ANNUAL REPORT 2021

Committed to clean

NILFISK

AT A GLANCE

Global presence

We are a world-leading global provider of professional cleaning products and services

Founded in

1906

It was his love of knowledge, paired with the ambition to build a company driven by technology, that inspired Peder Andersen Fisker to establish Nilfisk in 1906. Since then, we have been committed to delivering innovative cleaning solutions to market, and growing our business to lead the industry.

100+

Countries

Our products and services are sold in more than 100 countries across the globe.

40+

Sales companies

We have sales companies in more than 40 countries around the world.

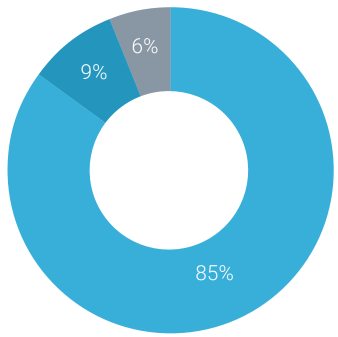
10

Manufacturing sites

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

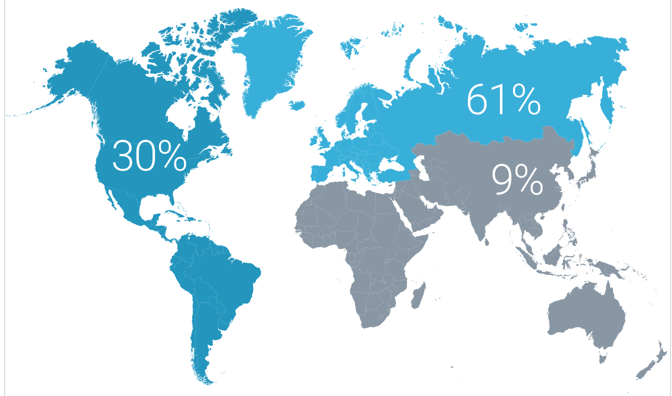
Our sales

Share of revenue 2021



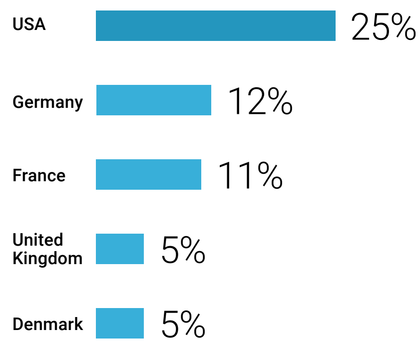
Our geographies

Share of revenue 2021



Our key markets

Share of revenue 2021



Total revenue in 2021

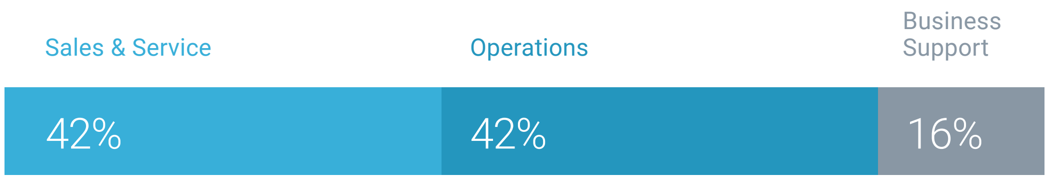
In line with the preliminary numbers announced on January 13, 2022

994.9 mEUR

Employees

approximately

4,900



AT A GLANCE

Clean is changing

The COVID-19 pandemic has altered many aspects of our lives, making us more focused on cleanliness and hygiene. Cleanliness is now business-critical for all industries, and the process of cleaning is moving from backstage to center stage. This is not a small adjustment, it is a paradigm shift that will require many companies to completely rethink how they approach the concept of cleaning.

59%

Of respondents in a comprehensive Nilfisk customer study state that the business-criticalness of cleaning has increased significantly.

79%

Of the respondents believe their business will maintain higher standards of cleanliness beyond the COVID-19 pandemic.

Our solutions

With a product portfolio spanning from advanced industrial vacuum solutions to high-pressure washers and floorcare equipment, Nilfisk has a unique range in terms of breadth and depth.

Revenue
by products and services

Floorcare

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

Vacuum cleaners

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

High-pressure washers

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

Aftermarket

Service, parts and accessories

The industries we serve

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

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

Management Review

Page 12
The pandemic created increased awareness of the value of clean among our customers

2 Nilfisk at a glance

5 2021 in brief
5 Letter from the Chair
6 Letter from the CEO
7 Financial highlights
8 5-year consolidated financial highlights
9 CSR highlights

10 Our strategy
12 Markets and trends
13 Business plan 2026
17 Outlook for 2022
17 Financial targets for 2026
18 Capital allocation
18 Sustainability targets

19 Our business
20 Solutions
22 Channels
23 Markets and segments
24 Operations

25 Our results
26 Business performance
27 Europe
28 Americas
29 APAC
30 Consumer
30 Private label and other
31 Financial review
33 Q4 Performance
34 ESG performance

36 Our governance
37 Corporate governance
41 Board of Directors
43 Nilfisk Leadership Team
45 Risk management
47 Shareholder information

Financial Statements

Page 17
We expect demand to continue growing in 2022

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

98 Parent company financial statements

104 Management's statement

105 Independent auditor's report

Page 34
Our ESG data overview provides transparency for all stakeholders into our CSR work

Preparing for long-term, sustainable growth

In 2021, Nilfisk returned to growth. This growth was broad-based, across regions and business segments. Organic revenue increased by 20.7%, delivering total revenue of 995 mEUR, and an EBITDA increase of 44% generated 144 mEUR. This led to an EBITDA margin before special items of 14.5%, a record level since the IPO in 2017.

The year 2021 marked a fundamental recovery in our markets following the downturn in 2020. Beyond this market recovery, our initiatives to gain market share in the US and to grow with large strategic accounts yielded above market growth for Nilfisk. We are pleased to see the company achieved 2021 sales above the 2019 level. Driven by rising labor costs and a worsening labor shortage, the global market for professional cleaning equipment is a growth industry. The COVID pandemic has further enhanced the value of clean and accelerated the industry's growth momentum. New technologies and service offerings allow for higher customer value creation.

As a global market leader in the professional cleaning equipment industry, Nilfisk is well positioned to benefit from these macro trends. We see a fundamental opportunity for long-term sustainable growth and value creation.

Change in leadership and solid new five-year business plan in place
In May 2021, the Nilfisk Board of Directors announced an important change in the company's leadership with the arrival of Torsten Türling as CEO and Reinhard Mayer as CFO. Both leaders have substantial prior experience in successfully executing performance improvement programs.

This new Nilfisk leadership team is committed to improving underlying performance and generating the organic growth needed to become the recognized leader in the professional cleaning equipment industry. During the second half of 2021, the Nilfisk Leadership Team conducted a rigorous strategy review to decide on future strategic priorities. The process helped to identify untapped profitable growth opportunities, but also to reflect upon past execution shortcomings.

The conclusions of the strategy review have been captured in a solid five-year business plan focused on enabling long-term sustainable growth as well as detailing the roadmap for successful implementation.

At the same time, Nilfisk believes it is our fundamental responsibility to lead the way on environmental, social, and governance related matters (ESG). We have enhanced our commitment to ambitious carbon emission reductions by 2030. In addition, we have committed to wider sustainability targets on important social parameters.

In this Annual Report, we are pleased to share an outline of our enhanced sustainability targets as well as the key value creation levers and the related mid-term financial targets of the new five-year business plan. The Board has made clear that strengthening the company's capability to execute its plans is fundamental and key to success. We know this won't happen overnight. We are, however, confident that based on the solid implementation plans substantiating the company's growth targets and with the introduction of a meticulous execution focus, Nilfisk can build on its strong 2021 performance and achieve substantial long-term value creation.

I would like to thank our shareholders for their continued support. Your feedback was instrumental in setting the right ambitions for Nilfisk's future. I would like to thank our customers for their continued loyalty, and I would like to thank our employees at Nilfisk for sustaining a high level of performance and flexibility throughout 2021, which displayed the dedication to serving our customers despite the challenges of these times.

On behalf of the Board of Directors,

Jens Due Olsen
Chair

> "We are confident that Nilfisk can build on its strong 2021 performance. The solid implementation plans substantiating the company's growth targets and the introduction of a meticulous execution focus, will ensure that we achieve substantial long-term value creation.

Strengthening execution capability

Nilfisk demonstrated a remarkable recovery in 2021, the result of a dedicated performance by our Nilfisk team members at every level. They remained dedicated to serving our customers and to finding solutions at a time of supply chain constraints, and through the ups and downs of the COVID pandemic. Nilfisk's organic revenue growth of 20.7% outpaced the growth in the general market. It represents an actual gain in market share, most significantly in the Americas region, where our revenue grew organically by 23.8%.

The year 2021 also saw Nilfisk display its technological skills. With our first large-scale rollout of a fleet of autonomous cleaning machines to a leading European retailer, we went beyond proof of concept and demonstrated that we mastered the technology and its software-related services.

Securing supplies to our customers

Overall sales growth in 2021 was constrained by the global supply chain challenges affecting many companies.

Our reaction to these supply chain challenges was twofold. First, we increased production volume by ramping up internal capacity, broadening our supplier network, and expanding our inventory of material and components. Second, we announced an extraordinary mid-year price increase to mitigate the margin impact of the jump in material and freight costs.

Order intake in the year far surpassed sales growth, so we ended 2021 with a record order backlog. Ensuring our ability to deliver continued growth and profitability by mitigating supply chain constraints and their margin implications remains our top short-term priority moving into 2022.

Strategic roadmap for long-term growth

The COVID pandemic created increased awareness of the value of clean among our customers. Clean has become even more business critical, since it provides the foundation for a hygienic and safe environment. This comes on top of the fundamental growth drivers of the global professional cleaning equipment industry.

Despite the strong recovery in 2021, Nilfisk has fallen short of its growth ambitions in the past. Therefore, we spent a significant amount of time in 2021 reviewing our strategic priorities as well as the prerequisites for successful execution. We identified underutilized growth opportunities as well as how to overcome prior execution shortcomings. Our service business, as an example, lacked the investment necessary to compete at the level of benchmarks from other industries, while our market share, in the very large-scale and growing US market, remains underrepresented. Here we did not fully leverage our substantial local manufacturing presence and our sizable R&D competence center located in the US.

On that basis, we have formulated a five-year business plan focused on enabling long-term sustainable growth. We are building a powerful execution engine that will translate strategic priorities into impactful implementation with clear metrics to track and commitments to ambitious sustainability targets. Over time this will create a strong execution culture and build new ways of working.

Our broad-based strategy review process, our commitment to investing in well-defined strategic priorities, and our launch of new ways of working has brought a lot of energizing teamwork and has created a feeling of commitment and confidence across the entire organization. Sustaining this culture of teamwork and cultivating a growth mindset will be key to success in 2022 and beyond.

Torsten Türling
CEO

> “Nilfisk demonstrated a remarkable recovery in 2021, the result of an amazing performance by our Nilfisk team members. They remained dedicated to serving our customers and to finding solutions at a time of supply chain constraints, and through the ups and downs of the pandemic.

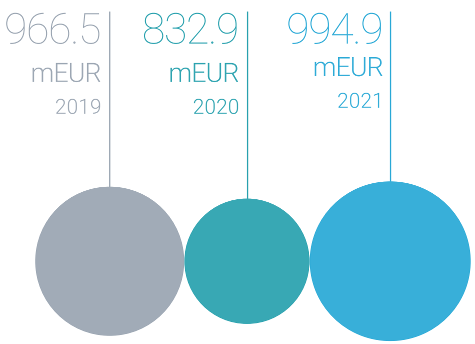
Financial highlights 2021

Organic revenue growth and EBITDA margin before special items was in line with the preliminary numbers announced on January 13, 2022.

994.9 mEUR

Revenue

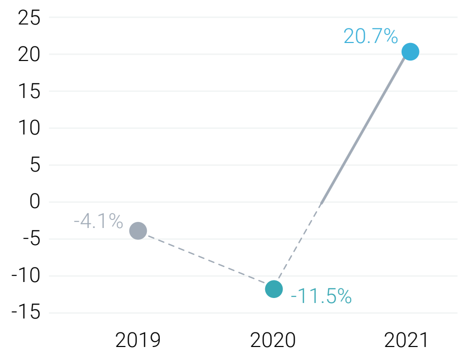
Driven by increased demand for our products and services in combination with solid execution in our markets.



20.7%

Organic revenue growth

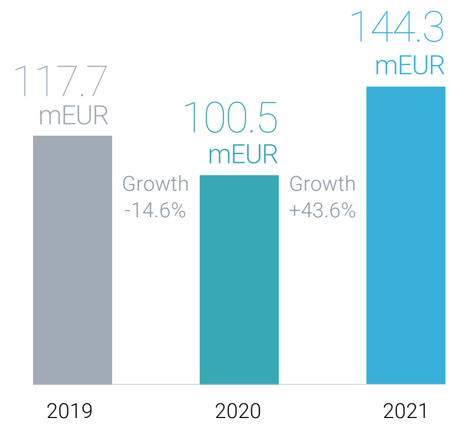
A broad-based market recovery benefitting from high demand across all regions and segments and the successful activation of several business initiatives resulted in strong organic growth.



43.6%

EBITDA before special items (bsi) growth

EBITDA bsi increased by 43.8 mEUR to 144.3 mEUR, corresponding to a growth of 43.6%



14.5%

EBITDA margin before special items (bsi)

EBITDA bsi of 144.3 mEUR, corresponded to an EBITDA margin bsi of 14.5%. The margin was negatively impacted by a lower gross margin driven by higher freight rates and raw material costs, while price increases and a lower overhead cost ratio had a positive impact.

12.2%	12.1%	14.5%
2019	2020	2021

51.0 mEUR

Profit for the year

Net profit increased by 53.6 mEUR from 2020, driven primarily by the increase in operating profit and to a lesser extent impacted by lower net financial expenses and higher tax for the year compared to 2020.

8.7 mEUR	-2.6 mEUR	51.0 mEUR
2019	2020	2021

58.5 mEUR

Free cash flow

Free cash flow decreased by 15.0 mEUR compared to 2020. Cash flow was negatively affected by the working capital with intended increase of inventory levels in connection of securing supply capability. This effect was not fully offset by the positive effects from lower financial expenses and increased cash flow from higher operating profit.

35.3 mEUR	73.5 mEUR	58.5 mEUR
2019	2020	2021

338.5 mEUR

Net interest-bearing debt (NIBD)

NIBD reduced by 43.5 mEUR from 2020 driven by higher operating profit partly offset by higher working capital. Lower NIBD in combination with higher EBITDA led to a 1.5x reduction in gearing to 2.3x.

414.1 mEUR	382.0 mEUR	338.5 mEUR
2019	2020	2021

5-year consolidated financial highlights

EUR million	2021	2020	2019	2018[1]	2017[1]
Income statement					
Revenue	994.9	832.9	966.5	1,054.3	1,081.9
EBITDA before special items[3]	144.3	100.5	117.7	125.5	120.1
EBITDA[3]	139.9	90.6	95.0	69.8	99.5
Operating profit (EBIT) before special items[3]	84.1	32.9	49.8	87.4	81.5
Operating profit (EBIT)[3]	79.7	22.1	25.9	18.9	60.9
Special items, net	-4.4	-10.8	-23.9	-68.5	-20.6
Financial items, net	-11.6	-14.7	-14.0	-11.3	-8.9
Profit (loss) for the year	51.0	-2.6	8.7	10.0	40.3
Cash flow					
Cash flow from operating activities	74.7	89.5	76.1	33.1	41.4
Cash flow from investing activities	-16.2	-16.0	-40.8	-38.6	-35.3
– hereof investments in property, plant, and equipment	-5.8	-5.4	-10.4	-18.6	-15.3
Free cash flow excluding acquisitions and divestments	58.5	73.5	35.3	-8.6	6.1
Statement of financial position					
Total assets	841.2	763.5	840.1	794.4	827.2
Group equity	207.7	134.8	158.0	147.5	137.5
Working capital	175.7	131.6	157.9	170.4	163.5
Net interest-bearing debt	338.5	382.0	414.1	369.6	359.7
Capital employed	546.2	516.8	572.1	516.8	497.2
Financial ratios and employees					
Organic growth	20.7%	-11.5%	-4.1%	2.0%	3.7%
Organic growth Nilfisk branded professional business[2]	20.1%	-13.7%	-2.6%	2.8%	-
Gross margin[3]	40.5%	41.6%	42.1%	42.0%	42.2%
EBITDA margin before special items[3]	14.5%	12.1%	12.2%	11.9%	11.1%
EBITDA margin[3]	14.1%	10.9%	9.8%	6.6%	9.2%
Operating profit (EBIT) margin before special items[3]	8.5%	4.0%	5.2%	8.3%	7.5%
Operating profit (EBIT) margin[3]	8.0%	2.7%	2.7%	1.8%	5.6%
Financial gearing[3]	2.3	3.8	3.5	2.9	3.0
Overhead cost ratio[3]	32.0%	37.7%	37.0%	33.1%	34.1%
Working capital ratio[3]	15.4%	18.8%	20.6%	18.5%	16.2%
Return on Capital Employed (RoCE)[3]	15.8%	5.9%	8.5%	16.7%	16.0%
Basic earnings per share (EUR)	1.88	-0.10	0.32	0.37	1.49
Diluted earnings per share (EUR)	1.88	-0.10	0.32	0.37	1.49
Number of full-time employees, end of period	4,887	4,339	4,886	5,482	5,769

Please find definitions in note 7.7.

[1] *Comparative figures have not been 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 2017-2018 have not been calculated.*
[3] *In 2020, amortization/impairment of acquisition-related intangibles were no longer presented in a separate line in the income statement. In addition, share of profit from associates was presented on a separate line under operating profit in the income statement. 2019 key figures have been restated, however the related key figures from 2017-2018 have not been calculated*

CSR highlights

Nilfisk has committed to the Science Based Targets initiative and set near-term targets to reduce carbon emissions.

Reducing greenhouse gas emissions from direct and purchased energy sources (Scope 1 and 2)
Absolute reduction of

35%
by 2030 from a 2019 base year

Reducing greenhouse gas emissions from the use of sold products (Scope 3)
Reduction of

48%
per unit of gross profit by 2030 from a 2021 base year

Silver rating
EcoVadis 2021 score

91st
percentile

In 2021, Nilfisk was awarded a silver medal for corporate social responsibility and business sustainability from EcoVadis, the world's most trusted provider of business sustainability ratings. Nilfisk ranked in the top range of the silver rating criteria and in the 91st percentile across all industries, meaning that Nilfisk's score is higher than or equal to the score of 91 percent of all companies rated by EcoVadis.

> Low-emitting products are essential to drive sustainable growth. We are proud to be leading the industry with a 48% reduction target per unit of gross profit related to the use of our products.

Torsten Türling
CEO of Nilfisk

A-
CDP 2021 rating

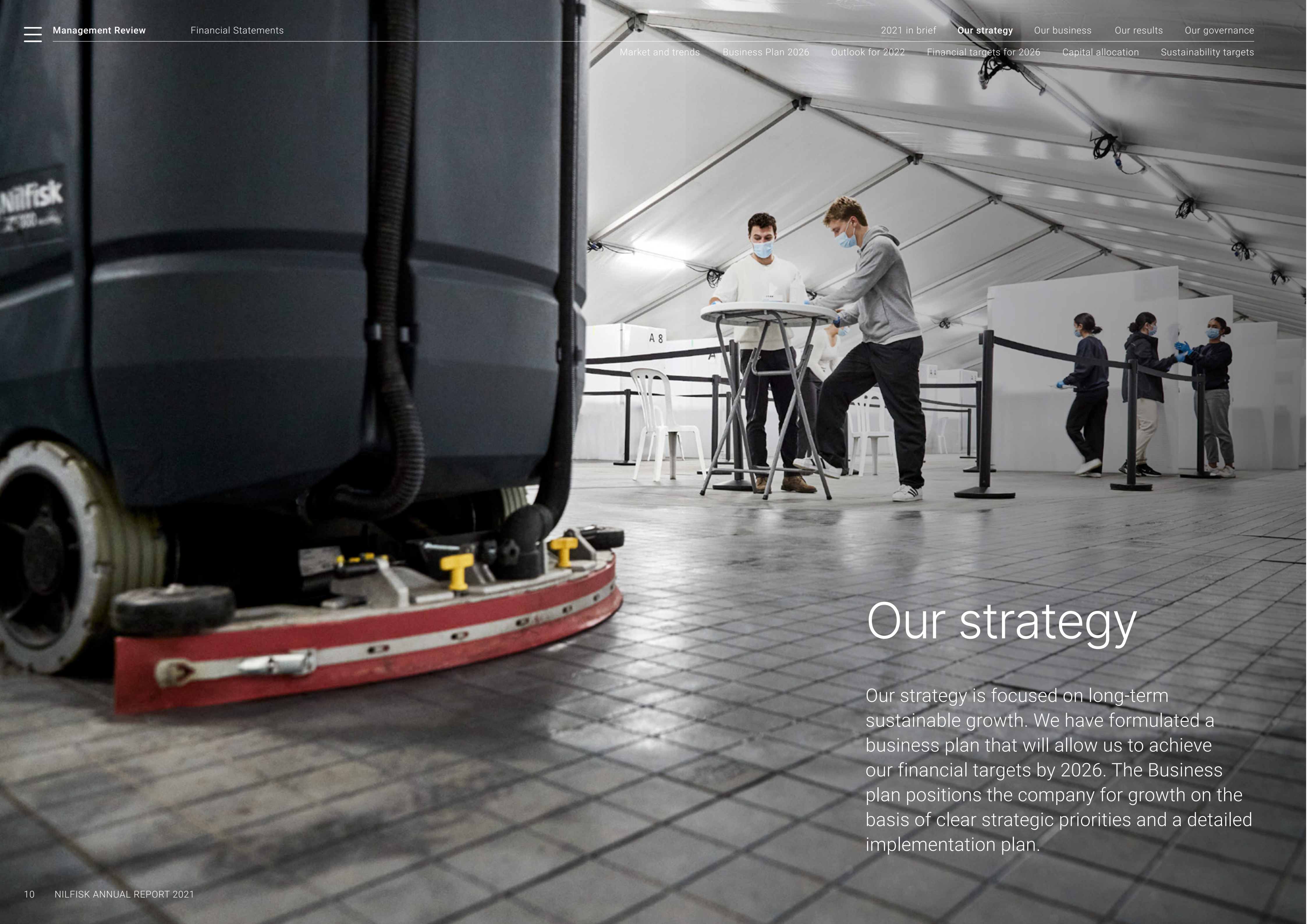
Nilfisk received a 2021 A- score with CDP, an international nonprofit organization that administers a global sustainability disclosure system, thereby maintaining the score achieved in 2020. The A- score keeps Nilfisk in the leadership category ranking among the top 19% of all companies within our peer group.

Nilfisk issues a separate CSR Report 2021, which contains our Statutory Statement for Corporate Social Responsibility per section 99a, 99b, 99d, and 107d of the Danish Financial Statements Act. The report can be found at Nilfisk's website: https://www.nilfisk.com/global/about-nilfisk/corporate-social-responsibility/

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

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

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



Our strategy

Our strategy is focused on long-term sustainable growth. We have formulated a business plan that will allow us to achieve our financial targets by 2026. The Business plan positions the company for growth on the basis of clear strategic priorities and a detailed implementation plan.

Solid fact base for the Business Plan 2026

During the second half of 2021, the leadership team at Nilfisk undertook a rigorous strategy review. The purpose was to assess the value creation potential of different strategic levers and decide on future strategic priorities. Additionally, this process helped us reflect upon past execution shortcomings and define on how to overcome them with a more robust execution engine.

As a starting point, Nilfisk compiled a strong fact base that provides a solid understanding of which markets and product segments drive revenue and profitability, and how to unlock underutilized growth opportunities. This knowledge was built into a comprehensive financial model for assessing value-creation potential and identifying future strategic levers.

This process resulted in a robust, fact-based, and growth-focused Business Plan 2026, with clear priorities underpinned by a detailed implementation plan.

Market and trends

The demand for cleaning is driven by a fundamental human need for hygiene to preserve health, safety, and overall wellbeing.

The market for professional cleaning equipment and services is on a path towards long-term growth. There is a clear correlation between the average hourly wage and the market size of professional cleaning equipment in the country as a percentage of GDP. In other words, rising wage levels drive demand for equipment and services that enable labor productivity.

The COVID pandemic created increased awareness of the value of clean among our customers, and further accelerated the growth of demand for professional cleaning solutions. Health and safety concerns have become even more business critical, and labor shortages have added to the challenge of rising labor costs. Specific application segments, such as Warehousing and Healthcare, stand out with above-average growth in demand for professional cleaning solutions.

In the longer term, we see the following macro trends driving the evolution of the professional cleaning equipment industry:

- Increasing labor shortages and continuously rising cost of cleaning personnel
- Tighter regulatory requirements when it comes to health and safety standards, and a sharp increase in sustainability requirements
- Digital transformation allowing for performance transparency and optimization as part of a wider ecosystem

In conclusion, the market conditions are favorable for Nilfisk as a global market leader for professional cleaning solutions, with a broad range of products, technologies and services.

59%

Of respondents in a comprehensive Nilfisk customer study state that the business-criticalness of cleaning has increased significantly.

79%

Of the respondents believe their business will maintain higher standards of cleanliness beyond the COVID-19 pandemic.

Business Plan 2026

NILFISK VALUE PROPOSITION

Lifecycle services
Optimizing customer value creation

Customer centric innovation
Ensuring technology-enabled value creation

Sustainability commitment
Creating value for all stakeholders

STRATEGIC PRIORITIES

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

Grow in **large-scale markets**

Lead with **sustainable products**

OPTIMIZATION OPPORTUNITIES

Optimize **European leadership position**

Enhance **Supply Chain robustness**

WAYS OF WORKING (WOW)

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

Digitally enabled
- IT backbone
- Digital applications and customer interface

Empowered people
- Mobilizing the organization
- Growth mindset

Focusing on long-term sustainable growth

We expect the global professional cleaning equipment market to grow over the next five years, by around 3% per year influenced by the market trends, we have mentioned. In addition, we see opportunities to create value for our customers, our people, our shareholders, and for our communities.

Our strategy is focused on long-term sustainable growth, and our value creation proposition is based on three fundamental pillars.

Nilfisk value proposition

Lifecycle services

Optimizing customer value creation

Customer centric innovation

Ensuring technology-enabled value creation

Sustainability commitment

Creating value for all stakeholders

Growth platforms for value creation

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

Optimization opportunities

Our core business has been performing well in 2021. We can build on our strong market position in Europe and our growth momentum in the US. As part of Business Plan 2026, we have formulated a set of initiatives targeted towards growing sales and profitability in Europe and improving the robustness of our Supply Chain.

Europe is currently our largest and most profitable region. For this region, our strategic review identified optimization opportunities by implementing a more segmented go-to-market approach. This approach will enable us to achieve a broader and more efficient market coverage. As a result, we expect Europe to contribute significantly to our profitable growth towards 2026.

In 2021, the global supply chain challenges stress tested the robustness of our supply chain organization. The review of our current setup has shed light on important optimization opportunities, allowing us to cater for the targeted volume growth with moderate investments. Additionally, Business Plan 2026 incorporates key optimization levers that will positively impact the cost competitiveness as well as the overall robustness of our supply chain.

Strategic priorities

Our strategy review process has clearly identified three growth platforms that offer significant potential for value creation across all stakeholders. Therefore, our Business Plan 2026 focuses on the following three strategic priorities.

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

Service, Parts, and Accessories represented 30% of Nilfisk's revenue in 2021. However, the proportion of service contract-related revenue is rather low compared to other industries. Service-as-Business means migration from a reactive repair model to proactively focusing on providing a comprehensive solution. It is about complementing the product offer with a range of services throughout the utilization lifecycle and thereby delivering a customer-needs oriented outcome. This lifecycle customer value creation will generate stable incremental revenue and enhanced profitability, and it will also contribute to customer satisfaction and loyalty overall.

Grow in **large-scale markets**

We have opportunities to strengthen our position in several large-scale markets. The US market is of particular importance and our first priority. The US market currently represents approximately 40% of the global professional cleaning equipment market. We have a substantial and growing market presence in the US, and our market share is increasing, but we are still underrepresented. We can build on a strong manufacturing base and also leverage our highly competent US based R&D center. We have formulated a plan targeting long-term revenue and profitability growth in this strategically important region.

Lead with **sustainable products**

We aim to lead the industry with sustainable products and solutions. To reach this target, we will provide upgrades to our current offer of products and services. Those upgrades will help reduce carbon footprint and will be enhancing digital functionalities. We have fundamentally reviewed our product & technology development roadmap. Any new product platform will be designed to set a new benchmark for sustainability and improved scalability. This will allow for resource-efficient, scalable growth that contributes to our enhanced sustainability commitments.

Individually and combined, these growth platforms enable long-term sustainable growth. Business Plan 2026 not only makes clear choices about strategic priorities but is also backed up by detailed implementation plans.

Reliable execution is key to our success. Business Plan 2026 is explicit about building a powerful execution engine to translate strategic priorities into impactful implementation with clear metrics to track. Over time, this will build a strong execution culture and craft new ways of working.

New Ways of Working will form a powerful execution engine

Successful execution is key to capturing the value creation potential of any strategic plan, and it requires rigorous discipline. Our strategy review process clearly identified root causes of prior execution shortcomings and detailed the pre-requisites ensuring successful execution of Business Plan 2026.

Successful execution starts with focus. Business Plan 2026 provides clear strategic priorities. With those priorities in place, we must mobilize our people and the entire organization so that everyone can contribute to the successful implementation. Finally, disciplined follow-up along clearly defined value drivers, performance metrics, and milestones sets the pace for execution progress.

Ways of Working (WoW)

Execution culture

Building Execution culture with Nilfisk Operating System

We will build a stronger execution culture by implementing the Nilfisk Operating System (NOS). The NOS is based on a proven methodology already successfully practiced in execution-savvy companies. NOS ensures that value drivers and initiatives are systematically tracked and managed. Strategy deployment is anchored into specific projects, while measuring implementation along clear targets-to-improve KPIs. Over time, it will change how we manage even daily business. The disciplined application of tools and review processes will over time build a strong execution culture.

Digitally enabled

Digitally enabled helping quality and speed of decision making

Strong execution requires real-time transparency on facts, progress, and deviation root-cause analysis to enable initiation of counter measures and quality of decision making. As part of Business Plan 2026, we have planned for investments into our digital systems infrastructure. This will strengthen our IT systems backbone and digital applications.

This infrastructure investment will yield multiple benefits, including enabling us to

- efficiently scale our growth
- provide real-time data and analytics for daily business management
- enhance our digital customer interface for higher value creation

As an essential part of our new Ways of Working, a digitally-enabled organization will provide the basis for fact-based, real-time and consistent decision making by everyone in the organization.

Empowered people

Empowered people as a prerequisite for an execution-focused organization

People are the most essential part in successful execution. Business Plan 2026 provides clarity on strategic priorities and performance targets. Our strategic priorities are reflected in the design of our adjusted leadership organization to ensure that each priority is adequately represented in Nilfisk's Executive Leadership Team.

To foster customer-centricity, execution agility, and results ownership, we are empowering our people in the business by delegating responsibility. This will mobilize the entire organization and instill a culture that supports execution.

Ensuring consistency and synergies across our global activities will require us to strengthen our company-wide processes and invest in our IT infrastructure towards a digitally enabled organization.

On that basis, three elements make up our Ways of Working (WoW) and in combination will form a powerful execution engine.

Our Ways of Working will unfold its power over time as we are steadily growing our organizational capabilities around NOS, being digitally enabled and empowering our people.

Finally, we encourage our people to embrace a growth mindset. This is the fundamental belief that capabilities can grow over time and that any setback is an opportunity to learn, adapt, and grow.

Outlook for 2022

Market conditions
During 2021, demand for Nilfisk products and services rebounded and improved quarter over quarter across all markets and regions. As order intake surpassed sales growth, we ended 2021 with a solid order book for 2022. We expect demand to continue growing in 2022, although at a much slower pace. For 2022, we expect the continuation of the historically high freight costs and supply chain bottlenecks as well as further material costs increases resulting in above-normal uncertainty around the outlook for 2022.

Organic growth
We expect our business in 2022 to generate an organic revenue growth in the range of 4% to 7% compared to 2021. We assume continued solid market demand, driven by the underlying mega trends for cleaning solutions. Revenue will also be supported by our recent price increases. The growth range is influenced by the continued supply chain uncertainties.

EBITDA margin before special items
In 2022, we plan to invest in our growth initiatives in line with revenue growth, while maintaining a prudent cost management principle. The gross margin is expected to be influenced by remaining high freight and raw material cost and the overall supply chain uncertainty. We expect an EBITDA margin before special items in the range of 13.5% to 15.5%.

4% to 7%

Organic revenue growth

13.5% to 15.5%

EBITDA margin before special items

Financial targets for 2026

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

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

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

1.2 bnEUR to 1.3 bnEUR

Revenue in 2026

Above 16%

EBITDA margin before special items in 2026

1.5x to 2.0x

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

Forward-looking statements
Statements made about the future in this report reflect the Executive Management Board's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from the expectations, due to economic and financial market developments, legislative and regulatory changes in markets that the Nilfisk Group operates in, development in product demand, competitive conditions, energy and raw material prices, and other risk factors. Nilfisk Holding A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.

Capital allocation principles towards 2026

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

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

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

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

Sustainability targets towards 2030

As a global market leader for professional cleaning solutions, we acknowledge the importance of making a serious effort to reduce our climate footprint. Our strengthened focus on reducing the company's carbon footprint includes commitments to define our efforts on climate action and reach very ambitious sustainability targets, lowering Nilfisk's total carbon emissions.

During 2021, we further detailed our efforts on climate action. Nilfisk has committed 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. Our commitment was reinforced during 2021 with a third-party validation of our Scope 1 and Scope 2 targets, and the assessment and identification of targets on Scope 3.

All targets have been approved by SBTi, marking a significant milestone in our climate action efforts.

Based on the most recent data collection and third-party validation, Nilfisk commits to reducing absolute Scope 1 and 2 GHG emissions by 35% by 2030 from a 2019 base year.

Following the materiality assessment of our Scope 3, we have identified the main Scope 3 contributors and will focus our continued assessment on the detailed emissions of the Category 11 – Use of Sold Products that represent more than 80% of our total Scope 3 emissions. This approach has allowed us to optimize the data structure currently available to monitor progress.

Based on these assumptions, Nilfisk commits to reduce Scope 3 GHG emissions from use of sold products by 48% per unit of gross profit by 2030 from a 2021 base year.

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

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

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

35% reduction

of direct and indirect carbon emissions linked to Scope 1 and 2 in 2030

48% reduction

per unit gross profit of carbon emissions linked to Use of Sold Products (Scope 3, category 11) in 2030

Diversity and inclusion

At Nilfisk, our diversity and inclusion focus means fostering a culture where individuals from all backgrounds experience equal opportunities to perform, learn, and grow, both personally and professionally. We see a diverse employee base as a prerequisite for engaging, understanding, and serving our equally diverse portfolio of customers and communities.

We have launched a new diversity and inclusion dashboard based on existing data from the global HRIS system in Nilfisk and benchmark data from external sources. The tool is the first step to help identify and analyze how Nilfisk can become even better at creating and maintaining equal career opportunities for all employees in the future.

In addition, the Nilfisk Leadership team has committed to increase the number of women in senior leadership positions and has set a target of 25% in 2026.

25% women

in senior leadership positions in 2026

Our business

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

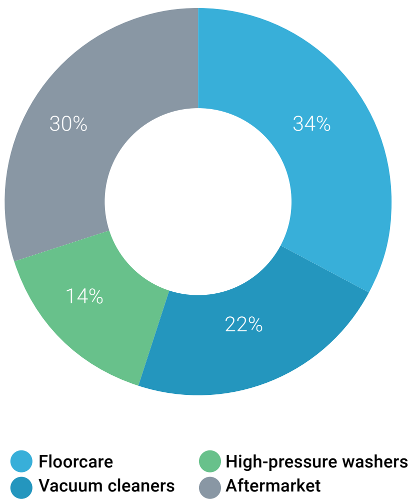
Solutions

Nilfisk develops, manufactures, and sells a comprehensive portfolio of cleaning solutions and services targeting the premium and value market for professional cleaning, complemented by cleaning solutions tailored to households. At Nilfisk, innovation and product development begin with customer insights. These insights are the guiding principle for the development of products and services via close cross-functional collaboration between R&D, Product Management, external technology partners, and customers.

Product development is managed centrally and based at four competence centers located in Denmark, Italy, the US, and China. Our engineers and product specialists work globally with an internally-developed product development model. In 2021, 2.6% of the total revenue was spent on research and development.

Our solutions

Share of revenue 2021



With a product portfolio that spans from advanced industrial vacuum solutions to high-pressure washers and floorcare equipment, Nilfisk has a unique range in terms of breadth and depth. Our products and services are designed to increase customer value through value-adding features, high durability, and lower total cost of ownership. Our offering includes:

Floorcare

Our largest product line is Floorcare, including a wide range of scrubber dryers, from small walk-behinds to large engine-powered ride-ons and autonomous solutions. This product line also includes sweepers for both indoor and outdoor tasks, combination machines for diverse heavy-duty cleaning tasks, as well as carpet extractors and burnishers.

Vacuum cleaners

We offer a wide range of commercial vacuum cleaners, providing cleaning professionals with solutions for any application. Our range of vacuum cleaners spans from dry canister vacs and uprights to portable backpacks, as well as battery-driven and wet & dry vacs. In addition, the vacuum cleaner range includes a large portfolio of industrial vacuum cleaners for cleaning in confined areas and for the removal of hazardous dust and fumes.

Pressure washers

Our selection of pressure washers includes professional mobile pressure washers with hot/cold water as well as stationary pressure washers for fixed cleaning applications. Our range of pressure washers includes petrol/diesel-driven pressure washers, as well as an extensive range of high-pressure washers for domestic use.

Aftermarket

Having easy and quick access to professional service is a key factor for our customers in running their operations smoothly, predictably, and with

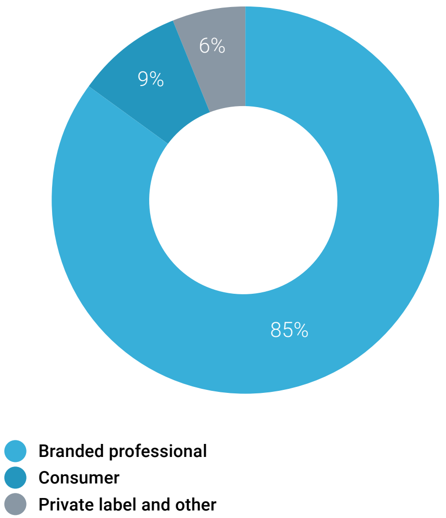
The Nilfisk SC5000 scrubber dryer, launched in 2021, combines the performance of a large-scale solution with a compact design and the small turning radius needed for complicated and high-traffic spaces. Such solutions are in high demand for the Warehouse & Logistics segment as well as in light and heavy industries.

The rapid development of e-commerce businesses, fueled by the global pandemic in which online shopping became second nature to many consumers, means we expect the need for storage space to increase further. Many warehouse and logistics operations work with very narrow aisle floor plans and demand agile and smart solutions like this.

maximum uptime. With the help of our technicians, customers can maximize the long-term viability of their cleaning operation across the entire equipment lifecycle. In addition to a range of service solutions, we offer spare parts for all product groups. From the overall range of parts, more than 8,000 spare parts have been identified as critical spare parts. A variety of accessories are marketed covering all product groups, such as brushes, brooms, pads, and blades for floorcare machines as well as batteries and chargers.

Our sales

Share of revenue 2021



The Nilfisk Core series, launched in 2021, is the next generation of high-pressure washers. It introduces innovative features and designs that set new standards for user experience in this category. Key features include an internal hose reel that allows for easy storage of the high-pressure hose and an in-hand power control that enables full control over both water and power consumption.

The Nilfisk Core series won three of the most respected awards within product design: the Red Dot Design Award, the IF Design Award, and the German Design Award.

The jury of the German Design Award noted: “Clean lines and minimal angles meld with simple controls to complete this modern Nordic masterpiece". All three recognitions aided us in getting listed with several new retail chains, providing access to more than 500 new stores.

> We can be proud of our ability to work efficiently across functions. It’s an acknowledgment of Nilfisk's ambition to be innovative and to be true to our consumer slogan ‘Cleaning made simple’.

Andreas Hagbart
Group Product Manager Nilfisk

Channels

With a global sales force and proven sales channels, we have established strong and valuable customer relations and partnerships across the world, supporting us in a targeted go-to-market approach. Our key channels include:

Strategic accounts
We serve our largest customers as a dedicated, global partner. We co-create and offer dedicated, internationally-coordinated key account management plus tailored value bundles for our strategic accounts, such as global contract cleaners and large fleet-buying enterprises. We offer specially-selected packages of equipment and autonomous solutions, digital services, financial solutions, as well as dedicated customer success management including installation and training.

Direct sales
We have more than 1,500 full-time employees working in Nilfisk sales force and sales support functions across more than 40 countries in Europe, the Americas, and APAC. Building relationships while offering personal attention and quality service are key parameters for all our national sales teams. Through a dedicated national key account management set-up, our sales force can provide their customers with the most relevant information and offers of standardized packages of machines, solutions, and digital services.

Distributors
Through an extensive network of dealers and distributors worldwide, Nilfisk's products and solutions are sold in more than 100 countries. While our distributors range from large national exclusive dealers to smaller vendors selling a variety of cleaning products and brands, they each contribute with their market access, a wide customer base, and intimate understanding of the local market, in many cases building on existing relationships with specific businesses and segments.

Service
Professional customers are looking for solutions to increase productivity, so maintenance and service are key parameters for success. With a comprehensive service and aftermarket offering, we aim to ensure maximum uptime for our cleaning equipment used by customers around the world. A total of 500 Nilfisk Field Service Engineers and an additional 300 authorized third-party technicians work within Nilfisk Service Solutions. Third-party technicians are certified by Nilfisk to ensure consistent service quality across our entire global network.

E-commerce
Our web-based platform gives our professional customers the ability to do business in a convenient way, allowing for a faster buying process and enhanced flexibility. In 2021, we continued the global roll-out of a new global e-commerce platform to simplify and globalize digital sales processes and create a seamless and improved customer experience online.

CUSTOMER CASE

One of our biggest partnerships to date

During 2021, Nilfisk entered a year-long partnership with United Rentals, the largest equipment rental company in the world. As of October 2021, United Rentals had a store network of 1,278 rental locations in North America (including branches in 49 states and 10 Canadian provinces), 11 in Europe, 28 in Australia, and 18 in New Zealand.

United Rentals serves construction and industrial customers, utilities, municipalities, homeowners, and others. As of October 2021, it offered approximately 4,300 classes of equipment for rent with a total original cost of 15.72 bnUSD. United Rentals provides cleaning equipment to the facilities maintenance and construction industry, so Nilfisk is a strong match with our diverse portfolio of solutions targeting the Industrial segment as well as the Building & Construction segment. During 2021 we supplied United Rentals with solutions for floorcare cleaning and facility maintenance from throughout our range, from the MA10-12E Upright Floor Scrubber to the large 7765 Industrial Rider Sweeper-Scrubber.

Both Nilfisk and United Rentals are leaders in their respective markets and both maintain a strong customer focus, so the partnership is an asset and a competitive advantage for both companies. We support the same large global customer accounts as well as larger national US customer accounts. The partnership also creates visible branding for Nilfisk in vertical categories such as storm restoration and disaster clean-up, categories in which some of United Rentals' customers do significant business.

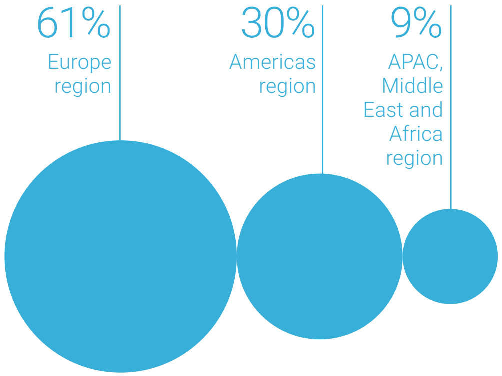
Markets and segments

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

Our customer base operates in a wide range of sectors and industries, and customers range from large global contract cleaners that buy fleets of machines across the product range to smaller businesses buying a single machine.

Our geographies

Share of total revenue 2021



Based on in-depth customer insights, our product development, marketing, and sales activities are targeted specific segments across industries.

Industrial customers in Warehouse & Logistics, Food & Beverage, Pharma and Manufacturing for whom cleaning is business critical for product quality, and an integrated part of the ongoing optimization and automation of facilities and production.

CUSTOMER CASE

Autonomous breakthrough into the Retail segment

Our autonomous cleaning solutions found solid commercial ground during 2021 among both existing and new customers. One partnership in particular marked a breakthrough of autonomous into the retail store segment, when we became the partner of contract cleaners selected through a floor cleaning tender from Carrefour in France.

The deal was put in place through a partnership between M2H S.A. and contract cleaners, based on our ability to deploy a large scale autonomous fleet, train cleaning staff, and support an autonomous project over the long term. During 2021, a total of 160 Nilfisk Liberty SC50 and Nilfisk Liberty SC60 autonomous scrubbers were put into action. This is the largest fleet of autonomous solutions ever for a single customer in Europe, and it is accompanied by several hundred conventional scrubber-dryers, sweepers, and vacuum cleaners.

This multi-year partnership positions Nilfisk as a leading provider of autonomous cleaning solutions. The Nilfisk Liberty autonomous range works alongside cleaning staff to provide consistent productivity and frees up resources for other more value-adding cleaning tasks, which is particularly important during the pandemic.

> This deal has great perspectives. We'll continue to provide contract cleaners with our expertise and to meet cleaning expectations in Retail, today and tomorrow.

Christopher Riau
Senior General Manager Nilfisk

Commercial customers where cleaning creates a safe and positive customer experience for customers and employees working in Retail, Hospitality, Healthcare, Education and Offices.

Our customers in Agriculture, Building and Construction and Automobile where cleaning enables safe working conditions and ensures equipment is maintained.

While 2021 in general benefitted from a pickup in demand across sectors, customer segments like Pharma, Food & Beverage, Retail, and Healthcare in particular experienced a solid rebound in market activity. The hospitality segment, which includes hotels, restaurants, and casinos, continued to be impacted during 2021 by continued lockdowns and restrictions brought on by the pandemic.

Operations

Nilfisk's manufacturing set-up is to a large extent based on assembling components purchased from external suppliers. Cost-effective sourcing of components as well as efficient distribution are critical for our operations. The year 2021 was characterized by a strong focus on mitigating the effect of global supply chain constraints in order to secure delivery of products and services to our customers in the best possible way. The high demand for Nilfisk products throughout the year required us to significantly increase our global material supply, manufacturing, and distribution capacity.

Limitations in material and component supply, as well as in transportation capacity, created an unprecedented situation. We took decisive action to mitigate the constraints and keep our manufacturing and distribution sites operational. As a result, we were able to significantly increase output from our manufacturing sites, although not enough to fully satisfy the high order intake. We managed to keep manufacturing and distribution sites open and operational due to strict COVID-19 guidelines and measures.

To mitigate supply constraints, we invested significantly in tool and assembly capacity as well as raw material inventory to relieve bottlenecks at suppliers. We have supported our suppliers with sourcing of raw materials and have secured transportation capacity as needed. In addition, we implemented alternative supply sources for components to enhance our supplier network and worked across functions to re-engineer products to tackle the component shortage situation.

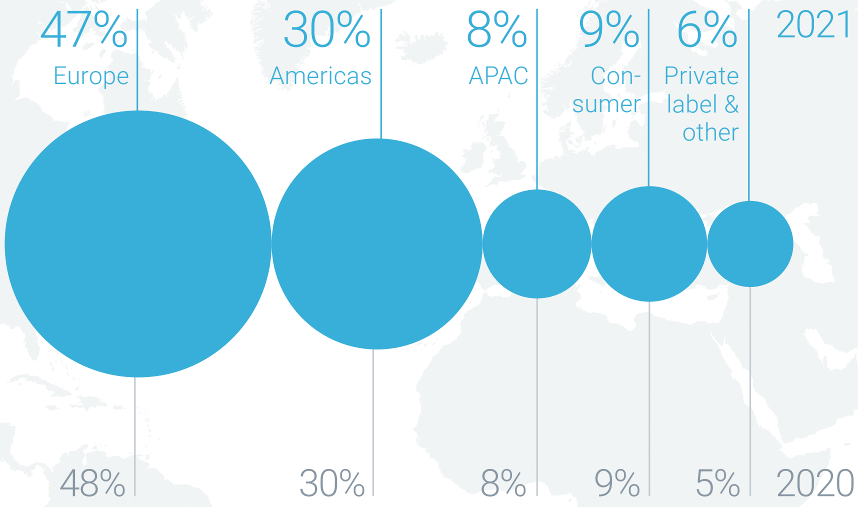
During 2021, we continued the digitalization of our operations and completed the rollout a new Manufacturing Execution System (MES) across manufacturing sites in China, Hungary, Mexico, and the US. To further support innovation in Nilfisk, we have put in place a new global manufacturing engineering organization covering all manufacturing sites and suppliers. With this organization, we will enhance our efforts to support a higher degree of modularity, automation, serviceability, and sustainability in the design and manufacturing of our products.

Our results

In 2021, Nilfisk returned to a growth trajectory with a set of strong results driven by increased demand for our products and services and solid execution across our markets. For the year, we realized total revenue of 994.9 mEUR and organic growth of 20.7%, positively impacted by all markets and product groups, with Europe and Americas outperforming pre-pandemic levels, delivering above their 2019 performance. EBITDA before special items amounted to 144.3 mEUR corresponding to an EBITDA margin before special items of 14.5%.

Business performance

Revenue



Revenue and organic growth by operating segments

EUR million	Revenue 2021	Revenue 2020	Organic growth 2021	Impact of other	Impact of foreign exchange rates	Total growth
Europe	466.0	396.6	17.8%	-	-0.3%	17.5%
Americas	296.3	247.6	23.8%	-	-4.1%	19.7%
APAC	79.2	65.8	19.7%	-	0.7%	20.4%
Nilfisk branded professional business	**841.5**	**710.0**	**20.1%**	**-**	**-1.6%**	**18.5%**
Consumer	86.0	76.0	12.8%	-0.1%	0.5%	13.2%
Private label and other	67.4	46.9	43.9%	-	-0.2%	43.7%
Total	**994.9**	**832.9**	**20.7%**	**0.0%**	**-1.2%**	**19.5%**

2021 in brief

- Total revenue of 994.9 mEUR, corresponding to reported growth of 19.5%
- Organic growth for the total business was 20.7% supported by all segments
- Organic growth in the branded professional business was 20.1% with strong demand and solid execution being driven across all regions
- EBITDA before special items amounted to 144.3 mEUR, corresponding to an EBITDA margin before special items of 14.5%
- Special items amounted to 4.4 mEUR, mainly related to costs associated with the change in executive management
- Operating profit amounted to 79.7 mEUR, corresponding to an operating profit margin of 8.0%
- Working capital amounted to 175.7 mEUR, corresponding to a working capital ratio of 15.4%, a reduction of 3.4 percentage points from 2020
- Free cash flow decreased by 15.0 mEUR compared to 2020 and came to 58.5 mEUR

Europe

All markets in the Europe region saw a strong recovery from the COVID-19 pandemic. A significant increase in demand for our products and services, alongside strong execution of our initiatives supported by the sales and service functions, delivered solid growth in 2021.

Europe realized revenue of 466.0 mEUR compared to 396.6 mEUR in 2020 corresponding to reported growth of 17.5%. The effect from foreign exchange rates was -0.3%, implying an underlying organic growth for the full year of 17.8%. The Europe South region saw the largest growth year over year, partly due to a large order from a leading retailer, which included significant deliveries of autonomous cleaning solutions. Other markets in Europe South also saw good growth, including Italy and the Netherlands. Europe North and Europe Central regions saw strong demand through the year, with key markets such as Denmark, Germany, and the UK recovering well from the COVID-19 pandemic.

Gross profit for Europe amounted to 210.5 mEUR in 2021, an increase of 27.4 mEUR from 2020. This corresponds to a gross margin of 45.2% compared to 46.2% in 2020. The gross margin was negatively impacted by significantly higher freight costs, and to a lesser extent from customer mix. The negative impact from freight and mix changes on gross profit was partly mitigated through an extraordinary price increase at the beginning of July 2021 and improved manufacturing costs by higher factory utilization.

Overhead cost growth in the year was driven by activity-related costs, sales incentives and increased travel. However, the overhead cost to sales ratio improved by 2.9 percentage points to 21.6%. As a result, EBITDA before special items came to 125.4 mEUR, 23.0 mEUR higher than 2020, and the EBITDA margin before special items was 26.9% compared to 25.8% in 2020.

466.0 mEUR
Revenue

17.8%
Organic growth

47.0%
Share of total revenue

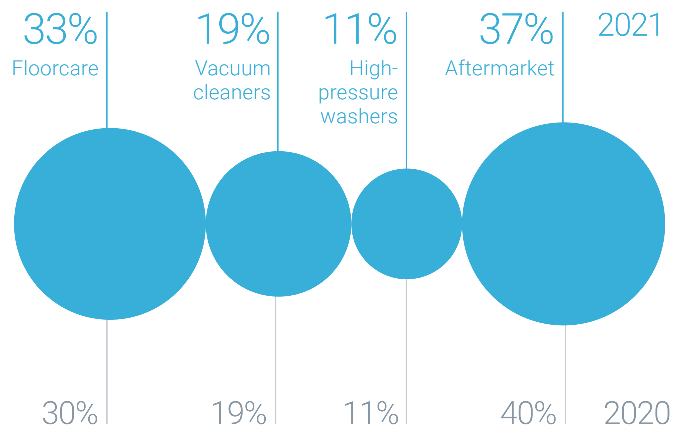
45.2%
Gross margin

125.4 mEUR
EBITDA before special items

26.9%
EBITDA margin before special items

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

Sales by product – Europe



Americas

Nilfisk saw its strongest recovery from the COVID-19 pandemic in the Americas, where all markets saw robust performance and delivered 2021 results above 2019 levels. The US remains a strategic growth market, where ongoing execution of sales initiatives and the continued focus on strategic accounts contributed to the strong performance in 2021.

Total revenue in Americas amounted to 296.3 mEUR in 2021 compared to 247.6 mEUR in 2020 corresponding to reported growth of 19.7%. The effect from foreign exchange rates was 4.1%, implying an underlying organic growth for the full year of 23.8%. Canada delivered a robust performance, primarily driven by the continued development of our dealer business. In the Latin American markets encouraging growth was seen across all markets as restrictions from COVID-19 were lifted.

Gross profit for Americas amounted to 115.6 mEUR in 2021, up from 100.5 mEUR in 2020. The gross margin was 39.0%, a decrease of 1.6 percentage points from 40.6% in 2020. The negative impact of rising freight costs and raw material prices were partly offset by increased capacity utilization and an extraordinary price increase from July 2021. The increase of revenue with large strategic accounts contributed to an absolute gross profit growth but impacted the gross profit margin negatively.

Overhead cost growth remained below revenue growth, also as a consequence of continued strong cost control. EBITDA before special items came to 56.1 mEUR, 9.7 mEUR higher than in 2020, with the EBITDA margin before special items at 18.9%, slightly above the level of 18.7% in 2020.

296.3 mEUR
Revenue

23.8%
Organic growth

30.0%
Share of total revenue

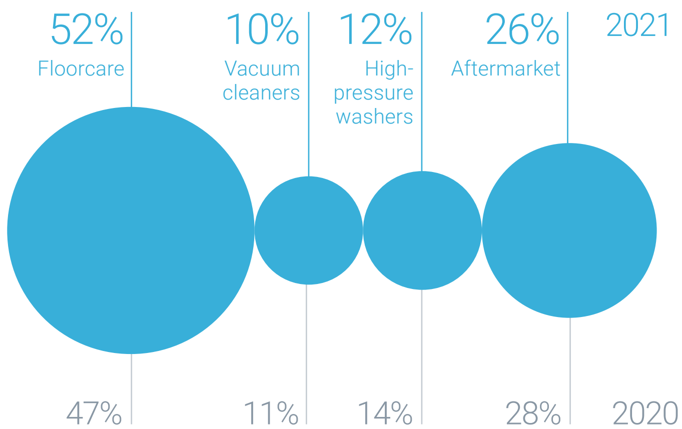
39.0%
Gross margin

56.1 mEUR
EBITDA before special items

18.9%
EBITDA margin before special items

Key markets: US, Canada

Sales by product – Americas



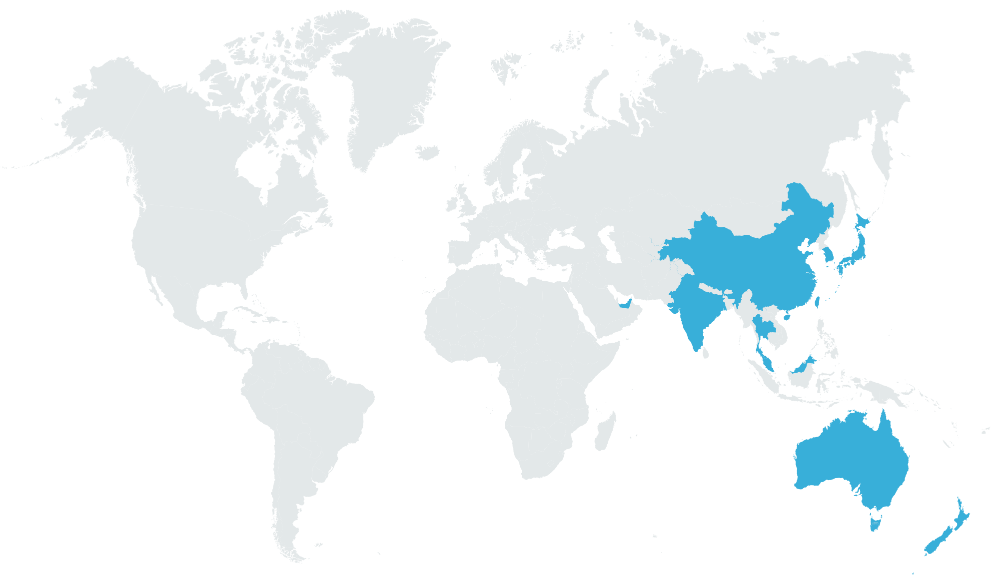
APAC

Across APAC there has been a strong organic growth in revenue of 19.7% although we have seen a somewhat slower recovery from the COVID-19 pandemic in countries such as in India, Vietnam and China, where lockdowns were more prevalent.

Total revenue amounted to 79.2 mEUR for the full year, 13.4 mEUR higher than 2020 corresponding to reported growth of 20.4%. Foreign exchange rates positively impacted the result by 0.7%, mainly due to the AUD, leading to an underlying organic growth of 19.7%. China and the southeast Asian markets delivered strong organic growth, but remained below pre-pandemic activity levels, mainly due to their exposure to the hospitality segment and aforementioned longer lockdowns. The Pacific region saw a strong recovery coming out of the strict lockdowns with increased demand in the industry sector and new customers.

Gross profit amounted to 32.6 mEUR in 2021, up from 25.5 mEUR in 2020. The gross margin was 41.2% compared to 38.8% in 2020. The gross margin was positively impacted by increased capacity utilization and an extraordinary price increase in July.

EBITDA before special items came to 10.1 mEUR compared to 3.5 mEUR the year before, driven by the positive development in gross profit and limited overhead costs increase. The EBITDA margin before special items was 12.8% compared to 5.3% in 2020.



79.2 mEUR
Revenue

19.7%
Organic growth

8.0%
Share of total revenue

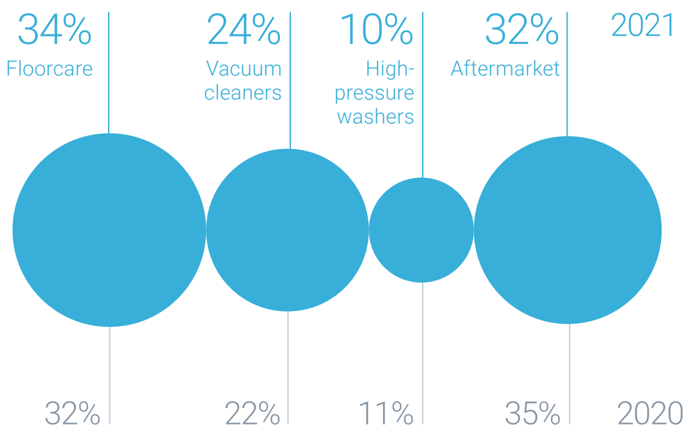
41.2%
Gross margin

10.1 mEUR
EBITDA before special items

12.8%
EBITDA margin before special items

Key markets: Australia, China, Singapore, Thailand

Sales by product – APAC



Consumer

The Consumer business continued to execute well in 2021, benefitting from our renewed focus on this business and the successful launch of the Core series, an innovative high-pressure washer range. In addition, the business continued to see high demand with the general increased interest in home improvement from consumers.

The Consumer business posted revenue of 86.0 mEUR, compared to 76.0 mEUR the year before, resulting in reported growth of 13.2%. Underlying organic growth amounted to 12.8% and was driven by strong growth in larger markets such as UK, Sweden, and France. On the product side, growth was primarily driven by high-pressure washers following the launch of the new Core range.

Gross profit increased by 3.6 mEUR to 29.2 mEUR in 2021, while the gross margin rose by 0.3 percentage point to 34.0%. The driver of the margin increase was the launch of new products and optimization of the product mix. These effects were overcompensating for the increase in freight costs.

Private label and other

Revenue in the Private label business amounted to 67.4 mEUR compared to 46.9 mEUR in 2020, resulting in reported growth of 43.7%. Foreign exchange effect was -0.2% and, consequently, organic growth reached 43.9%. The increase in revenue throughout the year was due to an uplift in demand from key customers.

Gross profit increased by 2.8 mEUR and came to 14.8 mEUR. The gross margin decreased by 3.6 percentage points to 22.0% driven by customer mix in 2021.

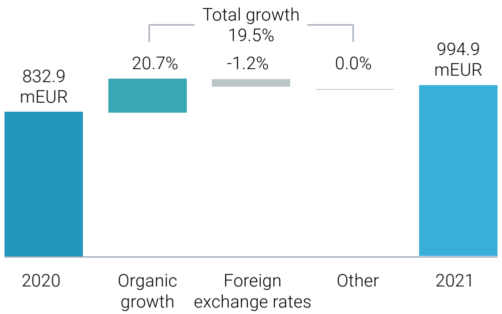
Financial review for the total business

EUR million	2021	2020
Revenue	994.9	832.9
Gross Profit	402.7	346.7
Overhead costs	318.6	313.8
EBITDA before special items	144.3	100.5
Operating profit (EBIT) before special items	84.1	32.9
EBITDA	139.9	90.6
Operating profit (EBIT)	79.7	22.1
Financial ratios:		
Organic growth	20.7%	-11.5%
Gross margin	40.5%	41.6%
EBITDA margin before special items	14.5%	12.1%
Operating profit (EBIT) margin before special items	8.5%	4.0%
Overhead cost ratio	32.0%	37.7%

Revenue

In 2021, total revenue for Nilfisk amounted to 994.9 mEUR compared with 832.9 mEUR in 2020, corresponding to a reported growth of 19.5%. Foreign exchange rates had a negative impact of 1.2%, with USD as the main driver. Consequently, organic growth was 20.7%, thus exceeding the guidance for organic growth in the range of 17% to 18% given in November 2021.

Revenue growth



Organic growth in Nilfisk's branded professional business was 20.1%, positively impacted by performance in all the regions.

The Consumer and Private label businesses delivered organic growth of 12.8% and 43.9%, respectively.

Organic growth for the total business stood at 20.7%.

Gross profit

Gross profit for the total business amounted to 402.7 mEUR in 2021 compared to 346.7 mEUR in 2020. The gross margin was 40.5%, 1.1 percentage points lower than in 2020 primarily due to the significant increase in freight rates during the year, and to a lesser extent the increase in raw material costs. These effects were to some extent offset by an extraordinary price increase from July 2021 and increased capacity utilization at our manufacturing facilities.

Overhead costs and ratio

Overhead costs increased by 4.8 mEUR compared to 2020 and came to 318.6 mEUR. Activity-related costs rose as a consequence of higher demand and were the key contributor to the increase in overhead costs year over year. As COVID-19 restrictions were mostly eased during 2021, sales activities rose and related costs such as travel increased in 2021. Other activity-related costs including marketing and distribution also saw an activity increase. During 2020, Nilfisk received government support of 4.3 mEUR compared to 0.3 mEUR in 2021. Finally, foreign exchange positively impacted overhead costs by 1.8 mEUR. The overhead cost ratio came to 32.0% compared to 37.7% in 2020, reflecting continued focus on strict cost control relative to the increased activity.

Total R&D spend increased by 2.5 mEUR compared to 2020 and amounted to 25.6 mEUR, equivalent to 2.6% of total revenue in 2021. The increase was driven by increased activities for software platform development as well as core product portfolio development. Out of the total spend of 25.6 mEUR, 15.9 mEUR was recognized as an expense in the income statement (2020: 15.0 mEUR) while 9.7 mEUR was capitalized (2020: 8.1 mEUR). In addition to expensed costs, total reported R&D costs for 2021 of 29.1 mEUR (2020: 31.7 mEUR) also includes amortization, depreciation and impairment of 13.2 mEUR, compared to 16.7 mEUR in 2020, driven by both lower amortizations and impairment.

EUR million	2021	2020
Total R&D spend	25.6	23.1
Capitalized	9.7	8.1
Expensed in the P&L	15.9	15.0
R&D ratio (% of revenue)	**2.6%**	**2.8%**
Expensed R&D spend	15.9	15.0
Amortization. depreciation and impairment	13.2	16.7
Total R&D expenses	**29.1**	**31.7**

Sales and distribution costs increased by 6.8 mEUR and amounted to 227.6 mEUR. The increase was primarily driven by activity-related costs including staff costs, freight to customers, and travel costs.

Administration costs were kept flat year over year at 63.8 mEUR compared to 64.6 mEUR in 2020.

Other operating income/expenses was net 1.9 mEUR compared to net 3.3 mEUR in 2020. The decrease was due to government support received in 2020 related to COVID-19 especially in several European countries with Denmark as one of the large contributors. This has been phased out in 2021 with 0.3 mEUR received in 2021 compared to 4.3 mEUR in 2020.

EBITDA before special items and EBITDA

EBITDA before special items increased by 43.8 mEUR to 144.3 mEUR for the full year 2021, corresponding to an EBITDA margin before special items of 14.5% compared to 12.1% in 2020. The EBITDA margin before special items was within the guidance provided in November 2021. The negative impact of higher freight rates and raw material costs were overcompensated by the improved overhead cost ratio, leaving a positive impact on the EBITDA margin of 2.4 percentage points. 2020 was positively impacted by government support of 4.3 mEUR compared to 0.3 mEUR in 2021. Adjusting this, the cost ratio improved even further.

EBITDA amounted to 139.9 mEUR, up from 90.6 mEUR in 2020. The EBITDA margin improved by 3.2 percentage points to 14.1%, driven by the lower cost ratio and lower special items.

Operating profit before special items and operating profit

Operating profit before special items amounted to 84.1 mEUR compared to 32.9 mEUR in 2020. This corresponds to an operating profit margin before special items of 8.5% compared to 4.0% in 2020.

Operating profit came to 79.7 mEUR compared to 22.1 mEUR in 2020. As a consequence, the operating profit margin improved to 8.0% up from 2.7% the year before, driven by the increase in operating profit as well as lower special items compared to 2020.

Special items

Special items for the full year amounted to 4.4 mEUR compared to 10.8 mEUR in 2020. Special items for 2021 were mainly related to the leadership changes announced on May 6, 2021, while special items in

2020 were impacted by redundancy costs associated with the global restructuring plan carried out in 2020.

Details on special items are described in Note 2.4.

Share of profit from associates

Share of profit from associates amounted to 0.6 mEUR compared to 0.1 mEUR in 2020. The increase was driven primarily by higher earnings in the company M2H S.A.

Financial items

Financial items, net amounted to a cost of 11.6 mEUR in 2021 and improved by 3.1 mEUR compared to 2020.

Financial income increased by 1.0 mEUR, while financial expenses decreased by 2.1 mEUR compared to 2020. Interest expenses decreased due to lower net interest-bearing debt.

Tax on profit for the year

Tax on profit for the year was a cost of 17.7 mEUR compared to 10.1 mEUR in 2020. Tax on profit for the year 2021 was related primarily to current tax on profit of 13.9 mEUR and adjustment of deferred tax of 3.5 mEUR. In 2020, tax on profit for the year related was mainly current tax on profit of 6.4 mEUR and adjustment of deferred tax of 3.6 mEUR.

Profit (loss) for the year

Profit for the year amounted to 51.0 mEUR compared to a loss of 2.6 mEUR in 2020.

Working capital

At the end of 2021, working capital was 175.7 mEUR, up by 44.1 mEUR compared to 2020, where working capital was at the lowest level seen for several years due to a large decline in demand and lowering of production activity as a consequence of the COVID-19 pandemic. The increase in working capital in 2021 was due to a reversal of these effects, increasing operating working capital and securing critical parts and components, leading to an increased inventory level.

At the end of 2021, inventories were 70.8 mEUR higher than at the end of 2020, driven by substantially higher business activity and by a management decision to ensure stock availability of critical components and most used parts where possible. Inventory days increased compared to 2020 because of supply chain restraints throughout 2021, as sourcing of certain components was increasingly difficult leading to longer lead times in production.

Trade receivables were 19.7 mEUR higher than same time last year and amounted to 173.9 mEUR at the end of 2021. The increase was driven by higher sales activity, especially in Europe and Americas. Days sales outstanding was notably reduced compared to 2020 across several markets.

Trade payables increased by 36.0 mEUR and came to 135.9 mEUR because of higher activity compared to 2020 in correlation to the inventory development as described above.

The 12-month average working capital ratio was reduced by 3.4 percentage points compared to 2020 and came to 15.4%.

Capital employed and RoCE

As of December 31, 2021, capital employed amounted to 546.2 mEUR, an increase of 29.4 mEUR compared to 2020. The increase in capital employed was to a significant extent driven by higher working capital.

The return on capital employed was 15.8%, 9.9 percentage points higher than 2020 driven by the increase in operating profit.

Cash flow

Cash flow from operating activities before financial items and income taxes amounted to 91.3 mEUR, which is 22.2 mEUR lower than in 2020. The development was driven by the increase in working capital. Net financial expenses and income tax paid amounted to a net outflow of 16.6 mEUR, 7.4 mEUR lower than 2020, mainly influenced by lower financial expenses. Overall, total cash flow from operating activities in 2021 was 14.8 mEUR lower than in 2020 and came to 74.7 mEUR.

Cash flow from investing activities for 2021 amounted to a net cash outflow of 16.2 mEUR, basically on the same level of 2020.

Free cash flow decreased by 15.0 mEUR compared to 2020 and amounted to 58.5 mEUR. Cash flow was negatively affected by the working capital with intended increase of inventory levels in connection with securing supply capability. This effect was not fully offset by the positive effects from lower financial expenses and increased cash flow from higher operating profit.

Equity

Equity was 207.7 mEUR at the end of 2021 against 134.8 mEUR at the end of 2020. The increase came primarily from profit for the year. Foreign exchange rate effects also had a positive impact.

Net interest-bearing debt

At the end of 2021, total net interest-bearing debt was 338.5 mEUR, down by 43.5 mEUR compared to year-end 2020. The reduction was a result of the positive operating profit, partly offset by increased working capital.

The financial gearing at the end of the year was 2.3 compared to 3.8 at the end of 2020.

Performance in Q4 2021

In Q4 2021, revenue amounted to 260.6 mEUR corresponding to reported growth of 18.3% compared to revenue in Q4 2020 of 220.2 mEUR. Organic growth was 16.7%, with a positive foreign exchange effect of 1.6%, of which two thirds were due to a lower USD. The high demand seen in previous quarters continued through to the year-end.

In Europe, organic growth was 13.3% driven by continued demand across all regions, with Europe South finishing the year strongly. In Americas, organic growth was 23.9% driven by growth in the US and a strong finish in Canada. In APAC, organic growth for the quarter was 11.9%, positively impacted by continued performance improvement in the Pacific region.

The branded professional business posted organic growth of 16.6% compared to Q4 2020, led by growth in the floorcare product segment.

EUR million	Q4 2021	Q4 2020
Revenue	260.6	220.2
Gross profit	101.2	93.3
Overhead costs	85.7	81.2
EBITDA before special items	31.5	30.9
Operating profit (EBIT) before special items	15.5	12.1
EBITDA	31.5	30.4
Operating profit (EBIT)	15.5	11.3
Free cash flow excl. acquisitions and divestments	15.5	35.4
Financial ratios:		
Organic growth	16.7%	-2.1%
Gross margin	38.8%	42.4%
EBITDA margin before special items	12.1%	14.0%
Operating profit (EBIT) margin before special items	5.9%	5.5%
Overhead cost ratio	32.9%	36.9%

The Consumer business recorded organic growth of -0.3% coming from a very strong growth from Q4 2020. The Private label business posted organic growth of 33.8% following strong demand from key customers.

Gross profit was 101.2 mEUR in 2021, an increase of 7.9 mEUR from 2020. The gross margin was 38.8%, which is 3.6 percentage points lower than in Q4 2020, - mainly due to increased freight rates, increased raw materials prices, and the regional mix, with greater growth in the US.

Overhead costs grew by 4.5 mEUR compared to Q4 2020 and amounted to 85.7 mEUR corresponding to an overhead cost ratio of 32.9%, which is 4.0 percentage points lower than Q4 2020. The cost increase was primarily driven by higher personnel costs directly related to the revenue increase, as well as higher activity-related costs such as travel.

EBITDA before special items came to 31.5 mEUR, which was 0.6 mEUR higher than Q4 2020 due to increased revenue. As a result, the EBITDA margin before special items was 12.1%.

ESG performance

We continuously seek to improve our data registration, collection, and reporting of relevant ESG indicators, and provide data that can be measured year over year. The ESG data collection and reporting support the business to drive action plans, and it provides transparency for all stakeholders into our CSR work.

Climate and Environment

Data indicator	Unit	2021	2020	2019	SDG (Target) alignment	GRI alignment	UNGC Principles alignment
Environmental data							
GHG emissions[1]							
Scope 1 GHG emissions[2]	$MtCO_2$ eq	15,510	11,653	15,402	**SDG 13**	**GRI 305** Emissions	**Environment Principles** 7, 8, 9
Fleet	$MtCO_2$ eq	10,021	7,438	10,397			
Natural gas	$MtCO_2$ eq	4,941	3,863	4,399			
Others	$MtCO_2$ eq	548	352	606			
Scope 2 GHG emissions	$MtCO_2$ eq	7,116	6,696	8,679			
Electric power	$MtCO_2$ eq	6,518	6,411	7,778			
District heating	$MtCO_2$ eq	598	285	901			
Scope 3 GHG emissions - Use of sold products	$MtCO_2$ eq/ EUR gross profit	4.4	N/A	N/A			
Waste[3]							
Total waste generated	Mt	1,217,982	N/A	N/A	**SDG 12** **12-5:** Substantially reduce waste generation	**GRI 306** Waste	
Total non-hazardous waste[4]	Mt	1,211,467	N/A	N/A			
Total hazardous waste	Mt	6,515	N/A	N/A			
Water[5]							
Water consumption	m^3	106,400	108,465	122,909	**SDG 12** **12-2:** Sustainable management and use of natural	**GRI 303** Water and Effluents	
Water recycled	m^3	12,235	17,995	36,575			
ISO certifications							
Number ISO 14001-certified sites	number	7	7	7	**SDG 12** **12-2:** Sustainable management and use of natural resources **12-5:** Substantially reduce waste generation		
Number ISO 9001-certified sites	number	11	11	12	**SDG 3** **3-9:** Reduce illnesses and death from hazardous chemicals and pollution		

[1] After publication of Nilfisk's 2020 CSR report, our 2019 and 2020 emission-data has been audited, which resulted in adjustments of the calculation for those years. Therefore, values have been updated with the most recent and accurate data. We are constantly improving our data quality and collection process, which results in improvement of accuracy when reporting emissions. Our 2021 data will be audited in 2022, which may result in updates in reported emissions. Emissions from our fleet in 2021 are provisional and still being consolidated

[2] The category Total emissions for testing the machines in our 2020 report has been replaced by the category Others to better reflect the broader activities it covers.

[3] Due to the publication of new GRI guidelines on waste, effective from January 1, 2022, we have updated the fields reporting on waste generation. Details on waste destination per treatment technology are available on page 13. This data covers our production sites in Italy, Hungary, China, and Mexico, comprising 98% of our production volume, and is excluding municipal waste.

[4] Due to limited data availability, data from China on non-hazardous waste includes only waste sent to reuse/recycling, and not incineration and landfilling.

[5] Data covers alone our production sites.

Workplace

Data indicator	Unit	2021	2020	2019	SDG (Target) alignment	GRI alignment	UNGC Principles alignment
Social data							
Total full-time employees, end of period	number	4,887	4,339	4,886			**Labor** 3, 4, 5, 6
Blue collar workers	% of total FTEs	30%	28%	29%			
White collar workers	% of total FTEs	70%	72%	71%			
Employee turnover[6]	%	20.5%	20%	24%			
% of women in the company	%	29%	27%	27%		**GRI 404** Diversity and Equal Opportunity	
% of women in senior leadership positions[7]	%	14%	N/A	N/A			
% of women in the Nilfisk Leadership Team	%	12.5%	25%	17%			
% of women on the Board of Directors	%	14%	12%	14%			
Engagement survey participation	%	90%	92%	92%			
Employee engagement score	(10-point-scale)	8.1	8.0	7.8			
Fatalities	number	0	0	0	**SDG 3** **3-9:** Reduce illness and death from hazardous chemicals and pollution	**GRI 403** OHS	
Injury frequency rate	number	43	51	68			

Society

Data indicator	Unit	2021	2020	2019	SDG (Target) alignment	GRI alignment	UNGC Principles alignment
Governance data							
Number of suppliers signed UNGC 10 principles	%	86%[5]	93%	93%		**GRI 412-1** Operations that have been subject to human-rights review or impact assessment	**Human rights** 1, 2
Number of supplier audits	number	34	63	10			
Number of supplier CSR assessments	number	153	18	N/A			
Number of suppliers covered by the Code of Conduct[8]	number	82	11	N/A			
Number of whistleblower cases submitted	number	2	6	9		**GRI 102-17** Mechanisms for advice and concerns about ethics	**Anti-corruption** 10
Whistleblower cases admissible	number	2	2	1			
Whistleblower cases resolved	number	2	6	9			

[6] Numbers have been adjusted to exclude turnover related to divestments in 2019.
[7] Senior Leadership positions defined as leadership level Vice President and above.
[8] In 2021, we changed our way of assessing this KPI, as we considered that signing our Code of Conduct was not enough to state that suppliers apply its principles. Therefore, this number now represents suppliers that have had both our CSR and Legal assessment questionnaires approved, which cover the principles of our Code of Conduct. These questionnaires allow understanding in details how suppliers deal with CSR and legal topics, which better reflects their compliance with our Code of Conduct principles.

Our governance

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

Corporate governance

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

Shareholders

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

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

The Board of Directors

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

All shareholder-elected members are up for election every year at the Annual General Meeting. At the Annual General Meeting held on March 26, 2021, seven members of the then eight shareholder-elected board members were reelected, and one member decided not to pursue reelection. This means the Board of Directors was reduced from eleven to ten members including seven shareholder-elected members and the existing three employee-elected members.

The employee-elected members serve four-year terms, and the current employee-elects were elected in March 2018. Their terms will expire in 2022. A new election for employee-elects will be held by March 2022, before the 2022 Annual General Meeting. As the number of employee-elects must be half of the seven shareholder-elected members (rounded up), one additional employee-elect will be added at the 2022 employee election.

That means that beginning with the 2022 Annual General Meeting, which will be taking place on March 25, 2022, the Board of Directors will consist of eleven members. Seven will be shareholder-elected and four will be employee-elected.

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

The Board of Directors includes people with strong, international business experience in the areas of industry, energy, high technology, finance, business management and development. They are deemed to possess the required expertise and seniority. See page 41-42 for particulars of Nilfisk's Board of Directors.

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

Part of the Board's responsibility is to ensure that the company has a capital and share structure that matches its strategic direction and the long-term creation of value for the benefit of its shareholders. Considerations on capital and share structure are undertaken annually by the Board of Directors, and in 2021 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 Nordic at the time of purchase.

Board Committees

The Board of Directors has appointed a Chair Committee and three standing committees: an Audit Committee, a Nomination Committee, and a Remuneration Committee.

All board committees report to the Board of Directors, and senior representatives from Nilfisk act as secretariat for the committees. Each of the three standing committees has two members, which is considered appropriate to ensure efficient and focused committee work, reporting, and decision-making within the Board of Directors.

Nilfisk Board of Directors

Chair Committee

- Jens Due Olsen (Chair)
- René Svendsen-Tune (Deputy Chair)

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[1]

- Are Dragesund
- Franck Falezan

US Committee[1]

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

[1] These committees were dissolved as of June 1, 2021, as the Board of Directors no longer deemed these committees necessary.

In 2020, the Board of Directors established two additional ad hoc committees: a Project Management Office Committee and a US Committee. Both were dissolved in 2021 as the Board of Directors no longer deemed these committees necessary.

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

Audit Committee
In 2021, the Audit Committee consisted of two members. The Audit Committee is appointed for one year at a time. All members possess the relevant financial expertise, and the chair of the committee qualifies as being independent.

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

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

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

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

Risk assessment
The risks related to each accounting process and line item in the financial statement are assessed based on quantitative and qualitative factors. The associated risks are identified based on the evaluation of the likelihood of occurring and the potential impact. The financial reporting control framework covers all material subsidiaries. Please refer to the Risk Management section on page 45.

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 2021

In 2021. the main activities of the Remuneration Committee have been:

- Setting targets for the annual bonus plan and the performance share program
- Reviewing achievement against targets under the company's annual bonus plan and the performance share program
- Completing a review of the Remuneration Policy to ensure it continues to support the realization of Nilfisk's strategy as well as recognizes the changes in the governance environment in accordance with the Danish Companies Act and the amended EU Directive on the encouragement of long-term shareholder engagement
- Preparing, drafting, and approving a new Remuneration Policy, which was adopted at the 2021 Annual General Meeting, to implement new legislative and corporate governance requirements and market standards, In addition to linguistic clarifications and adjustments, key changes in the new Remuneration Policy included (1) Increase of the maximum annual bonus award from 70% to 100% of the base salary, (2) Specification that if the target performance under the long-term incentive scheme is reached, 50% of the award will normally be payable, (3) Adjustment of the regular notice period from normally 6 months by the executive and 12 months by the Company to 6-9 months by the executive and 12-18 months by the Company, and (4) Possibility of agreeing on an extended notice period for the management in case of a change of control, still subject to the maximum total notice period of 24 months

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 of the Board of Directors, the Group CEO, and the Group CFO, to initiate an annual self-assessment within the Board of Directors, and to exercise grandfather rights with respect to members of the Nilfisk Leadership Team.

Self-assessments

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

Every third year the Board of Directors utilizes a professional consultant to assist with this assessment. Conclusions from the 2020 board self-assessment conducted in the first quarter of 2021 were that the Board has the necessary and relevant competences and experience but could benefit from more diversity. Highlighted strengths were open dialogue, contributions from all members, with opinions shared freely. Meeting frequency, agenda and material shared were considered appropriate and relevant. However, the challenging year of 2020 with significant business issues also had an impact on the self-assessment showing less satisfaction among the board members with the quality of discussions and the balance between strategic oversight and detailed, operational discussions. The self-assessment for 2021 is expected to be completed before the 2022 Annual General Meeting on March 25, 2022, and the Chair will convey the key conclusions of the self-assessment 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 Chair to the Group CEO and Group CFO and shared in summary at the Annual General Meeting.

The Nilfisk Leadership Team

The day-to-day responsibility for Nilfisk's management lies with the Nilfisk Leadership Team, consisting of eight members counting the Group CEO and seven direct reports.

The Nilfisk Leadership Team is responsible for the conduct of business, all operational matters, organization, allocation of resources, establishing and implementing strategies and policies, direction-setting, and timely reporting of information to the Board of Directors. See page 43-44 for particulars of the Nilfisk Leadership Team.

Target figure for the under-represented gender

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

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

Corporate governance recommendations

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

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

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

Board of Directors - meeting attendance 2021

	Board of Directors meetings[1]	Chair Committee	Audit Committee	Remuneration Committee	Nomination Committee	Project Management Office Committee[2]	US Committee[2]
Number of meetings	10	7	5	4	4	1	2
Jens Due Olsen	●●●●●●●●●●	●●●●●●●					●●
René Svendsen-Tune	●●●●●●●●●○	●●●●●●○			●●●●		●●
Richard Bisson	●●●●●●○○○○						●●
Are Dragesund	●●●●●●●●●●		●●●●●			●	
Franck Falezan	●●●●●●●●●●				●●●●	●	
Jutta af Rosenborg	●●●●●●●●●●		●●●●●	●●●●			
Anders Runevad[3]	●●●	●				●	
Thomas Lau Schleicher	●●●●●●●●●●			●●●●			
Gerner Raj Andersen	●●●●●●●●●●						
Søren Gissing Kristensen[4]	●●●●●●●●●○						
Yvonne Markussen	●●●●●●●●○○						

[1] In addition to the listed board meetings, informal ad hoc board calls have been conducted throughout the year as and when needed.
[2] US and Project Management Office Committees were dissolved in June, 2021.
[3] Member and Deputy Chair of the Board of Directors until the Annual General Meeting in March 2021. Did not pursue re-election.
[4] Has left Nilfisk as of December 31, 2021.

Board of Directors

						
	Jens Due Olsen Chair, Born 1963 Independent	**René Svendsen-Tune** Deputy Chair, Born 1955 Independent	**Richard Bisson** Member, Born 1959 Independent	**Are Dragesund** Member, Born 1975 Non-independent	**Franck 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 2022	March 2022	March 2022	March 2022	March 2022	March 2022
Core capabilities	• Industrial management • Management of listed companies • Economic and financial matters	• International management • Management of listed companies • Service businesses • Large account sales	• Strategy Development and Implementation • Branded Product Management and Innovation • Global Manufacturing • Supply Chain	• M&A and capital markets, restructuring and profit improvement, strategy and organization	• Strategy, restructuring and finance	• International management • Management of listed companies • Finance and business optimization
Committees	• Chair Committee US Committee[1]	• Chair Committee Nomination Committee	• US Committee[1]	• Audit Committee • Project Management Office[1]	• Nomination Committee • Project Management Office[1]	• Audit Committee • Remuneration Committee
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	• 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	• 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 AS and Norkart AS	• Founder and Managing Partner at PrimeStone	• Member of the board of directors of NKT A/S, Abrdn PLC, JPMorgan European Investment Trust plc, BBGI SICAV S.A.
Education	• MSc in Economics	• BSc Eng. (hon.)	• BSc in Industrial Technology	• MsC Economics and Business Administration	• Master in Business Administration	• MSc in Business Economics and Auditing
Nilfisk shares end of 2021 (end of 2020 in brackets)	21,732 (21,732)	4,.000 (4,000)	0 (0)	0 (0)	0 (0)	0 (0)

[1] US and Project Management Office Committees were dissolved in June, 2021.

Board of Directors

	Thomas Lau Schleicher Member, Born 1973 Non-independent
First elected in	March 2019
Expiry of current term	March 2022
Core capabilities	• Executive management. financial reporting, risk • Management, capital markets expertise, strategy and M&A
Committees	• Remuneration Committee
Selected positions and directorships	• Chairman, Välinge Group AB. Member of the board of directors of Adapture Renewables Inc, Falck A/S, Topsøe Holding A/S, Boston Holding A/S and KIRKBI • Burbo Extension Holding (UK) Limited (a fully-owned subsidiary of KIRKBI A/S)
Education	• MSc in Finance and Accounting
Nilfisk shares end of 2021 (end of 2020 in brackets)	2,600 (2,600)




	Gerner Raj Andersen Employee representative, Born 1966	**Søren Giessing Kristensen** Employee representative, Born 1986	**Yvonne Markussen** Employee representative, Born 1959	**Thorkil Vinum** Employee representative, Born 1974
First elected in	March 2018	March 2018	February 2019	January 2022
Expiry of current term	March 2022	March 2022[1]	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	• Senior Category Manager Strategic Sourcing • Joined Nilfisk in 2008
Committees	N/A	N/A	N/A	N/A
Selected positions and directorships	• Owner of Mågaard I/S • Member of the board of Sem Vandværk	N/A	N/A	N/A
Education	• Secondary program	• M.Sc. Electro Mechanical Engineering	• Vocational training as clerk with emphasis on accounting	• MSc. Economics and Business Administration (Cand.Merc)
Nilfisk shares end of 2021 (end of 2020 in brackets)	210 (210)	0 (0)	6 (6)	6 (6)

[1] *Has left Nilfisk as of December 31, 2021*

Nilfisk Leadership Team




	Torsten Türling	**Reinhard Mayer**	**Jacob Blom**	**Hans Flemming Jensen**
	CEO Member of the Executive Management Board	CFO Member of the Executive Management Board	Executive Vice President HR	Executive Vice President Specialty Business & Corporate Affairs
Joined Nilfisk	2021	2021	2016	2017
Core Competencies	• International CEO experience in both B2B and B2C markets	• International Finance • IT • Legal and Compliance • Supply Chain • M&A	• 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	N/A	Officer (reservist), Danish Army	N/A
Previous positions	• Linde Group • Carrier Corporation • Franke Group • Frigoglass • Ideal Standard	• Getinge AB • Hansgrohe SE	• NCC AB • TDC A/S • Merk, Sharp & Dohme	• Kromann Reumert • NKT Holding A/S
Education	• Master's degree in Business Administration & Management from the University of Saarbrücken and from EM Lyon Business School	• B.Sc. degree in Business Engineering from Karlsruhe University of Applied Sciences	• Graduate Diploma in Organization & Leadership • Officer, Danish Army	• Master of Laws, University of Copenhagen
Nilfisk Shares End of 2021 (end of 2020 in Brackets)	16,980 (0)	13,869 (0)	200 (200)	735 (735)

Nilfisk Leadership Team




	Steen Lindbo	**Søren Pap-Tolstrup**	**Pierre Mikaelsson**	**Camilla Ramby**
	Executive Vice President Sales	Senior Vice President Interim, Operations[1]	Executive Vice President R&D	Executive Vice President Marketing
Joined Nilfisk	2018	2013	2019	2018
Core Competencies	• International B2B sales • Commercial development • Channel strategy • Product/pricing strategies	• Operations • Strategy • Restructuring	• R&D • Product Development • Technology • Management • Product Management	• International Finance • Marketing & Communication • Commercial Excellence & Product Management • E-commerce • Data and advanced analytics
Positions and directorships	N/A	N/A	N/A	N/A
Previous positions	• Stanley Black & Decker, Inc.	• TDC A/S • Brødrene Hartmann A/S	• ABB Robotics • KUKA Robotics	• Danske Bank A/S • TDC A/S • Codan A/S
Education	• Diploma Business Finance	• Cand.oecon	• M.Sc. Chalmers University of Technology	• MSc in International marketing & Management
Nilfisk Shares End of 2021 (end of 2020 in Brackets)	0 (0)	0 (0)	15 (15)	1,155 (0)

[1] *Joined the Nilfisk Leadership Team on February 11, 2022, as Interim Head of Operations.*

Risk management

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

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

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

The Nilfisk Leadership Team is responsible for the identification, assessment, prioritization, and mitigation of strategic, financial, operating, CSR. compliance, safety, and reputational risks as well as risks related to other areas.

Risks are assessed according to a two-dimensional heat map rating system estimating the likelihood and business impact.

Risk areas

The following four risk areas are identified as high-impact risks that could have a material, adverse effect on our business, financial condition and/or operating results:

- Commoditization
- Political and economic instability including trade conflicts
- Operational interruptions (production and distribution)
- Interruptions to IT services or systems

Please refer to the overview on the following page.

Nilfisk's high-impact risk areas

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

Risks	Risk description	Risk mitigation
Commoditization	Customer demand is changing towards low-price "good-enough" products. At the same time, competition is intense, and low-cost competition might reach a level at which customers would be hesitant to pay a premium for higher-quality products. The Nilfisk Group's competitors include various large global and regional enterprises as well as smaller regional or local companies. Our operational results and financial position may be negatively impacted if Nilfisk products do not satisfy customer demand.	We monitor customer behavior via segment trends and purchasing loyalty. Nilfisk responds to changes in customer behavior with a strategy focused on product innovation and uniquely positioned customer offerings. With these offerings we add value beyond the machine to deliver cleaning solutions that blend into operations and integrate digital services, collectively increasing the value of clean. We leverage our strengths within brands, product portfolio range, product quality, and customer access, and we scale benefits due to our size and geographical coverage.
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 by hedging and maintaining variability in our cost base as well as well as establishing a certain degree of flexible "plant-in-plant" production footprint.
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 diversification between several production facilities and distribution centers, dual sourcing initiatives, and optimization of supply chain processes. Several of these measures were used to mitigate the effects from the material shortages and significant challenges in the supply chain experienced in 2021. Additionally, a modularization strategy aims at increasing scale advantages and reduction of production complexity. We continuously monitor functionality of utilities and compliance with applicable regulations.
Interruptions to information technology service or systems	Nilfisk's information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, malware, catastrophic events, and user errors. Errors made due to lack of user awareness or deliberate misuse, such as individual attempts to gain access to systems, are among the risks Nilfisk faces. Inadequate management of changes to systems or service together with ineffective measures to deter, prevent, detect, and react to such attempts might expose Nilfisk to risks. Furthermore, Nilfisk is faced with the threat of security breaches (viruses, ransomware, etc.) such as attempts at 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 Nordic and is included in the Copenhagen Mid Cap index.

Share capital	27,126,369 shares
Nominal value per share	20 DKK
Closing price at December 30, 2020	131.60 DKK
Closing price at December 30, 2021	215.00 DKK
Change during the financial year	63.4%

Ownership structure

The company has approximately 12,650 registered shareholders, who together hold 95.9% of the total share capital. The company has one share class and the number of shares and voting rights are equal.

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

Shareholders at December 31, 2021	Number of shares	Share capital
KIRKBI Invest A/S, Billund, Denmark	5,493,200	20.3%
Ferd AS, Oslo, Norway	5,409,277	19.9%
PrimeStone Capital LLP, London, United Kingdom	4,614,817	17.0%
Institutional investors, Denmark	3,336,178	12.3%
Institutional investors. International	4,671,309	17.2%
Private investors	2,507,320	9.2%
Non-registered	1,094,268	4.1%

Dividend policy and dividend for 2021

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

The payment of dividends, if any, will in general be determined with a view to balancing the 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 25, 2022, the Board of Directors will propose not to distribute dividends for the financial year of 2021 as the leverage target in the capital allocation policy has not been met.

Investor relations website

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

Investor relations

We work to maintain a high and consistent level of information for investors, and we aim to be proactive and open when communicating with shareholder-related stakeholders within the boundaries of current regulation.

We place great emphasis on providing consistent and high-quality information to the financial markets as well as to new investors, analysts, and other stakeholders through road shows, conferences, company announcements, and via our investor relations website. For further details on our investor relations policy, please visit https://investor.nilfisk.com.

At year-end 2021, Nilfisk Holding A/S is covered by five equity analysts. For a full list of analysts, please visit https://investor.nilfisk.com.

Financial calendar 2022

February 25	Annual Report 2021
March 25	Annual General Meeting
May 17	Q1 Interim Report 2022
August 18	Q2 Interim Report 2022
November 17	Q3 Interim Report 2022

Financial statements

Consolidated financial statements 2021

Income statement 50

Statement of comprehensive income 50

Statement of financial position 51

Cash flow statement 52

Statement of changes in equity 53

1 Basis for reporting 54

1.1 Basis for preparation 54
1.2 Key accounting estimates and judgments 55
1.3 Implementation of new or changed accounting standards and interpretations 56
1.4 Implementation of new regulations 56

2 Profit (loss) for the year 57

2.1 Segment information 59
2.2 Revenue 60
2.3 Research and development costs 62
2.4 Special items 62
2.5 Amortization, depreciation, and impairment 63
2.6 Other operating income 63
2.7 Financial items 63
2.8 Tax 64

3 Remuneration 66

3.1 Staff costs 66
3.2 Remuneration to the Board of Directors and the Nilfisk Leadership Team 66
3.3 Long-term incentive programs 67

4 Capital employed 69

4.1 Capital employed 69
4.2 Impairment test 70
4.3 Intangible assets 72
4.4 Property, plant, and equipment 74
4.5 Right-of-use assets 76
4.6 Pension liabilities 78
4.7 Provisions 80

5 Working capital 81

5.1 Inventories 82
5.2 Trade receivables 83

6 Capital structure 84

6.1 Net interest-bearing debt 84
6.2 Investments in associates 85
6.3 Financial risks and financial instruments 86
6.4 Share capital 93

7 Other notes 94

7.1 Fees to auditors elected at the annual general meeting 94
7.2 Events after the balance sheet date 94
7.3 Related parties 94
7.4 Other non-cash adjustments 94
7.5 Contingent liabilities, securities, and contractual obligations 94 94
7.6 Group companies 95
7.7 Definitions 96

Key accounting judgments

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

Key accounting estimates

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

Sensitivity

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

Accounting policy

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

Income statement

for the years ended December 31

EUR million	Note	2021	2020
Revenue	2.1, 2.2	994.9	832.9
Cost of sales	2.5, 3	-592.2	-486.2
Gross profit		**402.7**	**346.7**
Research and development costs	2.3, 2.5, 3	-29.1	-31.7
Sales and distribution costs	2.5, 3	-227.6	-220.8
Administrative costs	2.5, 3	-63.8	-64.6
Other operating income	2.6	3.4	5.5
Other operating expenses		-1.5	-2.2
Operating profit before special items		**84.1**	**32.9**
Special items, net	2.4, 2.5	-4.4	-10.8
Operating profit		**79.7**	**22.1**
Share of profit from associates	6.2	0.6	0.1
Financial income	2.7	1.6	0.6
Financial expenses	2.7	-13.2	-15.3
Profit before income taxes		**68.7**	**7.5**
Tax on profit for the year	2.8	-17.7	-10.1
Profit (loss) for the year		**51.0**	**-2.6**
To be distributed as follows:			
Profit (loss) attributable to shareholders of Nilfisk Holding A/S		51.0	-2.6
Total		**51.0**	**-2.6**
Earnings per share (based on 27,126,369 shares issued)			
Basic earnings per share (EUR)	6.4	1.88	-0.10
Diluted earnings per share (EUR)		1.88	-0.10

Statement of comprehensive income

for the years ended December 31

EUR million	Note	2021	2020
Profit (loss) for the year		51.0	-2.6
Other comprehensive income			
Items that may be reclassified to the income statement:			
Exchange rate adjustments of subsidiaries		14.2	-19.2
Value adjustment of hedging instruments:			
Value adjustment for the year		5.6	0.2
Transferred to cost of sales		0.7	-
Transferred to financial income and expenses		-	-0.6
Tax on value adjustment of hedging instruments	2.8	-1.4	-0.1
Items that may not be reclassified to the income statement:			
Actuarial gains (losses) on defined benefit plans		1.9	-1.5
Tax on actuarial gains (losses) on defined benefit plans	2.8	-0.3	0.4
Total comprehensive income for the year		**71.7**	**-23.4**
To be distributed as follows:			
Comprehensive income attributable to shareholders of Nilfisk Holding A/S		71.7	-23.4
Total		**71.7**	**-23.4**

Statement of financial position

as of December 31

EUR million	Note	2021	2020
Assets			
Goodwill		169.1	166.0
Trademarks		7.3	7.8
Customer related assets		5.2	6.1
Development projects completed		25.8	24.8
Software, know-how, patents, and competition clauses		23.5	30.6
Development projects, and software in progress		18.6	21.4
Total intangible assets	4.2, 4.3	**249.5**	**256.7**
Land and buildings		8.3	7.9
Plant and machinery		4.0	3.4
Tools and equipment		28.5	29.4
Assets under construction incl. prepayments		3.1	3.1
Right-of-use assets	4.5	56.2	65.2
Total property, plant, and equipment	4.2, 4.4	**100.1**	**109.0**
Investments in associates	6.2	29.0	29.3
Interest-bearing receivables	6.1	2.0	1.2
Other investments and receivables		3.3	3.1
Deferred tax	2.8	15.7	20.5
Total other non-current assets		**50.0**	**54.1**
Total non-current assets	4.1	**399.6**	**419.8**
Inventories	5, 5.1	220.1	149.3
Trade receivables	5, 5.2, 6.3	173.9	154.2
Interest-bearing receivables	6.1, 6.3	0.6	3.0
Income tax receivable	5	4.6	5.0
Other receivables	5, 6.3	27.4	19.1
Cash at bank and in hand		15.0	13.1
Total current assets		**441.6**	**343.7**
Total assets		**841.2**	**763.5**

EUR million	Note	2021	2020
Equity and liabilities			
Share capital	6.4	72.9	72.9
Reserves		3.3	-15.8
Retained earnings		131.5	77.7
Total equity		**207.7**	**134.8**
Deferred tax	2.8, 4.1	5.9	6.9
Pension liabilities	4.1, 4.6	5.1	7.1
Provisions	4.1, 4.7	2.3	2.0
Interest-bearing loans and borrowings	6.1, 6.3	292.7	227.3
Lease liabilities	6.1, 6.3	35.3	44.3
Other liabilities	6.3	5.4	1.3
Total non-current liabilities		**346.7**	**288.9**
Interest-bearing loans and borrowings	6.1, 6.3	5.8	105.2
Lease liabilities	6.1, 6.3	22.3	22.5
Trade payables	5, 6.3	135.9	99.9
Income tax payable	5	7.5	1.2
Other liabilities	5, 6.3	101.5	93.6
Provisions	4.1, 4.7	13.8	17.4
Total current liabilities		**286.8**	**339.8**
Total liabilities		**633.5**	**628.7**
Total equity and liabilities		**841.2**	**763.5**

Cash flow statement

for the years ended December 31

EUR million	Note	2021	2020
Operating profit		79.7	22.1
Depreciation, amortization, and impairment	2.5	60.2	68.5
Other non-cash adjustments	7.4	-6.0	7.5
Changes in working capital		-42.6	15.4
Cash flow from operations before financial items and income taxes		91.3	113.5
Financial income received		2.3	0.9
Financial expenses paid		-10.0	-15.7
Income tax paid		-8.9	-9.2
Cash flow from operating activities		**74.7**	**89.5**
Purchase of property, plant, and equipment	4.4	-5.8	-5.4
Sale/disposal of property, plant, and equipment		0.1	0.8
Purchase of intangible assets	4.3	-11.7	-11.6
Purchase of financial assets		-0.1	-1.3
Disposal of financial assets		-	0.2
Dividends received from associates	6.2	1.3	1.3
Cash flow from investing activities		**-16.2**	**-16.0**
Free cash flow		**58.5**	**73.5**
Changes in current interest-bearing receivables		1.0	1.5
Changes in current interest-bearing loans and borrowings		-102.1	100.3
Changes in non-current interest-bearing loans and borrowings		69.1	-153.5
Payment of lease liabilities		-24.4	-26.4
Cash flow from financing activities	6.1	**-56.4**	**-78.1**
Net cash flow for the year		**2.1**	**-4.6**
Cash at bank and in hand, January 1		13.1	19.3
Exchange rate adjustments		-0.2	-1.6
Net cash flow for the year		2.1	-4.6
Cash at bank and in hand, December 31		**15.0**	**13.1**

Statement of changes in equity

for the years ended December 31

	2021					2020				
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**	**-14.9**	**-0.9**	**77.7**	**134.8**	**72.9**	**4.3**	**-0.4**	**81.2**	**158.0**
Other comprehensive income										
Exchange rate adjustments	-	14.2	-	-	14.2	-	-19.2	-	-	-19.2
Value adjustment of hedging instruments:										
Value adjustment for the year	-	-	5.6	-	5.6	-	-	0.2	-	0.2
Transferred to cost of sales	-	-	0.7	-	0.7	-	-	-	-	-
Transferred to financial income and expenses	-	-	-	-	-	-	-	-0.6	-	-0.6
Actuarial gains (losses) on defined benefit plans	-	-	-	1.9	1.9	-	-	-	-1.5	-1.5
Tax on actuarial gains (losses) on defined benefit plans	-	-	-	-0.3	-0.3	-	-	-	0.4	0.4
Tax on value adjustment of hedging instruments	-	-	-1.4	-	-1.4	-	-	-0.1	-	-0.1
Total other comprehensive income	**-**	**14.2**	**4.9**	**1.6**	**20.7**	**-**	**-19.2**	**-0.5**	**-1.1**	**-20.8**
Profit (loss) for the year	-	-	-	51.0	51.0	-	-	-	-2.6	-2.6
Comprehensive income for the year	**-**	**14.2**	**4.9**	**52.6**	**71.7**	**-**	**-19.2**	**-0.5**	**-3.7**	**-23.4**
Share option program	-	-	-	1.2	1.2	-	-	-	0.2	0.2
Total changes in equity	**-**	**14.2**	**4.9**	**53.8**	**72.9**	**-**	**-19.2**	**-0.5**	**-3.5**	**-23.2**
Equity, December 31	**72.9**	**-0.7**	**4.0**	**131.5**	**207.7**	**72.9**	**-14.9**	**-0.9**	**77.7**	**134.8**

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

Note 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 2021 are prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and additional requirements under the Danish Financial Statements Act. The parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

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

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

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

The Group has operations in Argentina and 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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

1.2 Key accounting estimates and judgments

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

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

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

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

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

COVID-19

Compared to what was disclosed in the Annual Report 2020, the COVID-19 outbreak is considered to impose less uncertainty on the financial statements. With vaccine programs progressing worldwide the future market situation is expected to be less affected by COVID-19 compared to the situation at year-end 2020. The financial impacts of COVID-19 still require 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 the Group's financial position, activities and cash flows and seek the appropriate mitigating measures. As of December 31, 2021, 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 situation with COVID-19 in the future and thereby the long-term impact for Nilfisk, there is an inherent risk that the estimates and judgments made in 2021 could change. Future changes in estimates and judgment 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 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
5.2	Trade receivables	Estimate the value of expected credit losses	Estimate	Low

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

1.3 Implementation of new or changed accounting standards and interpretations

Amendments to accounting standards that are mandatorily effective for the current reporting period
The Nilfisk Group has adopted the following new and revised standards issued by IASB, which are effective for the current reporting period that starts on January 1, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR reform phase 2

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 2021. 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.

1.4 Implementation of new regulations

ESEF regulation
The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format Reporting (ESEF Regulation) requires the use of a specific digital reporting format for Annual Reports of listed companies. More precisely, the ESEF Regulation contains requirements for the preparation of the Annual Report in XHTML format with iXBRL marking of the consolidated financial statements in the form of income statement, statement of comprehensive income, statement of financial position, cash flow statement and statement of changes in equity.

The iXBRL marking of Nilfisk Holding A/S has been made against the ESEF taxonomy included in the annexes to the ESEF Regulation and developed on the basis of the IFRS taxonomy published by the IFRS Foundation. The 2020 version of the ESEF taxonomy has been used in the annual report for 2021.

The accounting items in the consolidated financial statements are XBRL-marked for the elements of the ESEF taxonomy that are assessed to correspond to the content of the accounting items. For accounting items that are not assessed to be covered by accounting items defined in the taxonomy, company-specific extensions to the taxonomy (extensions) have been incorporated. These extensions are – apart from subtotals – anchored in elements of the ESEF taxonomy.

The annual report approved by management consists, in accordance with the requirements of the ESEF Regulation, of a zip file identified as "529900FSU45YYVLKB451-2021-12-31-en.zip" containing an XHTML file that can be opened with standard web browsers, and a series of technical XBRL files that allow mechanical extraction of the incorporated XBRL data.

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

Note 2 Profit (loss) for the year

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

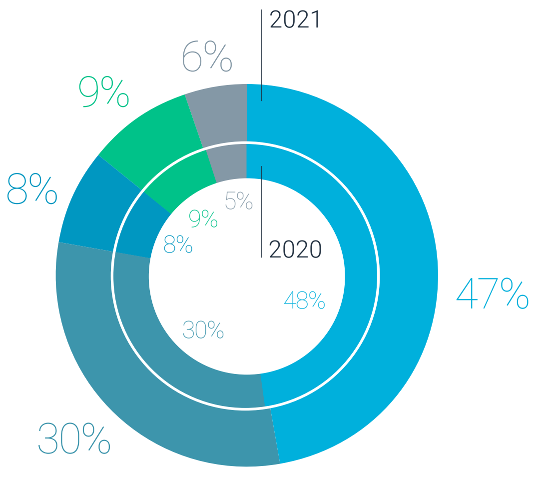
Key developments 2021

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

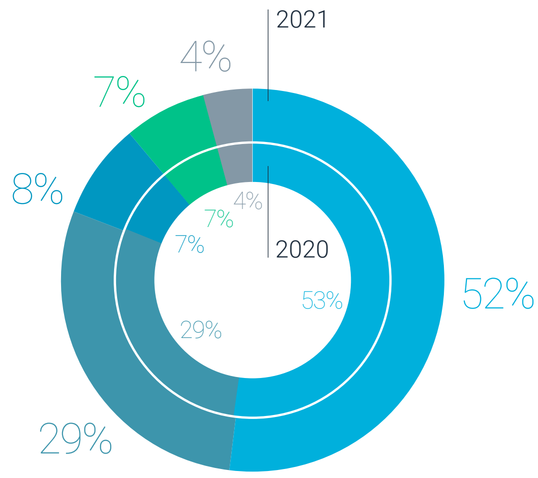
Revenue increased from 832.9 mEUR to 994.9 mEUR in 2021, corresponding to a 19.5% increase compared to 2020. This was mainly due to positive organic growth across all markets and customer segments.

Gross profit was 402.7 mEUR, up by 56.0 mEUR compared to last year. Gross margin was 40.5%, down by 1.1 percentage points compared to last year. The decrease was to a large extent driven by higher freight and raw material costs.

Revenue by operating segment



Gross profit by operating segment



Europe
Americas
APAC
Consumer
Private label & other

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

2. Profit (loss) for the year – continued

Accounting policy

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

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

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

Europe, Americas, and APAC cover sales of professional products to markets globally, excluding sales in the carved out segments Consumer and Private Label and other. Consumer covers domestic vacuum cleaners and high-pressure washers for the consumer markets. Private Label and other 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. The cost of raw materials, consumables, inbound freight, production staff and a proportion of production overheads, including maintenance, amortization, depreciation and impairment of intangible and tangible assets used in production as well as operation, administration and management of the production facilities are recognized as cost of sales.

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

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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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.

"Private label and other" includes non-allocated costs.

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

EUR million	Europe	Americas	APAC	Non-allocated	Total branded professional	Consumer	Private Label and other	Group
2021								
Revenue	466.0	296.3	79.2	-	841.5	86.0	67.4	994.9
Gross profit	210.5	115.6	32.6	-	358.7	29.2	14.8	402.7
EBITDA before special items	125.4	56.1	10.1	-49.3	142.3	9.4	-7.4	144.3
Reconciliation to profit before income taxes:								
Special items								-4.4
Amortization, depreciation, and impairment								-60.2
Share of profit from associates								0.6
Financial income								1.6
Financial expenses								-13.2
Profit before income taxes								**68.7**
Gross margin	45.2%	39.0%	41.2%	-	42.6%	34.0%	22.0%	40.5%
EBITDA margin before special items	26.9%	18.9%	12.8%	-	16.9%	10.9%	-11.0%	14.5%
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%

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

2.2 Revenue

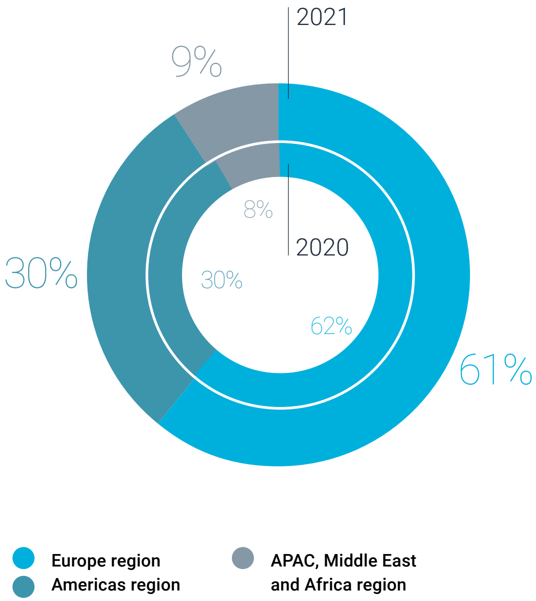
Geographical information
Nilfisk is present in more than 40 countries with own sales companies reaching approximately 100 countries through direct sales and dealers.

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

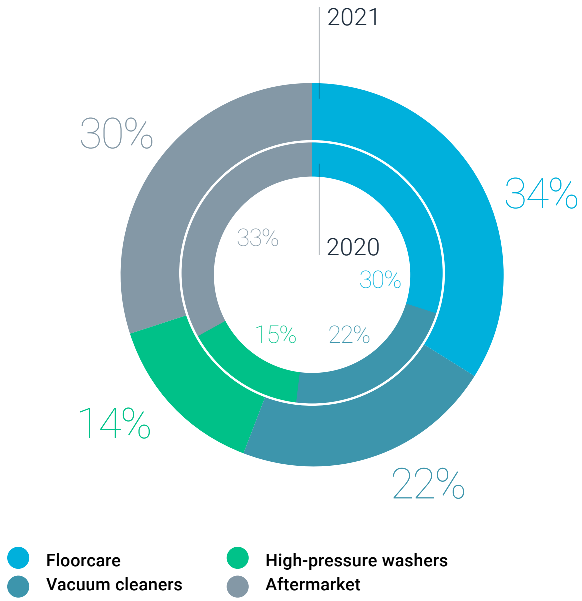
Revenue by country
The table below shows a split of revenue based on the countries in which the customers are located.

EUR million	2021		2020	
USA	253.4	25%	214.7	26%
Germany	115.9	12%	100.3	12%
France	113.0	11%	84.6	10%
UK	48.6	5%	42.5	5%
Denmark	44.8	5%	42.4	5%
Sweden	37.6	4%	28.4	3%
Canada	31.2	3%	22.9	3%
Netherlands	26.9	3%	23.6	3%
Italy	26.3	3%	21.0	3%
Spain	22.7	2%	20.9	3%
Other	274.5	27%	231.6	27%
Total	**994.9**	**100%**	**832.9**	**100%**

Revenue by geography



Revenue by product line and service offering



Revenue by geography

EUR million	2021 Revenue	2021 Non-current assets[1]	2020 Revenue	2020 Non-current assets[1]
Europe region	602.8	276.0	511.9	290.9
Americas region	303.4	69.7	253.7	72.2
APAC, Middle East and Africa region	88.7	38.2	67.3	36.2
Total	**994.9**	**383.9**	**832.9**	**399.3**

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

Revenue by product line and service offering

EUR million	2021	2020	Organic growth
Floorcare	338.1	254.4	35.3%
Vacuum cleaners	217.9	182.5	20.2%
High-pressure washers	144.4	124.5	16.6%
Aftermarket	294.5	271.5	9.3%
Total	**994.9**	**832.9**	**20.7%**

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

2.2 Revenue – continued

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

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

EUR million	2021	2020
Prepayments from customers	1.6	2.8
Deferred revenue (non-current)	2.0	1.1
Deferred revenue (current)	7.6	5.9
Total contract liabilities	**11.2**	**9.8**

Set out below is the amount of revenue recognized from:

EUR million	2021	2020
Amounts included in contract liabilities at the beginning of the year	8.7	6.8

§ Accounting policy

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

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

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

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

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

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

2.3 Research and development costs

Research and development costs specification

EUR million	2021	2020
Staff costs	17.7	17.2
Other costs	7.9	5.9
Total research and development spend	**25.6**	**23.1**
Recognized as follows:		
Expensed in the income statement	15.9	15.0
Capitalized	9.7	8.1
Total	**25.6**	**23.1**
R&D ratio (% of revenue)	2.6%	2.8%
Presented in the income statement:		
Expensed in the income statement, cf. above	15.9	15.0
Amortization, depreciation and impairment	13.2	16.7
Research and development costs excluding special items	**29.1**	**31.7**
Special items	-	1.3
Total	**29.1**	**33.0**

The research and development spend increased by 2.5 mEUR compared to the same period last year and total research and development spend as a percentage of revenue decreased by 0.2 percentage point.

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

2.3 Research and development costs – continued

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 assumes that the costs can be reliably determined, and that there is also adequate certainty that the future earnings or net selling prices can cover the carrying amount as well as the development costs necessary for finalizing the project.

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

On completion of the development work, the cost of development projects is amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is 3-8 years. The amortization base is reduced by any impairment losses.

2.4 Special items

EUR million	2021	2020
Business restructuring[1]	5.1	10.4
Divestment	-0.7	0.4
Total	**4.4**	**10.8**

[1]Cost saving program has been merged into business restructuring in 2021

Special items relating to business restructuring mainly consist of redundancy and minor costs for write-downs and market exits. For 2021, this related mainly to the leadership changes announced on May 6, 2021. For 2020, this related to the restructuring plan announced on May 15, 2020, the Consumer exit costs and start-up costs for the new distribution center in Ghent (Belgium).

Divestment income in 2021 and divestments costs in 2020 related to the divestments initiated in 2018.

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 were temporarily sent home during the pandemic and hence recognized as ordinary overhead costs. See note 2.6.

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.

EUR million	2021	Special items	2021 adjusted	2020	Special items	2020 adjusted
Revenue	994.9	-	994.9	832.9	-	832.9
Cost of sales	-592.2	-	-592.2	-486.2	-3.2	-489.4
Gross profit	**402.7**	**-**	**402.7**	**346.7**	**-3.2**	**343.5**
Research and development costs	-29.1	-	-29.1	-31.7	-1.3	-33.0
Sales and distribution costs	-227.6	-0.2	-227.8	-220.8	-4.0	-224.8
Administrative costs	-63.8	-4.3	-68.1	-64.6	-2.3	-66.9
Other operating income	3.4	0.1	3.5	5.5	-	5.5
Other operating expenses	-1.5	-	-1.5	-2.2	-	-2.2
Special items, net	-4.4	4.4	-	-10.8	10.8	-
Operating profit	**79.7**	**-**	**79.7**	**22.1**	**-**	**22.1**

Key accounting judgments

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

Accounting policy

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

2.5 Amortization, depreciation, and impairment

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

	Intangible assets		Property, plant and equipment		Total	
EUR million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Amortization and depreciation:						
Cost of sales	0.1	1.2	17.1	18.6	17.2	19.8
Research and development costs	11.1	13.2	0.6	0.7	11.7	13.9
Sales and distribution costs	3.1	3.4	9.9	9.4	13.0	12.8
Administrative costs	7.5	7.2	9.3	11.1	16.8	18.3
Total amortization and depreciation	**21.8**	**25.0**	**36.9**	**39.8**	**58.7**	**64.8**
Impairment:						
Research and development costs	1.5	2.8	-	-	1.5	2.8
Special items	-	0.7	-	0.2	-	0.9
Total impairment	**1.5**	**3.5**	**-**	**0.2**	**1.5**	**3.7**
Total amortization, depreciation, and impairment	**23.3**	**28.5**	**36.9**	**40.0**	**60.2**	**68.5**

Amortization of acquisition-related intangibles was 3.0 mEUR in 2021 (2020: 4.3 mEUR), hereof 0.1 mEUR included in cost of sales (2020: 1.2 mEUR) and 2.9 mEUR included in sales and distribution costs (2020: 3.1 mEUR).

2.6 Other operating Income

EUR million	2021	2020
Government grants	0.3	4.3
Other	3.1	1.2
Total	**3.4**	**5.5**

Government grants amounted to 0.3 mEUR in 2021 (2020: 4.3 mEUR). The grants related to COVID-19 government support programs to cover salary costs for employees still on payroll that were temporarily sent home during the pandemic.

§ 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	**2021**	**2020**	**2021**	**2020**
Interest on financial assets measured at amortized costs	0.6	0.5	7.7	10.9
Foreign exchange gains (losses)	-	-	1.0	0.5
Interest, lease liabilities	-	-	1.4	1.5
Other financial items	1.0	0.1	3.1	2.4
Total	**1.6**	**0.6**	**13.2**	**15.3**

Financial items, net represented -11.6 mEUR in 2021 compared to -14.7 mEUR in 2020.

Financial income increased by 1.0 mEUR, while financial expenses decreased by 2.1 mEUR compared to 2020. Interest expenses decreased mainly due to lower net interest-bearing debt.

§ Accounting policy

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

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

2.8 Tax

Tax recognized in the income statement

EUR million	2021	2020
Tax for the year is specified as follows:		
Tax on profit for the year	17.7	10.1
Tax on other comprehensive income	1.7	-0.3
Total tax for the year	**19.4**	**9.8**
Tax on profit for the year is specified as follows:		
Current tax on profit for the year	13.9	6.4
Deferred tax	3.5	3.6
Prior year adjustment, current and deferred tax	0.3	0.1
Total tax on profit for the year	**17.7**	**10.1**
Tax on other comprehensive income is specified as follows:		
Value adjustment of hedging instruments	1.4	0.1
Actuarial gains (losses) on defined benefit plans	0.3	-0.4
Total tax on other comprehensive income	**1.7**	**-0.3**

The effective tax rate in 2021 of 25.8% was mainly impacted by a profitable year, moving the effective tax rate closer to the weighted corporate income tax rate compared to 2020.

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

Tax rate

EUR million	2021		2020	
Reconciliation of the effective tax rate for the year:				
Calculated tax on profit before income taxes	15.1	22.0%	1.7	22.0%
Adjustment of calculated tax in foreign subsidiaries relative to 22%	1.7	2.6%	1.1	15.6%
Tax effect of:				
Non-deductible expenses/non-taxable income	-0.2	-0.3%	0.6	8.0%
Tax assets valuation allowances	0.7	1.0%	7.2	95.8%
Change in tax rate	-	-	0.3	4.0%
Non-recoverable withholding taxes	-	-	0.3	4.0%
Other taxes and adjustments	0.1	0.1%	-1.2	-16.0%
Prior year adjustment	0.3	0.4%	0.1	1.3%
Effective tax rate	**17.7**	**25.8%**	**10.1**	**134.7%**

Key accounting estimates

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

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

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

It is the Executive Management Board's assessment that the budgets and mid-term targets are achievable and 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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

2.8 Tax – continued

Deferred tax assets and liabilities

EUR million	2021	2020
Specification of deferred tax assets and liabilities:		
Intangible assets	-14.9	-21.2
Property, plant, and equipment	1.3	5.8
Current assets	4.9	5.8
Other non-current liabilities	6.5	7.3
Current liabilities	6.7	7.3
Tax base of tax loss carryforwards and credits	13.1	16.4
Valuation allowances	-7.8	-7.8
Deferred tax assets/liabilities	**9.8**	**13.6**
Presentation of deferred tax:		
Deferred tax assets	15.7	20.5
Deferred tax liabilities	-5.9	-6.9
Deferred tax assets/liabilities	**9.8**	**13.6**

EUR million	2021	2020
Deferred tax assets, January 1	20.5	25.1
Deferred tax liabilities, January 1	-6.9	-7.0
Foreign exchange adjustment	0.4	0.2
Tax recognized in other comprehensive income	-1.7	0.3
Deferred tax recognized in the income statement	-2.5	-5.0
Deferred tax, December 31	**9.8**	**13.6**

§ 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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

Note 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	2021	2020
Wages and salaries	223.2	217.6
Long-term incentive programs	0.8	-0.2
Social security costs	28.2	25.8
Defined contribution plans	10.7	10.3
Defined benefit plans	0.5	0.5
Total	**263.4**	**254.0**
Number of full-time employees, average	4,696	4,460
Staff costs per full-time employee (EUR thousand)	56.1	57.0

Staff costs increased by 4% and the average number of employees increased by 5%. Average number of employees in 2021 was materially influenced by increased activity level in the production facilities compared to 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 2021, the Board of Directors received a total remuneration of 0.6 mEUR (2020: 0.6 mEUR). The remuneration to the Executive Management Board and the Nilfisk Leadership Team has increased from 6.0 mEUR in 2020 to 11.5 mEUR in 2021. The remuneration includes salary and redundancy costs for the former Executive Management Board of 5.5 mEUR.

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

The Board of Directors receive a fixed remuneration, while 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	2021	2020
Board of Directors	492.6	526.9
Audit Committee	26.8	33.0
Remuneration Committee	20.1	20.1
Nomination Committee	20.1	13.9
Total remuneration to the Board of Directors	**559.6**	**593.9**

The remuneration covers 10 board members in 2021 (2020: 11 board members) where of one of the members is not receiving remuneration.

Remuneration to the Nilfisk Leadership Team

	2021			2020		
EUR thousand	Executive Management Board[1]	Nilfisk Leadership Team	Total	Executive Management Board	Nilfisk Leadership Team	Total
Salary and pension	5,798.5	2,330.8	8,129.3	1,925.7	3,212.0	5,137.7
Annual bonus	1,324.9	848.1	2,173.0	461.5	284.5	746.0
Long-term incentive programs	576.5	341.4	917.9	-62.3	14.4	-47.9
Other benefits	174.3	117.6	291.9	42.6	163.4	206.0
Total	**7,874.2**	**3,637.9**	**11,512.1**	**2,367.5**	**3,674.3**	**6,041.8**

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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 phantom share program is recognized under other liabilities with the amount of 0.6 mEUR compared to 0.3 mEUR at the end of 2020. The performance share program is recognized under equity with an amount of 2.2 mEUR compared to 1.0 mEUR end of 2020.

Recognition of share-based payments in the income statement is a net cost in 2021. The cost was 0.3 mEUR for the 2021 program and 0.7 mEUR for the 2020 program, which was adjusted in 2021 to a higher expected achievement of targets. The costs for 2021 and 2020 were partly offset by a net income of 0.2 mEUR due to a reversal of the 2019 program. Hence total costs came to 0.8 mEUR compared to an income of 0.2 mEUR in 2020.

In addition, 0.4 mEUR related to performance share costs for the former Executive Management Board was recognized as special items.

Phantom share program

In the period 2014 to 2016 a phantom share program granted a number of employees the right to a potential payment. The phantom share program was an alternative approach to be part of the short-term bonus program. For the purpose of calculating the outcome 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 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. Remaining phantom shares were granted in 2016 and can be exercised in May 2022.

The value of the phantom shares is based on the market value of the Nilfisk Holding A/S shares traded on Nasdaq. When participants exercise phantom shares the value of the phantom shares are based on the average share price for the month prior to the exercise. In 2021, 21,701 phantom shares were exercised, which leaves the total number of outstanding phantom shares on December 31, 2021 at 31,195.

Nilfisk has entered 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 2021 and 2020 is reflected below.

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

Recognition of share-based payments

EUR million	2021	2020
Performance share program	0.8	-0.2
Total	**0.8**	**-0.2**

Phantom shares

	Number of phantom shares		Avg. exercise price per phantom share (DKK)		Avg. exercise price per phantom share (EUR)	
	2021	2020	2021	2020	2021	2020
Outstanding, January 1	52,896	108,958	89	97	12	13
Exercised during the period	-21,701	-56,062	98	127	13	17
Outstanding, December 31	**31,195**	**52,896**	**83**	**89**	**11**	**12**
Weighted average share price at the exercise date during the period			189	89	25	12
Number of phantom shares fully vested at the balance sheet date					31,195	52,896
Weighted average remaining contractual life (months)					0	0

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

3.3 Long-term incentive programs – continued

Performance share program
In line with the remuneration policy approved by the Annual General Meeting in March 2021, the Nilfisk Leadership Team and selected key employees have been awarded performance shares with a three-year cliff vesting depending on performance measures on EBITDA and Total Shareholder Return (TSR).

In 2021, 29 employees were offered participation in the 2021 program with a total of 87,020 performance shares equal to 0.33% of the total number of shares in Nilfisk Holding A/S. The selected key employees outside the Nilfisk Leadership Team have been offered the opportunity to participate in return for a reduction in their annual bonus. Nilfisk has expensed 0.3 mEUR relating to the 2021 performance share program. The number of outstanding shares were 87,020 on December 31, 2021.

Based on the performance in the vesting period, the awarded performance shares in 2019 have been fully reversed in 2021 as the performance conditions were not met. For the performance share program awarded in 2020 the number of outstanding shares were 133,924 on December 31, 2021.

Nilfisk has recorded an expense of 0.5 mEUR in 2021 relating to the awarded performance shares in 2019 and 2020.

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

The performance share program measures have been divided into two separate categories:

1. EBITDA is defined as a non-market condition and is based on the company's expectations for future financial results.

2. TSR is defined as a market condition which is based on a Monte Carlo simulation to determine the expected increase in share price over the period. Since the TSR is defined as a market condition the valuation is fixed at grant date.

Performance shares

	Number of performance shares		Avg. exercise price per performance share (DKK)		Avg. exercise price per performance share (EUR)	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Outstanding, January 1	191,714	100,043	171	291	23	39
Granted during the period	87,020	144,103	178	134	24	18
Forfeited during the period	-57,790	-52,432	-	-	-	-
Outstanding, December 31	**220,944**	**191,714**	**150**	**171**	**20**	**23**
Weighted average remaining contractual life (months)					17	21

§ Accounting policy

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

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

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

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

Please see Note 6.3 for hedge accounting policy.

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

Note 4 Capital employed

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.

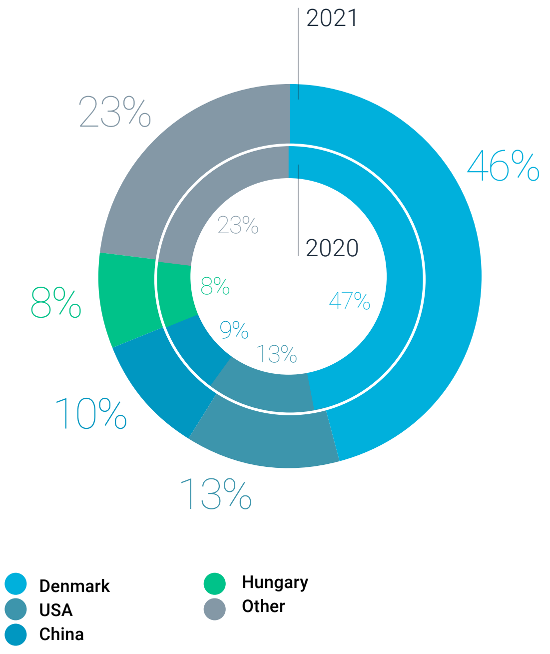
The Nilfisk Group mainly invests in production equipment to ensure satisfactory delivery flow to customers. Investments in intangible assets are driven by development projects focusing on renewing and optimizing the product portfolio and on software in relation to front-end applications and ERP systems.

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

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

EUR million	2021	2020
Denmark	81.8	95.6
USA	22.5	25.2
China	18.8	17.1
Hungary	15.0	16.9
Other	42.4	44.8
Total	**180.5**	**199.7**

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



4.1 Capital employed

EUR million	2021	2020
Non-current assets less interest-bearing receivables	397.6	418.6
Provisions, pension, and deferred tax liabilities	-27.1	-33.4
Working capital	175.7	131.6
Capital employed	**546.2**	**516.8**

Capital employed increased by 29.4 mEUR compared to 2020. The development in capital employed was largely driven by an increase in working capital.

In 2021, Nilfisk's return on capital employed (RoCE) increased by 9.9 percentage points to 15.8% from 5.9% in 2020. The decrease was mainly driven by an increase in operating profit before special items.

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

4.2 Impairment test

Key accounting estimates

Impairment test on goodwill allocated to cash-generating units as of December 31, 2021
Impairment tests are performed for each cash-generating unit based on budget for 2022 and forecasts for 2023-2026. The impairment tests performed for the cash-generating units (CGU) show a comfortable headroom as of December 31, 2021 and no indication of impairment exists in any of the CGUs.

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 growth initiatives.

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

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 1.0% compared to 2.0% in 2020.

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 9.7% and a post-tax discount rate of 7.9% compared to 10.3% and 8.4% respectively in 2020 has been applied in the performed impairment tests. The discount rate has been applied to all CGUs, assuming our targeted ratio between the market value of our debt and equity value.

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 dependant.

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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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, is as follows:

EUR million	2021	2020
Europe	121.8	119.5
Americas	32.2	31.7
APAC	14.0	13.7
Consumer	1.1	1.1
Total	**169.1**	**166.0**

The change in the goodwill balances from January 1, 2021 to December 31, 2021 relates to exchange rate adjustments during the year.

Sensitivity

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).

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.

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

4.3 Intangible assets

	2021							2020						
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	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
Exchange rate adjustments	3.1	1.1	1.9	0.5	1.7	0.1	8.4	-2.5	-1.1	-1.8	0.5	-1.5	0.1	-6.3
Additions	-	-	-	1.3	0.8	9.6	11.7	-	-	-	0.8	3.2	7.6	11.6
Disposals	-	-	-	-	-1.8	-1.9	-3.7	-	-0.2	-0.2	-14.3	-4.2	-2.9	-21.8
Transferred between classes of assets	-	-	-	10.7	0.2	-10.9	-	-	-	-	7.5	10.0	-17.5	-
Costs, December 31	**169.1**	**24.1**	**31.1**	**159.0**	**95.1**	**20.1**	**498.5**	**166.0**	**23.0**	**29.2**	**146.5**	**94.2**	**23.2**	**482.1**
Amortization and impairment, January 1	-	-15.2	-23.1	-121.7	-63.6	-1.8	-225.4	-	-14.7	-22.7	-112.9	-59.3	-1.9	-211.5
Exchange rate adjustments	-	-0.4	-1.1	-0.6	-1.8	-0.1	-4.0	-	0.4	1.1	-0.2	1.4	0.1	2.8
Amortization for the year	-	-1.2	-1.7	-10.9	-8.0	-	-21.8	-	-1.1	-1.6	-13.3	-9.0	-	-25.0
Impairment	-	-	-	-	-	-1.5	-1.5	-	-	-	-0.7	-	-2.8	-3.5
Disposals	-	-	-	-	1.8	1.9	3.7	-	0.2	0.1	5.4	3.3	2.8	11.8
Amortization and impairment, December 31	**-**	**-16.8**	**-25.9**	**-133.2**	**-71.6**	**-1.5**	**-249.0**	**-**	**-15.2**	**-23.1**	**-121.7**	**-63.6**	**-1.8**	**-225.4**
Carrying amount, December 31	**169.1**	**7.3**	**5.2**	**25.8**	**23.5**	**18.6**	**249.5**	**166.0**	**7.8**	**6.1**	**24.8**	**30.6**	**21.4**	**256.7**
Investment ratio (% of amortizations)	-	-	-	110%	13%	-	104%	-	-	-	62%	147%	-	116%

[1]Trademarks with a carrying amount of 2.7 mEUR (2020: 2.7 mEUR) are not amortized, as they are regarded as having an indefinite useful life.

Impairment losses

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

Impairment losses of 2.8 mEUR included in research and development costs in 2020 were a result of simplification of the product portfolio.

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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 cost 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 3-10 years
Customer related assets	3-15 years
Development projects	3-8 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 basis of amortization is reduced by impairment losses.

Patents and licenses are measured at cost 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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

4.4 Property, plant, and equipment

	2021					2020				
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	19.4	14.2	133.2	3.1	169.9	19.7	16.1	135.4	3.7	174.9
Exchange rate adjustments	1.5	0.7	3.9	-	6.1	-0.4	-0.7	-4.3	-0.1	-5.5
Additions	-	0.1	6.5	5.1	11.7	0.1	0.1	5.7	3.5	9.4
Disposals	-	-0.3	-7.9	-	-8.2	-	-1.8	-6.6	-0.5	-8.9
Transferred between classes of assets	-	1.2	3.9	-5.1	-	-	0.5	3.0	-3.5	-
Costs, December 31	**20.9**	**15.9**	**139.6**	**3.1**	**179.5**	**19.4**	**14.2**	**133.2**	**3.1**	**169.9**
Depreciation and impairment, January 1	-11.5	-10.8	-103.8	-	-126.1	-11.2	-12.1	-100.4	-	-123.7
Exchange rate adjustments	-0.7	-0.5	-3.0	-	-4.2	0.2	0.6	3.0	-	3.8
Depreciation for the year	-0.4	-0.9	-11.6	-	-12.9	-0.5	-0.9	-11.8	-	-13.2
Impairment	-	-	-	-	-	-	-0.2	-	-	-0.2
Disposals	-	0.3	7.3	-	7.6	-	1.8	5.4	-	7.2
Depreciation and impairment, December 31	**-12.6**	**-11.9**	**-111.1**	**-**	**-135.6**	**-11.5**	**-10.8**	**-103.8**	**-**	**-126.1**
Carrying amount, December 31	**8.3**	**4.0**	**28.5**	**3.1**	**43.9**	**7.9**	**3.4**	**29.4**	**3.1**	**43.8**
Investment ratio (% of depreciation)	-	144%	90%	-	130%	20%	67%	74%	-	97%

Impairment losses

No impairment losses were recognized in 2021.

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

4.4 Property, plant, and equipment – continued

§ Accounting policy

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

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

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

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

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

Buildings	8-50 years
Plant and machinery	3-20 years
Tools and equipment	3-15 years
Land 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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

4.5 Right-of-use assets

	2021				2020			
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	76.7	3.5	30.2	110.4	49.7	2.9	27.0	79.6
Exchange rate adjustments	1.9	-	0.4	2.3	-1.8	-	-0.9	-2.7
Additions	7.4	1.6	7.2	16.2	30.1	1.1	7.6	38.8
Disposals	-4.7	-0.4	-4.8	-9.9	-1.3	-0.5	-3.5	-5.3
Costs, December 31	**81.3**	**4.7**	**33.0**	**119.0**	**76.7**	**3.5**	**30.2**	**110.4**
Depreciation and impairment, January 1	-28.7	-1.9	-14.6	-45.2	-14.7	-1.0	-9.4	-25.1
Exchange rate adjustments	-2.1	-	-0.7	-2.8	0.5	-	1.3	1.8
Depreciation for the year	-14.8	-0.9	-8.3	-24.0	-15.4	-1.2	-10.0	-26.6
Disposals	4.4	0.3	4.5	9.2	0.9	0.3	3.5	4.7
Depreciation and impairment, December 31	**-41.2**	**-2.5**	**-19.1**	**-62.8**	**-28.7**	**-1.9**	**-14.6**	**-45.2**
Carrying amount, December 31	**40.1**	**2.2**	**13.9**	**56.2**	**48.0**	**1.6**	**15.6**	**65.2**

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

Total minimum payments for signed but not recognized contracts are 5.2 mEUR (2020: 2.2 mEUR)

Lease contracts recognized as overhead costs
Short-term and low value lease contracts are expensed directly as overhead costs. For 2021, the overhead costs amounted to 0.7 mEUR (2020: 1.5 mEUR).

The expected overhead costs relating to short-term and low value lease contracts are 1.5 mEUR for 2022.

Payments relating to lease arrangements
Total cash-out for right-of-use assets recognized in the statement of financial position in the year was 25.8 mEUR (2020: 27.9 mEUR). The amount is made up from repayment of lease liabilities of 24.4 mEUR (2020: 26.4 mEUR) and interest of 1.4 mEUR (2020: 1.5 mEUR).

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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, 2021 the estimated useful life can be summarized as follows:

Leased buildings: 1-9 years, with a remaining average of 2.2 years (2020: 1-9 years with average of 2.4 years)

Other leases: 1-6 years with a remaining average of 1.7 years (2020: 1-6 years with average of 1.7 years)

Average discount rate for active contracts as of December 31, 2021 was 2.8% (2020: 2.2%).

Accounting policy

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

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

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

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

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

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

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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)	2021	2020
Discount rate	0.6%	0.6%
Future salary increases	1.0%	0.4%
Future pension increases	0.4%	1.3%

The anticipated duration of the plan liability, expressed as a weighted average, was 14 years at December 31, 2021 (2020: 16 years). The Nilfisk Group's expected contribution to defined benefit plans in 2022 amounts to 0.4 mEUR (2020: 0.5 mEUR)

Net liabilities recognized in the statement of financial position

	2021			2020		
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	31.7	24.6	7.1	30.8	24.9	5.9
Recognized under staff costs in the income statement:						
Current service cost	0.5	-	0.5	0.5	-	0.5
Calculated interest expenses/income	0.3	0.3	-	0.4	0.4	-
Total	**0.8**	**0.3**	**0.5**	**0.9**	**0.4**	**0.5**
Recognized in other comprehensive income:						
Actuarial gains (losses) from changes in demographic assumptions	-	-	-	0.1	-	0.1
Actuarial gains (losses) from changes in financial assumptions	-2.0	-	-2.0	2.1	-	2.1
Other return on plan assets	-	-0.1	0.1	-	0.7	0.7
Total	**-2.0**	**-0.1**	**-1.9**	**2.2**	**0.7**	**1.5**
Other changes:						
Contributions to plans	0.1	0.8	-0.7	0.2	0.8	-0.6
Benefits paid/received	0.3	0.4	-0.1	-1.3	-1.2	-0.1
Exchange rate adjustments	1.8	1.6	0.2	-1.3	-1.0	-0.3
Total	**2.2**	**2.8**	**-0.6**	**-2.4**	**-1.4**	**-1.0**
Net recognized plan obligations and assets, December 31	32.7	27.6	5.1	31.5	24.6	6.9
Other long-term employee benefits	-	-	-	0.2	-	0.2
Recognized, December 31	**32.7**	**27.6**	**5.1**	**31.7**	**24.6**	**7.1**

EUR million	2021	2020
Plan assets recognized as follows:		
Securities with quoted market price	19.0	19.3
Cash	1.9	0.2
Other	6.7	5.1
Total	**27.6**	**24.6**

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

4.6 Pension liabilities – continued

Sensitivity

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

EUR million	2021	2020
0.5% point increase in the discount rate	-2.5	-2.4
0.5% point decrease in the discount rate	2.8	2.7
0.5% point increase in the future salary increases	0.3	0.3
0.5% point decrease in the future salary increases	-0.2	-0.3

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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

4.7 Provisions

Development in provisions

EUR million	Warranties	Other	Total
2021			
Provisions, January 1	12.7	6.7	19.4
Exchange rate adjustments	0.3	0.3	0.6
Provisions made during the year	9.0	1.6	10.6
Used during the year	-10.5	-4.0	-14.5
Provisions, December 31	**11.5**	**4.6**	**16.1**
Provisions are presented as:			
Non-current liabilities	-	2.3	2.3
Current liabilities	11.5	2.3	13.8
Total	**11.5**	**4.6**	**16.1**
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**

Key accounting estimates

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

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

Accounting policy

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

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

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

Provisions for restoring rented facilities when vacated are measured at the present value of the expected clearance and closure obligation at the balance sheet date. The provision is based on existing encumbrances and estimated costs discounted to present value. Specific risks considered to attach to the obligation are included in the estimated costs. A discount rate is applied 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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

Note 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.

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.

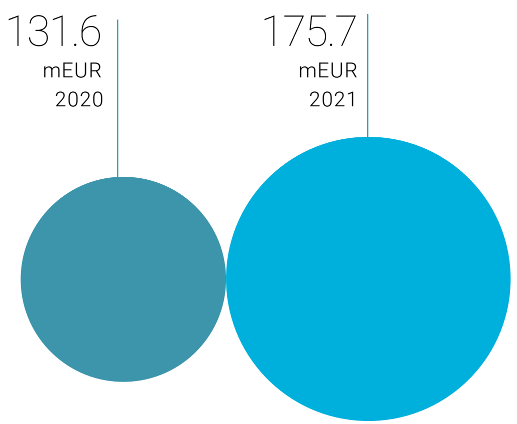
Key developments in 2021
The Nilfisk Group working capital increased by 44.1 mEUR from 131.6 mEUR at December 31, 2020 to 175.7 mEUR at December 31, 2021. The increase in working capital was primarily related to an increase in operating working capital and inventory in particular.

Inventories increased from 149.3 mEUR at December 31, 2020 to 220.1 mEUR at December 31, 2021. This was driven by substantially higher business activity and by a management decision to ensure stock availability of critical components and most used parts where possible.

Trade receivables amounted to 173.9 mEUR at December 31, 2021 and have increased by 19.7 mEUR since December 31, 2020. The increase in trade receivables was driven by higher sales activity. Days sales outstanding was notably reduced compared to 2020.

The working capital ratio measured in percentage of revenue on a 12-month average was 15.4% at the end of 2021. This was a decrease of 3.4 percentage points compared to 2020.

Working capital



Breakdown of working capital

EUR million	2021	2020
Inventories	220.1	149.3
Trade receivables	173.9	154.2
Other receivables	27.4	19.1
Income tax receivable	4.6	5.0
Other non-current liabilities	-5.4	-1.3
Trade payables	-135.9	-99.9
Other liabilities	-101.5	-93.6
Income tax payable	-7.5	-1.2
Working capital	**175.7**	**131.6**
Working capital ratio (LTM)	15.4%	18.8%

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

5.1 Inventories

The Nilfisk Group's entities carry inventory to support their operations. Inventory days increased from 127 to 144 by the end of December 2021.

Specification of inventories

EUR million	2021	2020
Raw materials, consumables, and goods for resale	73.9	39.5
Work in progress	0.4	1.2
Finished goods	145.8	108.6
Total	**220.1**	**149.3**
Write-down on inventories, January 1	11.0	9.2
Exchange rate adjustments	0.2	-0.3
Write-down on inventories for the year expensed in the income statement	1.6	2.3
Reversal/disposal of write-downs	-3.0	-0.2
Write-down on inventories, December 31	**9.8**	**11.0**

Key accounting judgments

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

Key accounting estimates

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

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

Accounting policy

Inventories are measured at cost in accordance with the FIFO method 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.

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

5.2 Trade receivables

Trade receivables increased in absolute terms from December 31, 2020, to December 31, 2021. The outstanding balances are being monitored closely with a continuing focus on collecting receivables. The days sales outstanding was 53.8 and decreased compared to the same period last year (2020: 56.0).

Specification of trade receivables

EUR million	2021	2020
Trade receivables, gross incl. VAT	179.9	160.3
Allowance for expected credit losses	-6.0	-6.1
Total	**173.9**	**154.2**

Movements in allowance for expected credit losses

EUR million	2021	2020
Allowance, January 1	6.1	5.9
Exchange rate adjustments	0.2	-0.3
Allowance losses recognized	0.9	2.1
Reversal of allowance losses	-1.0	-0.9
Realized allowance losses	-0.2	-0.7
Allowance, December 31	**6.0**	**6.1**

Allowance for expected credit losses amounted to 6.0 mEUR compared to 6.1 mEUR as of December 31, 2020. A total of 3.2 mEUR was attributable to individual impairments unchanged from December 31, 2020.

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

Specification of expected credit losses

	2021			2020		
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	147.2	0.3	0.2%	129.8	0.4	0.3%
Overdue < 1 months	16.0	0.1	0.7%	14.0	0.1	0.9%
Overdue 1-2 months	4.9	0.2	3.0%	4.0	0.2	4.3%
Overdue 2-4 months	3.7	0.2	5.8%	3.8	0.4	10.2%
Overdue > 4 months	8.1	5.2	60.1%	8.7	5.0	64.3%
Total	**179.9**	**6.0**		**160.3**	**6.1**	

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 expenses.

Prepaid expenses are measured at cost.

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

Note 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 Group's leverage target is to ensure that the net interest-bearing debt should be between 1.5 – 2.0 x EBITDA before special items.

Total committed credit facilities available to Nilfisk are 450 mEUR (2020: 550 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, 2021 was 338.5 mEUR and hence decreased by 44.7 mEUR compared to December 31, 2020.

As of December 31, 2021 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

	2021					2020				
			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	227.3	69.1	-3.7	-	292.7	376.9	-153.5	3.9	-	227.3
Non-current lease liabilities	44.3	-	-0.2	-8.8	35.3	32.2	-	-0.7	12.8	44.3
Current interest-bearing loans and borrowings	105.2	-102.1	2.7	-	5.8	5.0	100.3	-0.1	-	105.2
Current lease liabilities	22.5	-24.4	-0.1	24.3	22.3	24.0	-26.4	-0.5	25.4	22.5
Interest-bearing liabilities	**399.3**	**-57.4**	**-1.3**	**15.5**	**356.1**	**438.1**	**-79.6**	**2.6**	**38.2**	**399.3**
Current interest-bearing receivables	-3.0	1.0	1.4	-	-0.6	-4.7	1.5	0.2	-	-3.0
Interest-bearing receivables	**-3.0**	**1.0**	**1.4**	**-**	**-0.6**	**-4.7**	**1.5**	**0.2**	**-**	**-3.0**
Net liabilities from financing activities	**396.3**	**-56.4**	**0.1**	**15.5**	**355.5**	**433.4**	**-78.1**	**2.8**	**38.2**	**396.3**
Non-current interest-bearing receivables	-1.2	-0.1	-0.7	-	-2.0	-	-1.3	0.1	-	-1.2
Non-current interest-bearing receivables	**-1.2**	**-0.1**	**-0.7**	**-**	**-2.0**	**-**	**-1.3**	**0.1**	**-**	**-1.2**
Net liabilities from investing activities	**-1.2**	**-0.1**	**-0.7**	**-**	**-2.0**	**-**	**-1.3**	**0.1**	**-**	**-1.2**
Cash and cash equivalents	13.1	2.1	-0.2	-	15.0	19.3	-4.6	-1.6	-	13.1
Net interest-bearing debt	**382.0**	**-58.6**	**-0.4**	**15.5**	**338.5**	**414.1**	**-74.8**	**4.5**	**38.2**	**382.0**

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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

Carrying amount of associated companies

EUR million	2021	2020
Carrying amount, January 1	29.3	21.5
Exchange rate adjustments	0.4	-0.6
Share of profit recognized in the income statement	0.6	0.1
Contribution	-	9.6
Dividends	-1.3	-1.3
Carrying amount, December 31	**29.0**	**29.3**

Details of associated companies

	2021			2020		
	M2H	CFM Lombardia	Thoro	M2H	CFM Lombardia	Thoro
EUR million	France	Italy	US	France	Italy	US
Revenue	68.7	1.6	0.1	71.7	1.9	-
Profit (loss) after tax	6.4	-	-4.4	4.2	-	-3.6
Non-current assets	12.6	0.1	10.9	13.0	0.1	16.8
Current assets	62.7	1.2	-	60.2	1.0	-
Total assets	75.3	1.3	10.9	73.2	1.1	16.8
Equity	51.3	0.4	10.9	47.8	0.3	14.3
Non-current liabilities	15.1	0.2	-	15.3	0.1	-
Current liabilities	8.9	0.7	-	10.1	0.7	2.5
Equity and liabilities	75.3	1.3	10.9	73.2	1.1	16.8
Ownership in %	44%	33%	50%	44%	33%	50%
Share of profit after tax	2.8	-	-2.2	1.9	-	-1.8
Share of equity	22.5	0.1	5.5	21.1	0.1	7.2
Goodwill recognized	0.9	-	-	0.9	-	-
Carrying amount	**23.4**	**0.1**	**5.5**	**22.0**	**0.1**	**7.2**
Goods sold to associated companies	27.4	1.1	-	14.0	0.7	-
Goods purchased from associated companies	-	-	0.1	-	-	-
Goods purchased from associated companies	1.3	-	-	-	-	-
Receivables from associated companies	7.4	0.6	-	6.7	0.3	-

§ **Accounting policy**

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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 42% of gross debt at December 31, 2021 compared to 35% in 2020.

Interest caps

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

Sensitivity

It is estimated that a 1% rise in the market interest rate for the Nilfisk Group's interest-bearing liabilities at December 31, 2021 would impact pre-tax earnings negatively on an annual basis by approximately 0.8 mEUR p.a. compared to 1.1 mEUR in 2020.

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 2021, the interest expense amounted to 0.1 mEUR (2020: 0.0 mEUR). Nilfisk is obligated to exercise all shares within the TRS at the date of expiration. Dividends from the shares are fully compensated to Nilfisk.

Total Return Swap

Shares	Maturity date	Strike price (DKK)	Notional value (mDKK)	Interest rate	Carrying amount (mEUR)
2021					
177,500	March 2, 2022	229.42	40.7	2.45%	-0.4
Total					**-0.4**
2020					
124,896	March 4, 2021	125.80	15.7	2.35%	0.1
Total					**0.1**

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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
2021							
Forward contracts	2.0	-	-	-	-	-	2.0
Interest-bearing loans and borrowings	5.8	0.1	287.3	0.3	0.4	4.6	298.5
Lease liabilities	22.3	14.8	10.8	6.3	2.5	0.9	57.6
Trade payables	135.9	-	-	-	-	-	135.9
Other financial liabilities	99.5	4.8	0.6	-	-	-	104.9
Total	**265.5**	**19.7**	**298.7**	**6.6**	**2.9**	**5.5**	**598.9**
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 liabilities	91.2	0.8	0.4	-	-	-	92.4
Total	**321.2**	**240.6**	**12.1**	**6.8**	**5.8**	**7.6**	**594.1**

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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 most significant investments, excluding EUR/DKK.

EUR million	2021	2020
USD	-11.8	-9.8
CNY	-4.0	-3.4
GBP	-2.4	-2.0
Total	**-18.2**	**-15.2**

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, 2021 for the Nilfisk Group which are used for and fulfill the conditions for hedge accounting of future transactions. Forward exchange contracts relate to hedging of product sales/purchase.

Outstanding FX hedging contracts

	2021		2020	
EUR million	Notional value[1]	Recog-nized in OCI	Notional value[1]	Recog-nized in OCI
CNH/DKK[2]	75.9	4.3	50.6	-0.6
GBP/DKK	-18.2	-0.4	-18.1	-
NOK/DKK	-7.2	-0.1	-2.9	-
SEK/DKK	-4.7	-	-8.8	-0.2
TRY/DKK	-2.1	0.5	-	-
USD/DKK	-	-	-8.4	0.4
CAD/USD	-13.3	0.2	-12.1	-0.5
Other	-	-	-0.7	-
Total	**30.4**	**4.5**	**-0.4**	**-0.9**

[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 (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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.

Cash flow hedges

		2021					2020				
		Average exchange rate		Notional value: Foreign currency (tFCY)	Notional value: Local currency (tLCY)	Carrying amount of cash flow hedges, net EUR thousand	Average exchange rate		Notional value: Foreign currency (tFCY)	Notional value: Local currency (tLCY)	Carrying amount of hedges, net EUR thousand
Buy CNH	0-6 months	0.9799	CNH/DKK	338,930 CNH	332,127 DKK	3,130.4	0.9568	CNH/DKK	218,500 CNH	209,061 DKK	-534.1
	7-14 months	1.0048	CNH/DKK	209,041 CNH	210,045 DKK	1,124.2	0.9320	CNH/DKK	187,300 CNH	174,558 DKK	-59.7
Sell GBP	0-6 months	8.6238	GBP/DKK	-8,745 GBP	-75,415 DKK	-317.8	8.4317	GBP/DKK	-9,750 GBP	-82,209 DKK	106.2
	7-14 months	8.7718	GBP/DKK	-6,574 GBP	-57,666 DKK	-108.0	8.1653	GBP/DKK	-6,600 GBP	-53,891 DKK	-153.6
Sell NOK	0-6 months	0.7270	NOK/DKK	-41,287 NOK	-30,017 DKK	-110.9	0.7041	NOK/DKK	-24,700 NOK	-17,391 DKK	-31.2
	7-14 months	0.7442	NOK/DKK	-30,909 NOK	-23,002 DKK	-15.8	0.7041	NOK/DKK	-6,300 NOK	-4,436 DKK	-8.9
Sell SEK	0-6 months	0.7304	SEK/DKK	-41,068 SEK	-29,998 DKK	7.0	0.7250	SEK/DKK	-51,300 SEK	-37,192 DKK	-127.9
	7-14 months	0.7294	SEK/DKK	-6,601 SEK	-4,815 DKK	0.7	0.7258	SEK/DKK	-36,900 SEK	-26,780 DKK	-100.0
Sell TRY	0-6 months	0.7239	TRY/DKK	-17,300 TRY	-12,524 DKK	390.5		-	-	-	-
	7-14 months	0.6480	TRY/DKK	-13,400 TRY	-8,683 DKK	143.8		-	-	-	-
Sell USD	0-6 months		-	-	-	-	6.5128	USD/DKK	-5,650 USD	-36,797 DKK	292.0
	7-14 months		-	-	-	-	6.3361	USD/DKK	-4,700 USD	-29,780 DKK	143.9
Sell CAD	0-6 months	0.7975	CAD/USD	-10,595 CAD	-8,449 USD	118.8	0.7482	CAD/USD	-10,750 CAD	-8,044 USD	-315.2
	7-14 months	0.7952	CAD/USD	-8,734 CAD	-6,945 USD	96.1	0.7692	CAD/USD	-8,200 CAD	-6,307 USD	-101.0
Other						-					-23.2
Total						**4,459.0**					**-912.7**

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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

	2021				2020			
EUR million	**Currency risk**	**Interest rate risk**	**Remuneration risk**	**Total**	**Currency risk**	**Interest rate risk**	**Remuneration risk**	**Total**
Hedging reserve, January 1	-0.8	-0.2	0.1	-0.9	-0.8	-0.4	0.8	-0.4
Value adjustment for the year	4.8	0.9	-0.1	5.6	-	0.2	-	0.2
Value adjustment reclassified to cost of sales	0.7	-	-	0.7	-	-	-	-
Value adjustment reclassified to financial income and expenses	-	-	-	-	-	-	-0.6	-0.6
Tax on value adjustment of hedging instruments	-1.2	-0.2	-	-1.4	-	-	-0.1	-0.1
Hedging reserve, December 31	**3.5**	**0.5**	**-**	**4.0**	**-0.8**	**-0.2**	**0.1**	**-0.9**

Sensitivity

The sensitivity analysis demonstrates currency rate changes equal to the individual currency's historic volatility, with all other variables held constant. The impact on the income statement is due to changes in the fair value of monetary assets and liabilities including fair value hedges. The impact on other comprehensive income is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Group's exposure to foreign currency changes for all other currencies is not material. The analysis shows that for instance a 4% increase in the CNH/DKK rate will impact other comprehensive income by 3.3 mEUR.

	2021			2020		
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	4%	3.3	-0.6	6%	3.3	-0.1
GBP/DKK	6%	-1.1	0.1	6%	-1.1	-0.2
NOK/DKK	9%	-0.7	-	9%	0.3	-
SEK/DKK	6%	-0.3	0.1	8%	-0.7	-0.1
TRY/DKK	40%	-0.8	0.1	40%	-	-0.1
USD/DKK	5%	-	-	7%	-0.6	-0.3
CAD/USD	7%	-1.2	-	8%	-1.0	-0.1

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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	2021	2020
Financial assets:		
Trade receivables	173.9	154.2
Interest-bearing receivables	0.6	3.0
Other financial receivables	19.4	17.6
Financial assets at amortized cost	**193.9**	**174.8**
Derivative financial instruments	5.8	0.9
Fair value through other comprehensive income	**5.8**	**0.9**
Derivative financial instruments	2.2	0.6
Fair value through profit and loss	**2.2**	**0.6**
Total	**201.9**	**176.3**
Financial liabilities:		
Interest-bearing loans and borrowings	298.5	332.5
Trade payables	135.9	99.9
Lease liabilities	57.6	66.8
Other financial liabilities	104.9	92.4
Financial liabilities at amortized cost	**596.9**	**591.6**
Derivative financial instruments	0.7	1.9
Fair value through other comprehensive income	**0.7**	**1.9**
Derivative financial instruments	1.3	0.6
Fair value through profit and loss	**1.3**	**0.6**
Total	**598.9**	**594.1**
Financial instruments, net	**6.0**	**-1.0**

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

6.3 Financial risks and financial instruments – continued

Accounting policy

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

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

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

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

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

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

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

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

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

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

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

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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 2020. All shares have been fully paid up and no shares carry special rights. Nilfisk Holding A/S' Articles of Association specifies no limits in respect of ownership or voting rights, and the Executive Management Board is unaware of any agreements in this regard.

Earnings per share
Earnings per share of 1.88 EUR is based on profit attributable to shareholders of Nilfisk Holding A/S of 51.0 mEUR and an average number of shares of 27,126,369.

EUR	2021	2020
Basic earnings per share	1.88	-0.10
Diluted earnings per share	1.88	-0.10

Dividends
At the Annual General Meeting to be held on March 25, 2022, the Board of Directors will propose not to distribute dividends for the financial year of 2021 (2020: 0.0 mEUR).

Accounting policy

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

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

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

Hedging reserve
Hedging reserve covers:

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

Note 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	2021	2020
Deloitte:		
Statutory audit	0.9	0.9
Other assurance service	0.3	0.2
Total	**1.2**	**1.1**

The fee for other assurance services provided to the Group by Deloitte Statsautoriseret Revisionsselskab Denmark, amounted to 0.1 mEUR in 2021 (2020: 0.2 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	2021	2020
Goods sold to associated companies	28.5	14.7
Goods purchased from associated companies	0.1	-
Dividends received from associated companies	1.3	1.3
Receivables from associated companies	8.0	7.0

Please refer to Note 3.2 and Note 3.3 for remuneration to the Executive Management Board and Note 6.2 for investments in associates.

7.4 Other non-cash adjustments

EUR million	2021	2020
Change in provisions	-5.3	7.3
Other non-cash items	-0.7	0.2
Total	**-6.0**	**7.5**

7.5 Contingent liabilities, securities, and contractual obligations

EUR million	2021	2020
Guarantees to support local bank facilities	12.6	11.8
Rental guarantees	6.8	7.4
Other guarantees	4.3	3.3
Total issued guarantees	**23.7**	**22.5**

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

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

§ Accounting policy

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

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

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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 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 Trading LLC (49%)[1]	UAE
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.

[1]Majority of voting rights

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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	Non-current assets less interest-bearing receivables, provisions, pensions, and deferred tax liabilities and working capital specified in note 4.1
3	CAPEX	Capital expenditure
4	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
5	Diluted earnings per share	Profit (loss) attributable to shareholders of Nilfisk Holding A/S as a percentage of diluted average number of outstanding shares
6	EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortization, impairment, and special items
7	EBITDA	Earnings (profit) before interest, tax, depreciation, amortization, and impairment
8	EBITDA margin before special items	EBITDA before special items as a percentage of revenue
9	EBITDA margin	EBITDA as a percentage of revenue
10	EBIT before special items	Earnings before interest, tax, and special items (operating profit before special items)
11	EBIT	Earnings before interest and tax (operating profit)
12	EBIT margin before special items	EBIT before special items as a percentage of revenue
13	EBIT margin	EBIT as a percentage of revenue
14	Earnings per outstanding share (EPS)	Profit (loss) attributable to shareholders of Nilfisk Holding A/S relative to average number of outstanding shares
15	Equity value per outstanding share	Equity attributable to shareholders of Nilfisk Holding A/S per outstanding share at December 31
16	Financial gearing	Net interest-bearing debt divided by EBITDA before special items
17	Free cash flow	Cash flow from operating activities less cash flow from investing activities
18	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
19	Gross margin	Gross profit as a percentage of revenue
20	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
21	Investment ratio	Additions as a percentage of depreciations/amortizations
22	Net interest-bearing debt	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash specified in Note 6.1
23	OCI	Other comprehensive income
24	Organic growth	Organic growth in local currency excluding acquisitions and divestments and foreign exchange rates
25	Overhead cost ratio	Overhead costs as a percentage of revenue
26	R&D ratio	Research and development spend as a percentage of revenue
27	Return on capital employed (RoCE)	EBIT before special items as a percentage of average capital employed, calculated by taking the capital employed at December 31 and at the end of the preceding four quarters
28	Working capital	Current assets minus current and non-current liabilities (excluding interest-bearing items and provisions) specified in note 5
29	Working capital ratio	Average working capital LTM (latest twelve months) as a percentage of revenue

1. Basis for reporting
2. Profit (loss) for the year
3. Remuneration
4. Capital employed
5. Working capital
6. Capital structure
7. Other notes

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.

	2021	2020
Revenue growth (according to income statement)	19.5%	-13.8%
Foreign exchange	1.2%	1.5%
Other	-	0.8%
Organic growth	**20.7%**	**-11.5%**

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	2021	2020
Operating profit (EBIT)	79.7	22.1
Amortization, depreciation, and impairment	60.2	68.5
EBITDA	**139.9**	**90.6**
Special items (excluding impairment)	4.4	9.9
EBITDA before special items	**144.3**	**100.5**

Overhead costs

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

EUR million	2021	2020
Research and development costs	-29.1	-31.7
Sales and distribution costs	-227.6	-220.8
Administrative costs	-63.8	-64.6
Other operating income	3.4	5.5
Other operating expenses	-1.5	-2.2
Total overhead costs	**-318.6**	**-313.8**

Parent company financial statements 2021

Income statement	99
Balance sheet	99
Statement of changes in equity	100

Notes

1	Administrative costs	101
2	Fees to auditors elected at the annual general meeting	101
3	Financial items	101
4	Tax	101
5	Proposed distribution of loss for the year	101
6	Investments in subsidiaries	101
7	Prepayments	101
8	Related parties	102
9	Major shareholders	102
10	Contingent liabilities, securities, and contractual obligations	102
11	Events after the balance sheet date	102

Accounting policies 103

Income statement

for the period January 1 to December 31

EUR million	Note	2021	2020
Other income	1	3.4	2.6
Administrative costs	1, 2	-9.0	-3.9
Operating loss		**-5.6**	**-1.3**
Financial expenses	3	-1.1	-0.7
Loss before income taxes		**-6.7**	**-2.0**
Income taxes	4	1.5	-1.2
Loss for the year		**-5.2**	**-3.2**
To be distributed as follows:			
Loss attributable to shareholders of Nilfisk Holding A/S	5	-5.2	-3.2
Total		**-5.2**	**-3.2**

Balance sheet

as of December 31

EUR million	Note	2021	2020
Assets			
Investments in subsidiaries	6	216.5	216.4
Deferred tax	4	1.5	0.1
Total non-current assets		**218.0**	**216.5**
Prepayments	7	1.0	-
Income tax receivable		0.4	0.4
Receivables from Group companies	8	11.9	6.2
Total current assets		**13.3**	**6.6**
Total assets		**231.3**	**223.1**
Equity and liabilities			
Share capital		72.9	72.9
Retained earnings		14.4	19.0
Total equity		**87.3**	**91.9**
Interest-bearing loans and borrowings		20.3	11.7
Loans from Group companies	8	117.3	117.3
Other liabilities		0.4	-
Total non-current liabilities		**138.0**	**129.0**
Trade payables and other liabilities		6.0	1.8
Income tax payable		-	0.4
Total current liabilities		**6.0**	**2.2**
Total liabilities		**144.0**	**131.2**
Total equity and liabilities		**231.3**	**223.1**

Statement of changes in equity

for the years ended at December 31

EUR million	Share capital	Retained earnings	Total equity
2021			
Equity, January 1	**72.9**	**19.0**	**91.9**
Loss for the year	-	-5.2	-5.2
Share option program	-	0.6	0.6
Total changes in equity	**-**	**-4.6**	**-4.6**
Equity, December 31	**72.9**	**14.4**	**87.3**
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**

The total number of shares is 27,126,369 with a nominal value of 20 DKK each. The share capital is unchanged from 2020. 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 2021 are comprised of loss for the year. No dividends are proposed for 2021.

Note 1-7

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	2021	2020
Wages and salaries	6.6	2.4
Bonus	1.3	0.5
Long-term incentive programs	0.6	0.1
Total staff costs	**8.5**	**3.0**
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	2.4
Remuneration to former members of the Executive Management Board	5.5	-
Other administrative costs	0.5	0.9
Total administrative costs	**9.0**	**3.9**

The Executive Management Board are granted short-term bonus agreements contingent upon the fulfillment of the prerequisites, goals and conditions defined in a bonus agreement and long-term incentive programs. See Note 3.2 and Note 3.3 of the consolidated financial statements. Management fee of 3.4 mEUR (2020: 2.6 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	2021	2020
Deloitte:		
Statutory audit	0.1	0.1
Total	0.1	0.1

3. Financial items

EUR million	2021	2020
Foreign exchange gains	-	0.4
Interest to Group companies	-1.1	-1.1
Total	**-1.1**	**-0.7**

4. Tax

Tax recognized in the income statement

EUR million	2021	2020
Deferred tax	-1.5	1.2
Total	**-1.5**	**1.2**
Reported tax rate	22.0%	-64.1%
Reconciliation of tax:		
Calculated tax of 22.0% (2020: 22.0%) on loss before income taxes	-1.5	-0.4
Tax effect of:		
Non-taxable income/non-deductible expenses	-	0.1
Tax assets valuation allowances	-	1.5
Total	**-1.5**	**1.2**

Deferred tax assets

EUR million	2021	2020
Deferred tax assets, January 1	0.1	1.4
Exchange rate adjustments	-0.1	-0.1
Deferred tax recognized in the income statement	1.5	-1.2
Deferred tax assets, December 31	**1.5**	**0.1**

5. Proposed distribution of loss for the year

EUR million	2021	2020
Suggested distribution of loss for the year:		
Loss attributable to shareholders of Nilfisk Holding A/S	-5.2	-3.2
Total	**-5.2**	**-3.2**

6. Investments in subsidiaries

EUR million	2021	2020
Carrying amount, January 1	216.4	215.5
Exchange rate adjustments	0.1	0.9
Carrying amount, December 31	**216.5**	**216.4**

7. Prepayments

EUR million	2021	2020
Prepayments	1.0	-
Total	**1.0**	**-**

Note 8-11

8. Related parties

Transactions with affiliated undertakings comprise the following:

EUR million	2021	2020
Non-current interest-bearing loan from Nilfisk A/S	117.3	117.3
Receivables from Group companies	11.9	6.2

Management fee of 3.4 mEUR is included in the 11.9 mEUR as a net receivable (2020: 2.6 mEUR).

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

9. Major shareholders

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

EUR million	Number of shares	Share capital
KIRKBI INVEST A/S, Billund Denmark	5,493,200	20.3%
Ferd AS, Oslo, Norway	5,409,277	19.9%
PrimeStone Capital LLP, London, United Kingdom	4,614,817	17.0%

10. Contingent liabilities, securities, and contractual obligations

EUR million	2021	2020
Rental guarantees	6.7	7.4

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

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

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

11. Events after the balance sheet date

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

Accounting policies

Accounting policy

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

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

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

The Annual Report is presented in EUR million rounded with one decimal. The presentation currency is EUR as the Nilfisk Group's main business activities are EUR denominated

Description of accounting policies
In relation to the accounting policies described for the financial statements of the Nilfisk Group (see Note 1.1 to the consolidated financial statements), the accounting policies of the parent company differ in the following:

Income from investments in subsidiaries
Dividends from investments in subsidiaries companies are recognized in the income statement of the parent company in the year the dividends are declared.

Investments in subsidiaries
Investments in subsidiaries are measured at cost. If there is indication of impairment, impairment testing is carried out. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Tax
Nilfisk Holding A/S and all its Danish subsidiaries are subject to mandatory joint taxation. As the ultimate parent company in the Nilfisk Group, Nilfisk Holding A/S acts as the administration company of the joint taxation scheme and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognized under income tax related to net profit. Tax payable and tax receivable are stated under current assets/ liabilities. Companies that use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilized. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilized (full absorption).

Cash flow statement
The parent company has in accordance with the Danish Financial Statements Act, Section 86 (4) not prepared separate cash flow statements. Please refer to the consolidated cash flow statements.

For the following notes, see information in the consolidated financial statements:

- Remuneration – see 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 2021.

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, 2021 and of the results of the Nilfisk Group's and the parent company's operations and cash flow for the financial year 2021.

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, 2021 identified as 529900FSU45YYVLKB451-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be approved at the Annual General Meeting.

Brøndby, February 25, 2022

Executive Management Board

Torsten Türling
President and CEO

Reinhard Josef Mayer
CFO

Board of Directors

Jens Peter Due Olsen
Chair

René Svendsen-Tune

Richard Parker Bisson

Are Dragesund

Franck Falezan

Jutta af Rosenborg

Thomas Schleicher

Gerner Raj Andersen

Thorkil Gustav Vinum

Yvonne Markussen

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, 2021 - December 31, 2021, which comprise the income statement, statement of financial position, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at December 31, 2021, and of the results of its operations and cash flows for the financial year January 1, 2021 - December 31, 2021 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, 2021, and of the results of its operations for the financial year January 1, 2021 - December 31, 2021 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Nilfisk Holding A/S for the first time on October 12, 2017 for the financial year 2017. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 5 years up to and including the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year January 1, 2021 - December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of development projects and development projects in progress

Development projects completed and development projects in progress represent 44.4 mEUR corresponding to 5% of the Group's assets. (2020: 46.2 mEUR corresponding to 6% of the Group's assets)

Management conducts annual impairment test to determine whether the carrying amounts of recognized completed development projects and development projects in progress are considered to be impaired and, hence, should be written down to the recoverable amount. Management determines the recoverable amount of the completed development projects using a discounted cash flow model (value in use).

Key assumptions used in the impairment test are increase in revenue and margin and the applied discount rate.

The audit of the recoverable amount has been considered a key audit matter as the determination of the recoverable value is associated with significant estimation uncertainty.

Reference is made to note 4.2 to the financial statements and the accounting policies.

How the matter was addressed in our audit

We have assessed the appropriateness of valuation of development projects and development projects in progress based on the annual impairment test as well as the key assumptions used in the impairment test and the consistency thereof with the Group's accounting policies. In this context, we

- discussed with Management and evaluated the internal controls and procedures for preparing impairment tests and the budget and forecasts;
- focused our audit on the appropriateness of models and the key assumptions used by Management to calculate the values in use and assessed the consistency of the assumptions applied to internal and external information obtained;
- assessed the documentation that supports the key assumptions applied and challenged management use of these assumptions;
- assessed whether the disclosures; Note 4.2 Impairment test and Note 4.3 Intangible Assets in the financial statements meet the requirements of IFRS.

Statement on the management review
Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Nilfisk Holding A/S we performed procedures to express an opinion on whether the annual report of Nilfisk Holding A/S for the financial year January 1, 2021 - December 31, 2021 with the file name 529900FSU45YYVLKB451-2021-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgment where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Nilfisk Holding A/S for the financial year January 1, 2021 - December 31, 2021 with the file name 529900FSU45YYVLKB451-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, February 25, 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen	Kåre Kansonen-Valtersdorf
State-Authorized	State-Authorized
Public Accountant	Public Accountant
Identification No mne21358	Identification No mne34490

Nilfisk's Annual Report 2021 was published on February 25, 2022.
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.

Investor Relations contact IR@nilfisk.com