



Nederman

Interim report Q4 2018

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Quarter 4, 2018

In the **Americas**, incoming orders grew to SEK 327m, equivalent to currency-neutral growth of 4%. Sales totalled SEK 339.3m, and the adjusted operating result was SEK 40.3m (45.4), giving an adjusted operating margin of 11.9% (14.7%).

In **EMEA** incoming orders grew organically, combined with with positive contributions from the acquisitions of NEO Monitors and Luwa. Total incoming orders were SEK 469m (414), giving currency-neutral growth of 11% and sales equaled SEK 524m (429), equivalent to currency-neutral growth of 20%. The adjusted operating result was SEK 93.7m (68.0), an adjusted operating margin of 17.9% (15.9%). The core business with sales of products and smaller systems, aftermarket and project sales all developed well in the quarter.

Incoming orders in **APAC** grew after a positive contribution from the APAC part of Luwa. Incoming orders were SEK 172m (109), giving currency-neutral growth of 49%. Sales totalled SEK 206m (122), a currency-neutral increase of 61%. The adjusted operating result for the quarter was SEK 16.5m (11.6), an adjusted operating margin of 8.0% (9.5%).

Nederman Group Q4, 2018

- Incoming orders amounted to SEK 967.8m (815.9), which currency adjusted is an increase of 13.4% compared with the same period last year.
- Net sales amounted to SEK 1,069.0m (860.0), which currency adjusted is an increase of 19.4% compared with the same period last year.
- Adjusted operating profit was SEK 126.7m (106.8), giving an adjusted operating margin of 11.9% (12.4%).
- Net profit was SEK 89.7m (73.2).
- Earnings per share were SEK 2.56 kr (2.09).*

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

Nederman Group January – December 2018

- Incoming orders amounted to SEK 3,479.5m (3,157.3), which currency adjusted is an increase of 7.4% compared with last year.
- Net sales amounted to SEK 3,553.9m (3,148.5), which currency adjusted is an increase of 10.1% compared with last year.
- Adjusted operating profit was SEK 308.1m (285.8), giving an adjusted operating margin of 8.7% (9.1%).
- Net profit was SEK 203.2m (186.3).
- Earnings per share were SEK 5.79 (5.31).*
- The Board of Directors proposes a dividend of SEK 2.30 (2.00)* per share.

* As a consequence of the share split adopted by the annual general meeting, the earnings per share and the Board of Directors' proposed dividend in the previous year has been adjusted.

Americas, Q4 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 likely means that the previous uncertainty 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 per country

- The **US** market had a stable development during the final quarter of the year, with good growth in both order intake and sales.
- **Brazil** also had a positive end to the year with a currency-neutral growth in order intake and sales of 9% and 33% respectively.
- In **Canada**, the trend was more mixed with an order intake that grew in currency-neutral terms by 21% while sales fell.
- **Mexico** saw a strong end to the year with good sales growth, while order intake was slightly lower compared to a very strong fourth quarter in 2017.

Americas, Q4 2018

Key ratios

SEK million	Note	1 Oct-31 Dec		Currency neutral	Organic	1 Jan-31 Dec		Currency neutral	Organic
		2018	2017	growth, %	growth, %*	2018	2017	growth, %	growth, %*
Incoming orders		327.0	292.9	4.2	-0.1	1,259.6	1,198.4	3.8	-0.2
External net sales	1	339.3	309.8	2.6	-5.2	1,246.8	1,228.3	0.2	-4.0
Adjusted operating profit		40.3	45.4		-	121.3	136.9		-
Adjusted operating margin, %		11.9	14.7		-	9.7	11.1		-

* Currency neutral growth is the growth rate that does not come from currency effects, compared with the corresponding period in the previous year. 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 327m in Q4 2018 and SEK 1260m for the full year. Currency adjusted, this corresponds to an increase of 4.2% compared with Q4 2017 and of 3.8% compared with full year 2017 .
- **Net sales** during Q4 totalled SEK 339m and SEK1,247m for the whole year. Currency adjusted, this corresponds to an increase of 2.6% compared with Q4 2017 and of 0.2% compared with full year 2017.
- **Adjusted operating profit in Q4** decreased to SEK 40.3m from SEK 45.4m in 2017, giving an adjusted operating margin of 11.9% (14.7%).
- **Adjusted operating profit for the whole year** 2018 decreased to SEK 121.3m SEK from SEK 136.9m in 2017, giving an adjusted operating margin of 9.7% (11.1%).

EMEA, Q4 2018

General market situation

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

Development per country

- Sales in **Germany** grew during the quarter, while order intake showed a slight decline after somewhat lower demand in the core business areas. A major order was booked in the quarter.
- The **Nordic** region posted strong order growth following a strong trend for NEO Monitors.
- In the **UK**, order intake for the core business strengthened, while sales were weaker.
- In **southern Europe**, the picture in the quarter was mixed with a reduced order intake and sales in **France**, while the situation in **Spain and Portugal** was the opposite with good growth.
- **Poland** saw very strong order growth in the quarter after a large order from one of the country's foundries. Sales in the Polish market were slightly lower than in the corresponding quarter of 2017.
- **Turkey** also had a strong order intake following a large order from the machining industry.
- **Distributor markets** saw strong development of both order intake and sales in the quarter.

EMEA, Q4 2018

Key ratios

SEK million	Note	1 Oct-31 Dec		Currency neutral	Organic	1 Jan-31 Dec		Currency neutral	Organic
		2018	2017	growth, %	growth, %*	2018	2017	growth, %	growth, %*
Incoming orders		468.5	414.0	10.5	9.1	1,731.6	1,530.6	9.2	1.3
External net sales	1	524.2	428.7	19.8	3.0	1,768.3	1,517.5	12.7	1.4
Adjusted operating profit		93.7	68.0			259.2	205.9		
Adjusted operating margin, %		17.9	15.9			14.7	13.6		

* Currency neutral growth is the growth rate that does not come from currency effects, compared with the corresponding period in the previous year. 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 469m in Q4 2018 and SEK 1,732m for the full year. Currency adjusted, this corresponds to an increase of 10.5% for compared with Q4 2017 and of 9.2% compared with full year 2017.
- **Net sales** during Q4 totalled SEK 524m and SEK 1,768m for the full year. Currency adjusted, this corresponds to an increase of 19.8% compared with Q4 2017 and of 12.7% compared with full year 2017.
- **Adjusted operating profit in Q4** increased to SEK 93.7m from SEK 68m in 2017, giving an adjusted operating margin of 17.9% (15.9%).
- **Adjusted operating profit for the whole year 2018** increased to SEK 259.2m SEK from SEK 205.9m in 2017, giving an adjusted operating margin of 14.7% (13.6%).

APAC, Q4 2018

General market situation

- There are still good opportunities within the **APAC region** as a whole.
- New **Chinese** environmental legislation and other initiatives 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** remains limited by significant problems for Nederman's customers in obtaining financing for their investments and a generally weaker Chinese economy.
- In **India**, economic development is expected to strengthen slightly in 2019 and in **Australia**, a continued gradual improvement of the business climate can be seen.

Development per country

- The acquisition of Luwa had a positive impact during the final quarter of the year and thus for 2018 as a whole.
- **China** saw a positive development in last quarter of the year and including the acquisition of Luwa, sales in China in 2018 increased by 44% and orders received by 14%.
- The acquisition of Luwa also resulted in a good development in **India** in 2018 and sales for the full year increased by almost 43% and order intake by just over 26%.
- In **Australia**, development was more mixed with a weak order intake but stronger sales.

APAC, Q4 2018

Key ratios

SEK million	Note	1 Oct-31 Dec		Currency neutral	Organic	1 Jan-31 Dec		Currency neutral	Organic
		2018	2017	growth, %	growth, %*	2018	2017	growth, %	growth, %*
Incoming orders		172.3	109.0	48.7	-18.8	488.3	428.3	11.1	-6.0
External net sales	1	205.5	121.5	61.1	-19.3	538.8	402.7	30.3	6.1
Adjusted operating profit		16.5	11.6			16.3	9.3		
Adjusted operating margin, %		8.0	9.5			3.0	2.3		

* Currency neutral growth is the growth rate that does not come from currency effects, compared with the corresponding period in the previous year. 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 172m in Q4 2018 and to SEK 488m for the full year. Currency adjusted, this corresponds to an increase of 48.7% compared with Q4 2017 and of 11.1% compared with full year 2017.
- **Net sales** totalled SEK 206m in Q4 2018 and SEK 539m for the full year. Currency adjusted, this corresponds to an increase of 61.1% compared with Q4 2017 and of 30.3% compared with full year 2017.
- **Adjusted operating profit in Q4** increased to SEK 16.5m from SEK 11.6m in 2017, giving an adjusted operating margin of 8.0% (9.5%).
- **Adjusted operating profit for the whole year 2018** increased to SEK 16.3m SEK from SEK 9.3m in 2017, giving an adjusted operating margin of 3.0% (2.3%).

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 will be reflected in Nederman's segment reporting with effect from 1 January 2019.

Nederman

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

Nederman

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

Nederman

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

Organisation

Nederman is strengthening its organisation with the appointment of

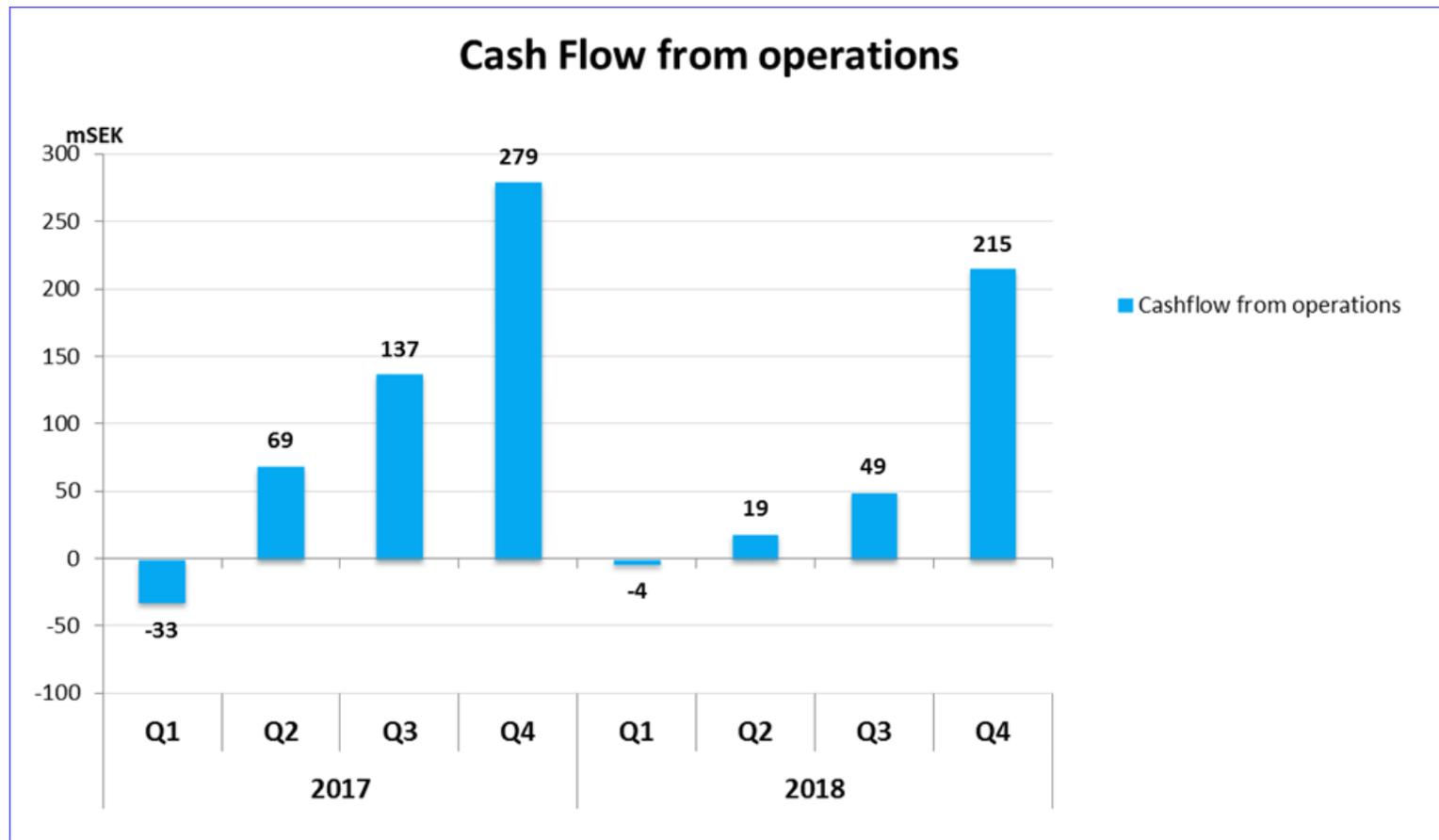
- Erik Wahn as Senior Vice President, Corporate Strategy & Business Development. He will be responsible for the Group's strategy process and business development, including acquisitions.
- Kristian Lexander, the current CIO, has been appointed Senior Vice President, Group IT & CIO.
- Jeppe Rasmussen has been appointed Senior Vice President and Head of the Duct & Filter Technology operating segment as PO Eriksson will retire in the spring of 2019.

Acquisition

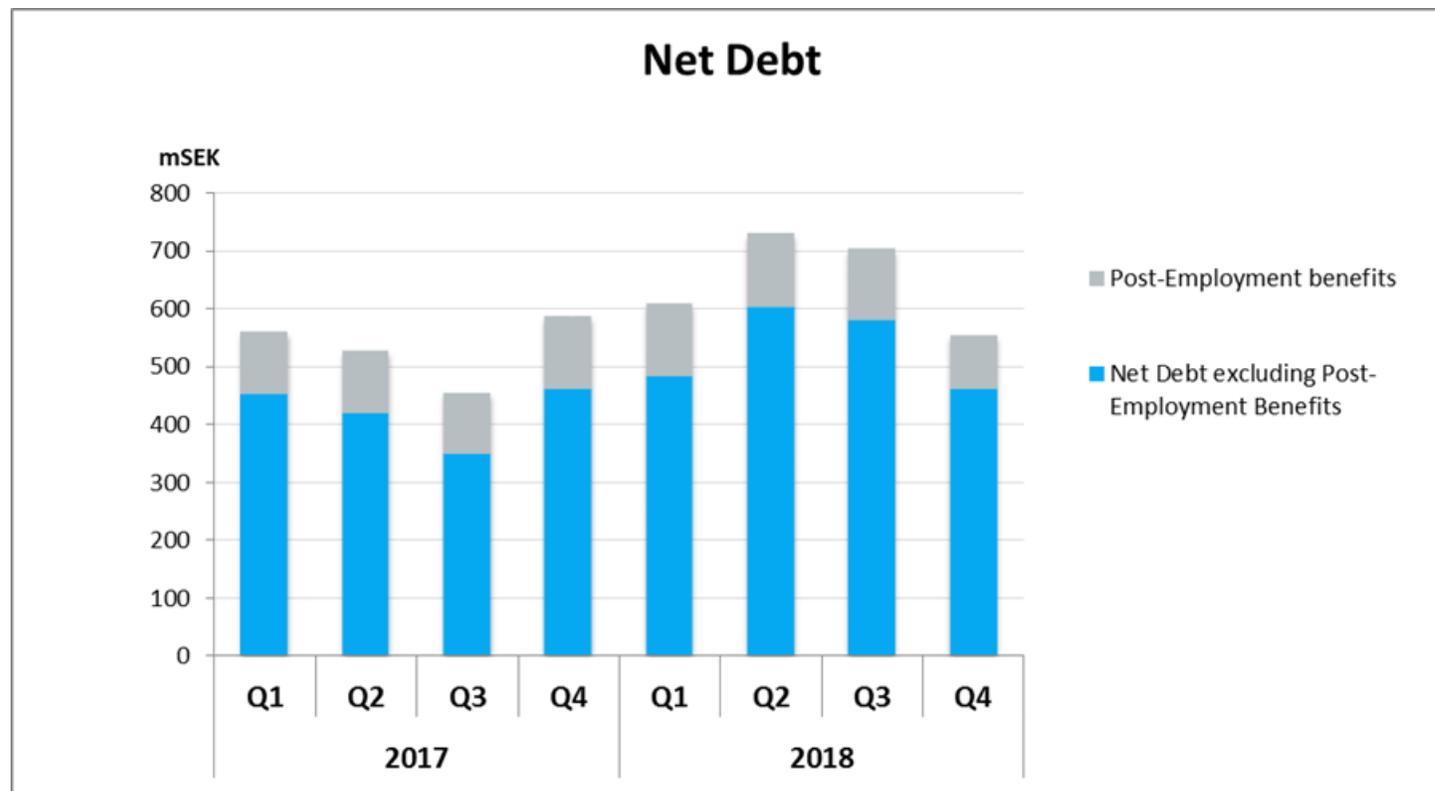
- On October 17, 2018, Nederman signed and completed a deal to acquire 100% of the shares in Luwa Air Engineering AG, a global manufacturer and supplier of custom engineered air conditioning, waste handling and heat recovery systems for fibre applications. Luwa is based in Uster, Switzerland and operates also 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 and CHF 5.7m two years after closing.
- The Luwa Group, with approximately 350 employees, had a turnover in 2017 of CHF 66 million. The acquired business currently has an EBITDA margin somewhat lower than that of the Nederman Group.
- Luwa will be part of Nederman Process Technology. 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: Positive conclusion of the year in USA and Brazil. Strong end to the year in Mexico. Mixed development in Canada
- EMEA: Strong end to the year. NEO Monitors are contributing positively. Digital sales channels are showing strength. 10.5% currency-neutral growth in orders in Q4.
- APAC: The acquisition of Luwa significantly strengthens the presence and earnings opportunities in APAC.

Outlook

Many of Nederman's markets show continued uncertainty.

The risk of trade conflicts and financial uncertainty prolongs decisions on large investments and some large projects have been 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 has strengthened its position in many crucial areas where future growth is expected to be.

Financial Calendar 2018

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



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