



Nederman



Nederman Interim report Q1 2018

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Quarter 1, 2018

In the **Americas**, incoming orders grew organically by 4.1% to SEK 263.6m (275.2) during Q1. The weaker order intake in Swedish kronor is explained by negative currency impacts. Sales decreased organically by 3.4% to SEK 280.2m (316.9).

Profitability in Americas declined during Q1, with an adjusted operating margin of 9.6% (11.0%).

For **EMEA**, incoming orders in Q1 increased to SEK 402.5m (349.8) and sales increased to SEK 406.5m (361.2). The strong development is largely related to the acquisition of NEO Monitors, though Q1 organic growth was 0.1% for incoming orders and 0.3% for sales.

The positive development in EMEA's profitability continued, with an adjusted operating margin of 13.3% (10.4%), which is the highest level for a first quarter.

APAC continued to perform well in Q1 in terms of both incoming orders and sales. Organically, incoming orders increased by 14.6% to SEK 115.6m (106.1) and sales by 23.4% to SEK 99.1m (82.5).

APAC profitability continued to improve and the adjusted operating profit amounted to SEK -0.6m (-6.7), corresponding to an adjusted operating margin of -0.6% (-8.1%).

Nederman Q1, 2018

- Incoming orders amounted to SEK 781.7m (731.1), which organically is an increase of 3.7% compared with the same period last year.
- Net sales amounted to SEK 785.8m (760.6), which organically is an increase of 1.2% compared with the same period last year.
- Operating profit was SEK 60.4m (48.8), giving an operating margin of 7.7% (6.4%).
- Net profit was SEK 36.8m (31.9).
- Earnings per share were SEK 3.15kr (2.73).

Americas, Q1 2018

General market situation

- The **US** market is affected by continued uncertainty concerning the country's trade, health and environmental policies, and this uncertainty is expected to continue for some time, resulting in shifting demand for large systems. The situation has stabilised to a degree, and there is increased demand within some industrial segments.
- The **Brazilian** economy continues to show signs of recovery. In the long term, it is assessed that stronger economic trends and the authorities' more stringent requirements for compliance with the country's environmental legislation will have a positive impact on demand for Nederman's products and solutions.
- The **Canadian** economy is currently developing positively, resulting in increasing demand for Nederman's products and solutions.
- In **Mexico**, the unclarified situation concerning the NAFTA agreement is still a source of considerable uncertainty, and the Mexican economy is expected to continue to show very low growth.

Development per country

- The **US** market is still affected by uncertainty concerning political decisions, with the consequence of low project sales. The core business of products and smaller systems developed positively during the quarter. A new aftermarket organisation was launched during the quarter, tasked with generating increased sales of service, spare parts and various types of product updates, and also identifying interesting projects in the important replacement market.
- In **Canada**, incoming orders achieved organic growth of two percent based on sound development in the core business, but with weaker project sales. The aftermarket was at the same level as the equivalent quarter of 2017.
- In **Brazil**, incoming orders increased by 45 percent after strong project and aftermarket sales during the quarter, but with weaker development in the core business. The country's metal industry is still affected by low demand, which is partly compensated for by the growing demand from the food, pharmaceutical and chemical industries.
- As a consequence of a large order, **Mexico** achieved a very strong quarter compared with the equivalent quarter of 2017. Product sales also developed positively during the quarter.

Americas, Q1 2018

Key ratios

SEK million	Note	1Jan-31 Mar 2018	Organic 2017 growth, %*	Full year 2017	Apr-Mar 12 months
Incoming orders		263.6	4.1	1,198.4	1,186.8
External net sales	1	280.2	-3.4	1,228.3	1,191.6
Depreciation		-3.4	-4.2	-15.9	-15.1
Adjusted operating profit		26.9	34.9	136.9	128.9
Adjusted operating margin, %		9.6	11.0	11.1	10.8

* Organic growth is the growth rate that does not come from acquisitions and currency effects, compared with the corresponding period in the previous year.

- Incoming orders amounted to SEK 263.6m during the quarter. Organically, this corresponds to an increase of 4.1% compared with the Q1 2017.
- Net sales amounted to SEK 280.2m during the quarter. Organically, this corresponds to a decrease of 3.4% compared with the Q1 2017.
- Adjusted operating profit in Q1 2018 decreased to SEK 26.9m from SEK 34.9m in 2017, giving an adjusted operating margin of 9.6% (11.0%).

EMEA, Q1 2018

General market situation

The EMEA market situation has stabilised further, which among other things resulted in increased project sales for Nederman. Industrial investments are still at a relatively low level, but signs of a recovery are still evident. The long-term effects of the UK's decision to leave the EU are still difficult to assess.

Development per country

- Several countries showed positive development during the quarter and the order backlog is still at a good level.
- **Germany** achieved double-digit growth in incoming orders after sound development in the core business of sales of products and smaller systems.
- **Denmark** also achieved favourable growth during the quarter, with strong profitability. Incoming orders also increased in the **Benelux** countries during the quarter, after positive development in most market segments.
- The **southern European** countries showed weaker development during the quarter, which is mainly explained by lower sales of medium large projects. Development was also weaker in the **UK**, compared with a strong first quarter 2017 with considerable project sales.
- The **eastern European** countries achieved generally sound development in the quarter, with double-digit growth in **Poland**, after strong performance from both core business and project sales.
- The **distributor markets** achieved sales at the level of the strong first quarter 2017.

The digital sales channels are continuing to perform well and more and more distributors are now being introduced to Nederman's highly regarded Partner Web Shop, which among other things resulted in distributor sales performing well.

EMEA, Q1 2018

Key ratios

SEK million	Note	1Jan-31 Mar 2018	Organic 2017 growth, %*	Full year 2017	Apr-Mar 12 months	
Incoming orders		402.5	349.8	0.1	1,530.6	1,583.3
External net sales	1	406.5	361.2	0.3	1,517.5	1,562.8
Depreciation		-8.6	-5.3		-23.6	-26.9
Adjusted operating profit		54.2	37.6		205.9	222.5
Adjusted operating margin, %		13.3	10.4		13.6	14.2

* Organic growth is the growth rate that does not come from acquisitions and currency effects, compared with the corresponding period in the previous year.

- Incoming orders amounted to SEK 402.5m during the quarter. Organically, this corresponds to an increase of 0.1% compared with Q1 2017.
- Net sales amounted to SEK 406.5m during the quarter. Organically, this is an increase of 0.3% compared with Q1 2018.
- Adjusted operating profit in Q1 2018 increased to SEK 54.2m from SEK 37.6m in 2017, giving an adjusted operating margin of 13.3% (10.4%).

APAC, Q1 2018

General market situation

- There are still good business opportunities within the APAC region, although some industrial segments in the raw-material intensive countries are affected by weak demand and protracted decision-making processes.
- In **China**, new environmental legislation, together with other government initiatives, is expected to increase the importance of environmental issues, with focus on polluting emissions and industries susceptible to dust explosions and positive signs are becoming clearer.
- In **India**, the negative effects of the new indirect tax (GST), which was implemented during the third quarter 2017, have diminished. ,
- There are still good signs of continued recovery in **Australia**.

Development per country

- **China** achieved sound development during the quarter, with an organic increase in incoming orders of 20 percent after good performance for both core business and large projects, with orders from several different industries, including the composite and mining industry.
- **India** showed weaker development during the first quarter, mainly related to more subdued sales of large projects compared with the strong project sales in Q1 2017. During Q1, Nederman attended the “Magnetic Maharashtra” global investors summit, as an element of strengthening Nederman’s brand in India. Through participation in the Swedish pavilion, Nederman's MD in India, Trond Bredesen, took part in a panel debate on future work in India, and met Indian Prime Minister, Narendra Modi.
- In **Thailand**, the weak market development continued and incoming orders declined from the equivalent quarter of 2017.
- **Malaysia** performed strongly, with double-digit growth in both incoming orders and sales.
- **Indonesia** also had a good quarter,
- after favourable project sales to the mining industry.
- **Australia** continued to perform well, with an improving business climate and double-digit growth in incoming orders during the quarter.

APAC, Q1 2018

Key ratios

SEK million	Note	1 Jan-31 Mar 2018	2017	Organic growth, %*	Full year 2017	Apr-Mar 12 months
Incoming orders		115.6	106.1	14.6	428.3	437.8
External net sales	1	99.1	82.5	23.4	402.7	419.3
Depreciation		-0.7	-0.9		-3.5	-3.3
Adjusted operating profit		-0.6	-6.7		9.3	15.4
Adjusted operating margin, %		-0.6	-8.1		2.3	3.7

* Organic growth is the growth rate that does not come from acquisitions and currency effects, compared with the corresponding period in the previous year.

- Incoming orders amounted to SEK 115.6m during the quarter. Organically, this corresponds to an increase of 14.6 percent compared with the equivalent quarter of 2017.
- Net sales amounted to SEK 99.1m during the quarter. Organically, this corresponds to an increase of 23.4 percent compared with the equivalent quarter of 2017.
- Adjusted operating profit in Q1 2018 improved to SEK -0.6m from SEK -6.7m in 2017.

Nederman Insight

As previously announced, Nederman's Insight organization is established to manage and develop opportunities associated with connected services, the Internet of Things (IoT) and mobile devices to provide Nederman's customers with new services and values.

To do this, Nederman will successively build up the new competence necessary to develop a complete ecosystem of services and thereby create an attractive offering with a robust infrastructure for the IoT.

IoT platform

The digital knowledge offering is based on Nederman's IoT platform – Nederman Insight. This platform, consists of hardware installed in Nederman's products and solutions, and software that communicates with the cloud, to provide customers with information and insight into critical parameters and processes. As these services and solutions are successively launched, they will strengthen Nederman's offering and customer relationships

NEO Monitors

NEO Monitors AS, which was acquired in 2017, is now part of Nederman Insight. NEO Monitors' solutions will become an integrated part of the Nederman Insight applications and digital ecosystem.

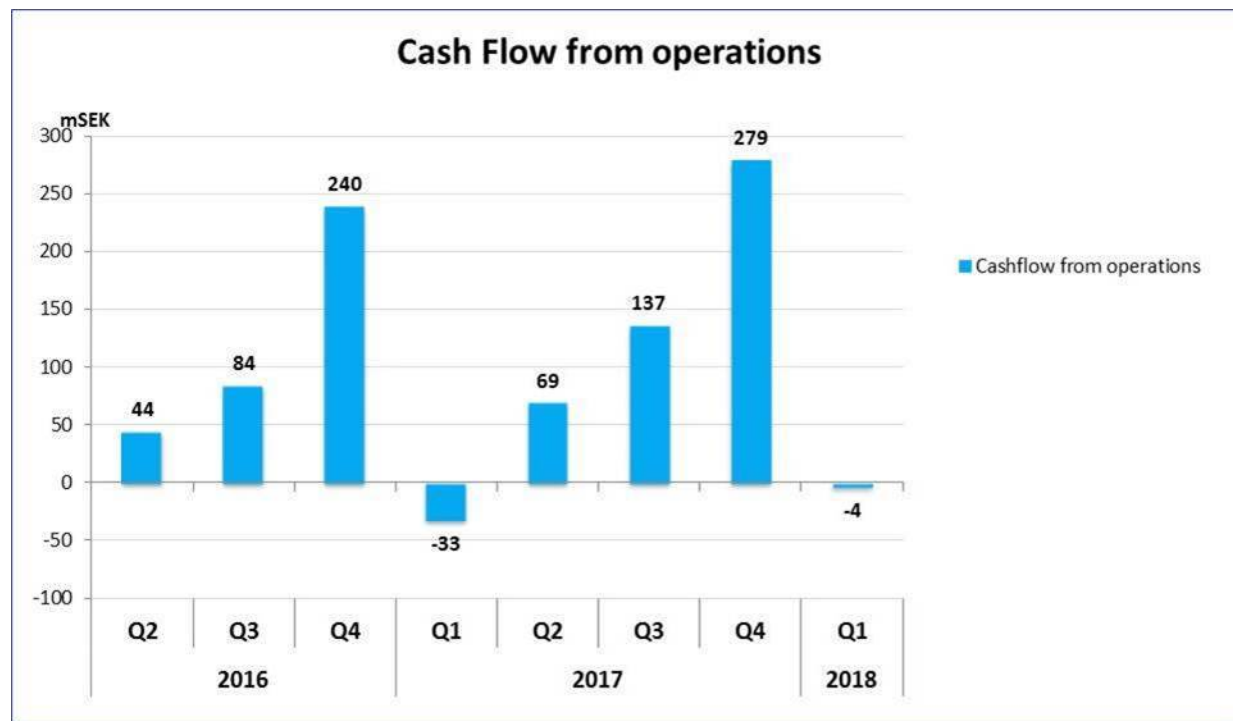
Acquisition of Auburn FilterSense

On 5 April 2018, Nederman completed the acquisition of Auburn FilterSense LLC. The company manufactures particulate monitors incorporating sensing technologies, intelligent controls, including real-time diagnostics and software for filter leak detectors, for process control, maintenance planning, regulatory compliance and increased production efficiency.

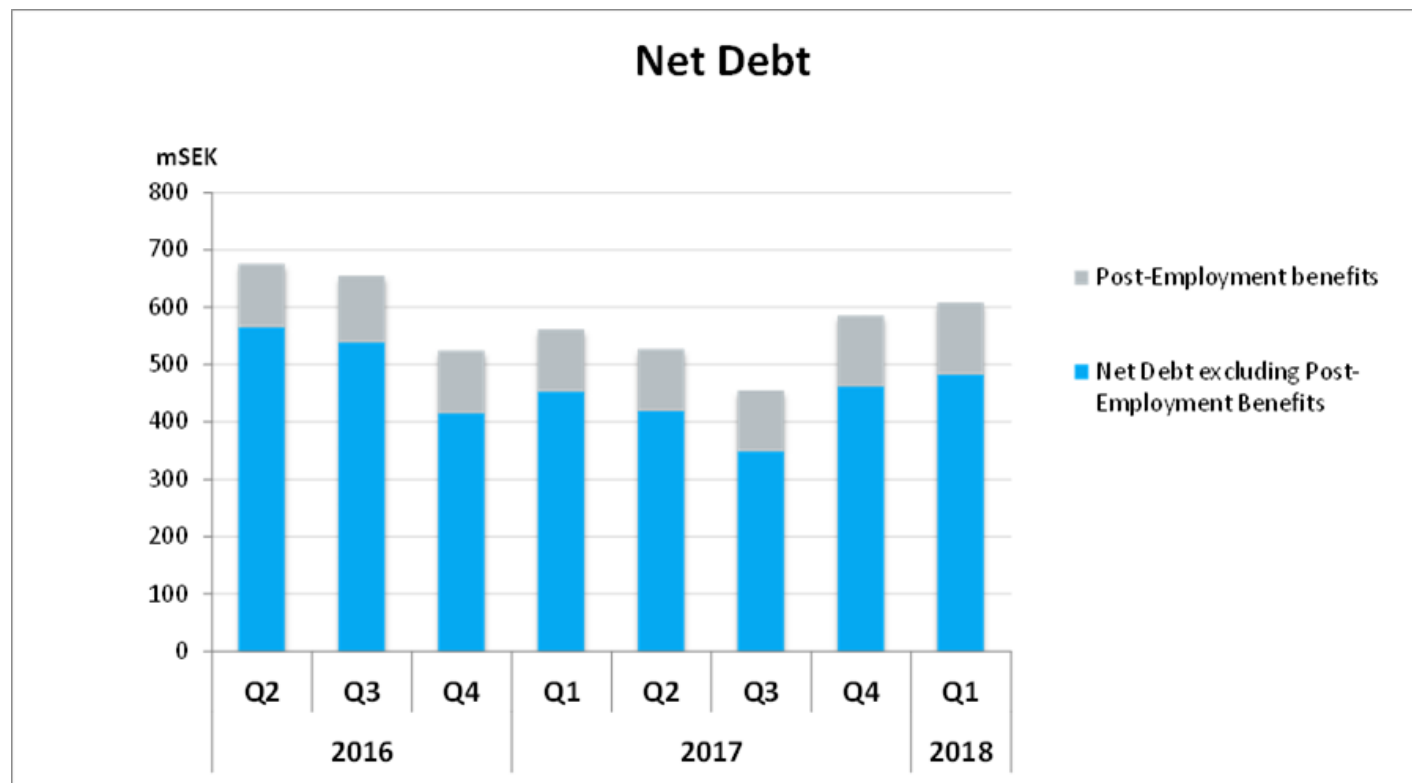
Auburn FilterSense LLC will also become part of Nederman's Insight organisation. The brand and team will continue to operate as before and the acquisition adds further solutions that can be integrated into the Nederman Insight application.

Key Figures

Cash Flow from operations



Net Debt



Summary

Solid organic order intake growth, improved profitability and stable cash flow from operating activities.

- Americas: 4.1% organic order growth. Reduced sales impacting profitability. Somewhat improved outlook in US. Good development in Brazil.
- EMEA: Continued improvements in profitability. Double digit growth in Germany and Poland. NEO Monitors contributing to positive trend.
- APAC: Strong order intake in China. Good project sales in Malaysia. Double digit order growth in Australia.

Outlook

The situation in Europe continues to improve with positive growth for both incoming orders and sales.

In the US, we also see continued growth in sales in the core business while uncertainty surrounding major projects is expected to remain for some time, although some improvement has been evident.

In Asia, several markets are growing positively. In China, we have again seen increased environmental activity.

Financial Calendar 2018

Interim Report January-June 2018

July 12, 2018

Interim Report January-September 2018

October 18, 2018



We filter, clean and recycle for eco-efficiency in industrial environments.