

Nederman

Interim report Q1 2019

CEO - Sven Kristensson
CFO – Matthew Cusick

Nederman Group Q1, 2019

- Incoming orders amounted to SEK 1,019.0m (781.7), which currency adjusted is an increase of 22.9 percent compared with the same period last year.
- Net sales amounted to SEK 1,036.4m (785.8), which currency adjusted is an increase of 24.4 percent compared with the same period last year.
- Adjusted operating profit was SEK 73.1m (62.9)*, giving an adjusted operating margin of 7.1 percent (8.0)*.
- Operating profit was SEK 72.1m (62.9)*, giving an operating margin of 7.0 percent (8.0)*.
- Net profit was SEK 46.2m (36.7)*.
- Earnings per share were SEK 1.32 kr (1.05)*.

* In the transition to IFRS 16, the Group has applied a retroactive method, which means that the figures for the 2018 financial year have been restated in accordance with the new standard.

A new organisation for profitable growth

The Nederman Group has **implemented a reorganisation** of the Group's operations with the aim of increasing both growth and profitability through simple structures and a clear focus.

Specifically, this means that Nederman is now organised with its operational focus in **four operating segments**, while retaining geographical coordination of key functions such as HR and Shared Service Centres, in the Americas, EMEA and APAC.

This division is **based on technology, customers and business logic**. With the new organisation, Nederman's expertise has a tangible impact on the global level. The new organisation will also further strengthen Nederman's work with the Group's key customers and expand the aftermarket business that holds great opportunities for growth.

The new organisation has been implemented and is now reflected in Nederman's segment reporting with effect from 1 January 2019.

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Extraction & Filtration Technology

Nederman Extraction & Filtration Technology's products and solutions focus on problems that arise in different types of material processing, for example in the metal industry and fibre-based industry. Air pollution, such as welding fumes and oil mist, is a common problem in metal fabrication. In areas such as fibre-based industries, it is of the utmost importance to deal with dust, smoke and steam that occurs in production.

Turnover 2018: SEK 1.8 billion

Average number of employees in 2018: approx. 1,000

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Process Technology

Nederman Process Technology works with various types of solutions for industrial air cleaning in the heavy processing industry. The solutions form an integral part of the manufacturing processes and are crucial for creating safe working environments, stable production conditions and managing emissions to the local environment. Nederman Process Technology has recently expanded its offering to include modern monitoring systems that limit the risks of unwanted and expensive stops in production. Turnover 2018: SEK 1.1 billion
Average number of employees in 2018: approx. 500

SMART
GROWTH

Nederman

Duct & Filter Technology

Nederman Duct & Filter Technology works with different types of pipe systems, valves and filter elements to ensure good air quality in a number of industries. These types of solutions are particularly important in industries with high levels of dust particles. The operating segment operates Nederman Filter Competence Centre to support Nederman's other operating segments with knowledge and expert advice.

Turnover 2018: SEK 0.5 billion

Average number of employees in 2018: approx. 300

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Monitoring & Control Technology

Nederman Monitoring & Control Technology uses today's increasingly rapid digitalisation to create new and improved customer offerings. The opportunities associated with connected Nederman Insight services, the Internet of Things (IoT), Productivity Software, Intelligent Controls and Smart Sensing together with mobile devices such as smart phones and tablets, offer a platform that can provide Nederman's customers with new services and new values. Turnover 2018: SEK 0.2 billion
Average number of employees in 2018: approx. 70

Nederman Extraction & Filtration Technology, Q1 2019

Nederman Extraction & Filtration Technology's products and solutions focus on problems that arise in different types of material processing, for example in metal, wood and composite industries.

Development in the quarter

- **Positive development** in incoming orders in the quarter.
- The core business with sales of products and smaller systems saw a **positive development in several countries**.
- **Three major orders** were booked in the quarter: one in the Nordic countries, one in Germany and one in the USA.
- The **order backlog** is now at a higher level than at the corresponding time in 2018.
- In **Europe**, most countries reported a positive development during the first quarter of the year:
 - Order intake grew in Germany, the UK and Southern Europe and in the Nordic countries.
- In **North America**, the US showed a positive trend, while the other countries in the region had a slightly weaker order intake.

| | 1 Jan-31 March 2019 |
|----------------------------|------------------------|
| SEKm | |
| Incoming orders - External | 466.2 |
| Total sales | 452.6 |
| Adjusted EBITA | 62.6 |
| Adjusted EBITA margin, % | 13.8 |

Nederman Process Technology, Q1 2019

Nederman Process Technology's solutions form an integral part of the manufacturing processes and are crucial for creating safe working environments, stable production conditions and managing emissions to the local environment. The division's offering includes modern monitoring systems that limit the risks of unwanted and expensive production downtime.

Development in the quarter

- **Order intake** in the quarter was **in line with expectations**
- **Profitability was boosted** in the quarter as a result of strategic decisions and consistent work
- In **China**, although orders were booked, the Chinese market remains characterised by restraint and limited financing and investments decisions are still being deferred
- The **US market** is also still characterised by some uncertainty
- The integration of **Luwa**, acquired during Q4 2018, is ongoing. Luwa contributed positively to the Q1 development.
- In **Europe**, order intake was strong in Germany with several major orders, and in Poland the trend was in line with Q1 2018.
- In **Australia**, good signs of recovery continue to be seen and the order intake in the quarter exceeded expectations.

| | 1 Jan-31 March 2019 |
|----------------------------|------------------------|
| SEKm | |
| Incoming orders - External | 366.1 |
| Total sales | 421.9 |
| Adjusted EBITA | 21.7 |
| Adjusted EBITA margin, % | 5.1 |

Nederman Duct & Filtration Technology, Q1 2019

Nederman Duct & Filter Technology's solutions are particularly important in industries with high levels of dust particles. The division operates Nederman Filter Competence Centre to support Nederman's other divisions with knowledge and expert advice.

Development in the quarter

- There was overall a **positive development in order intake** during the quarter
- **Order backlog** is now higher than at the corresponding point in 2018
- **North America** developed in line with expectations and an important filter technology order was secured in Canada during the quarter
 - Work on expanding the network of retailers in North America continued according to plan
- The development in **Europe** was in line with expectations
 - Duct & Filter Technology participated in the German Deutsche Industrie Messe trade fair in March, where the division's products and solutions aroused significant interest
- The markets in **Asia** remain weak, but began to show signs of recovery during the quarter

| | 1 Jan-31 March 2019 |
|----------------------------|------------------------|
| SEKm | |
| Incoming orders - External | 126.0 |
| Total sales | 133.7 |
| Adjusted EBITA | 16.8 |
| Adjusted EBITA margin, % | 12.6 |

Nederman Monitoring & Control Technology, Q1 2019

Nederman Monitoring & Control Technology uses today's ever-faster digitalisation to create new and improved customer Offering, new services and new value.

Development in the quarter

- The division saw a very **good growth in order intake** during the first quarter of the year.
- During the quarter, **Mikropul-Assist** service was **launched** in North America, Europe, Asia and the Pacific.
 - Mikropul-Assist is a system for monitoring the status and performance of filter elements.
 - By presenting the information graphically and clearly, Mikropul-Assist service contributes to stable production without any unwanted interruptions.
- During Q1, **NEO Monitors** celebrated the first 15 years as the market leader in laser-based solutions for measuring gases and dust and continued to post a **positive order intake development**.
- Also in Q1, **Auburn FilterSense** carried out a **major installation** of emission monitoring systems for the Carbon Black industry. The system is a crucial part of meeting the requirements of the US Environmental Protection Agency (EPA).
- **Auburn FilterSense** also had **strong order intake in China** despite the country's slightly weaker steel market, which shows the great value of the stricter Chinese environmental legislation with modern and efficient systems.

| | 1 Jan-31 March 2019 |
|----------------------------|------------------------|
| SEKm | |
| Incoming orders – external | 60.7 |
| Total sales | 53.5 |
| Adjusted EBITA profit | -0.2 |
| Adjusted EBITA margin, % | -0.4 |

Regions, Q1 2019

Americas

| SEKm | Note | 1 Jan-31 Mar | | Currency-neutral growth % | Organic growth, % | Full year 2018 | Apr-Mar 12 months |
|-------------------------------|------|--------------|-------|------------------------------|----------------------|-------------------|----------------------|
| | | 2019 | 2018 | | | | |
| Incoming orders | | 305.8 | 263.6 | 3.6 | -1.8 | 1,259.6 | 1,301.8 |
| External net sales | 1 | 324.8 | 280.2 | 3.8 | -4.1 | 1,246.8 | 1,291.4 |
| Adjusted operating profit* | | 32.2 | 27.3 | | | 123.1 | 128.0 |
| Adjusted operating margin, %* | | 9.9 | 9.7 | | | 9.9 | 9.9 |

EMEA

| SEKm | Note | 1 Jan-31 Mar | | Currency-neutral growth % | Organic growth, % | Full year 2018 | Apr-Mar 12 months |
|-------------------------------|------|--------------|-------|------------------------------|----------------------|-------------------|----------------------|
| | | 2019 | 2018 | | | | |
| Incoming orders | | 517.0 | 402.5 | 24.0 | 10.7 | 1,731.6 | 1,846.1 |
| External net sales | 1 | 524.5 | 406.5 | 24.9 | 3.0 | 1,768.3 | 1,886.3 |
| Adjusted operating profit* | | 67.3 | 55.9 | | | 266.2 | 277.6 |
| Adjusted operating margin, %* | | 12.8 | 13.8 | | | 15.1 | 14.7 |

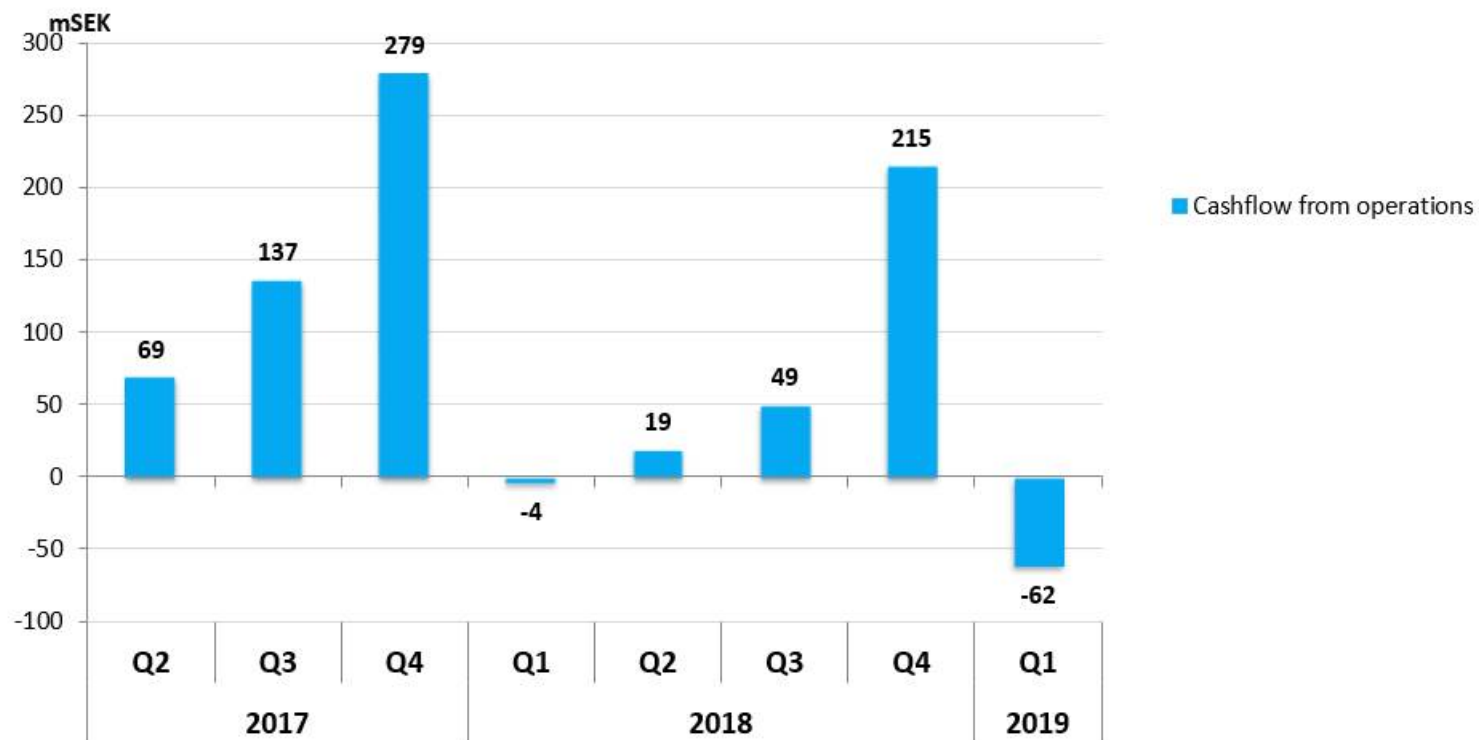
APAC

| SEKm | Note | 1 Jan-31 Mar | | Currency-neutral growth % | Organic growth, % | Full year 2018 | Apr-Mar 12 months |
|-------------------------------|------|--------------|-------|------------------------------|----------------------|-------------------|----------------------|
| | | 2019 | 2018 | | | | |
| Incoming orders | | 196.2 | 115.6 | 63.7 | -18.5 | 488.3 | 568.9 |
| External net sales | 1 | 187.1 | 99.1 | 81.0 | -3.8 | 538.8 | 626.8 |
| Adjusted operating profit* | | 2.2 | -0.2 | | | 18.3 | 20.7 |
| Adjusted operating margin, %* | | 1.2 | -0.2 | | | 3.4 | 3.3 |

Key Figures

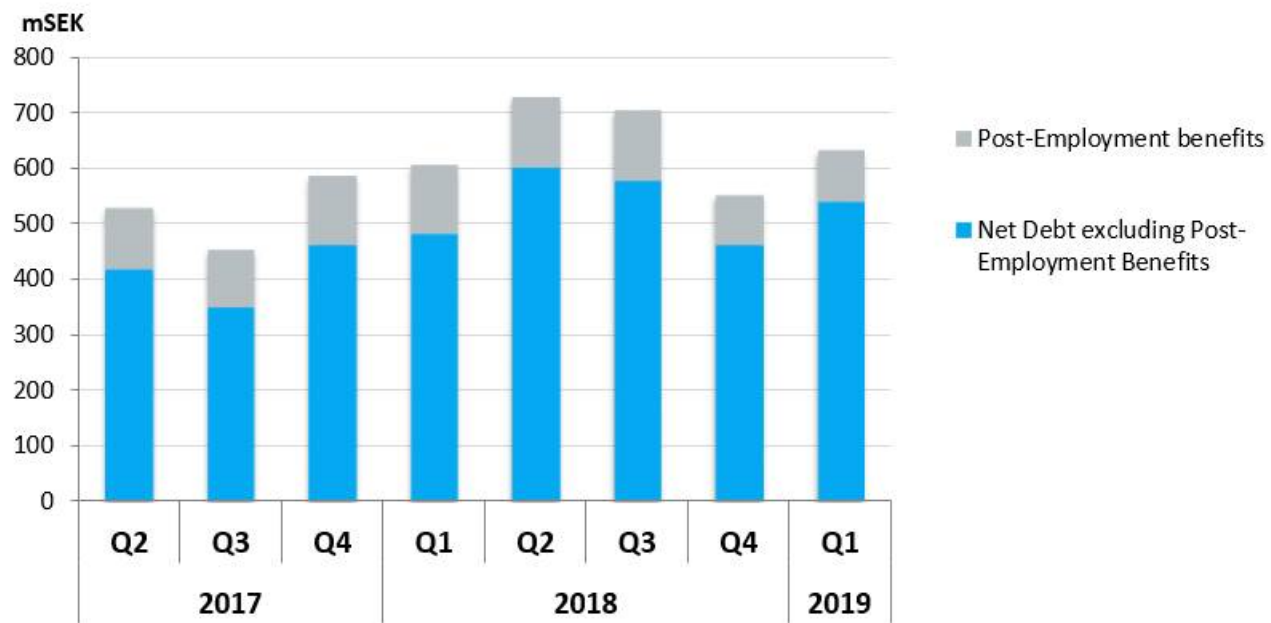
Cash Flow from operations

Cash Flow from operations, excl IFRS 16



Net Debt

Net Debt, excl IFRS 16



Summary

Extraction & Filtration Technology:

- Positive order intake growth
- Stronger order backlog heading into Q2 2019.

Process Technology:

- Improved profitability
- Mixed order intake for different regions
- Positive contribution from Luwa

Duct & Filtration Technology:

- Strong order intake growth
- Improved backlog

Monitoring & Control Technology:

- Good growth - both organic (Neo Monitors) and structural (Auburn FilterSense)

Outlook

Many of Nederman's markets show **continued uncertainty**. The risk of trade conflicts and financial uncertainty prolongs decisions on large investments and large projects are postponed.

Despite these geopolitical challenges, Nederman has a **cautiously optimistic** basic outlook.

Environmental issues will continue to be important for the Group's customers and during 2018, Nederman strengthened its position in many crucial areas where future growth is expected to be.

Financial Calendar 2019

| | |
|---------------------------------------|------------------|
| Annual General Meeting | April 29, 2019 |
| Interim Report January-June 2019 | July 12, 2019 |
| Interim Report January-September 2019 | October 17, 2019 |

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