

The background of the slide is a collage of industrial images. The top left shows a robotic arm welding a car chassis, with bright sparks flying. The bottom left shows a close-up of a car's metal frame being assembled. The right side features a large image of a worker in a white hard hat and an orange safety jacket, looking towards a large blue industrial machine in a factory setting.

Nederman

Nederman

Interim report Q3 2018

CEO - Sven Kristensson
CFO – Matthew Cusick

Quarter 3, 2018

In the **Americas**, orders received declined organically by 15.3%. Sales decreased organically by 6%. The adjusted operating result was SEK 26.1m (31.5), corresponding to an adjusted operating margin of 8.5% (11.0%).

Orders received in **EMEA** grew to SEK 413m (343), equivalent to organic growth of 3.5%. Sales totaled SEK 411m (376), equivalent to an organic fall of 4.9% percent. The overall growth was driven mainly by NEO Monitors, but also the core business sales of products and smaller systems which saw a positive development. Profitability declined as a result of a less favourable product and market mix and increased development costs primarily for our digital solutions.

APAC saw a mixed development with weaker order intake, but good sales growth. Orders received declined organically by 5.7%, while sales increased organically by 8.2%. Profitability fell in the quarter as a result of, among other factors, rising raw material prices. The adjusted operating result was SEK -1.5m (5.2), corresponding to an adjusted operating margin of -1.3% (4.9%).

Nederman Group Q3, 2018

- Incoming orders amounted to SEK 817.9m (761.0), which currency adjusted is an increase of 1.2% compared with the same period last year.
- Net sales amounted to SEK 835.2m (768.7), which currency adjusted is an increase of 2.5% compared with the same period last year.
- Operating profit was SEK 50.6m (69.3), giving an adjusted operating margin of 6.1% (9.0%).
- Net profit was SEK 32.9m (42.9).
- Earnings per share were SEK 0.94 (1.22).*

* As a consequence of the share split adopted by the annual general meeting, the earnings per share for the prior year has been adjusted.

Nederman Group January – September 2018

- Incoming orders amounted to SEK 2,511.7m (2,341.5), which currency adjusted is an increase of 5.4% compared with the same period last year.
- Net sales amounted to SEK 2,484.9m (2,288.5), which currency adjusted is an increase of 6.6% compared with the same period last year.
- Adjusted operating profit was SEK 181.4m (179.0), giving an adjusted operating margin of 7.3% (7.8%).
- Operating profit was SEK 177.6m (179.0), giving an operating margin of 7.1% (7.8%).
- Net profit was SEK 113.5m (113.1).
- Earnings per share were SEK 3.23 (3.23).*

* As a consequence of the share split adopted by the annual general meeting, the earnings per share for the prior year has been adjusted.

Americas, Q3 2018

General market situation

- Continued uncertainty concerning **US** trade, health and environmental policies. The effects of US customs on steel and aluminium as well as on goods from China are now beginning to impact on the US economy.
- The **NAFTA** agreement has been replaced by the **USMCA** agreement, which probably means that the previous uncertainty surrounding NAFTA will gradually decrease.
- In the long term, economic development is expected to be boosted in **Brazil**, which, together with the authorities' more stringent requirements for compliance with the country's environmental legislation, is expected to have a positive impact for Nederman's products and solutions.

Development by country

- In the **USA**, order intake declined organically by 17% and sales by 6% following a weaker sales trend for large systems. The development should be seen in the context of a very strong Q3 in 2017 when two major orders were booked. Aftermarket business showed a strong performance in the quarter.
- At the end of September, Tropical Storm Florence resulted in major disruption at and around the Group's production and distribution facilities, which had a significant negative impact on sales and profitability in the quarter.
- In **Canada**, order intake declined organically following weaker sales of smaller systems. The aftermarket grew by 16% compared to Q3 2017.
- **Brazil** had both strong incoming orders and sales in Q3. Profitability has also been boosted in the quarter.
- **Mexico** continued to post strong growth in the quarter following good sales of larger projects. The development of core business was in line with expectations.

Americas, Q3 2018

Key ratios

SEK million	Note	1 Jul-30 Sep 2018	Organic 2017 growth, %*	1 Jan-30 Sep 2018	Organic 2017 growth, %*	Full year 2017	Oct-Sep 12 months
Incoming orders		309.7	322.7 -15.3	932.6	905.6 -0.3	1,198.4	1,225.4
External net sales	1	307.0	287.1 -6.0	907.5	918.6 -3.7	1,228.3	1,217.2
Adjusted operating profit		26.1	31.5	81.0	91.5	136.9	126.4
Adjusted operating margin, %		8.5	11.0	8.9	10.0	11.1	10.4

* 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 309.7m in Q3 2018 and SEK 932.6m for the period January-September. Organically, this corresponds to a decrease of 15.3% compared with Q3 2017 and of 0.3% compared with January-September 2017.
- **Net sales** amounted to SEK 307.0m in Q3 2018 and SEK 907.5m for the period January-September. Organically, this corresponds to a decrease of 6% compared with Q3 2017 and of 3.7% compared with January-September 2017.
- **Adjusted operating profit** in Q3 2018 decreased to SEK 26.1m from SEK 31.5m in 2017, giving an adjusted operating margin of 8.5% (11.0%). Adjusted operating profit for Jan-Sept 2018 decreased to SEK 81.0m from SEK 91.5m in 2017, giving an adjusted operating margin of 8.9% (10%).

EMEA, Q3 2018

General market situation

The market situation within EMEA is stable with low to moderate growth. Industrial investment remains at a relatively low level, but there are continuing signs of recovery. The long term effects of the UK's decision to leave the EU remain difficult to assess.

Development by country

- The order intake in **Germany** was slightly lower than Q3 2017. A major order for fiberglass production was booked in the quarter.
- The Nordic region saw weak organic growth in order intake while sales increased after good performance in **Denmark**.
- The Benelux countries recorded a good order intake compared with Q3 2017. In **Belgium**, a major order for the railway industry and a medium-sized order for the vehicle industry aftermarket were booked.
- In southern Europe, the picture was mixed with a slightly reduced order intake in **France**, while **Spain** and **Portugal** showed good growth, including a medium-sized order for the aviation industry.
- Even the **UK** saw a positive trend in order intake following, among others, a major order from the country's aviation industry.
- Both **Poland** and the **Czech Republic** posted weaker development in the quarter. This trend is primarily explained by lower sales of medium-sized systems.
- **Turkey** posted a positive performance in the quarter despite challenging macroeconomic conditions.
- **Distributor markets** saw strong development of both order intake and sales in the quarter.

EMEA, Q3 2018

Key ratios

		1 Jul-30 Sep	Organic	1 Jan-30 Sep	Organic	Full year	Oct-Sep		
SEK million	Note	2018	2017 growth, %*	2018	2017 growth, %*	2017	12 months		
Incoming orders		412.9	342.9	3.5	1,263.1	1,116.6	-1.6	1,530.6	1,677.1
External net sales	1	410.5	376.1	-4.9	1,244.1	1,088.6	0.7	1,517.5	1,673.0
Adjusted operating profit		47.7	51.4		165.5	138.0		205.9	233.4
Adjusted operating margin, %		11.6	13.7		13.3	12.7		13.6	14.0

* 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 412.9m in Q3 2018 and SEK 1,263.1m for the period January-September. Organically, this corresponds to an increase of 3.5% compared with Q3 2017 and a decrease of 1,6% compared with January-September 2017.
- Net sales amounted to SEK 410.5m in Q3 2018 and SEK 1,244.1m for the period January-September. Organically, this corresponds to a decrease of 4.9% compared with Q3 2017 and an increase of 0.7% compared with January-September 2017.
- Adjusted operating profit in Q3 2018 decreased to SEK 47.7m from SEK 51.4m in 2017, giving an adjusted operating margin of 11.6% (13.7%). Adjusted operating profit for Jan-Sept 2018 increased to SEK 165.5m from SEK 138.0m in 2017, giving an adjusted operating margin of 13.3% (12.7%).

APAC, Q3 2018

General market situation

- There are still good opportunities within the **APAC region**
- In **China**, the new environmental legislation and other governmental initiatives are expected to entail a greater focus on environmental issues, in particular in regard to pollutant emissions and industries at risk of dust explosion hazards.
- Development in **China** in particular is currently limited by problems for customers in obtaining financing for their investments.

Development by country

- In **China**, orders received declined organically by almost 14%. Some major orders were booked in the quarter, but overall sales of larger systems were at a lower level than Q3 2017. Profitability was negatively affected by rapid steel price increases and increased shipping and duty costs on export orders to North America.
- Development in **India** is still volatile with large fluctuations between individual quarters. Orders received during the first three quarters of the year have fallen compared with a strong 2017.
- In **Thailand**, order intake strengthened significantly compared with Q3 2017, while sales declined slightly.
- In **Malaysia**, order intake declined after changes in the country's tax system, while at the same time organic sales growth showed strong growth figures.
- There are continued signs of improvements in the business climate in **Australia** and order intake developed in line with expectations.

APAC, Q3 2018

Key ratios

SEK million	Note	1 Jul-30 Sep		Organic	1 Jan-30 Sep		Organic	Full year	Oct-Sep
		2018	2017		2018	2017		2017	12 months
Incoming orders		95.3	95.4	-5.7	316.0	319.3	-1.7	428.3	425.0
External net sales	1	117.7	105.5	8.2	333.3	281.3	17.0	402.7	454.7
Adjusted operating profit		-1.5	5.2		-0.2	-2.2		9.3	11.3
Adjusted operating margin, %		-1.3	4.9		-0.0	-0.8		2.3	2.5

* 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 95.3m in Q3 2018 and SEK 316.0m for the period January-September. Organically, this corresponds to a decrease of 5.7% compared with Q3 2017 and a decrease of 1,7% compared with January-September 2017.
- Net sales amounted to SEK 117.7m in Q3 2018 and SEK 333.3m for the period January-September. Organically, this corresponds to an increase of 8.2% compared with Q3 2017 and an increase of 17% compared with January-September 2017.
- Adjusted operating profit in Q3 2018 decreased to SEK -1.5m from SEK 5.2m in 2017, giving an adjusted operating margin of -1.3% (5.2%). Adjusted operating profit for Jan-Sept 2018 increased to SEK -0,2m from SEK -2.2m in 2017, giving an adjusted operating margin of 0.0% (-0.8%).

Nederman Insight

Nederman Insight has built a competitive digitalized offering in a short period of time, and annualised order intake now approaches approximately SEK 250 million. Nederman Insight is characterised by a high pace of innovation and rapid development of the organization, and it is still in the early stages of its global expansion.

During Q3 of 2018 Nederman participated in the International Woodworking Fair (IWF) in Atlanta, USA, North America's largest trade fair for the timber industry. At the fair, Nederman Insight launched **two new solutions** developed for the timber industry, Wood Insight and SAVE:

- With Wood Insight, users can monitor their filter system performance in real-time and obtain valuable data to implement planned service measures.
- SAVE (Smart Air Ventilation Economics) monitors workstations and automatically adjusts fan and moisture configurations to create optimal conditions.

Two acquisitions have contributed to the rapid expansion

Nederman Insight can today, compete with an overall offering to the Group's customers, which takes advantage of the major benefits that digitalisation offers, such as continuous system monitoring, risk management and easily-planned maintenance.

Auburn FilterSense LLC manufactures continuous particle monitoring systems. The technology is based on triboelectric and charge induction particles, intelligent controls with real-time diagnostics and software for filter leak detection, process control, maintenance planning, regulatory compliance and increased production efficiency.

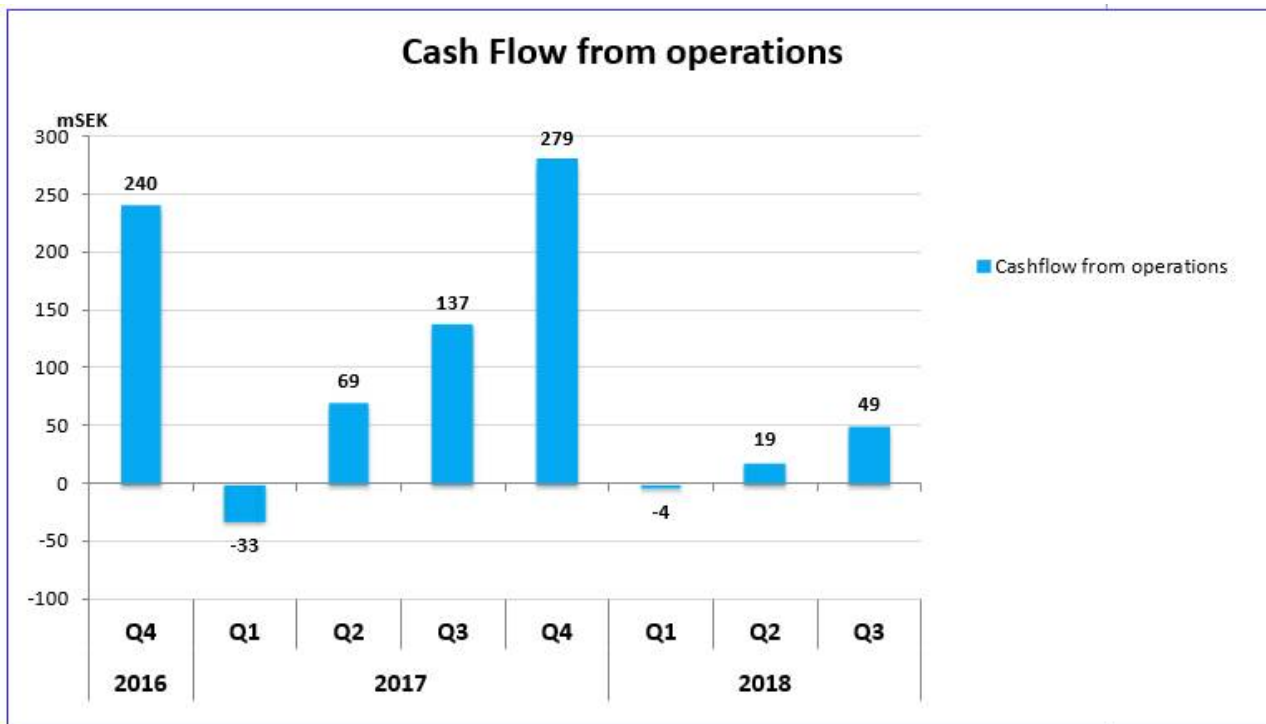
As the first company in the world, **NEO Monitors** has developed a solution for on-site measurement of hydrogen using traditional infrared-based technology, which is well-proven in many other industrial applications.

Acquisition

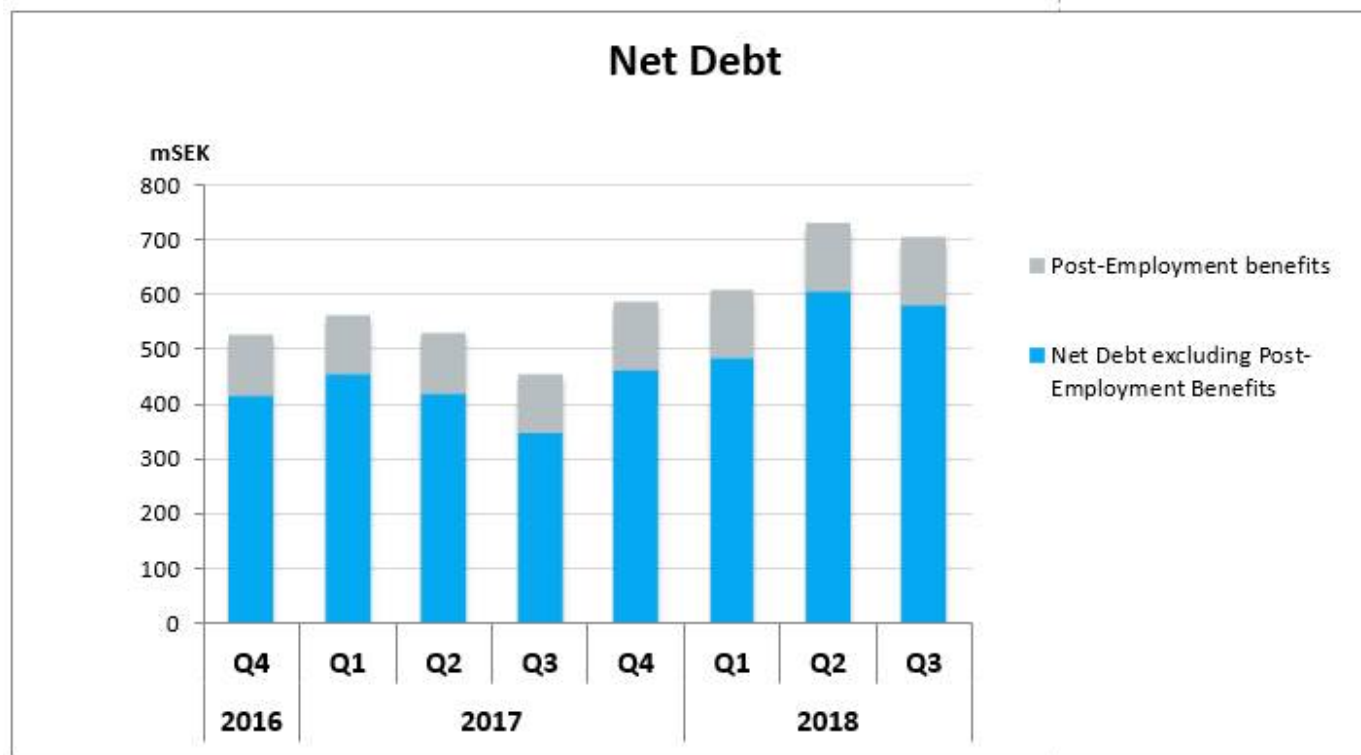
- Nederman yesterday signed and completed a deal to acquire 100% of the shares in Luwa Air Engineering AG, a global manufacturer and supplier of custom engineered air conditioning, waste handling and heat recovery systems for fibre applications. Luwa is based in Uster, Switzerland and operates through global entities in China, India, Singapore, USA and Turkey.
- Luwa, founded in 1935, is a global market leader in textile air engineering and a quality and performance leader with a global brand in the fibre and textile industry.
- The Luwa Group's activities include the design and engineering of single components and whole systems as well as manufacturing, assembly, installation and after sales services.
- Manufacturing and assembly facilities are situated in India and China and the group has a significant global installed base.
- Acquisition price CHF 28.5 million under a locked box mechanism, based on consolidated equity capital as of 2017-12-31.
- Acquisition price paid in 2 instalments, one on closing yesterday and CHF 5.7m two years after closing.
- The Luwa Group, with approximately 350 employees, had a turnover in 2017 of CHF 66 million. Turnover for 2018 is forecast to exceed that of 2017. The acquired business currently has an EBITDA margin somewhat lower than that of the Nederman Group.
- Luwa will be part of the Nederman Mikropul organisation. The Luwa brand and team will continue to operate as before, and their high quality solutions will add to the Nederman Group's capabilities in the strategically important global fibre and textile market.

Key Figures

Cash Flow from operations



Net Debt



Summary

A quarter with challenges and positive signs

- Americas: Weaker development in USA and Canada. Good sales of major projects in Mexico. Strong development in Brazil.
- EMEA: NEO Monitors contributes to positive development. 3.5% organic growth in orders. Several medium-sized orders booked in Q3
- APAC: Reduced order intake in China. Positive development in Thailand. Lower profitability

Outlook

The situation in Europe continues to be stable for both order intake and sales. In the US, we also see a continued stable development of the sales of core business while uncertainty surrounding major projects is expected to continue for some time although we have seen some improvement. The USMCA agreement should have positive effects. In Asia, several markets are seeing positive development. In China, increased environmental activity can be noted, but development is subdued by lack of funding.

Financial Calendar 2018

Financial Statement 2018	February 19, 2019
Interim Report January-March 2019	April 17, 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.