. The reduction was mainly a result of negative impact from foreign exchange effects.

Net interest-bearing debt

At the end of 2020, total net interest-bearing debt was 383.2 mEUR, down by 30.9 mEUR compared to year-end 2019. The reduction is a result of a positive operating profit combined with a low level of investments and a reduction of the working capital.

The financial gearing at the end of the year was 3.8 compared to 3.5 at the end of 2019. Excluding the effect from IFRS 16 the financial gearing was 4.3 compared to 3.9 end of December 2019.

WORKING AT NILFISK DURING THE PANDEMIC

Working digitally brings greater freedom and flexibility

Abiola Adedeji, *Global Digital Marketing Specialist*

2 years with Nilfisk | Marketing | Nilfisk HQ, Broendby, Denmark

"We work in a fast-paced, high-tech industry, so Nilfisk's top management had already recognized the value of adopting digital working solutions before the pandemic hit. However, there is no doubt that under COVID-19, both the pace and the acceptance to working more digitally has been accelerated across the company."

Abiola Adedeji, a native Nigerian and mother of three boys, started working at Nilfisk in 2019 after completing a Masters' degree in IT. She recalls vividly how one of her Danish professors at that time had encouraged her to switch from Marketing to an IT major:

"She was quite adamant that digital was the wave of the future and being fluent in IT would be a highly valuable skill to have."

"We are all working smarter and with greater efficiency and flexibility"

Abiola has never regretted taking this prescient advice. Interacting digitally helps Abiola work with colleagues around the world and support local operations even better.

She notes that while digital work has been a steep learning curve for some colleagues, most are discovering that working digitally brings greater degrees of freedom and flexibility.

"Colleagues are working on platforms that they never would have tried before and discovering their own capacity for adaptation. They have stepped out of their comfort zones and are reaping the benefits. Likewise, Nilfisk management has been reassured that employees work more efficiently and continue to deliver quality results when they successfully incorporate digital solutions into their everyday work."

"By supporting the adoption of more digital ways of working, I have been able to help colleagues speed up delivery timelines despite the need to address new challenges every day under COVID-19. For instance, if operating hours are reduced due to a tightening of COVID-19 restrictions at one site, I am able to pick up the ball remotely to ensure smooth business continuity locally."

Abiola is confident that many of the new, more digital ways of working will persist even after the COVID-19 crisis is over.

"We are all working smarter and with greater efficiency and flexibility, which is imperative under COVID-19 but also makes sense under normal conditions. The pandemic has served as a painful reminder that life is often unpredictable and, in order to remain competitive, companies will need to stay agile. Digital solutions help us to do just that."

"Nilfisk is turning the COVID-19 challenge into a positive force for change within the company that improves the ways in which we work together to succeed."

Performance in Q4 2020

In Q4 2020, revenue amounted to 220.2 mEUR corresponding to reported growth of -5.8% compared to revenue in Q4 2019 of 233.8 mEUR. The consumer business' exit from the Pacific region had a negative effect on the growth of 0.3% and foreign exchange effects had a negative effect of 3.4% of which almost half was due to a lower USD. Consequently, organic growth was -2.1%.

In EMEA, organic growth was -5.1% driven by continued demand recovery in EMEA North. In Americas, organic growth was positive by 2.1% driven by positive growth in the US. It should be mentioned that comparison numbers for the US were low as a result of a slowdown in the industrial segment in Q4 2019. In APAC, organic growth for the quarter was -20.6% positively impacted by continued performance improvement in the Pacific region, although China only showed a modest improvement in performance compared to past quarters. In other APAC markets, the hospitality segment was still heavily impacted by the COVID-19 pandemic negatively impacting organic growth in Q4. All-in-all, the branded professional business posted organic growth of -4.6% compared to Q4 2019.

The consumer business continued its solid performance from previous quarters and recorded organic growth of 17.5% driven by continued strong sales execution in combination with continued high demand in the market. The private label business posted organic growth of 22.6% impacted by demand from the building and construction sector.

Despite lower revenue, gross profit was in line with last year at 93.3 mEUR (Q4 2019: 93.8 mEUR). The gross margin was 42.4%, which is 2.3 percentage points higher than in Q4 2019 mainly due to sale of goods at low margins in the consumer business in connection with the exit from the Pacific region in Q4 2019.

Overhead costs were reduced by 5.4 mEUR compared to Q4 2019 and amounted to 81.2 mEUR corresponding to an overhead cost ratio of 36.9% in line with Q4 2019. The cost reduction was primarily driven by lower personnel costs, but lower activity related costs such as travel and marketing also contributed. R&D spend was lower than in Q4 2019 due to a lower level of activity, but the rate of capitalization was lower, consequently resulting in higher R&D expenses in the income statement.

EBITDA before special items came to 30.9 mEUR, which was 5.7 mEUR higher than Q4 2019 due to lower overhead costs. As a result, the EBITDA margin before special items improved by 3.2 percentage points to 14.0%.

EUR million	**Q4 2020**	**Q4 2019***
Revenue	220.2	233.8
Gross Profit	93.3	93.8
Overhead costs	81.2	86.6
EBITDA before special items	30.9	25.2
Operating profit before special items	12.1	7.2
EBITDA	30.4	22.4
Operating profit	11.3	4.2
Financial ratios:		
Organic growth	-2.1%	-6.3%
Gross margin	42.4%	40.1%
EBITDA margin before special items	14.0%	10.8%
Operating profit margin before special items	5.5%	3.1%
Overhead cost ratio	36.9%	37.0%

*Changes in presentation to the income statement has been made. Comparative figures have been restated.

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, plus approve the Annual Report including the results of the company, 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. At the Annual General Meeting held on June 17, 2020, eight members were elected by the shareholders. This means the Board of Directors was expanded from ten to eleven members including the existing three employee-elected members. All shareholder-elected members are up for election every year at the Annual General Meeting. The 2021 Annual General Meeting will be held on March 26, 2021. The employee-elected members serve four-year terms, and the current employee-elects were elected at the employee election held in March 2018 and their terms will expire in 2022.

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

The Board of Directors represents strong, international business experience in the areas of industry, energy, high technology, finance, business management and development, and are deemed to possess the required expertise and seniority. See page 38-39 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 most recently in the Spring of 2020 when the COVID-19 pandemic started impacting Nilfisk's business, it was decided to ensure additional financial headroom with Nilfisk's relationship banks for contingency purposes. At the same time 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, warrants 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 October 9, 2022.

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 Copenhagen at the time of purchase.

Nilfisk Board of Directors

Chairmanship
- Jens Due Olsen (Chairman)
- Anders Runevad (Deputy Chairman)

Audit Committee
- Jutta af Rosenborg (Chair)
- Are Dragesund

Nomination Committee
- René Svendsen-Tune (Chair)
- Franck Falezan

Remuneration Committee
- Jutta af Rosenborg (Chair)
- Thomas Lau Schleicher

Project Management Office Committee
- Anders Runevad (Chair)
- Are Dragesund
- Franck Falezan

US Committee
- Jens Due Olsen (Chair)
- René Svendsen-Tune
- Richard Bisson

WORKING AT NILFISK DURING THE PANDEMIC

Facing uncertain times on the production line

Norbert Czinkoczi, *Production Team Leader*

16 years with Nilfisk | Production | Nagykanizsa, Hungary

Norbert Czinkoczi leads his team of 20 production workers like family. "We have been working together for decades, husbands working alongside wives and even next generation family members."

When reports of COVID-19 were first broadcast, the employees at Nilfisk's Nagykanizsa production site did not believe the pandemic would reach their little corner of the world. Nagykanizsa is a community of about 47,000 residents located in southwest Hungary near the border with Croatia and Austria.

"However, we became increasingly alarmed by the infection's rapid spread and the ensuing chaos in heavily-impacted countries."

Building on best practice and experience at Nilfisk sites around the world, the local crisis management team (CMT) implemented new safety protocols aimed at keeping employees safe and production lines up and running. And it was not until early 2021 the first cases of COVID-19 hit Norbert's team and other employees at the site:

"The son of a couple on my team became ill and the parents later tested positive but did not get sick."

Norbert has been impressed by the CMT's preparedness and dedication throughout. "Thanks to their open and clear communications, we have avoided outbreaks and extended production shutdowns."

"By reaffirming our bond as a community, we are staying safe."

As a team leader, Norbert emphasizes mutual trust and caring to maintain a productive, clean, and safe work environment. "By reaffirming our bond as a community, we are staying safe."

Keeping a sense of humor is also essential. "Wearing a mask 10-12 hours a day is tough. When a team member accidentally used his white mask as a napkin during lunch, we all laughed as he put the napkin on like a mask for fun."

Norbert and his team are determined to keep customers happy by delivering orders on time despite COVID-19. Undoubtedly, the biggest challenge has been living and working with the unpredictability caused by the pandemic. Issues with getting supplies on time due to transportation delays and quarantine restrictions across supply countries are likely to persist.

"We have responded by ensuring constant communication between managers and robust production processes. For instance, we are now able to swap a full line to a different product family if needed."

As an employer of 500 residents, Nilfisk plays a significant role in the community, and the importance of clean and safe hospitals, schools and other public areas has become even more relevant under COVID-19.

"Even if we play just a small role in fighting against this pandemic, I am proud."

Board Committees

The Board of Directors has appointed a chairmanship and three standing committees: An Audit Committee, a Nomination Committee, and a Remuneration Committee. In 2020, the Board of Directors established two additional ad hoc committees: a Project Management Office Committee and a US Committee. All five committees report to the Board of Directors. Senior representatives from Nilfisk act as secretariat for the committees. Each of the three standing committees has two members, and each of the two ad hoc committees has three members, which is considered appropriate to ensure efficient and focused committee work, reporting, and decision-making within the Board of Directors.

Chairmanship

The Chairman and the Deputy Chairman of the Board of Directors are elected by the Board of Directors following the Annual General Meeting. The Chairmanship is responsible for board oversight in between board meetings to ensure a balance between overall strategy-setting and supervision of the company. The Chairmanship meets regularly with the Group CEO, CFO, and other members of the Nilfisk team.

Audit Committee

In 2020, 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 chairman 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, 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 the 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 44.

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.Because of the COVID-19 situation this year's visits were to a large extent carried out as virtual control visits. In addition, Nilfisk's Group Legal Compliance function has performed audits in selected Nilfisk locations worldwide. 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 2020

In 2020, the main activities of the Remuneration Committee have been:

- 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 that will replace the previous Remuneration Policy, including guidelines for incentive pay. No significant changes were made to the overall remuneration strategy of Nilfisk Holding A/S, however, the new policy ensures that new legislative requirements are complied with. The Remuneration Policy was approved at the Annual General Meeting of Nilfisk Holding A/S in June 2020
- Setting the targets for the annual bonus plan and the performance share program
- Reviewing the achievement against targets under the company's annual bonus plan and the performance share program

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.

Nomination Committee

The purpose of the Nomination Committee is to define and assess the qualifications required by 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 utilizes a professional consultant to assist with this assessment.

Conclusions from the 2019 self-assessment were that the Board comprised a good team with room for discussions and a high degree of trust between the members. As such, the Nomination Committee concluded the Board to be the right one. At the same time, they welcomed increased shareholder representation from Ferd AS and PrimeStone Capital LLP, which at the time held, and still holds, more than 15% of Nilfisk's stock. Accordingly, the Board proposed Are Dragesund and Franck Falezan as candidates for the Board at the

Annual General Meeting in June 2020. Both candidates were elected at the General Meeting. The self-assessment for 2020 is expected to be completed before the 2021 Annual General Meeting which will be held on March 26, 2021, and the Chairman of the Board will convey the key conclusions at this meeting.

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 Chairman to the Group CEO and Group CFO and shared in summary at the Annual General Meeting.

Project Management Office Committee
The Project Management Office Committee oversees the key ongoing projects in Nilfisk.

Main activities in 2020
In 2020, the main activities of the Project Management Committee have been:

- Planning and scoping the Project Management Office Committee setup and priorities
- Reviewing execution status on restructuring program
- Reviewing and aligning commercial strategy plans and progress

US Committee
The US Committee oversees the drivers behind Nilfisk's performance in the US and drives alignment between board oversight, management ownership and strategic actions of Nilfisk's US business.

Main activities in 2020
In 2020, the main activities of the US Committee have been:

- Planning the US Committee setup, including decision on charter, priorities, and scope for the US Committee
- Developing fact base, insights and market dynamics
- Reviewing and executing status on current strategic US growth initiatives

The Nilfisk Leadership Team
Day-to-day responsibility for Nilfisk's management lies with the Nilfisk Leadership Team, consisting of eight members counting the 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 page 40-41 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. The Nilfisk target figure for the under-

Meeting attendance – 2020

	Board of Directors	Chairmanship	Audit Committee	Remuneration Committee	Nomination Committee	Project Management Office Committee	US Committee
Number of meetings	14	5	5	3	5	4	2
Jens Due Olsen	14 (100%)	5					2
Anders Runevad	14 (100%)	5				4	
Thomas Lau Schleicher	14 (100%)		3	3			
Jutta af Rosenborg	14 (100%)		5	3			
René Svendsen-Tune	13 (93%)				5		2
Richard P. Bisson	12 (86%)						2
Are Dragesund[1]	9 (100%)		2			4	
Franck Falezan[1]	9 (100%)				5	4	
Gerner Ray Andersen	13 (93%)						
Søren Gissing Kristensen	13 (93%)						
Yvonne Markussen	14 (100%)						2

[1] Member of the Board since June 17, 2020 (observer from April 28, 2020, until June 17, 2020) – participated in 9 out of 9 meetings

represented gender among shareholder-elected Board members has been minimum 17%. This target was met in 2017 and 2018. Since then, the shareholder-elected members of the Board of Directors has increased from six to eight members as additional members were elected at the Annual General Meetings in 2019 and 2020, by which event the percentage of the under-represented gender in the Board of Directors reduced to 12.5%. To achieve a more equal gender representation, Nilfisk has now set a new target figure for the under-represented gender of minimum 25% to be achieved by no later than 2024.

Nilfisk's focus on diversity is described in Nilfisk's CSR Report, which includes the UN Global Compact Communication on Progress report and can be found at Nilfisk's website.
https://nilfisk.com/en/nilfisk-group/csr/Pages/CSR-Report.aspx.

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

Nilfisk fulfils its obligations in respect to the corporate governance recommendations either by compliance or by explaining the reason for non-compliance. Nilfisk complies with all current recommendations. New and updated recommendations will apply for the financial year 2021, which Nilfisk will report on in its 2021 Annual Report.

More details can be found in Nilfisk's annual reporting on the corporate governance recommendations available at Nilfisk's Investor Relations site.

WORKING AT NILFISK DURING THE PANDEMIC

Safeguarding employee health

Tammy Ketcher, *HR Business Partner and COVID-19 Crisis Team Lead*

20 years with Nilfisk | HR | Springdale, Arkansas, USA

In March 2020, when the first COVID-19 cases were being reported in the US, crisis management teams (CMT's) at Nilfisk sites across the country were already implementing new working guidelines aimed at safeguarding employee health and maintaining business operations. In the office, large gatherings were banned, the distance between workstations was increased and routine health and safety drills became the new norm. Those staying at home gained expertise taking meetings on a virtual work platform introduced just months earlier in the company.

"In the beginning, we were communicating new guidelines and rules every week as the pandemic continued to upend life as we knew it."

Tammy and the CMT team knew that these guidelines could, at best, only lower infection risk at work.

"The biggest risk of exposure occurs outside the workplace, such as family events and while out shopping. Educating about COVID-19 precautions at work served to heighten individual responsibility and awareness, while also building employee loyalty."

It is this commitment to take care of one another and themselves that Tammy hopes will ultimately keep employees safe.

"Educating about COVID-19 precautions at work served to heighten individual responsibility and awareness."

"Nilfisk has been recognized as an essential business throughout the pandemic because we deliver products and services that keep the nation's public establishments and industrial workplaces clean and safe. Our hygiene mandate gained even greater significance under COVID-19, so we need to keep our employees healthy and delivering on this promise."

Tammy believes that some of the most profound changes to the way people work at Nilfisk will persist even after COVID-19. "In 2020, we had to survive. Our goal for 2021 is to thrive. Changes like the One Team, One Agenda philosophy are unifying our teams more than ever before."

For now, Tammy is happy fulfilling her CMT role to ensure the safety and screening of all employees, provide access to necessary counseling as well as protective equipment, and also facilitate open and transparent communications between the company's leaders and employees and vendors.

"Ensuring that each employee who comes through the door in the morning is well, stays well, and is ready to provide the necessary partnership with leaders to ensure our business is fully operational is something I am proud to be doing."

Board of **Directors**

						
	Jens Due Olsen Chairman, born 1963 Independent	**Anders Runevad** Member, born 1960 Independent	**Richard Bisson** Member, born 1959 Independent	**Are Dragesund** Member, born 1975 Non-independent	**Frank Falezan** Member, born 1971 Non-independent	**Jutta af Rosenborg** Member, born 1958 Independent
First elected in	October 2017	October 2017	March 2019	June 2020	June 2020	October 2017
Expiry of current term	March 2021	March 2021	March 2021	March 2021	March 2021	March 2021
Core competencies	• Industrial management • Management of listed companies • Economic and financial matters	• International management • Management of listed companies • Large infrastructure projects	• 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	• Chairmanship • US	• Chairmanship • Project Management Office	• US	• Audit • Project Management Office	• Nomination • Project Management Office	• Audit • Remuneration
Selected positions and directorships	• Chairman of the board of directors of NKT A/S, Børnebasketfonden, Advantage Investment Partners A/S, NIL Technology A/S • Deputy Chairman of KMD A/S	• Adviser to Chairman and CEO of Vestas Wind Systems A/S • Director of the board in Schneider Electric, Vestas Wind System and PEAB • Chairman of the board PGA National Sweden	• CEO of K&N Filtration • CEO of Alpha Guardian • CEO of Water Pik, Inc. • Member of the board of directors at K&N Filtration and Super Stroke Inc.	• Co-Head Ferd Capital, Ferd AS, Member of the board of directors of Mestergruppen A/S	• Founder and Managing Partner at PrimeStone	• Member of the board of directors of NKT A/S, Standard Life Aberdeen PLC, JPMorgan European Investment Trust plc, PGA European Tour (retired on December 31, 2020), and BBGI SICAV S.A.
Education	• MSc in Economics	• MSc in Electrical Engineering	• BSc in Industrial Technology	• MsC Economics and Business Administration	• Master in Business Administration	• MSc in Business Economics and Auditing
Nilfisk shares end of 2020 (end of 2019 shown in brackets)	21,732 (21,732)	2,000 (1,000)	0 (6,500)	0 (0)	0(0)	0 (0)

Board of **Directors**


	Thomas Lau Schleicher Member, born 1973 Non-independent	**Rene Svendsen-Tune** Member, born 1955 Independent
First elected in	March 2019	October 2017
Expiry of current term	March 2021	March 2021
Core competencies	• Executive management, financial reporting, risk • Management, capital markets expertise, strategy and M&A	• International management • Leading Stock Listed Companies • Service businesses • Large account sales
Committees	• Remuneration	• Nomination • US
Selected positions and directorships	• Chief Investment Officer, KIRKBI A/S • Chairman, Välinge Group AB, Chairman Adapture Renewables Inc, member of the board of directors of Falck A/S, Boston Holding A/S and KIRKBI Burbo Extension Holding (UK) Limited (a fully-owned subsidiary of KIRKBI A/S)"	• CEO of GN Store Nord A/S and GN Audio A/S • Deputy chairman of the board of directors of NKT A/S • Chairman of the board of directors of Stokke A/S
Education	• MSc in Finance and Accounting	• BSc Eng. (hon.)
Nilfisk shares end of 2020 (end of 2019 shown in brackets)	2,600 (2,600)	4,000 (4,000)



	Gerner Raj Andersen Employee Representative, born 1966	**Søren Giessing Kristensen** Employee Representative, born 1986	**Yvonne Markussen** Employee Representative, born 1959
First elected in	March 2018	March 2018	February 2019
Expiry of current term	March 2022	March 2022	March 2022
Position at Nilfisk	• Sales assistant • Joined Nilfisk in 1990	• R&D Engineer • Joined Nilfisk in 2015	• Assistant Payroll department • Joined Nilfisk in 2006
Committees	• N/A	• N/A	• N/A
Selected positions and directorships	• Owner of Mågaard I/S • Member of the board of Sem Vandværk	• N/A	• N/A
Education	• Secondary program	• M.Sc. Electro Mechanical Engineering	• Vocational training as clerk with emphasis on accounting
Nilfisk shares end of 2020 (end of 2019 shown in brackets)	210 (210)	0 (0)	6 (6)

Nilfisk Leadership Team

	 **Hans Henrik Lund** CEO Member of the Executive Management Board	 **Prisca Havranek-Kosicek** CFO Member of the Executive Management Board	 **Jacob Blom** Executive Vice President HR	 **Hans Flemming Jensen** Senior Vice President Corporate Affairs
Joined Nilfisk in	2017	2019	2016	2017
Core competencies	• International business management • Business transformation • Technology • Product development	• Corporate Finance • Financial Planning and Analysis • Group Controlling • Treasury • Investor Relations • IT	• HR management • Implementation of group processes and HR systems • Global HR transformation	• M&A, partnerships & ventures • Global corporate & commercial legal matters • Capital markets • Negotiation and international commercial relationships
Positions and Directorships:	• N/A	• Allianz Elementar Versicherungs-AG, Allianz Elementar Lebensversicherungs-AG	• Officer (reservist), Danish Army	• N/A
Previous Positions:	• Helvar Oy • Microsoft • Nokia • GN Netcom A/S	• Novozymes • Kuoni • DSM	• NCC AB • TDC A/S • Merk, Sharp & Dohme	• Kromann Reumert • NKT Holding A/S
Education	• MSc in Mechanical Engineering • Ph.D in Material Science • MBA in Organization and Business Management	• Ph.D. in Business Administration and Management	• Graduate Diploma in Organization & Leadership • Officer, Danish Army	• Master of Laws, University of Copenhagen
Nilfisk shares end of 2020 (end of 2019 shown in brackets)	19,600 (19,600)	0 (0)	200 (200)	735 (735)

Nilfisk Leadership Team




	Steen Lindbo Executive Vice President Sales	**Jesper Terndrup Madsen** Executive Vice President Operations & Service	**Pierre Mikaelsson** Executive Vice President R&D	**Camilla Ramby** Executive Vice President Marketing
Joined Nilfisk in	2018	2015	2019	2018
Core competencies	• International B2B sales • Commercial development • Channel strategy • Product/pricing strategies	• End-to-end operations management • Business transformation & turn around	• R&D • Product Development • Technology Management • Product Management	• Marketing & Communication • Commercial Excellence & Product Management • eCommerce • Data and advanced analytics
Positions and Directorships:	• N/A	• N/A	• N/A	• N/A
Previous Positions:	• Stanley Black & Decker, Inc.	• Royal Copenhagen A/S • GN Netcom A/S • Accenture	• ABB Robotics • KUKA Robotics	• Danske Bank A/S • TDC A/S • Codan A/S
Education	• Diploma Business Finance	• MSc in Economics & Business Administration	• M.Sc. Chalmers University of Technology	• MSc in International marketing & Management
Nilfisk shares end of 2020 (end of 2019 shown in brackets)	0 (0)	0 (0)	15 (15)	0 (0)

Corporate Social Responsibility

Operating under new conditions in 2020 caused by the pandemic, with significant changes both structurally and culturally, has made it clear that our social, economic, and environmental challenges are intertwined. and we have increased our focus on Corporate Social Responsibility (CSR) efforts related to all three. Over the course of 2020, we have continued our work related to lowering Nilfisk's CO_2 footprint, not only from direct emissions but throughout our entire value chain, and we have been working even more diligently with the social health and safety aspects inherent to our operations as a global company.

Maximizing value

Nilfisk's CSR strategy and approach address the issues material to Nilfisk, our stakeholders, and the risks identified within our value chain. We believe positive business results are achieved by working persistently and systematically on CSR-related initiatives. We set robust goals and initiatives to minimize Nilfisk´s negative impact and maximize the value we create for people, the environment, and the economy.

During 2020 especially two focus areas have received significant effort:

- Climate action
- Health and safety

Supporting United Nations SDGs

The United Nations Sustainable Development Goals (SDGs) serve as strategic guidance for this work and ensure that Nilfisk works towards more sustainable development in the future. At Nilfisk we work strategically with the following SDGs;

#3 "Good Health and Well-Being"

#12 "Responsible Consumption and Production"

#13 "Climate Action"

Key ESG data

CLIMATE AND ENVIRONMENT

Environmental data	2018	2019	2020
Total Direct (Scope 1) GHG emissions *($MtCO_2$ eq*)*	17,106	14,758	5,289
Total emissions from testing of machines *($MtCO_2$ eq*)*	422	533	380
Total emissions from fleet *($MtCO_2$ eq*)*	9,557	8,133	5,507
Natural gas consumption *($MtCO_2$ eq*)*	4,491	3,993	3,678
Total Indirect (Scope 2) GHG emissions *($MtCO_2$ eq*)*	9,999	7,605	6,281
Electric Power *($MtCO_2$ eq*)*	8,400	6,807	5,658
District heating *($MtCO_2$ eq*)*	1,600	798	624
Waste non-recyclable	N/A	27%	6%
Recycled waste	N/A	73%	94%
Water consumption *(m^3)*	137,189	122,909	108,465
Water recycled *(m^3)*	38,859	36,575	17,995
Number of ISO 14001-certified sites	7	7	7
Number of ISO 9001-certified sites	11	12	11

WORKPLACE

Social data	2018	2019	2020
Total full-time employees	5,482	4,886	4,339
Blue collar workers (% of total FTEs)	30%	29%	28%
White collar workers (% of total FTEs)	70%	71%	72%
*Employee turnover ***	22%	24%	20%
% of women in the company	27%	27%	27%
% of women in the management	18%	17%	25%
% of women on the board	17%	14%	12%
Engagement survey participation	84%	92%	92%
Employee Engagement score (10-point-scale)	7.6	7.8	8.0
Fatalities	0	0	0
Injury Frequency rate	53	68	51

SOCIETY

Governance data	2018	2019	2020
Number of suppliers, signed UNGC 10 principles	89%	93%	93%
Number of suppliers' audits	N/A	10	63
Number of suppliers CSR assessments	N/A	N/A	18
Number of suppliers covered by the Code of Conduct	N/A	N/A	393
Number of whistleblower cases submitted	1	9	6
Whistleblower cases admissible	0	1	2
Whistleblower cases resolved	1	9	6

* Metric tons of carbon dioxide equivalent
** Numbers have been adjusted to exclude turnover related to divestments in 2018 and 2019

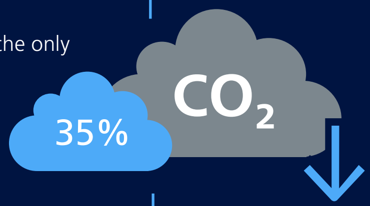
Nilfisk's climate action program

Nilfisk is committed to reduce greenhouse-gas (GHG) emissions (directly and indirectly) generated by our own operations and along our value chain.

We have signed up to the Science Based Targets initiative (SBTi), the only global initiative that directly links a company's carbon-emission targets to the Paris Agreement and associated global efforts.

Key climate action achievements in 2020:

- Signed up to the Science Based Targets initiative:
  - Commitment to a minimum reduction of 35% in absolute GHG emissions within Scope 1 and 2 by 2030 compared to 2018 baseline year
  - Materiality assessment of global scope 3 CO_2 footprint to provide the foundation for calculating and setting targets within this scope, namely for purchased goods and services and the user-phase of our products
- Set global targets for waste and water consumption
- Established a new and CO_2-ambitious car policy
- Added our production site in Mexico to the ISO 14001:2015 certificate



Established a global OHS charter setting the ambition level for Nilfisk OHS activities

Aligned the global OHS system with the ISO45001 standard

Kept production and supply-chain operations operational during the pandemic with little to no interruptions

Added our production site in China to the ISO45001 certification

Launched several measures to protect employees from becoming infected by the COVID-19 virus at work

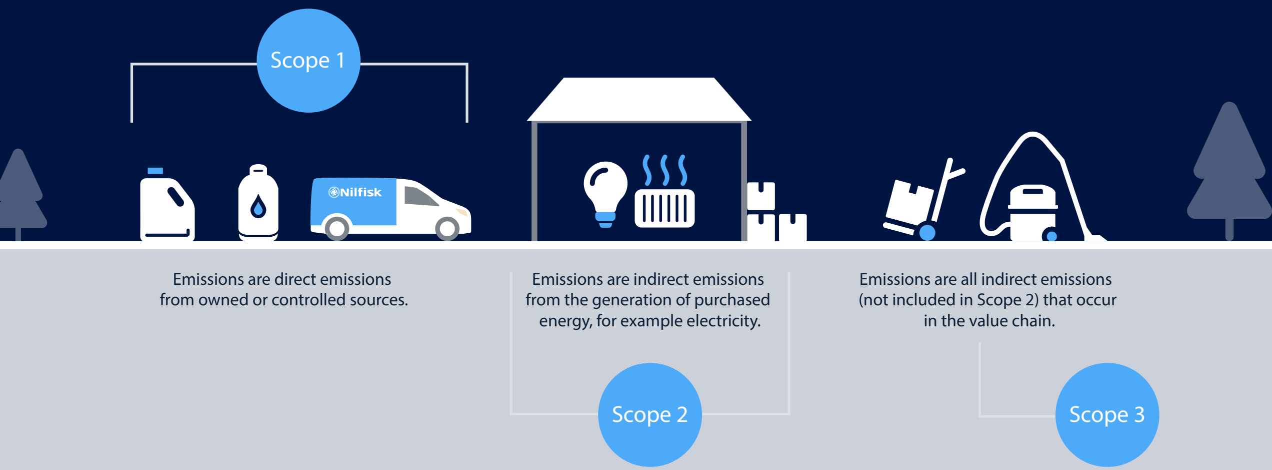
A-

Nilfisk CDP score progression	2018	2019	2020
Nilfisk	F	B-	A-
Industry group average	D	B	B

Nilfisk reports GHG emissions via the CDP reporting framework. Our peer-grouping is the "General" sector and "Powered Machinery" activity group. Our 2020 score ranks among the top 24% of all companies with this group.

Nilfisk's Health and Safety program

The Nilfisk Occupational Health and Safety (OHS) charter specifies that all Nilfisk employees are expected to take personal responsibility, engage in actions that promote health and safety, and look out for the well-being of their colleagues. The systems we have implemented oblige employees to register safety hazards, improvements, and near-miss accidents. The year 2020 brought a general increased focus on the safety of employees across all sites caused by the COVID-19 pandemic.



Nilfisk CSR report 2020

Details on Nilfisk corporate Social Responsibility progress are available in Nilfisk's annual statutory report on Corporate Social Responsibility, including articles 99a, 99b, and 107d of the Danish Financial Statements Act related to corporate social responsibility and diversity.

The Nilfisk CSR Report 2020 is available at https://nilfisk.com/en/nilfisk-group/csr/Pages/CSR-Report.aspx

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 at least twice a year, 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.

1. Transformation initiatives
2. Commoditization
3. Political and economic instability including trade conflicts
4. Operational interruptions (production and distribution)
5. Interruptions to IT services or systems

Please refer to the overview on the following page.

Nilfisk's high-impact risk areas

Description of the five risk areas identified as high-impact risks and related risk mitigation.

	Risk	Risk mitigation
Transformation initiatives	Nilfisk's ongoing focus on simplification, growth and digitalization requires execution of significant transformative initiatives including organizational changes, optimization of cost structures, reallocation of resources, reducing our global CO_2 footprint, implementation of market strategies, and standardized processes. If the expected benefits and savings arising from the transformation initiatives and processes are not realized and continued, this may negatively impact our ability to meet our strategic objectives, improve profitability and serve our customers.	We closely monitor and track initiatives across the Group to ensure the execution and realization of benefits. Tracking and coordination of transformation projects across Nilfisk is carried out centrally and seeks to enhance speed and quality of execution, plus ensure organizational implementation and value realization. A monthly follow-up is carried out by the Nilfisk Leadership Team, enabling immediate reaction if needed.
Commoditization	Customer demand is changing towards low-price "good-enough" products. At the same time, competition is intense, and low-cost competition could come to a level where customers will be hesitant to paying a premium for higher quality products. Nilfisk'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.	We monitor indicators on customer behavior in terms of both segment trends and purchase loyalty. And we review our product portfolio on a range of KPI's on an on-going basis. Nilfisk responds to changes in customer behavior with a strategy focused on product innovation and uniquely positioned customer offerings in which we add value beyond the machine to deliver cleaning solutions that blend into operations and integrate digital services, collectively increasing the value of clean and helping our customers to reduce their global CO_2 footprint. 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.
Political and economic instability including trade conflicts	Adverse economic conditions including a risk of economic conflicts may negatively impact our financial position and decrease demand for Nilfisk products and affect sales in a downward direction. At the same time, major social or political changes may disrupt sales and operations.	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 through financial hedging and by maintaining variability in our cost base.
Operational interruptions (production and distribution)	Failures or delays may occur through 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 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.	We focus on 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. To mitigate climate related obstructions, we have conducted a materiality assessment of the climate impact on our entire value chain, which provides a roadmap on where we have to act in order to mitigate these risks. Finally, we continuously monitor functionality of utilities and compliance with applicable regulations.
Interruptions to IT services or systems	Nilfisk's IT 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 and enhance IT service and recovery business continuity plans.

For further information of risks related to currency, interest rate, credit and liquidity, please refer to Note 6.3.

Shareholder information

Nilfisk is listed on Nasdaq 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, 2019	145.8 DKK
Closing price at December 30, 2020	131.6 DKK
Change during the financial year	-9.7%

At the end of 2020, the market capitalization of Nilfisk amounted to 3,570 mDKK.

Ownership structure

The company has approximately 13,300 registered shareholders who together hold 96.7% of the total share capital. The company has one share class and the number of shares and voting rights are equal.

The break down of shareholders is set out in the table below:

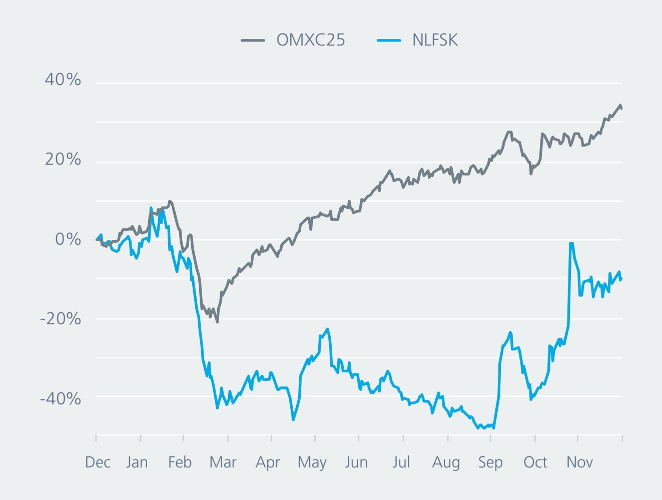
Shareholders at December 31, 2020	Number of shares	Share capital
KIRKBI Invest A/S, Billund, Denmark	5,493,200	20.3%
Ferd AS, Lysaker, Norway	5,406,277	19.9%
PrimeStone Capital LLP, London, United Kingdom	4,478,497	16.5%
Institutional investors, Denmark	3,407,332	12,6%
Institutional investors, International	4,773,625	17.6%
Private investors	2,663,634	9.8%
Non-registered	900,804	3.3%

Dividend policy and dividend for 2020

The Board of Directors have adopted a dividend policy with a target pay-out ratio of approximately one third of the financial year's reported consolidated profit for the year.

The payment of dividends, if any, will in general be determined with a view to balance the pay-out 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 26, 2021, the Board of Directors will propose not to distribute dividends for the financial year of 2020 as the leverage target in the capital distribution policy is not met.



Investor relations website

Our online resource *investor.nilfisk.com* provides information about the Group and its shares, share price, and financial data, in addition to company announcements, annual and quarterly reports, investor presentations, and transcripts.

Investor relations

Nilfisk works to maintain a high and consistent level of information for investors. We are 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 *investor.nilfisk.com*.

At year-end 2020, Nilfisk Holding A/S is covered by four equity analysts who regularly publish their recommendations on the share. For a full list of analysts, please visit *investor.nilfisk.com*.

Financial calendar 2021	
March 3	Annual Report 2020
March 26	Annual General Meeting
May 28	Q1 interim report 2021
September 1	Q2 interim report 2021
November 24	Q3 interim report 2021

Financial statements

Consolidated **financial statements** 2020

Key accounting judgments

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

Key accounting estimates

Significant 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 **49**
Statement of comprehensive income **49**
Statement of financial position **50**
Cash flow statement **51**
Statement of changes in equity **52**

Notes

1 Basis for reporting **53**
1.1 Basis for preparation 53
1.2 Key accounting estimates and judgments 55
1.3 Implementation of new or changed accounting standards and interpretations 56

2 Profit for the year **57**
2.1 Segment information 59
2.2 Revenue 60
2.3 Research and development costs 62
2.4 Special items 63
2.5 Amortization, depreciation and impairment 64
2.6 Other operating income 64
2.7 Financial items 64
2.8 Tax 65

3 Remuneration **67**
3.1 Staff costs 67
3.2 Remuneration to the Board of Directors and the Nilfisk Leadership Team 67
3.3 Long-term incentive programs 68

4 Capital employed and other balance sheet accounts **70**
4.1 Capital employed 70
4.2 Impairment test 71
4.3 Intangible assets 73
4.4 Property, plant and equipment 75
4.5 Right-of-use assets 77
4.6 Pension liabilities 79
4.7 Provisions 81

5 Working capital **82**
5.1 Inventories 83
5.2 Trade payables and liabilities 83
5.3 Trade receivables 84

6 Capital structure **85**
6.1 Net interest-bearing debt 85
6.2 Investments in associates 86
6.3 Financial risks and financial instruments 87
6.4 Share capital 94

7 Other notes **95**
7.1 Fees to auditors elected at the annual general meeting 95
7.2 Events after the balance sheet date 95
7.3 Related parties 95
7.4 Other non-cash adjustments 95
7.5 Contingent liabilities, securities and contractual obligations 95
7.6 Group companies 96
7.7 Definitions 97

Income statement

for the years ended December 31

EUR million	Note	2020	2019
Revenue	2.1, 2.2	832.9	966.5
Cost of sales	2.5, 3	-486.2	-559.2
Gross profit		**346.7**	**407.3**
Research and development costs	2.3, 2.5, 3	-31.7	-30.9
Sales and distribution costs	2.5, 3	-220.8	-244.8
Administrative costs	2.5, 3	-64.6	-82.1
Other operating income	2.6	5.5	4.1
Other operating expenses		-2.2	-3.8
Operating profit before special items		**32.9**	**49.8**
Special items, net	2.4, 2.5	-10.8	-23.9
Operating profit		**22.1**	**25.9**
Share of profit from associates		0.1	3.7
Financial income	2.7	0.6	1.2
Financial expenses	2.7	-15.3	-15.2
Profit before income taxes		**7.5**	**15.6**
Tax on profit for the year	2.8	-10.1	-6.9
Profit (loss) for the year		**-2.6**	**8.7**
To be distributed as follows:			
Profit (loss) attributable to shareholders of Nilfisk Holding A/S		-2.6	8.7
Total		**-2.6**	**8.7**
Earnings per share (based on 27,126,369 shares issued)			
Basic earnings per share (EUR)	6.4	-0.10	0.32
Diluted earnings per share (EUR)		-0.10	0.32

Statement of comprehensive income

for the years ended December 31

EUR million	Note	2020	2019
Profit (loss) for the year		-2.6	8.7
Other comprehensive income (loss)			
Items that may be reclassified to the income statement:			
Exchange rate adjustments of subsidiaries		-19.2	5.4
Value adjustment of hedging instruments:			
Value adjustment for the year		0.2	-0.5
Transferred to cost of sales		-	-1.7
Transferred to staff costs		-	0.9
Transferred to financial income and expenses		-0.6	-
Tax on value adjustment of hedging instruments	2.8	-0.1	0.6
Items that may not be reclassified to the income statement:			
Value adjustment of hedging instruments transferred to inventory		-	-0.4
Actuarial gains (losses) on defined benefit plans		-1.5	-1.1
Tax on actuarial gains (losses) on defined benefit plans	2.8	0.4	0.1
Total comprehensive income (loss) for the year		**-23.4**	**12.0**
To be distributed as follows:			
Comprehensive income (loss) attributable to shareholders of Nilfisk Holding A/S		-23.4	12.0
Total		**-23.4**	**12.0**

Statement of financial position

at December 31

EUR million	Note	2020	2019
Assets			
Goodwill		166.0	168.5
Trademarks		7.8	9.6
Customer related assets		6.1	8.5
Development projects completed		24.8	39.1
Software, Know-how, Patents and Competition Clauses		30.6	27.4
Development projects and software in progress		21.4	34.0
Total intangible assets	4.2, 4.3	**256.7**	**287.1**
Land and buildings		7.9	8.5
Plant and machinery		3.4	4.0
Tools and equipment		29.4	35.0
Assets under construction incl. prepayments		3.1	3.7
Right-of-use assets	4.5	65.2	54.5
Total property, plant and equipment	4.2, 4.4	**109.0**	**105.7**
Investments in associates	6.2	29.3	21.5
Other investments and receivables		4.3	2.8
Deferred tax	2.8	20.5	25.1
Total other non-current assets		**54.1**	**49.4**
Total non-current assets	4.1	**419.8**	**442.2**
Inventories	5, 5.1	149.3	172.7
Trade receivables	5, 5.3, 6.3	154.2	175.0
Interest-bearing receivables	6.1, 6.3	3.0	4.7
Income tax receivable	5	5.0	5.1
Other receivables	5, 6.3	19.1	21.1
Cash at bank and in hand		13.1	19.3
Total current assets		**343.7**	**397.9**
Total assets		**763.5**	**840.1**

EUR million	Note	2020	2019
Equity and liabilities			
Share capital	6.4	72.9	72.9
Reserves		-15.8	3.9
Retained earnings		77.7	81.2
Total equity		**134.8**	**158.0**
Deferred tax	2.8, 4.1	6.9	7.0
Pension liabilities	4.1, 4.6	7.1	5.9
Provisions	4.1, 4.7	2.0	1.3
Interest-bearing loans and borrowings	6.1, 6.3	227.3	376.9
Lease liabilities	6.1, 6.3	44.3	32.2
Other liabilities	5.2, 6.3	1.3	2.6
Total non-current liabilities		**288.9**	**425.9**
Interest-bearing loans and borrowings	6.1, 6.3	105.2	5.0
Lease liabilities	6.1, 6.3	22.5	24.0
Trade payables	5, 5.2, 6.3	99.9	111.9
Income tax payable	5	1.2	5.0
Other liabilities	5, 6.3	93.6	96.5
Provisions	4.1, 4.7	17.4	13.8
Total current liabilities		**339.8**	**256.2**
Total liabilities		**628.7**	**682.1**
Total equity and liabilities		**763.5**	**840.1**

Cash flow statement

for the years ended December 31

EUR million	Note	2020	2019
Operating profit		22.1	25.9
Depreciation, amortization and impairment	2.5	68.5	69.1
Other non-cash adjustments	7.4	7.5	-5.2
Share option program		-	-1.9
Changes in working capital		15.4	16.1
Cash flow from operations before financial items and income taxes		113.5	104.0
Financial income received		0.9	0.7
Financial expenses paid		-15.7	-14.0
Income tax paid		-9.2	-14.6
Cash flow from operating activities		**89.5**	**76.1**
Purchase of property, plant and equipment	4.4	-5.4	-10.4
Sale/disposal of property, plant and equipment		0.8	1.2
Investments in intangible assets	4.3	-11.6	-33.0
Purchase of financial assets		-1.3	-
Disposal of financial assets		0.2	0.1
Dividends received from associates	6.2	1.3	1.3
Cash flow from investing activities		**-16.0**	**-40.8**
Changes in current interest-bearing receivables		1.5	-0.3
Changes in current interest-bearing loans and borrowings		100.3	-2.9
Changes in non-current interest-bearing loans and borrowings		-153.5	-5.3
Payment of lease liabilities		-26.4	-24.5
Cash flow from financing activities	6.1	**-78.1**	**-33.0**
Net cash flow for the year		**-4.6**	**2.3**
Cash at bank and in hand, January 1		19.3	16.4
Exchange rate adjustments		-1.6	0.6
Net cash flow for the year		-4.6	2.3
Cash at bank and in hand, December 31		**13.1**	**19.3**

Statement of changes in equity

for the years ended December 31

	2020					2019				
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**	**4.3**	**-0.4**	**81.2**	**158.0**	**72.9**	**-1.1**	**0.7**	**75.0**	**147.5**
Other comprehensive income:										
Exchange rate adjustments	-	-19.2	-	-	-19.2	-	5.4	-	-	5.4
Value adjustment of hedging instruments:										
Value adjustment for the year	-	-	0.2	-	0.2	-	-	-0.5	-	-0.5
Transferred to cost of sales	-	-	-	-	-	-	-	-1.7	-	-1.7
Transferred to staff costs	-	-	-	-	-	-	-	0.9	-	0.9
Transferred to financial income and expenses	-	-	-0.6	-	-0.6	-	-	-	-	-
Transferred to inventory	-	-	-	-	-	-	-	-0.4	-	-0.4
Actuarial gains (losses) on defined benefit plans	-	-	-	-1.5	-1.5	-	-	-	-1.1	-1.1
Tax on actuarial gains (losses) on defined benefit plans	-	-	-	0.4	0.4	-	-	-	0.1	0.1
Tax on value adjustment of hedging instruments	-	-	-0.1	-	-0.1	-	-	0.6	-	0.6
Total other comprehensive income (loss)	**-**	**-19.2**	**-0.5**	**-1.1**	**-20.8**	**-**	**5.4**	**-1.1**	**-1.0**	**3.3**
Profit (loss) for the year	-	-	-	-2.6	-2.6	-	-	-	8.7	8.7
Comprehensive income (loss) for the year	**-**	**-19.2**	**-0.5**	**-3.7**	**-23.4**	**-**	**5.4**	**-1.1**	**7.7**	**12.0**
Share option program	-	-	-	0.2	0.2	-	-	-	-1.5	-1.5
Total changes in equity	**-**	**-19.2**	**-0.5**	**-3.5**	**-23.2**	**-**	**5.4**	**-1.1**	**6.2**	**10.5**
Equity, December 31	**72.9**	**-14.9**	**-0.9**	**77.7**	**134.8**	**72.9**	**4.3**	**-0.4**	**81.2**	**158.0**

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 1

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 2020 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 under 'Changes to accounting policies', the accounting policies described in the individual notes are applied consistently during the financial year and for the comparative figures.

Changes in presentation

Amortization/impairment of acquisition-related intangibles is no longer presented in a separate line in the income statement, but now included in cost of sales and sales and distribution costs. Details are included in Note 2.5.

Gains/losses from foreign exchange rates is presented net instead of gross in financial items in the income statement.

Share of profit from associates is presented in a separate line under operating profit in the income statement. In 2019, share of profit from associates were included in other operating income. The shares in associates are not considered core business, and Nilfisk is not in control of these investments. It has therefore been decided to change the presentation.

Adjustments derived from the above changes to the income statement are illustrated in the table below. Comparison figures are restated.

As a consequence of a change in the internal reporting, the reportable segments have been changed in 2020. See Note 2.1.

EUR million	Previous presentation 2020	Effect of change in presentation	New presentation 2020	Previous presentation 2019	Effect of change in presentation	New presentation 2019
Gross profit*	347.9	-1.2	346.7	408.9	-1.6	407.3
Operating profit**	22.2	-0.1	22.1	29.6	-3.7	25.9
Profit before income taxes	7.5	-	7.5	15.6	-	15.6
Ratios						
Gross margin	41.8%	-0.2%	41.6%	42.3%	-0.2%	42.1%
EBITDA margin	10.9%	-	10.9%	10.2%	-0.4%	9.8%
Operating profit margin	2.7%	-	2.7%	3.1%	-0.4%	2.7%

* Adjustment related to change in presentation of amortization/impairment of acquisition-related intangibles
** Adjustment related to change in presentation of share of profit from associates

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 1

1.1 Basis for preparation – continued

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 is therefore subject to Hyperinflation accounting (IAS 29). Based on an assessment of materiality, IAS 29 has not been applied to our Argentinian business 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 Group 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. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 1

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 Management review and in Note 6.3 may have substantial influence on the financial statements.

COVID-19
Compared to what was disclosed in the Annual Report 2019, the COVID-19 outbreak encountered during 2020 is considered to impose significant uncertainty on the financial statements. The financial impacts of COVID-19 requires significant judgment and are included in the estimates of the activity of the Group, the valuation of our asset base and the liquidity situation.

As for any other significant uncertainties we will, given the evolving nature of the pandemic and the uncertainties involved, monitor the situation and implication on Nilfisk Group's financial position, activities and cash flows and seek the appropriate mitigating measures. As of December 31, 2020, we have included updated estimates to assess the recoverability of our asset base, including goodwill, development projects, deferred tax assets and trade receivables. We have realized no specific impairments of assets and no additional obligations or liabilities have been recognized as a direct result of COVID-19.

Depending on the escalation of 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 2020 could change. Future changes in estimates and judgments may have an impact on the Group's result and financial position.

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
2.8 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, tangible and investment 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
5.1 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
6.2 Investment in associates	Estimate the fair value of the contributed IP to Thoro LLC	Estimate	Medium

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 1

1.3 Implementation of new or changed accounting standards and interpretations

Changes to accounting policies
The Nilfisk Group has implemented the following new and revised standards and interpretations issued by IASB effective for 2020:

- Amendments to References to the Conceptual Framework
- Amendments to IFRS 3 – definition of business combinations
- Amendments to IAS 1 and IAS 8 – definition of materiality
- Amendments to IFRS 9, IAS 39 and IFRS 7 – IBOR reform
- Amendments to IFRS 16 – rent reduction (COVID-19)

The new and revised standards have not had a material impact on accounting policies or disclosures for the period and are not expected to have an impact on the Nilfisk Group.

New and amended IFRS standards and interpretations not yet adopted by the EU
IASB have issued a number of new standards, amendments and new interpretations which could be relevant to Nilfisk Group, but which have not yet been adopted by the EU.

The new standards are not mandatory for the financial reporting for 2020. Nilfisk Group expects to implement these new standards, amendments and interpretations when they take effect. It is expected that none of the new standards, amendments and interpretations that are not yet in effect will have a material impact on recognition and measurement.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

2. Profit for the year

This note 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.

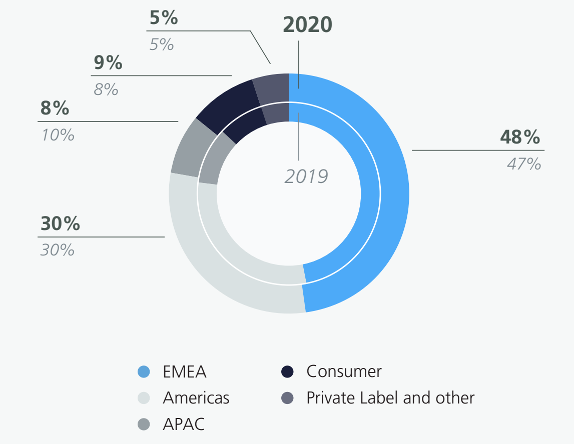
Key developments 2020

Revenue by operating segments is split between five segments; EMEA, Americas, APAC, Consumer and Private Label and other.

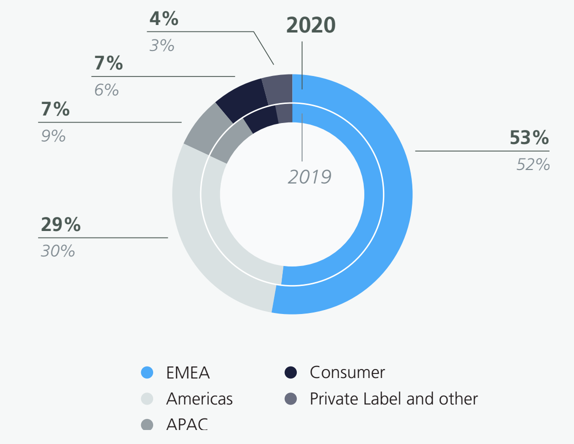
Revenue decreased from 966.5 mEUR to 832.9 mEUR in 2020, corresponding to a 13.8% decrease compated to 2019. This was mainly due to negative organic growth from impact of COVID-19 across all markets and customer segments in the branded professional business during the year. The Consumer business had a strong growth while Privale label declined.

Gross profit was 346.7 mEUR, down by 60.6 mEUR compared to last year. Gross margin was 41.6%, down by 0.5 percentage point compared to last year. The decrease was to a large extent driven by lower productivity utilization due to lower activity.

Revenue by operating segment



Gross profit by operating segment



1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

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 EMEA, Americas, APAC, Consumer and Private Label.

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

A further description of the operating segments is included in the Management review.

The Executive Management Board assesses the 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

No single customer accounts for more than 10% of revenue. 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. Costs 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 include shrinkage, waste production and any write-downs on inventory for obsolescence.

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.

Assets in the operating segments

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

Geographical information

The revenue is allocated to geographical regions according to the country to which the products and services are sold.

The non-current assets are allocated to the country in which the individual entity is based, and are comprised of the non-current assets used in the operations of the geographical segment, including intangible assets, property, plant and equipment, investments in associates and other investments and receivables.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

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 and other" including the remaining other business areas and corporate costs that are not directly associated with any of the operating segments.

As a consequence of a change in the internal reporting, the reportable segments have been changed during 2020. MENA (UAE) region is now included in APAC where prior reported as part of EMEA. Comparative figures for 2019 have been restated accordingly.

"Private label and other" includes non-allocated costs. The year 2020 includes income of 4.3 mEUR from government grants related to COVID-19 support.

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

EUR million	EMEA	Americas	APAC	Non-allocated	Total branded professional	Consumer	Private label and other	Group
2020								
Revenue	396.6	247.6	65.8	-	710.0	76.0	46.9	832.9
Gross profit	183.1	100.5	25.5	-	309.1	25.6	12.0	346.7
EBITDA before special items	102.4	46.4	3.5	-52.5	99.8	7.3	-6.6	100.5
Reconciliation to profit before income taxes:								
Special items								-10.8
Amortization, depreciation and impairment								-67.6
Share of profit from associates								0.1
Financial income								0.6
Financial expenses								-15.3
Profit before income taxes								**7.5**
Gross margin	46.2%	40.6%	38.8%	-	43.5%	33.7%	25.6%	41.6%
EBITDA margin before special items	25.8%	18.7%	5.3%	-	14.1%	9.6%	-14.1%	12.1%
2019								
Revenue	453.0	291.3	93.5	-	837.8	75.8	52.9	966.5
Gross profit	215.3	122.8	35.9	-	374.0	22.6	10.7	407.3
EBITDA before special items	128.1	55.0	12.4	-58.2	137.3	-3.9	-15.7	117.7
Reconciliation to profit before income taxes:								
Special items								-23.9
Amortization, depreciation and impairment								-67.9
Share of profit from associates								3.7
Financial income								1.2
Financial expenses								-15.2
Profit before income taxes								**15.6**
Gross margin	47.5%	42.2%	38.4%	-	44.6%	29.8%	20.2%	42.1%
EBITDA margin before special items	28.3%	18.9%	13.3%	-	16.4%	-5.1%	-29.7%	12.2%

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

2.2 Revenue

Geographical information

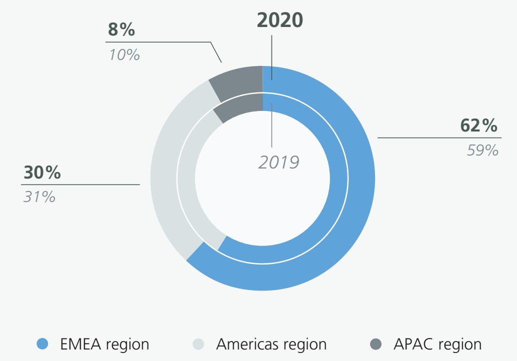
Nilfisk is present in more than 40 countries with own sales companies reaching approximately 100 countries through direct sales and dealers.

The table below show 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 EMEA region.

	2020		2019	
EUR million	**Revenue**	**Non-current assets[1]**	**Revenue**	**Non-current assets[1]**
EMEA region	511.9	290.9	567.0	311.1
Americas region	253.7	72.2	298.7	68.4
APAC region	67.3	36.2	100.8	37.6
Total	**832.9**	**399.3**	**966.5**	**417.1**

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

Revenue by geography



Revenue by country

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

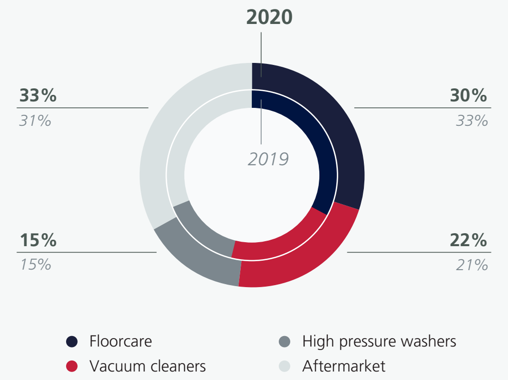
EUR million	**2020**		**2019**	
USA	214.7	26%	246.4	25%
Germany	100.3	12%	113.3	12%
France	84.6	10%	100.1	10%
UK	42.5	5%	47.2	5%
Denmark	42.4	5%	39.9	4%
Sweden	28.4	3%	32.3	3%
Netherlands	23.6	3%	25.3	3%
Canada	22.9	3%	27.5	3%
Italy *	21.0	3%	22.6	2%
Spain	20.9	3%	24.1	2%
Other **	231.6	27%	287.8	31%
Total	**832.9**	**100%**	**966.5**	**100%**

*Italy was not presented separately in the 2019 annual report.
**Australia is now included in "other".
Comparison figures have been adjusted.

Revenue breakdown based on product line and service offering

EUR million	**2020**	**2019**	**Organic growth**
Floorcare	254.4	317.8	-18.1%
Vacuum cleaners	182.5	202.0	-7.9%
High pressure washers	124.5	145.2	-9.2%
Aftermarket	271.5	301.5	-8.2%
Total	**832.9**	**966.5**	**-11.5%**

Revenue by product line and service offering



1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

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. In some cases the Group receives upfront payments which results in contract liabilities. Nilfisk does not have contract assets.

The Group splits upfront payments into either deferred revenue or prepayments from customers depending on the nature of the payment and activity.

EUR million	2020	2019
Prepayments from customers	2.8	2.1
Deferred revenue (non-current)	1.1	0.4
Deferred revenue (current)	5.9	4.7
Total contract liabilities	**9.8**	**7.2**

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.

The Group has applied the practical expedient in paragraph C5(d) of IFRS 15, and the amount of the transaction price allocated to the remaining performance obligations and the timing is not disclosed.

§ 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. It is therefore 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.

Please refer to note 4.7, "Provisions" regarding the accounting policies for warranties.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

2.3 Research and development costs

Research and development costs specification

EUR million	2020	2019
Staff costs	17.2	19.4
Other costs	5.9	16.7
Total research and development spend	**23.1**	**36.1**
Recognized as follows:		
Expensed in the income statement	15.0	13.4
Capitalized	8.1	22.7
Total	**23.1**	**36.1**
R&D ratio (% of revenue)	2.8%	3.7%
Presented in the income statement:		
Expensed in the income statement, cf. above	15.0	13.4
Amortization, depreciation and impairment	16.7	17.5
Research and development costs excluding special items	**31.7**	**30.9**
Special items	1.3	3.2
Total	**33.0**	**34.1**

The research and development cost decreased by 13.0 mEUR compared to same period last year and total research and development spend as a percentage of revenue decreased by 0.9 percentage point.

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

§ Accounting policy

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 provides 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 costs less accumulated amortization and impairment losses. The costs include wages, amortization and other costs relating to the Nilfisk Group's development activities.

On completion of the development work, the cost of development projects are amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is 3-10 years. The amortization base is reduced by any impairment losses.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

2.4 Special items

EUR million	2020	2019
Cost saving program	1.8	12.4
Business restructuring	8.6	11.1
Divestment	0.4	0.4
Total	**10.8**	**23.9**

Special items relating to the cost saving program includes additional costs for the alignment of production sites and warehouses, consultancy fees and transitioning costs relating to offshoring of functions, pruning of products and redundancy costs.

Special items for the cost saving program recognized in 2020 mainly includes costs related to the move and start-up of the new distribution center in Ghent (Belgium), and a one-off transition cost related to the ongoing move of our back-office functions to the shared service center. The year 2019 was impacted by the exit from our production site in Suzhou (China), as well as transition costs in line with 2020.

Special items related to business restructuring mainly consist of redundancy and minor cost for write-downs and marked exit costs. For 2020, this relates to the restructuring plan announced on May 15, 2020 and consumer exit cost. For 2019, the cost was linked to the blueprint restructuring initiated in 2018 focusing on a fundamental change within the organizational setup, as well as consumer exit cost.

The divestments in 2020 and 2019 relate to divestments initiated in 2018 - Nilfisk Outdoor business, Nilfisk South Africa, the US carpet restoration business HydraMaster and the Nordic Chemical & Utensils business.

Special items are disclosed separately in the income statement, due to the extraordinary nature of the items. Special items have been reconciled to the income statement line items as specified in the table below.

No COVID-19 government support programs are included in special items, as they relate to government support to cover salary costs for employees still on payroll that are temporarily sent home during the pandemic. See note 2.6.

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 writedowns which are not presented as discontinued operations.

EUR million	2020	Special items	2020 adjusted	2019	Special items	2019 adjusted
Revenue	832.9	-	832.9	966.5	-	966.5
Cost of sales	-486.2	-3.2	-489.4	-559.2	-2.9	-562.1
Gross profit	**346.7**	**-3.2**	**343.5**	**407.3**	**-2.9**	**404.4**
Research and development costs	-31.7	-1.3	-33.0	-30.9	-3.2	-34.1
Sales and distribution costs	-220.8	-4.0	-224.8	-244.8	-11.3	-256.1
Administrative costs	-64.6	-2.3	-66.9	-82.1	-6.3	-88.4
Other operating income	5.5	-	5.5	4.1	-	4.1
Other operating expenses	-2.2	-	-2.2	-3.8	-0.2	-4.0
Special items, net	-10.8	10.8	-	-23.9	23.9	-
Operating profit	**22.1**	**-**	**22.1**	**25.9**	**-**	**25.9**

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

2.5 Amortization, depreciation and impairment

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

EUR million	2020	2019	2020	2019	2020	2019
	Intangible assets		Property, plant and equipment		Total	
Amortization and depreciation:						
Cost of sales	1.2	1.5	18.6	18.6	19.8	20.1
Research and development costs	13.2	14.7	0.7	0.4	13.9	15.1
Sales and distribution costs	3.4	4.6	9.4	9.3	12.8	13.9
Administrative costs	7.2	4.9	11.1	10.5	18.3	15.4
Special items	-	-	-	1.2	-	1.2
Total amortization and depreciation	**25.0**	**25.7**	**39.8**	**40.0**	**64.8**	**65.7**
Impairment:						
Cost of sales	-	-	-	0.5	-	0.5
Research and development costs	2.8	2.4	-	-	2.8	2.4
Administrative costs	-	-	-	0.5	-	0.5
Special items	0.7	-	0.2	-	0.9	0
Total impairment	**3.5**	**2.4**	**0.2**	**1.0**	**3.7**	**3.4**
Total amortization, depreciation and impairment	**28.5**	**28.1**	**40.0**	**41.0**	**68.5**	**69.1**

Amortization of acquisition-related intangibles was 4.3 mEUR in 2020 (2019: 5.1 mEUR), hereof 1.2 mEUR included in cost of sales (2019: 1.5 mEUR) and 3.1 mEUR included in sales and distribution costs (2019: 3.6 mEUR).

2.6 Other operating Income

EUR million	2020	2019
Government grants	4.3	-
Other	1.2	4.1
Total	**5.5**	**4.1**

Government grants amounted to 4.3 mEUR in 2020. The grants relate to COVID-19 government support programs to cover salary costs for employees still on payroll that are temporarily sent home during the pandemic. Other decreased mainly due to reversal of an earn-out agreement in 2019.

§ Accounting policy

Other operating income and expenses
Other operating income includes items of a secondary nature relative to the operations of the enterprise, including grant schemes, reimbursements and gains or losses on sale of non-current assets.

Gains or losses on disposal of tangible or intangible assets are determined as the selling price less the carrying amount at the time of sale. Allowance for expected credit losses is also included.

Government grants
Government grants are comprised of grants for compensation for costs or losses already incurred and recognized. Government grants are recognized when there is reasonable assurance that the grants will be received.

Government grants for compensation for costs or losses incurred and recognized without resulting in further future costs or losses are recognized in the income statement as other operating income in the period where the compensation is granted.

2.7 Financial items

Specification of financial items

	Financial income		Financial expenses	
EUR million	**2020**	**2019**	**2020**	**2019**
Interest on financial assets measured at amortized costs	0.5	1.2	12.8	9.1
Foreign exchange gains (losses)	-	-	0.5	2.4
Interest, lease liabilities	-	-	1.5	1.6
Other financial items	0.1	-	0.5	2.1
Total	**0.6**	**1.2**	**15.3**	**15.2**

Financial items, net represented -14.7 mEUR in 2020 compared to -14.0 mEUR in 2019.

Financial income decreased by 0.6 mEUR, while financial expenses were at the same level as 2019. Interest expenses increased due to refinancing and increased funding cost, partly offset by lower exchange rate losses and costs related to phantom hedge compared to 2019.

§ 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 includes 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

2.8 Tax

Tax recognized in the income statement

EUR million	2020	2019
Tax for the year is specified as follows:		
Tax on profit for the year	10.1	6.9
Tax on other comprehensive income	-0.3	-0.7
Total tax for the year	**9.8**	**6.2**
Tax on profit for the year is specified as follows:		
Current tax on profit for the year	6.4	11.5
Deferred tax	3.6	-5.5
Prior year adjustment, current and deferred tax	0.1	0.9
Total tax on profit for the year	**10.1**	**6.9**
Tax on other comprehensive income is specified as follows:		
Value adjustment of hedging instruments	0.1	-0.6
Actuarial gains (losses) on defined benefit plans	-0.4	-0.1
Total tax on other comprehensive income	**-0.3**	**-0.7**

The effective tax rate in 2020 of 134.7% was mainly impacted by the valuation of the tax assets of 7.2 mEUR.

In 2019 the effective tax rate for the Group of 44.3% was generally impacted by the corporate tax rate mix in countries where Nilfisk is operating and doing business. The rate was however also negatively impacted by non-deductible expenses as well as revaluation of tax assets and prior year adjustments made.

Tax rate

EUR million	2020		2019	
Reconciliation of the effective tax rate for the year:				
Calculated tax on profit before income taxes	1.7	22.0%	3.4	22.0%
Adjustment of calculated tax in foreign subsidiaries relative to 22%	1.1	15.6%	1.0	6.7%
Tax effect of:				
Non-deductible expenses/non taxable income	0.6	8.0%	0.5	3.2%
Tax assets valuation allowances	7.2	95.8%	1.3	8.4%
Change in tax rate	0.3	4.0%	-	-
Non recoverable withholding taxes	0.3	4.0%	-0.2	-1.3%
Other taxes and adjustments	-1.2	-16.0%	-	-
Prior year adjustment	0.1	1.3%	0.9	5.3%
Effective tax rate	**10.1**	**134.7%**	**6.9**	**44.3%**

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 estimate 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 supports 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 2

2.8 Tax – continued

Deferred tax assets and liabilities

EUR million	2020	2019
Specification of deferred tax assets and liabilities		
Intangible assets	-21.2	-18.1
Tangible assets	5.8	1.0
Current assets	5.8	5.0
Other non-current liabilities	7.3	3.5
Current liabilities	7.3	7.9
Tax base of tax loss carryforwards and credits	16.4	19.1
Valuation allowances	-7.8	-0.3
Deferred tax assets/liabilities	**13.6**	**18.1**
Presentation of deferred tax:		
Deferred tax assets	20.5	25.1
Deferred tax liabilities	-6.9	-7.0
Deferred tax assets/liabilities	**13.6**	**18.1**

EUR million	2020	2019
Deferred tax assets, January 1	25.1	20.5
Deferred tax liabilities, January 1	-7.0	-9.4
Foreign exchange adjustment	0.2	-0.2
Tax recognized in other comprehensive income	0.3	0.7
Deferred tax recognized in the income statement	-5.0	6.5
Deferred tax, December 31	**13.6**	**18.1**

§ 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 3
3. Remuneration

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

3.1 Staff costs

Staff costs specification

EUR million	2020	2019
Wages and salaries	217.6	249.7
Long-term incentive programs	-0.2	0.6
Social security costs	25.8	26.7
Defined contribution plans	10.3	12.3
Defined benefit plans	0.5	1.1
Total	**254.0**	**290.4**
Number of full-time employees, average	4,460	5,158
Staff costs per full-time employee (EUR thousand)	57.0	56.3

Staff costs decreased by 13% and the average number of employees decreased by 14%. The decrease in staff costs and average number of employees in 2020 was materially influenced by restructurings taking place during the year and a general adaption of the business to the lower activity level during 2020.

§ **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

In 2020 the Board of Directors received a total remuneration of 0.6 mEUR (2019: 0.6 mEUR). The remuneration to the Executive Management Board and the Nilfisk Leadership Team has decreased from 6.8 mEUR in 2019 to 6.0 mEUR in 2020.

Remuneration policy

Nilfisk's remuneration policy contains guidelines for setting and approving the remuneration for the Board of Directors and the salaries for the Nilfisk Leadership Team. The Board of Directors receive a fixed remuneration, while members of the Nilfisk Leadership Team receive a fixed salary, a short-term cash-based incentive and a long-term share-based incentive. 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.

Composition of remuneration

The Executive Management Board's remuneration consists of 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 (see Note 3.3).

Remuneration to the Board of Directors

EUR thousand	2020	2019
Board of Directors	526.9	514.6
Audit Committee	33.0	40.6
Remuneration Committee	20.1	20.4
Nomination Committee	13.9	13.4
Total remuneration to the Board of Directors	**593.9**	**589.0**

The remuneration covers 11 Board of directors in 2020 where of one of the members is not collecting any fees.

Remuneration to the Nilfisk Leadership Team

	2020			2019		
EUR thousand	Executive Management Board	Nilfisk Leadership Team	Total	Executive Management Board	Nilfisk Leadership Team	Total
Salary and pension	1,925.7	3,212.0	5,137.7	1,746.1	4,203.2	5,949.3
Annual bonus	461.5	284.5	746.0	105.1	75.0	180.1
Long-term incentive	-62.3	14.4	-47.9	243.9	106.8	350.7
Other benefits	42.6	163.4	206.0	22.2	288.4	310.6
Total	**2,367.5**	**3,674.3**	**6,041.8**	**2,117.3**	**4,673.4**	**6,790.7**

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 3

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.

The performance share program is recognized under equity whereas the phantom share program is recognized under other liabilities with the amount of 0.3 mEUR compared to 0.7 mEUR at the end of 2019.

Recognition of share-based payments in the income statement is a net income in 2020. The cost for the 2020 program was 0.4 mEUR being offset by a net income of 0.6 mEUR for the 2018 and 2019 program due to a reversal of the 2018 program.

Recognition of share-based payments

EUR million	2020	2019
Performance share program	-0.2	0.6
Total	**-0.2**	**0.6**

Phantom share program
In the period 2014 to 2016 a phantom share program granted a number of employees the right to a potential cash payment but no rights to acquire shares. The phantom share program was an alternative approach to be part of the short-term bonus program. For the purpose of calculating the bonus under the phantom share program, the participants are treated as if they earn phantom shares on a monthly basis in Nilfisk Holding A/S up to the relevant maximum number of phantom shares during the period beginning at April 1 in the year the phantom shares are granted and the subsequent four years (the vesting period).

The participants are only entitled to the maximum number of phantom shares if they remain employed during the vesting period. Upon termination of the employment prior to the expiry of the vesting period, the number of phantom shares earned shall be calculated pro rata corresponding to the relevant part of the vesting period in which the participant was employed. The phantom shares can be exercised by the participants in May following the four year vesting period or the subsequent two years in May, meaning for example that the phantom shares granted in 2016 can be exercised in May 2020, 2021 or 2022.

The value of the phantom shares are 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 2020, 56,062 phantom shares were exercised, which leaves the total number of outstanding phantom shares at December 31, 2020 at 52,896.

Nilfisk has entered into hedge contracts to match the exposure on the long-term incentive programs. Accordingly, the ongoing value adjustments related to the outstanding phantom share program will be offset by a similar hedge (see Note 6.3). The development in outstanding phantom shares in 2020 and 2019 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.

Phantom shares

	Number of phantom shares		Avg. exercise price per phantom share (DKK)		Avg. exercise price per phantom share (EUR)	
	2020	2019	2020	2019	2020	2019
Outstanding, January 1	108,958	227,300	97	104	13	14
Forfeited during the period	-	-566	-	97	-	13
Exercised during the period	-56,062	-117,776	127	134	17	18
Outstanding, December 31	**52,896**	**108,958**	**89**	**97**	**12**	**13**
Weighted average share price at the exercise date during the period			89	283	12	38
Number of phantom shares fully vested at the balance sheet date					52,896	103,097
Weighted average remaining contractual life (months)					0	3

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 3

3.3 Long-term incentive programs – continued

Performance share program
In line with the remuneration policy approved by the Annual General Meeting in June 2020, 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, RoCE and Total Shareholder Return (TSR).

In 2020, 29 employees were offered participation in the 2020 program with a total of 144,103 performance shares equal to 0.5% 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. Nilfisk has expensed 0.4 mEUR relating to the 2020 long-term incentive program. The number of outsanding shares were 142,030 at December 31, 2020.

Based on the performance in the vesting period, the awarded performance shares in 2018 have been fully reversed in 2020 as the performance conditions were not met. For the performance share program awarded in 2019 the number of outstanding shares were 49,684 at December 31, 2020. Nilfisk has recorded an income of 0.6 mEUR in 2020 related to the awarded performance shares in 2018 and 2019.

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. To determine the total value of the performance share program the performance measures have been divided into two separate categories:

1. EBITDA is defined as a non-market condition and is based on the companies expectations for future financial results.
2. TSR is defined as a market condition which is based on a Monte Carlo simulation in order 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.

For the 2019 program, RoCE is an additional performance measure to the above. RoCE is also considered a non-market condition based on the companies expectations for future financial results.

Performance shares

	Number of performance shares		Avg. exercise price per performance share (DKK)		Avg. exercise price per performance share (EUR)	
	2020	2019	2020	2019	2020	2019
Outstanding, January 1	100,043	53,245	291	305	39	41
Granted during the period	144,103	64,977	134	276	18	37
Forfeited during the period	-52,432	-18,179	-	-	-	-
Outstanding, December 31	**191,714**	**100,043**	**171**	**291**	**23**	**39**
Weighted average remaining contractual life (months)					21	19

§ 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 and RoCE (vesting conditions) 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 is 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4. Capital employed and other balance sheet accounts

This note 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 Note 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 in 2020

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

EUR million	2020		2019	
Denmark	95.6	47%	109.2	49%
USA	25.2	13%	31.5	14%
China	17.1	9%	18.2	8%
Hungary	16.9	8%	15.4	7%
Germany	9.4	5%	11.0	5%
UK	5.6	3%	7.9	4%
Italy	3.7	2%	4.5	2%
Mexico*	3.5	2%	1.8	1%
Spain	2.6	1%	3.1	1%
Other	20.1	10%	21.7	9%
Total	**199.7**	**100%**	**224.3**	**100%**

**Mexico was part of "other" in 2019. Comparison figures are adjusted.*

4.1 Capital employed

EUR million	2020	2019
Non-current assets	419.8	442.2
Provisions, pension and deferred tax liabilities	-33.4	-28.0
Working capital	131.6	157.9
Capital employed	**518.0**	**572.1**

Capital employed decreased by 54.1 mEUR compared to 2019. The development in capital employed was largely driven by a decrease in non-current assets and working capital.

In 2020, Nilfisk's return on capital employed (RoCE) deteriorated by 2.6 percentage points to 5.9% from 8.5% in 2019. The decrease was mainly driven by a decrease in operating profit before special items.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.2 Impairment test

Key accounting estimates

Impairment test on goodwill allocated to cash-generating units as of December 31, 2020
Impairment tests are performed for each cash-generating unit based on budget for 2021 and forecasts for 2022-2026. The impairment tests performed for the cash-generating units show a comfortable headroom as of December 31, 2020 and no indication of impairment exists in any of the cash-generating units.

Assumptions applied in the impairment test
The future cash flows are based on budgets and Management's estimates of the Nilfisk Group's development in the next five years. The assumptions for the impairment tests are:

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 in general. Past experience is taken into consideration as well as the expected impact from the growth initiatives in Nilfisk Next and the COVID-19 pandemic situation worldwide.

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 the cost saving program and other initiatives from Nilfisk Next are taken into consideration for the relevant CGUs. Furthermore, the COVID-19 pandemic situation worldwide is taken into consideration.

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

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 2.0% unchanged compared to 2019.

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

Discount rate:
A pre-tax discount rate of 11.1% and a post-tax discount rate of 8.4%, compared to 8.8% and 6.9% respectively in 2019 has been applied in the performed impairment tests. The discount rate has been applied to all cash generating units, assuming our targeted ratio between the market value of our debt and equity value.

Development projects
Development projects/products completed and development projects/products in progress includes capitalized development costs for projects that support the Nilfisk Next strategy 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 productions costs etc. is inherently subject to uncertainty. These uncertainties are assessed though out the maturity of the projects and as such, the risk is reduced the closer the projects gets to the completion stage. Where possible, the estimates are based on past experience, but 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.2 Impairment test – continued

! 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, 2020, is as follows:

EUR million	2020	2019
EMEA	119.5	121.4
Americas	31.7	32.1
APAC	13.7	13.9
Consumer	1.1	1.1
Total	**166.0**	**168.5**

The change in the goodwill balances from January 1, 2020 to December 31, 2020 relates to exchange rate adjustments during the year.

§ 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.

± Sensitivity

Sensitivity analysis
The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the segments (CGUs) to which goodwill is allocated.

Management believes that any reasonably 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).

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.3 Intangible assets

	2020							2019						
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	168.5	24.3	31.2	152.0	86.7	35.9	498.6	167.8	23.8	30.5	125.2	76.2	40.5	464.0
Exchange rate adjustments	-2.5	-1.1	-1.8	0.5	-1.5	0.1	-6.3	0.7	0.5	0.7	0.9	0.6	-	3.4
Additions	-	-	-	0.8	3.2	7.6	11.6	-	-	-	5.0	5.3	22.7	33.0
Disposals	-	-0.2	-0.2	-14.3	-4.2	-2.9	-21.8	-	-	-	-0.5	-0.8	-0.5	-1.8
Transferred between classes of assets	-	-	-	7.5	10.0	-17.5	-	-	-	-	21.4	5.4	-26.8	-
Costs, December 31	**166.0**	**23.0**	**29.2**	**146.5**	**94.2**	**23.2**	**482.1**	**168.5**	**24.3**	**31.2**	**152.0**	**86.7**	**35.9**	**498.6**
Amortization and impairment, January 1	-	-14.7	-22.7	-112.9	-59.3	-1.9	-211.5	-	-13.2	-20.4	-97.9	-51.6	0.1	-183.0
Exchange rate adjustments	-	0.4	1.1	-0.2	1.4	0.1	2.8	-	-0.2	-0.3	-0.8	-0.6	-0.1	-2.0
Amortization for the year	-	-1.1	-1.6	-13.3	-9.0	-	-25.0	-	-1.3	-2.0	-14.6	-7.8	-	-25.7
Impairment	-	-	-	-0.7	-	-2.8	-3.5	-	-	-	-	-	-2.4	-2.4
Disposals	-	0.2	0.1	5.4	3.3	2.8	11.8	-	-	-	0.4	0.7	0.5	1.6
Amortization and impairment, December 31	**-**	**-15.2**	**-23.1**	**-121.7**	**-63.6**	**-1.8**	**-225.4**	**-**	**-14.7**	**-22.7**	**-112.9**	**-59.3**	**-1.9**	**-211.5**
Carrying amount, December 31	**166.0**	**7.8**	**6.1**	**24.8**	**30.6**	**21.4**	**256.7**	**168.5**	**9.6**	**8.5**	**39.1**	**27.4**	**34.0**	**287.1**
Investment ratio (% of amortizations)	-	-	-	62%	147%	-	116%	-	-	-	181%	137%	-	233%

[1] Out of the total costs for trademarks, 2.7 mEUR (2019: 2.7 mEUR) are not amortized, as they are regarded as having an indefinite useful life.

Impairment losses

In 2020 impairment losses of 2.8 mEUR were included in research and development costs and 0.7 mEUR included in special items. The impairment losses were a result of simplification and harmonization of the business setup.

Impairment losses of 2.4 mEUR included in research and development costs in 2019 were a result of a continued simplification of the product portfolio.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.3 Intangible assets – continued

§ Accounting policy

Goodwill

Goodwill is initially recognized in the statement of financial position at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

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).

Other intangible assets

Other intangible assets are clearly identifiable development projects for which 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 it will generate future earnings.

Capitalized development projects are measured at costs less accumulated amortization and impairment losses. The costs include wages, amortization and other direct costs relating to the individual development projects.

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

Trademarks, etc.	Indefinite or 3-20 years
Customer related assets	3-15 years
Development projects	3-10 years
Software, know-how, patents and competition clauses	2-15 years

On completion of the development work, development projects are amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is 3-10 years. The basis of amortization is reduced by impairment losses.

Patents and licenses are measured at costs less accumulated amortization and impairment losses. Patents and licenses are amortized on a straight-line basis over the remaining patent or contract period or the useful life, whichever is the shorter.

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

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.4 Property, plant and equipment

	2020					2019				
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	19.7	16.1	135.4	3.7	174.9	20.7	16.7	145.2	2.8	185.4
Exchange rate adjustments	-0.4	-0.7	-4.3	-0.1	-5.5	0.1	0.5	2.1	-	2.7
Additions	0.1	0.1	5.7	3.5	9.4	-	0.2	9.3	5.7	15.2
Disposals	-	-1.8	-6.6	-0.5	-8.9	-1.1	-1.7	-24.8	-0.8	-28.4
Transferred between classes of assets	-	0.5	3.0	-3.5	-	-	0.4	3.6	-4.0	-
Costs, December 31	**19.4**	**14.2**	**133.2**	**3.1**	**169.9**	**19.7**	**16.1**	**135.4**	**3.7**	**174.9**
Depreciation and impairment, January 1	-11.2	-12.1	-100.4	-	-123.7	-10.6	-11.6	-108.5	-	-130.7
Exchange rate adjustments	0.2	0.6	3.0	-	3.8	-	-0.5	-1.7	-	-2.2
Depreciation for the year	-0.5	-0.9	-11.8	-	-13.2	-0.6	-1.1	-12.3	-	-14.0
Impairment	-	-0.2	-	-	-0.2	-	-0.3	-0.2	-0.5	-1.0
Disposals	-	1.8	5.4	-	7.2	-	1.4	22.3	0.5	24.2
Depreciation and impairment, December 31	**-11.5**	**-10.8**	**-103.8**	**-**	**-126.1**	**-11.2**	**-12.1**	**-100.4**	**-**	**-123.7**
Carrying amount, December 31	**7.9**	**3.4**	**29.4**	**3.1**	**43.8**	**8.5**	**4.0**	**35.0**	**3.7**	**51.2**
Investment ratio (% of depreciation)	20%	67%	74%	-	97%	-	55%	105%	-	137%

Impairment losses

In 2020, impairment losses of 0.2 mEUR were included in special items. The impairment loss was related to the closedown of the warehouse in Denmark.

In 2019, impairment losses of 0.5 mEUR were included in administrative costs and 0.5 mEUR were included in cost of sales. The impairment losses were mainly related to the close-down of production in APAC (initiated in 2018).

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.4 Property, plant and equipment – continued

§ Accounting policy

Land and buildings, lant and machinery, tools and equipment, and other property, plant and equipment, are measured at costs 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 of the assets/components, as follows:

Buildings	8-50 years
Plant and machinery	3-20 years
Tools and equipment	3-15 years
Land is 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.5 Right-of-use assets

	2020				2019			
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	49.7	2.9	27.0	79.6	-	-	-	-
Exchange rate adjustments	-1.8	-	-0.9	-2.7	-	-	-	-
Lease contracts entered into prior to 2019	-	-	-	-	49.1	2.8	19.9	71.8
Additions	30.1	1.1	7.6	38.8	0.8	0.1	8.3	9.2
Disposals	-1.3	-0.5	-3.5	-5.3	-0.2	-	-1.2	-1.4
Costs, December 31	**76.7**	**3.5**	**30.2**	**110.4**	**49.7**	**2.9**	**27.0**	**79.6**
Depreciation and impairment, January 1	-14.7	-1.0	-9.4	-25.1	-	-	-	-
Exchange rate adjustments	0.5	-	1.3	1.8	-	-	-	-
Depreciation for the year	-15.4	-1.2	-10.0	-26.6	-14.7	-1.0	-10.3	-26.0
Disposals	0.9	0.3	3.5	4.7	-	-	0.9	0.9
Depreciation and impairment, December 31	**-28.7**	**-1.9**	**-14.6**	**-45.2**	**-14.7**	**-1.0**	**-9.4**	**-25.1**
Carrying amount, December 31	**48.0**	**1.6**	**15.6**	**65.2**	**35.0**	**1.9**	**17.6**	**54.5**

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

Not recognized right-of-use assets and liabilities at December 31, 2020
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 2.2 mEUR (2019: 2.8 mEUR).

Operational costs of lease contracts
Short-term and low value lease contracts are expensed directly as operational costs. For 2020, the operational costs were 1.5 mEUR (2019: 1.1 mEUR).

The expected operational costs relating to short-term and low value lease contracts is 1.5 mEUR for 2021.

Payments relating to lease arrangements
Total cash-out for right-of-use assets recognized in the statement of financial position in the year was 27.9 mEUR (2019: 26.1 mEUR). The amount is made up from repayment of lease liabilities of 26.4 mEUR (2019: 24.5 mEUR) and interest of 1.5 mEUR (2019: 1.6 mEUR).

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

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, 2020 the estimated useful life can be summarized as follows:

Leased buildings: 1-9 years, with a remaining average of 2.4 years (2019: 1-10 years with average of 3.1 years)

Other leases: 1-6 years with a remaining average of 1.7 years. (2019: 1-6 years with average of 2.5 years)

Average discount rate for active contracts as of December 31, 2020 was 2.2% (2019: 2.5%).

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 is 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 operational costs throughout the period based on a straight-line basis.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.6 Pension liabilities

Most employees in the Nilfisk Group are covered by pension schemes, 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 schemes 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, and 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)	2020	2019
Discount rate	0.6%	0.7%
Future salary increases	0.4%	0.6%
Future pension increases	1.3%	0.8%

The anticipated duration of the plan liability, expressed as a weighted average, was 16 years at December 31, 2020 (2019: 16 years). The Nilfisk Group's expected contribution to defined benefit plans in 2021 amounts to 0.5 mEUR.

Net liabilities recognized in the statement of financial position

	2020			2019		
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	30.8	24.9	5.9	26.3	21.8	4.5
Recognized under staff costs in the income statement:						
Current service cost	0.5	-	0.5	0.3		0.3
Calculated interest expenses/income	0.4	0.4	-	0.6	0.5	0.1
Curtailment and settlements, etc.	-	-	-	0.7	-	0.7
Total	**0.9**	**0.4**	**0.5**	**1.6**	**0.5**	**1.1**
Recognized in other comprehensive income:						
Actuarial gains (losses) from changes in demographic assumptions	0.1	-	0.1	-0.6	-	-0.6
Actuarial gains (losses) from changes in financial assumptions and other	2.1	0.7	1.4	3.5	1.8	1.7
Total	**2.2**	**0.7**	**1.5**	**2.9**	**1.8**	**1.1**
Other changes:						
Contributions to plans	0.2	0.8	-0.6	0.1	0.9	-0.8
Benefits paid	-1.3	-1.2	-0.1	-1.4	-1.2	-0.2
Exchange rate adjustments	-1.3	-1.0	-0.3	1.1	1.1	-
Total	**-2.4**	**-1.4**	**-1.0**	**-0.2**	**0.8**	**-1.0**
Net recognized plan obligations and assets, December 31	31.5	24.6	6.9	30.6	24.9	5.7
Other long-term employee benefits	0.2	-	0.2	0.2	-	0.2
Recognized, December 31	**31.7**	**24.6**	**7.1**	**30.8**	**24.9**	**5.9**

EUR million	2020	2019
Plan assets recognized as follows:		
Securities with quoted market price	19.3	19.5
Cash	0.2	0.2
Other	5.1	5.2
Total	**24.6**	**24.9**

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.6 Pension liabilities – Continued

± Sensitivity

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

EUR million	2020	2019
0.5% point increase in the discount rate	-2.4	-2.3
0.5% point decrease in the discount rate	2.7	2.6
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, where 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 4

4.7 Provisions

Development in provisions

EUR million	Warranties	Other	Total
2020			
Provisions, January 1	11.4	3.7	15.1
Exchange rate adjustments	0.2	-0.2	-
Provisions made during the year	12.0	4.7	16.7
Used during the year	-10.3	-1.5	-11.8
Reversed during the year	-0.6	-	-0.6
Provisions, December 31	**12.7**	**6.7**	**19.4**
Provisions are presented as:			
Non-current liabilities	-	2.0	2.0
Current liabilities	12.7	4.7	17.4
Total	**12.7**	**6.7**	**19.4**
2019			
Provisions, January 1	11.2	6.5	17.7
Exchange rate adjustments	0.1	0.3	0.4
Provisions made during the year	11.2	2.3	13.5
Used during the year	-10.8	-0.6	-11.4
Reversed during the year	-0.3	-4.8	-5.1
Provisions, December 31	**11.4**	**3.7**	**15.1**
Provisions are presented as:			
Non-current liabilities	-	1.3	1.3
Current liabilities	11.4	2.4	13.8
Total	**11.4**	**3.7**	**15.1**

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 becomes 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 which 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 5

5. Working capital

This note 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.

Breakdown of working capital

EUR million	2020	2019
Inventories	149.3	172.7
Trade receivables	154.2	175.0
Other receivables	19.1	21.1
Income tax receivable	5.0	5.1
Other non-current liabilities	-1.3	-2.6
Trade payables	-99.9	-111.9
Other liabilities	-93.6	-96.5
Income tax payable	-1.2	-5.0
Working capital	**131.6**	**157.9**
Working capital ratio (LTM)	18.8%	20.6%

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.

Key developments in 2020
The Nilfisk Group working capital decreased by 26.3 mEUR from 157.9 mEUR at December 31, 2019 to 131.6 mEUR at December 31, 2020. The decrease in working capital was primarily related to a decrease in inventories and trade receivables.

Inventories decreased from 172.7 mEUR at December 31, 2019 to 149.3 mEUR at December 31, 2020. The efforts to bring down inventories resulted in a decrease in inventory days compared to 2019.

Trade receivables amounted to 154.2 mEUR at December 31, and have decreased by 20.8 mEUR since December 31, 2019. The decline in trade receivables and corresponding decline in revenue resulted in a decrease in days sales outstanding compared to 2019.

The working capital ratio measured in percentage of revenue on a 12-month average was 18.8% at the end of 2020. This was a decrease of 1.8 percentage points compared to 2019.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 5

5.1 Inventories

The Nilfisk Group's entities carry inventory to support their operations. Continuous efforts aim to reduce inventory levels while maintaining customer service through short lead times. Inventory days decreased from 132 to 127 by the end of December 2020. See the Management review for more details of the inventory development.

Specification of inventories

EUR million	2020	2019
Raw materials, consumables and goods for resale	39.5	54.2
Work in progress	1.2	1.0
Finished goods	108.6	117.5
Total	**149.3**	**172.7**
Write-down on inventories, January 1	9.2	12.3
Exchange rate adjustments	-0.3	-
Write-down on inventories for the year expensed in the income statement	2.5	1.2
Utilization of write-downs	-0.2	-3.6
Reversal of write-downs	-0.2	-0.7
Write-down on inventories, December 31	**11.0**	**9.2**

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 costs in accordance with the FIFO method or at a weighted average. 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.

5.2 Trade payables and liabilities

Accounting policy

Liabilities are measured at amortized cost, except for derivative financial instruments which are measured at fair value.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 5

5.3 Trade receivables

Trade receivables decreased in absolute terms from December 31, 2019 to December 31, 2020. The outstanding balances are being monitored closely with a high focus on collecting receivables. The days sales outstanding was 56.0 and decreased compared to the same period last year (2019: 60.1)

Specification of trade receivables

EUR million	2020	2019
Trade receivables, gross incl. VAT	160.3	180.9
Allowance for expected credit losses	-6.1	-5.9
Total	**154.2**	**175.0**

Movements in allowance for expected credit losses

EUR million	2020	2019
Allowance, January 1	5.9	3.9
Exchange rate adjustments	-0.3	-
Allowance losses recognized	2.1	3.1
Reversal of allowance losses	-0.9	-0.7
Realized allowance losses	-0.7	-0.4
Allowance, December 31	**6.1**	**5.9**

Allowance for expected credit losses amounted to 6.1 mEUR compared to 5.9 mEUR as of December 31, 2019.
A total of 3.2 mEUR was attributable to individual impairment compared to 3.0 mEUR as of December 31, 2019

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. Increase in allowance for expected credit losses was related to individual impairment in the US.

Specification of expected credit losses

	2020			2019		
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	129.8	0.4	0.3%	144.0	0.3	0.2%
Overdue < 1 months	14.0	0.1	0.9%	18.4	0.1	0.6%
Overdue 1-2 months	4.0	0.2	4.3%	5.9	0.1	2.4%
Overdue 2-4 months	3.8	0.4	10.2%	4.2	0.4	10.5%
Overdue > 4 months	8.7	5.0	64.3%	8.4	5.0	62.7%
Total	**160.3**	**6.1**		**180.9**	**5.9**	

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.

§ 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 costs.

Derivative financial instruments are measured at fair value.

Prepaid expenses are measured at cost.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

6. Capital structure

This note 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 Treasury Policy states that the Group's net interest-bearing debt should be below 2.5 x EBITDA before special items.

In 2020, Nilfisk increased its financial headroom by obtaining an additional loan of 100 mEUR. Total committed credit facilities available to Nilfisk are therefore 550 mEUR (2019: 450 mEUR), provided by Nordea Danmark, a branch of Nordea Bank Abp, Finland and Danske Bank A/S. 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.

6.1 Net interest-bearing debt

Net interest-bearing debt at December 31, 2020 was 383.2 mEUR and hence decreased by 30.9 mEUR compared to December 31, 2019.

In 2020, Nilfisk obtained a short-term loan of 100 mEUR, maturing May 22, 2021, with an extension option of one year.

As of December 31, 2020 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.

§ **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.

Specification of net interest-bearing debt

	2020					2019				
			Non-cash changes					Non-cash changes		
EUR million	**January 1**	**Cash flows**	**Foreign exchange movement**	**Leases**	**December 31**	**January 1**	**Cash flows**	**Foreign exchange movement**	**Leases**	**December 31**
Non-current interest-bearing loans and borrowings	376.9	-153.5	3.9	-	227.3	382.2	-5.3	-	-	376.9
Non-current lease liabilities	32.2	-	-0.7	12.8	44.3	0.1	-	-	32.1	32.2
Current interest-bearing loans and borrowings	5.0	100.3	-0.1	-	105.2	7.6	-2.9	0.3	-	5.0
Current lease liabilities	24.0	-26.4	-0.5	25.4	22.5	0.2	-24.5	-0.1	48.4	24.0
Interest-bearing liabilities	**438.1**	**-79.6**	**2.6**	**38.2**	**399.3**	**390.1**	**-32.7**	**0.2**	**80.5**	**438.1**
Other interest-bearing receivables	-4.7	1.5	0.2	-	-3.0	-4.4	-0.3	-	-	-4.7
Interest-bearing receivables	**-4.7**	**1.5**	**0.2**	**-**	**-3.0**	**-4.4**	**-0.3**	**-**	**-**	**-4.7**
Net liabilities from financing activites	**433.4**	**-78.1**	**2.8**	**38.2**	**396.3**	**385.7**	**-33.0**	**0.2**	**80.5**	**433.4**
Cash and cash equivalents	19.3	-4.6	-1.6	-	13.1	16.4	2.3	0.6	-	19.3
Net interest-bearing debt	**414.1**	**-73.5**	**4.4**	**38.2**	**383.2**	**369.3**	**-35.3**	**-0.4**	**80.5**	**414.1**

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

6.2 Investments in associates

Associated companies include M2H, CFM Lombardia and Thoro.

The primary activity of M2H is the sale of industrial equipment and associated services to cleaning companies. Since 2000, M2H has been the "Cleaning Division" of Nilfisk in France.

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 established in 2020 with Carnegie Robotics LLC, to spin out the autonomous technology embedded in the Nilfisk Liberty SC50 into a separate technology company. During 2020 Nilfisk carved out the IP rights for the autonomous robotics software developed in corporation with Carnegie Robotics to Thoro LLC. In connection with the carve-out, a fair value assesment has been carried out and no gain or loss has been recognized as a result of this.

Carrying amount of associated companies

EUR million	2020	2019
Carrying amount, January 1	21.5	19.1
Exchange rate adjustments	-0.6	-
Share of profit recognized in the income statement	0.1	3.7
Contribution	9.6	-
Dividends	-1.3	-1.3
Carrying amount, December 31	**29.3**	**21.5**

Details of associated companies

	2020			2019	
EUR million	M2H France	CFM Lombardia Italy	Thoro US	M2H France	CFM Lombardia Italy
Revenue	71.7	1.9	-	68.3	2.0
Profit (loss) after tax	4.2	-	-3.6	8.3	0.1
Non-current assets	13.0	0.1	16.8	13.3	0.1
Current assets	60.2	1.0	-	57.6	1.2
Total assets	73.2	1.1	16.8	70.9	1.3
Equity	47.8	0.3	14.3	46.5	0.3
Non-current liabilities	15.3	0.1	-	13.6	0.1
Current liabilities	10.1	0.7	2.5	10.8	0.9
Equity and liabilites	73.2	1.1	16.8	70.9	1.3
Ownership in %	44%	33%	50%	44%	33%
Share of profit after tax	1.9	-	-1.8	3.7	-
Share of equity	21.1	0.1	7.2	20.5	0.1
Goodwill recognized	0.9	-	-	0.9	-
Carrying amount	**22.0**	**0.1**	**7.2**	**21.4**	**0.1**
Goods sold to	14.0	0.7	-	20.2	1.1
Receivables from associates	6.7	0.3	-	8.6	0.3

Key accounting estimates

Management has assessed that the carrying value of Thoro is the best estimate for the fair value assessment of the assets transferred. Though significant uncertainties related to the fair value assessment, this is based on Management's best estimate.

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 separate line in the income statement. The share of results will be recognized based on the associated company' full-year outlook, with adjustment for the actual full-year result in the following year.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

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 35% of gross debt at December 31, 2020 compared to 34% in 2019.

Interest caps

Effective date	Maturity date	Notional value (mEUR)	Cap strike	Carrying amount (mEUR)
2020				
September 29, 2017	June 30, 2021	140	0.00% p.a.	-0.1
June 30, 2021	June 30, 2023	150	0.50% p.a.	-0.1
Total				**-0.2**
2019				
September 29, 2017	June 30, 2021	150	0.00% p.a.	-0.4
Total				**-0.4**

± Sensitivity

It is estimated that a 1% rise in the market interest rate for the Nilfisk Group's interest-bearing liabilities at December 31, 2020 would impact pre-tax earnings negatively on an annual basis by approximately 1.1 mEUR p.a. compared to 1.6 mEUR in 2019.

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 2020, the interest expense amounted to 0.0 mEUR (2019: 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 (EUR)	Notional value (mEUR)	Interest rate	Carrying amount (mEUR)
2020					
124,896	March 4, 2021	125.80	15.7	2.35%	0.1
2019					
138,347	June 4, 2020	162.00	22.4	1.43%	-0.3

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

6.3 Financial risks and financial instruments – continued

Credit risks
The Nilfisk Group's credit risks relate partly to receivables and cash at bank and in hand, 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.

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
2020							
Forward contracts	2.3	-	-	-	-	-	2.3
Other hedging instruments	0.1	-	0.1	-	-	-	0.2
Interest-bearing loans and borrowings	105.2	222.1	-	0.1	0.5	4.6	332.5
Lease liabilities	22.5	17.7	11.6	6.7	5.3	3.0	66.8
Trade payables	99.9	-	-	-	-	-	99.9
Other financial liabilties	91.2	0.8	0.4	-	-	-	92.4
Total	**321.2**	**240.6**	**12.1**	**6.8**	**5.8**	**7.6**	**594.1**
2019							
Forward contracts	3.2	-	-	-	-	-	3.2
Other hedging instruments	-	0.4	-	-	-	-	0.4
Interest-bearing loans and borrowings	5.0	23.8	353.1	-	-	-	381.9
Lease liabilities	24.0	13.2	8.9	4.2	2.0	3.9	56.2
Trade payables	111.9	-	-	-	-	-	111.9
Other financial liabilities	93.3	1.9	0.2	0.1	-	-	95.5
Total	**237.4**	**39.3**	**362.2**	**4.3**	**2.0**	**3.9**	**649.1**

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

6.3 Financial risks and financial instruments – continued

Currency risks

With sales to approximately 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 the most significant investments, excluding EUR/DKK.

EUR million	2020	2019
CNY	-9.8	-10.6
GBP	-3.4	-3.3
USD	-2.0	-2.2
Total	**-15.2**	**-16.1**

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, 2020 for the Nilfisk Group which are used for and fulfil the conditions for hedge accounting of future transactions. Forward exchange contracts relate to hedging of product sales/purchase.

Outstanding FX hedging contracts

	2020		2019	
EUR million	Notional value[1]	Recognized in OCI	Notional value[1]	Recognized in OCI
CNH/DKK[2]	50.6	-0.6	53.1	0.4
GBP/DKK	-18.1	-	-19.1	-1.0
SEK/DKK	-8.8	-0.2	-10.3	-0.1
USD/DKK	-8.4	0.4	-9.1	-0.1
CAD/USD	-12.1	-0.5	-11.8	-0.2
Other	-3.6	-	-13.9	-0.2
Total	**-0.4**	**-0.9**	**-11.1**	**-1.2**

[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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

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 and liabilities are presented in the line "Receivables/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.

	2020				2019			
Cash flow hedges	**Average exchange rate**	**Notional value: Foreign currency**	**Notional value: Local currency**	**Carrying amount of hedges, net**	**Average exchange rate**	**Notional value: Foreign currency**	**Notional value: Local currency**	**Carrying amount of hedges, net**
		(tFCY)	**(tLCY)**	**EUR thousand**		**(tFCY)**	**(tLCY)**	**EUR thousand**
Buy CNH	**CNH/DKK**	**CNH**	**DKK**		**CNH/DKK**	**CNH**	**DKK**	
- 0-6 months	0.9568	218,500	209,061	-534.1	0.9707	276,000	267,903	193.2
- 7-14 months	0.9320	187,300	174,558	-59.7	0.9557	139,000	132,847	214.7
Sell GBP	**GBP/DKK**	**GBP**	**DKK**		**GBP/DKK**	**GBP**	**DKK**	
- 0-6 months	8.4317	-9,750	-82,209	106.2	8.4621	-10,600	-89,698	-597.9
- 7-14 months	8.1653	-6,600	-53,891	-153.6	8.3653	-5,700	-47,682	-387.5
Sell SEK	**SEK/DKK**	**SEK**	**DKK**		**SEK/DKK**	**SEK**	**DKK**	
- 0-6 months	0.7250	-51,300	-37,192	-127.9	0.7149	-72,700	-51,974	-34.3
- 7-14 months	0.7258	-36,900	-26,780	-100.0	0.7038	-35,000	-24,632	-70.7
Sell USD	**USD/DKK**	**USD**	**DKK**		**USD/DKK**	**USD**	**DKK**	
- 0-6 months	6.5128	-5,650	-36,797	292.0	6.6498	-6,300	-41,894	-128.8
- 7-14 months	6.3361	-4,700	-29,780	143.9	6.7282	-3,900	-26,240	-11.9
Sell CAD	**CAD/USD**	**CAD**	**USD**		**CAD/USD**	**CAD**	**USD**	
- 0-6 months	0.7482	-10,750	-8,044	-315.2	0.7479	-9,450	-7,068	-134.1
- 7-14 months	0.7692	-8,200	-6,307	-101.0	0.7584	-7,800	-5,916	-68.2
Other	-	-	-	-63.3	-	-	-	-181.9
Total				**-912.7**				**-1,207.4**

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

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

	2020				2019			
EUR million	**Currency risk**	**Interest rate risk**	**Remuneration risk**	**Total**	**Currency risk**	**Interest rate risk**	**Remuneration risk**	**Total**
Hedging reserve, January 1	-0.8	-0.4	0.8	-0.4	1.0	-0.4	0.1	0.7
Value adjustment for the year	-	0.2	-	0.2	-0.2	-	-0.3	-0.5
Value adjustment reclassified to cost of sales	-	-	-	-	-1.7	-	-	-1.7
Value adjustment reclassified to staff costs	-	-	-	-	-	-	0.9	0.9
Value adjustment reclassified to financial income and expenses	-	-	-0.6	-0.6	-	-	-	-
Value adjustment reclassified to inventory	-	-	-	-	-0.4	-	-	-0.4
Tax on value adjustment of hedging instruments	-	-	-0.1	-0.1	0.5	-	0.1	0.6
Hedging reserve, December 31	**-0.8**	**-0.2**	**0.1**	**-0.9**	**-0.8**	**-0.4**	**0.8**	**-0.4**

± 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 profit and loss 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 3.3 mEUR.

	2020			2019		
EUR million	**Historic volatility**	**Change recognized in OCI**	**Change recognized in P&L**	**Historic volatility**	**Change recognized in OCI**	**Change recognized in P&L**
CNH/DKK	6%	3.3	-0.1	5%	2.8	-0.2
GBP/DKK	6%	-1.1	-0.2	6%	-1.2	-
SEK/DKK	8%	-0.7	-0.1	5%	-0.5	-
USD/DKK	7%	-0.6	-0.3	6%	-0.5	-
CAD/USD	8%	-1.0	-0.1	5%	-0.6	0.1
MXN/USD	13%	-	-	9%	-	-0.3

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

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	2020	2019
Financial assets:		
Trade receivables	154.2	175.0
Interest-bearing receivables	3.0	4.7
Other financial receivables	17.6	19.6
Financial assets at amortized cost	**174.8**	**199.3**
Derivative financial instruments	0.9	1.4
Fair value through other comprehensive income	**0.9**	**1.4**
Derivative financial instruments	0.6	0.1
Fair value through profit and loss	**0.6**	**0.1**
Total	**176.3**	**200.8**
Financial liabilities:		
Interest-bearing loans and borrowings	332.5	381.9
Trade payables	99.9	111.9
Lease liabilities	66.8	56.2
Other financial liabilities	92.4	95.5
Financial liabilities at amortized cost	**591.6**	**645.5**
Derivative financial instruments	1.9	2.7
Fair value through other comprehensive income	**1.9**	**2.7**
Derivative financial instruments	0.6	0.9
Fair value through profit and loss	**0.6**	**0.9**
Total	**594.1**	**649.1**
Financial instruments, net	**-1.0**	**-2.1**

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

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 payables, 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 6

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 2019. 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 -0.10 is based on profit attributable to shareholders of Nilfisk Holding A/S of -2.6 mEUR and an average number of shares of 27,126,369.

EUR	2020	2019
Basic earnings per share	-0.10	0.32
Diluted earnings per share	-0.10	0.32

Dividends

At the Annual General Meeting to be held on March 26, 2021, the Board of Directors will propose not to distribute dividends for the financial year of 2020 (2019: 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

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 7

7. Other notes

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

7.1 Fees to auditors elected at the annual general meeting

EUR million	2020	2019
Deloitte		
Statutory audit	0.9	0.8
Other assurance services	0.2	0.3
Total	**1.1**	**1.1**

The fee for other assurance services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab Denmark, amounted to 0.2 mEUR in 2020 (2019: 0.3 mEUR).

7.2 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.

7.3 Related parties

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

EUR million	2020	2019
Goods sold to associated companies	14.7	21.3
Dividends received from associated companies	1.3	1.3
Trade receivables from associated companies	7.0	8.9

Please refer to Note 3.2 and Note 3.3 for remuneration to the Executive Management Board and note 6.2 for details on the contribution to Thoro LLC.

7.4 Other non-cash adjustments

EUR million	2020	2019
Gains and losses from disposal of assets	0.2	0.2
Change in provisions	7.3	-5.9
Other non-cash items	-	0.5
Total	**7.5**	**-5.2**

7.5 Contingent liabilities, securities and contractual obligations

The Nilfisk Group has issued guarantees in total of 22.5 mEUR (2019: 37.1 mEUR). This includes rental guarantees of 7.4 mEUR (2019: 12.5 mEUR). In addition, guarantees of 11.8 mEUR (2019: 24.7 mEUR) to support local bank facilities for subsidiaries were established by Nilfisk A/S.

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 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.

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 7

7.6 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	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	Russia
Nilfisk s.r.o.	Slovakia
Nilfisk S.A.	Spain
Nilfisk AB	Sweden
Nilfisk AG	Switzerland
Nilfisk Profesyonel Temizlik Ekipmanlari Ticaret. A.S.	Turkey
Nilfisk Trading LLC (49%)*	UAE
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.	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 Company Ltd.	Vietnam
Nilfisk Ltd. (Branch)	Macau

Associates	
M2H S.A. (44%)	France
CFM Lombardia S.r.l. (33%)	Italy
Thoro LLC (50%)	US

Ownership below 100% is disclosed in brackets.

*Majority of voting rights

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 7

7.7 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	Net total of non-current assets (including goodwill), pensions and deferred tax liabilities and working capital
3	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
4	Diluted earnings per share	Profit attributable to shareholders of Nilfisk Holding A/S as a percentage of diluted average number of outstanding shares
5	EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortization, impairment and special items
6	EBITDA	Earnings (profit) before interest, tax, depreciation, amortization and impairment
7	EBITDA margin before special items	EBITDA before special items as a percentage of revenue
8	EBITDA margin	EBITDA as a percentage of revenue
9	EBIT before special items	Earnings before interest, tax and special items (operating profit before special items)
10	EBIT	Earnings before interest and tax (operating profit)
11	EBIT margin before special items	EBIT before special items as a percentage of revenue
12	EBIT margin	EBIT as a percentage of revenue
13	Earnings per outstanding share (EPS)	Profit attributable to shareholders of Nilfisk Holding A/S relative to average number of outstanding shares
14	Equity value per outstanding share	Equity attributable to shareholders of Nilfisk Holding A/S per outstanding share at December 31
15	Financial gearing	Net interest-bearing debt divided by EBITDA before special items
16	Free cash flow	Cash flow from operating activities less cash flow from investing activities
17	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
18	Gross margin	Gross profit as a percentage of revenue
19	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
20	Investment ratio	Additions as a percentage of depreciations/amortizations
21	Net interest-bearing debt	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash specified in Note 6.1
22	OCI	Other comprehensive income
23	Organic growth	Organic growth in local currency excluding acquisitions and divestments and foreign exchange rates
24	Overhead cost ratio	Overhead costs as a percentage of revenue
25	R&D ratio	R&D spend as a percentage of revenue
26	Return on capital employed (RoCE)	EBIT before special items as a percentage of the average of the capital employed, calculated by taking the capital employed at December 31 and at the end of the preceding four quarters
27	Solvency ratio	Equity attributable to shareholders of Nilfisk Holding A/S as a percentage of total assets
28	Working capital	Current assets minus current and non-current liabilities (excluding interest-bearing items and provisions)
29	Working capital ratio	Average working capital LTM (latest twelve month) as a percentage of revenue

1. Basis for reporting
2. Profit for the year
3. Remuneration
4. Capital employed and other balance sheet accounts
5. Working capital
6. Capital structure
7. Other notes

Note 7

7.7 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.

	2020	2019
Revenue growth (according to income statement)	-13.8%	-8.3%
Foreign exchange	0.8%	-1.2%
Acquisitions/divestments	1.5%	5.4%
Organic growth	**-11.5%**	**-4.1%**

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	2020	2019
Operating profit	22.1	25.9
Amortization, depreciation and impairment	68.5	69.1
EBITDA	**90.6**	**95.0**
Special items (excluding impairment)	9.9	22.7
EBITDA before special items	**100.5**	**117.7**

Overhead costs

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

EUR million	2020	2019
Research and development costs	-31.7	-30.9
Sales and distribution costs	-220.8	-244.8
Administrative costs	-64.6	-82.1
Other operating income	5.5	4.1
Other operating expenses	-2.2	-3.8
Total overhead costs	**-313.8**	**-357.5**

Parent company **financial statements** 2020

Income statement	**100**
Balance sheet	**100**
Statement of changes in equity	**101**

Notes

1	Administrative costs	102
2	Fees to auditors elected at the annual general meeting	102
3	Financial expenses	102
4	Tax	102
5	Proposed distribution of loss for the year	102
6	Investments in subsidiaries	102
7	Prepayments	102
8	Related parties	102
9	Contingent liabilities, securities and contractual obligations	103
10	Events after the balance sheet date	103

Accounting policies	103

Income statement

for the period January 1 to December 31

EUR million	Note	2020	2019
Other income	1	2.6	2.1
Administrative costs	1, 2	-3.9	-3.5
Operating loss		**-1.3**	**-1.4**
Financial expenses	3	-0.7	-0.9
Loss before income taxes		**-2.0**	**-2.3**
Income taxes	4	-1.2	0.6
Loss for the year		**-3.2**	**-1.7**
To be distributed as follows:			
Loss attributable to shareholders of Nilfisk Holding A/S	5	-3.2	-1.7
Total		**-3.2**	**-1.7**

Balance sheet

at December 31

EUR million	Note	2020	2019
Assets			
Investments in subsidiaries	6	216.4	215.5
Deferred tax	4	0.1	1.4
Total non-current assets		**216.5**	**216.9**
Prepayments	7	-	0.1
Income tax receivable		0.4	-
Receivables from Group companies	8	6.2	2.8
Total current assets		**6.6**	**2.9**
Total assets		**223.1**	**219.8**
Equity and liabilities			
Share capital		72.9	72.9
Retained earnings		19.0	21.7
Total equity		**91.9**	**94.6**
Interest-bearing loans and borrowings		11.7	7.5
Loans from Group companies	8	117.3	117.3
Total non-current liabilities		**129.0**	**124.8**
Trade payables and other liabilities		1.8	0.4
Total current liabilities		**2.2**	**0.4**
Total liabilities		**131.2**	**125.2**
Total equity and liabilities		**223.1**	**219.8**

Statement of changes in equity

for the years ended at December 31

EUR million	Share capital	Retained earnings	Total equity
2020			
Equity, January 1	**72.9**	**21.7**	**94.6**
Exchange rate adjustments	-	0.4	0.4
Loss for the year	-	-3.2	-3.2
Share option program	-	0.1	0.1
Total changes in equity	**-**	**-2.7**	**-2.7**
Equity, December 31	**72.9**	**19.0**	**91.9**
2019			
Equity, January 1	**72.9**	**23.8**	**96.7**
Exchange rate adjustments	-	0.1	0.1
Loss for the year	-	-1.7	-1.7
Share option program	-	-0.5	-0.5
Total changes in equity	**-**	**-2.1**	**-2.1**
Equity, December 31	**72.9**	**21.7**	**94.6**

The total number of shares is 27,126,369 with a nominal value of 20 DKK each. The share capital is unchanged from 2019. 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 Note 3.2 to the consolidated financial statements for a description of the share option program to the Executive Management Board. Changes in equity in 2020 are comprised of loss for the year. No dividends are proposed for 2020.

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. Administrative costs

EUR million	2020	2019
Wages and salaries	2.4	2.7
Bonus	0.5	-
Long-term incentive programs	0.1	-
Total staff costs	**3.0**	**2.7**
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	2.4	2.1
Other administrative costs	0.9	0.8
Total administrative costs	**3.9**	**3.5**

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 Note 3.2 and 3.3 of the consolidated financial statements. Management fee of 2.6 mEUR (2019: 2.1 mEUR) was received by Nilfisk Holding A/S, and recognized in the income statement as other income.

2. Fees to auditors elected at the annual general meeting

EUR million	2020	2019
Deloitte		
Statutory audit	0.1	0.1
Total	**0.1**	**0.1**

3. Financial items

EUR million	2020	2019
Foreign exchange gains	0.4	-
Interest to Group companies	-1.1	-0.9
Total	**-0.7**	**-0.9**

4. Tax

Tax recognized in the income statement

EUR million	2020	2019
Deferred tax	1.2	-0.6
Total	**1.2**	**-0.6**
Reported tax rate	-64.1%	28.7%
Reconciliation of tax:		
Calculated tax of 22.0% (2019: 22.0%) on loss before income taxes	-0.4	-0.7
Tax effect of:		
Non-taxable income/non-deductible expenses	0.1	0.1
Tax assets valuation allowances	1.5	-
Total	**1.2**	**-0.6**

Deferred tax assets

EUR million	2020	2019
Deferred tax assets, January 1	1.4	0.7
Exchange rate adjustments	-0.1	0.1
Deferred tax recognized in the income statement	-1.2	0.6
Deferred tax assets, December 31	**0.1**	**1.4**

5. Proposed distribution of loss for the year

EUR million	2020	2019
Suggested distribution of loss for the year:		
Loss attributable to shareholders of Nilfisk Holding A/S	-3.2	-1.7
Proposed dividend	-	-
Total	**-3.2**	**-1.7**

6. Investments in subsidiaries

EUR million	2020	2019
Carrying amount, January 1	215.5	215.6
Exchange rate adjustments	0.9	-0.1
Carrying amount, December 31	**216.4**	**215.5**

7. Prepayments

EUR million	2020	2019
Insurance	-	0.1
Total	**-**	**0.1**

8. Related parties

Transactions with affiliated undertakings comprise the following:

EUR million	2020	2019
Non-current interest-bearing loan from Nilfisk A/S	117.3	117.3
Receivables from Group companies	6.2	2.8

Management fee of 2.6 mEUR is included in the 6.2 mEUR as a net receivable (2019: 2.8 mEUR).

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

Note 9-10

Accounting policies

9. Contingent liabilities, securities and contractual obligations

Nilfisk Holding A/S has issued guarantees in total of 7.4 mEUR (2019: 10.5 mEUR), 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.

10. 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 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 2020 covers the period from January 1, 2020 to December 31, 2020 (January 1, 2019 to December 31, 2019).

The Annual Report is presented in EUR rounded to nearest EUR 1,000,000 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 costs. 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 Note 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 2020.

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, 2020 and of the results of the Nilfisk Group's and the parent company's operations and cash flow for the financial year 2020.

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, 2020 identified as NILF-2020-12-31.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, March 3, 2021

Executive Management Board

Hans Henrik Lund
President and CEO

Prisca Havranek-Kosicek
CFO

Board of Directors

Jens Peter Due Olsen
Chairman

Anders Erik Runevad
Deputy Chairman

Jutta af Rosenborg

René Svendsen-Tune

Thomas Schleicher

Richard Parker Bisson

Are Dragesund

Franck Falezan

Søren Giessing Kristensen

Yvonne Markussen

Gerner Raj Andersen

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, 2020 to December 31, 2020, which comprise the income statement, statement of financial position, statement of changes in equity and notes, including a summary of accounting policies, for the Group as well as the Parent, and the statements of comprehensive income and cash flows for 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, 2020, and of the results of its operations and cash flows for the financial year January 1, 2020 to December 31, 2020 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, 2020, and of the results of its operations for the financial year January 1, 2020 to December 31, 2020 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 of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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. We have been reappointed by decision of the general assembly for a total contiguous engagement period of 4 years up to and including the 2020 financial year.

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, 2020 to December 31, 2020. 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.

Classification and presentation of special items

Expenses recognized as special items in 2020 represent a net expense of EUR 10.8 million (2019: an expense of EUR 23.9 million) and comprise primarily expenses related to cost saving programs and business restructuring.

Classifying income and expenses as special items may have a material impact on the presentation of the Group's profit or loss and on comparability from year to year. In addition, estimates are included in the identification, classification and measurement of items presented as special items due to the non-routine nature of such items. There is also a risk that the Group's accounting policy for special items is not being applied consistently.

Based on the significance of special items, special items are considered to be a key audit matter. We refer to Note 2.4 in the consolidated financial statements.

How the matter was addressed in our audit

We have assessed the appropriateness of expenses classified and presented as special items and the consistency thereof with the Group's accounting policies. In this context, we:

- Assessed whether expenses classified and presented as special items only represent significant non-recurring expenses of a special nature, different from the Group's ordinary operations
- Assessed the completeness of the special items
- Examined all material income and expenses classified and presented as special items to supporting documentation and where relevant assessed the reasonableness of the judgement applied by Management in estimating the amounts
- Assessed whether disclosures in Note 2.4 are adequate and appropriate

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 misstatements in 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 judgement 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, related safeguards.

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
We have as part of our audit of the financial statements performed procedures to conclude an opinion on whether the Annual Report of Nilfisk Holding A/S for the year January 1 to December 31, 2020 with the file name NILF-2020-12-31.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 preparation 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 all financial information required to be tagged using judgement 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 judgement, 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 year January 1 to December 31, 2020 with the file name NILF-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, March 3, 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen	Sumit Sudan
State-Authorized	State-Authorized
Public Accountant	Public Accountant
MNE no mne21358	MNE no mne33716

Nilfisk's Annual Report 2020 was published on March 3, 2021.
The report is also available at www.nilfisk.com.

Nilfisk Holding A/S, Kornmarksvej 1, DK-2605 Brøndby, Denmark.
Company reg. No. 38 99 88 70.

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Nilfisk