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CEO

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Presentation  
Interim Report January – June 2018  
25 July 2018

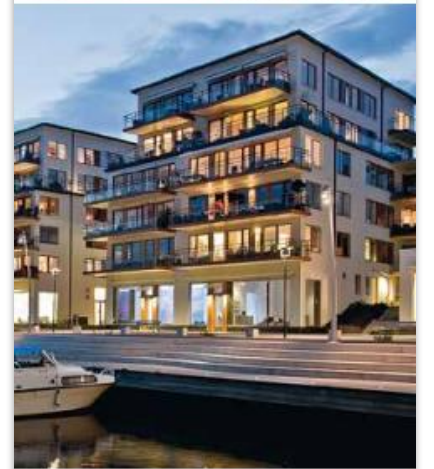


# Highlights second quarter 2018

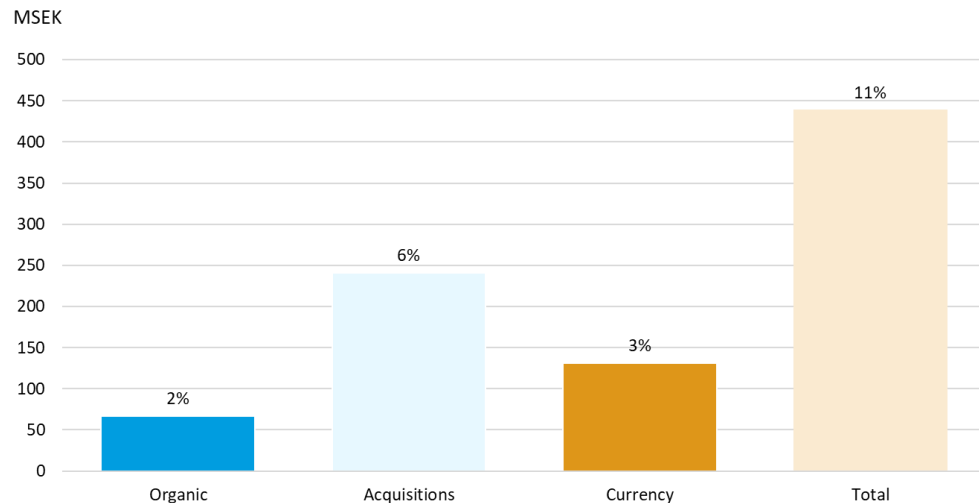
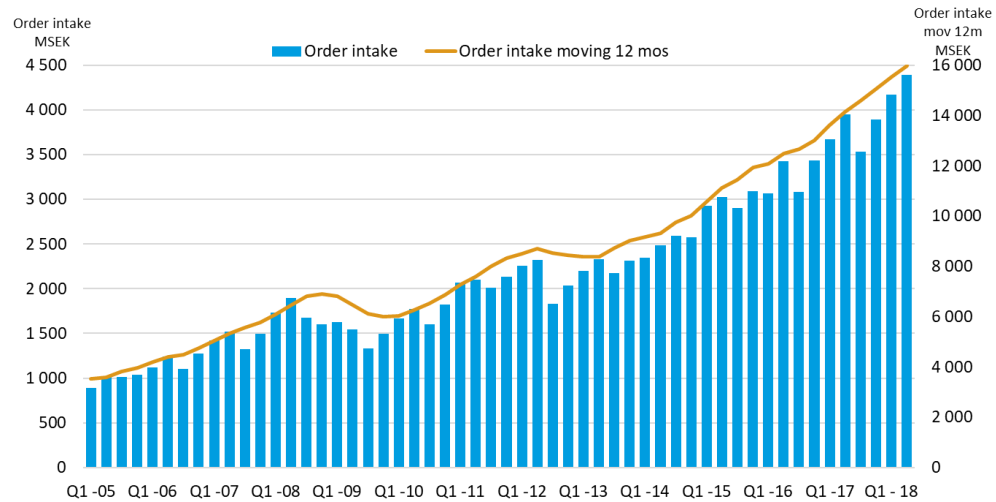
- Positive business climate with stable demand on high level
- Improved profitability and EPS development
- Good performance in most business areas, particularly in Industrial Components and UK
- Acquisition of Precision UK, Digitrade and Norsecraft
- Restructuring of Sander Meson group according to plan

# Financial summary second quarter 2018

- Order intake rose 11% to 4,391 MSEK (3,952)
- Net sales rose 17% to 4,390 MSEK (3,749)
- EBITA rose 19% to 543 MSEK (458), corresponding to an EBITA-margin of 12.4% (12.2)
- Earnings per share rose 19% to 3.01 SEK (2.52)
- Return on operating capital 19% (20)

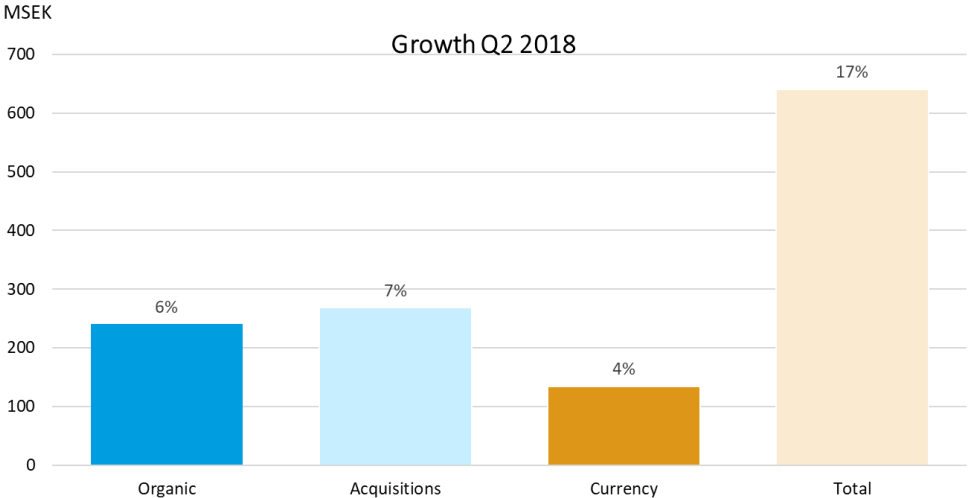
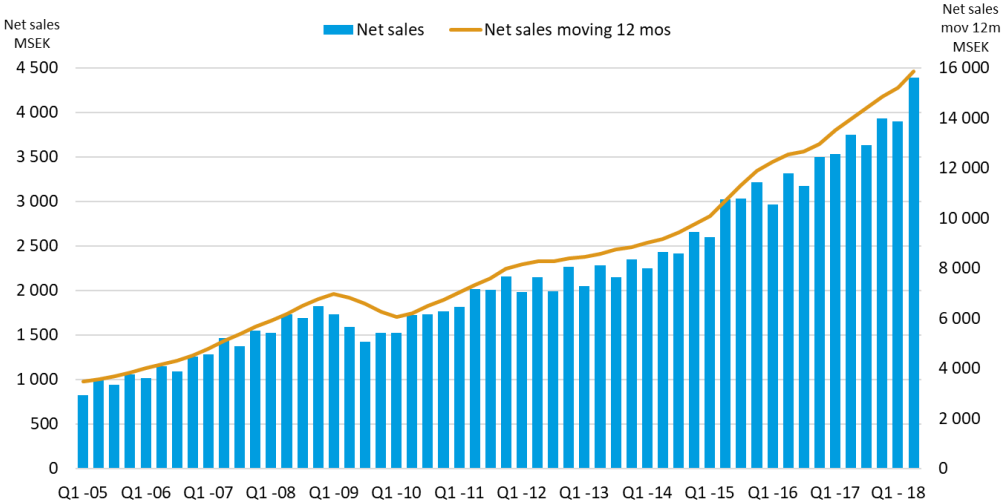


# Order intake



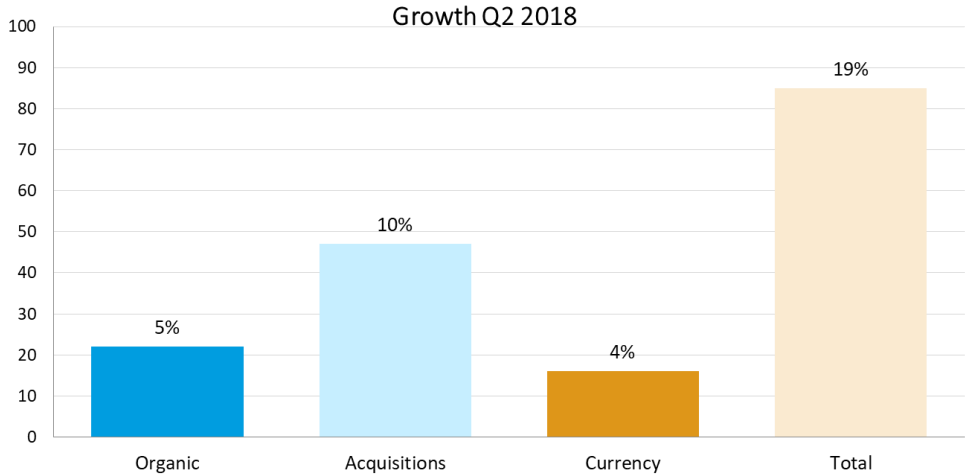
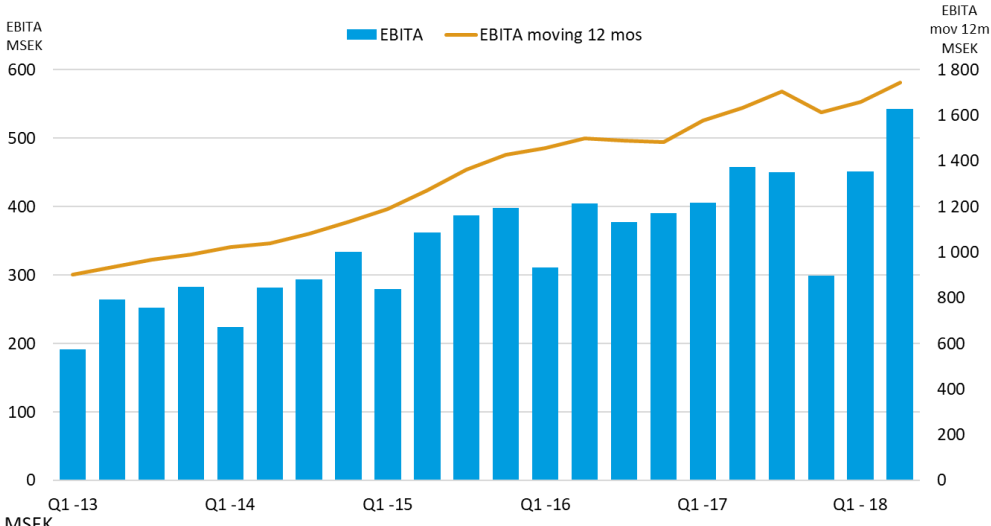
- Order intake rose 11% to 4,391 MSEK (3,952) whereof organic 2%
- Book to bill 1.00
- Strongest development in the Business Area Flow Technology
- Order intake for valves for power generation improved versus Q1 but slightly lower than previous year
- Organic growth rate impacted negatively by larger orders and projects last year

# Net sales



- Net sales rose 17% to 4,390 MSEK (3,749) whereof organic 6%
- Number of working days impacted somewhat positively
- Strongest development in the Business Areas Industrial Components and UK
- Invoicing for valves for power generation higher than last year

# EBITA



- EBITA rose 19% to 543 MSEK (458), corresponding to an EBITA-margin of 12.4% (12.2)
- Strongest organic development in Industrial Components and UK Business Areas
- Strategic investments in a few companies, holding back organic EBITA increase slightly

# Acquisitions / divestments 2018

## Acquisitions

 Zijtveld Gripers B.V (February)

 RA Howarth Engineering Ltd (February)

 Gaveco AB (February)

 Digitrade GmbH (April)

 Precision Parts UK Ltd (May)

 Norsecraft Tec AS (July)

## BA

Benelux

UK

Flow Technology

DACH

Flow Technology

Industrial Components

## Annual sales, MSEK

130

20

15

15


130

55



## Divestments

 Tecalemit companies (January)

 Novisol GmbH, Dresden branch (June)

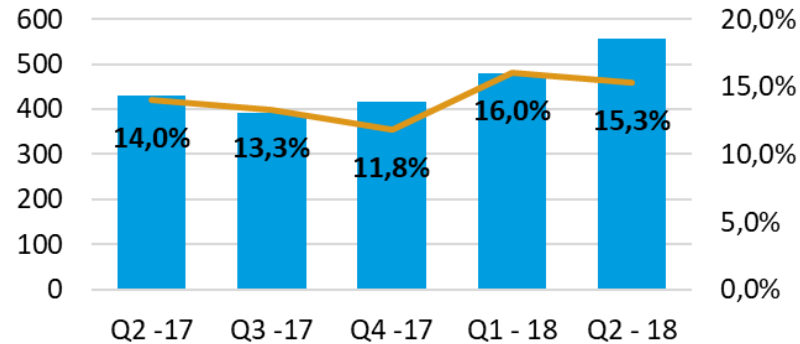
Finland / Fluids & Mechanical Solutions

Germany / DACH

120

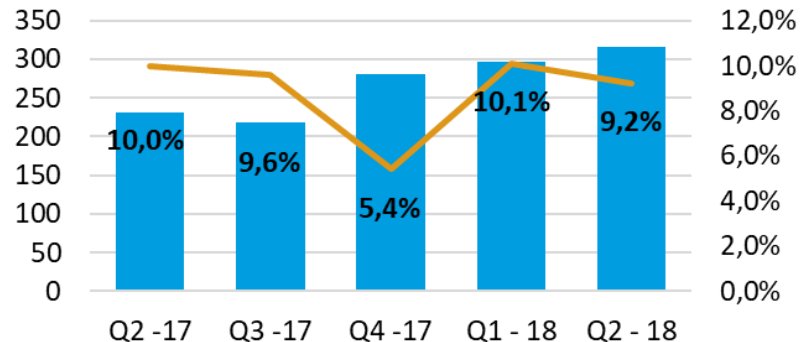
90

## Benelux



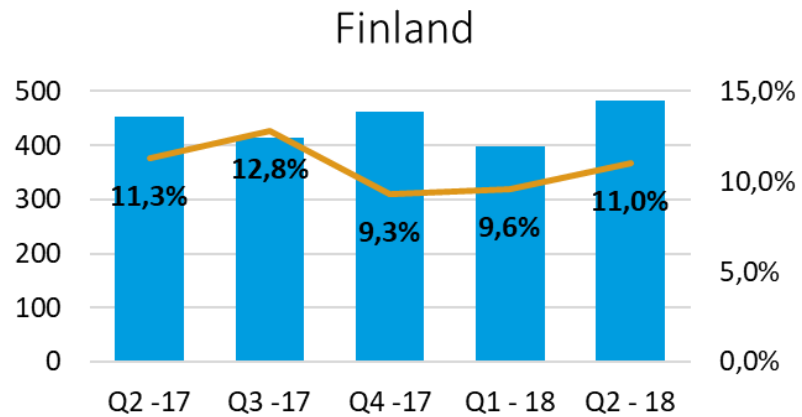
- Net sales: 556 MSEK (430) +29%, whereof organic +6%
- Book to bill 0.90
- EBITA: 85 MSEK (60) +42%
- EBITA-margin: 15.3% (14.0)
- Positive business climate
- Invoicing for valves for Power Generation slightly higher than Q1 and last year
- Slight EBITA margin drop from Q1 due to mix changes. Improvement versus last year mainly related to acquisitions

## DACH

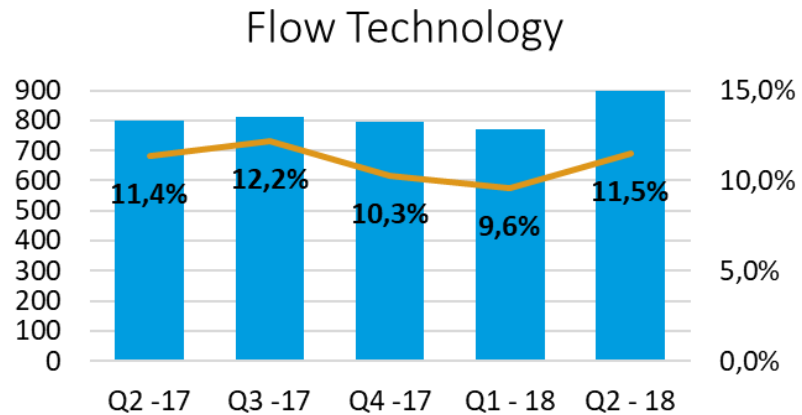


- Net sales: 316 MSEK (231) +37%, whereof organic -1%
- Book to bill 0.93
- EBITA: 29 MSEK (23) +26%
- EBITA-margin: 9.2% (10.0)
- Continued positive demand in Germany, but slightly weaker in Switzerland
- Organic sales and EBITA decline derives mainly from construction related projects in the Swiss process industry



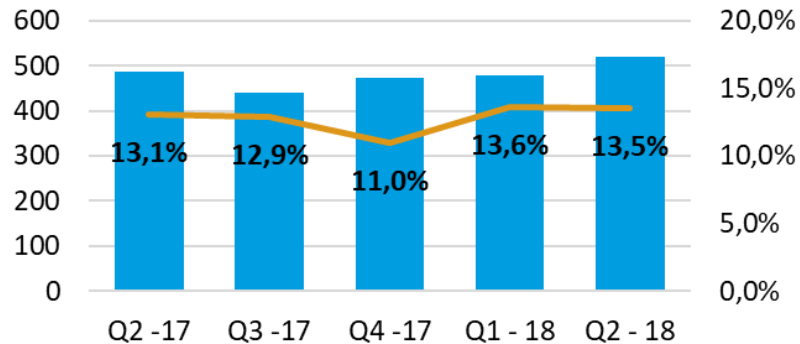


- Net sales: 483 MSEK (452) +7%, whereof organic +5%
- Book to bill 1.01
- EBITA: 53 MSEK (51) +4%
- EBITA-margin: 11.0% (11.3)
- Positive business climate with high capacity utilization at many customers
- Slight cost increases at a few companies impacting organic EBITA development due to strategic growth investments



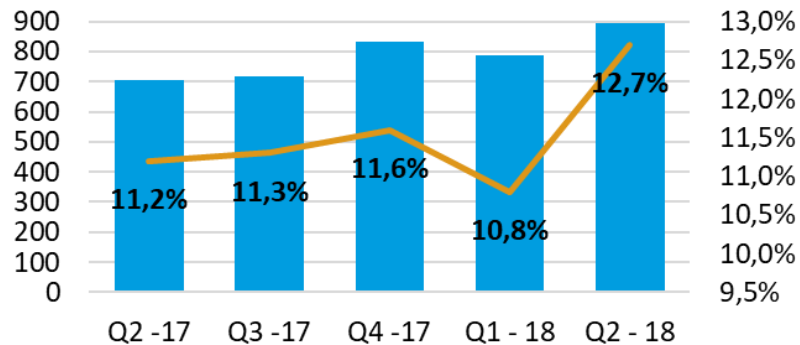
- Net sales: 898 MSEK (799) 12%, whereof organic +6%
- Book to bill 1.05
- EBITA: 103 MSEK (91) +13%
- EBITA-margin: 11.5% (11.4)
- Continued positive demand with good organic order intake
- Slight EBITA margin improvement driven by acquisitions
- Restructuring of Sander Meson Group according to plan

## Fluids & Mechanical Solutions



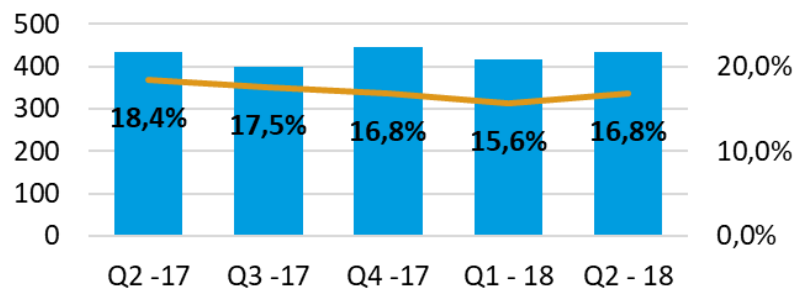
- Net sales: 519 MSEK (487) +7%, whereof organic +6%
- Book to bill 1.06
- EBITA: 70 MSEK (64) +9%
- EBITA-margin: 13.5% (13.1)
- Continued positive and stable business climate
- EBITA margin improvement mainly driven by the companies in the automotive aftermarket, hydraulics and filter segments.

## Industrial Components



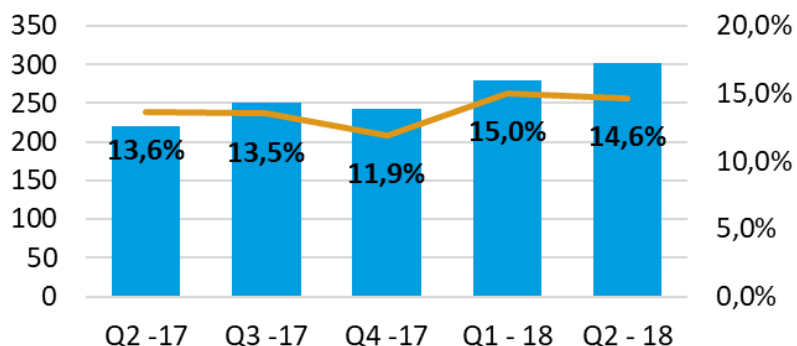
- Net sales: 895 MSEK (706) +27%, whereof organic +14%
- Book to bill 0.99
- EBITA: 114 MSEK (79) +44%
- EBITA-margin: 12.7% (11.2)
- Continued stable demand on high level
- Profitability improvement in a majority of the companies, driven by strong organic growth and performance initiatives

## Measurement & Sensor Technology



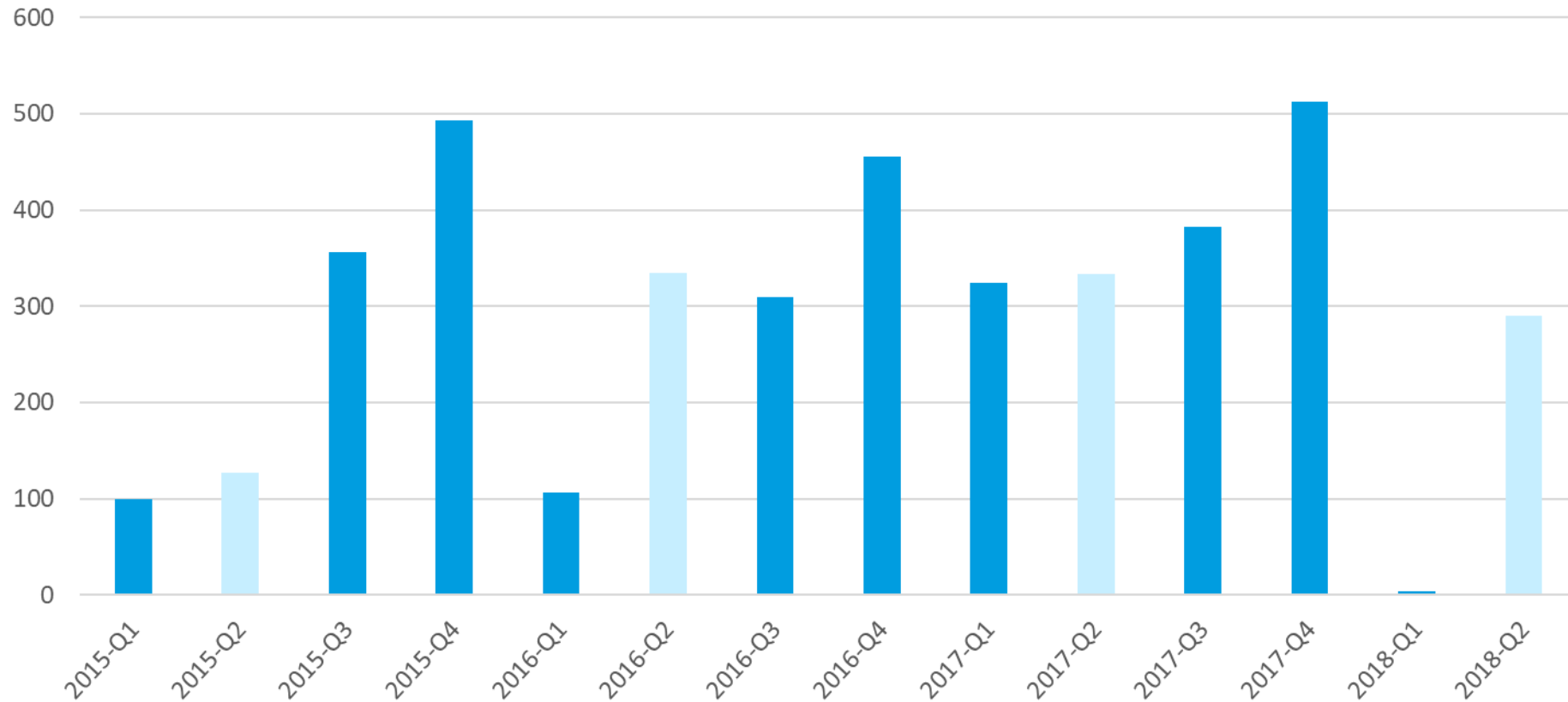
- Net sales: 435 MSEK (434) 0%, whereof organic -2%
- Book to bill 1,00
- EBITA: 73 MSEK (80) -9%
- EBITA-margin: 16.8% (18.4)
- Continued stable market situation with high capacity utilization
- Organic growth rates impacted negatively by large orders and projects last year
- Slightly lower profitability mainly due to the weak organic growth but partly also strategic investments in a few companies

## UK



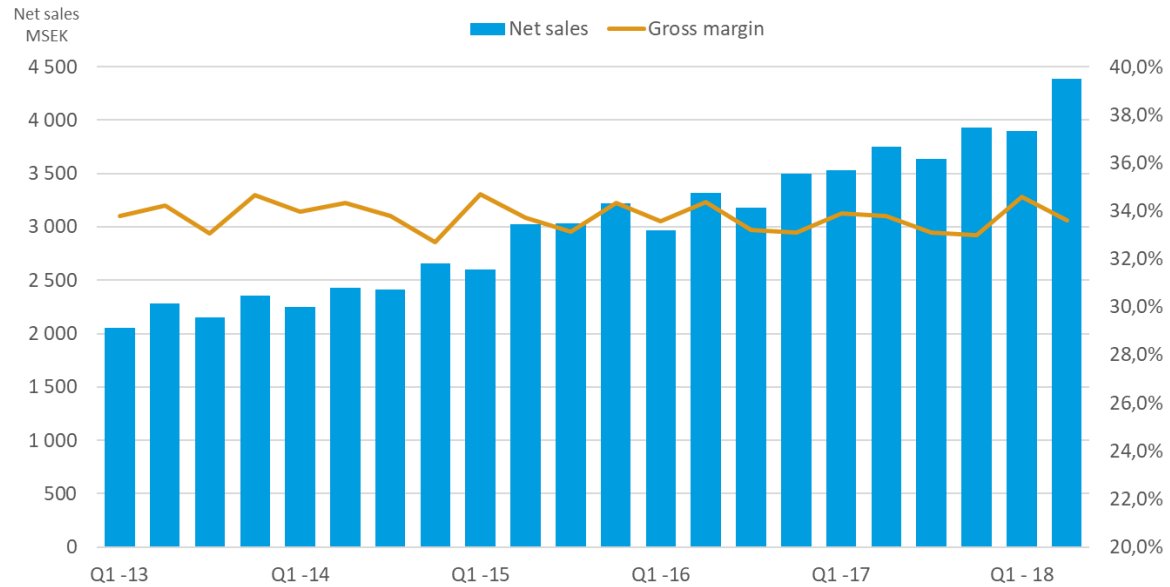
- Net sales: 301 MSEK (220) +37%, whereof organic +13%
- Book to bill 1,01
- EBITA: 44 MSEK (30) +47%
- EBITA-marginal: 14.6% (13.6)
- Positive demand situation, both domestic and exports
- Strong profitability development versus last year as an effect of the positive organic growth

# Cash Flow

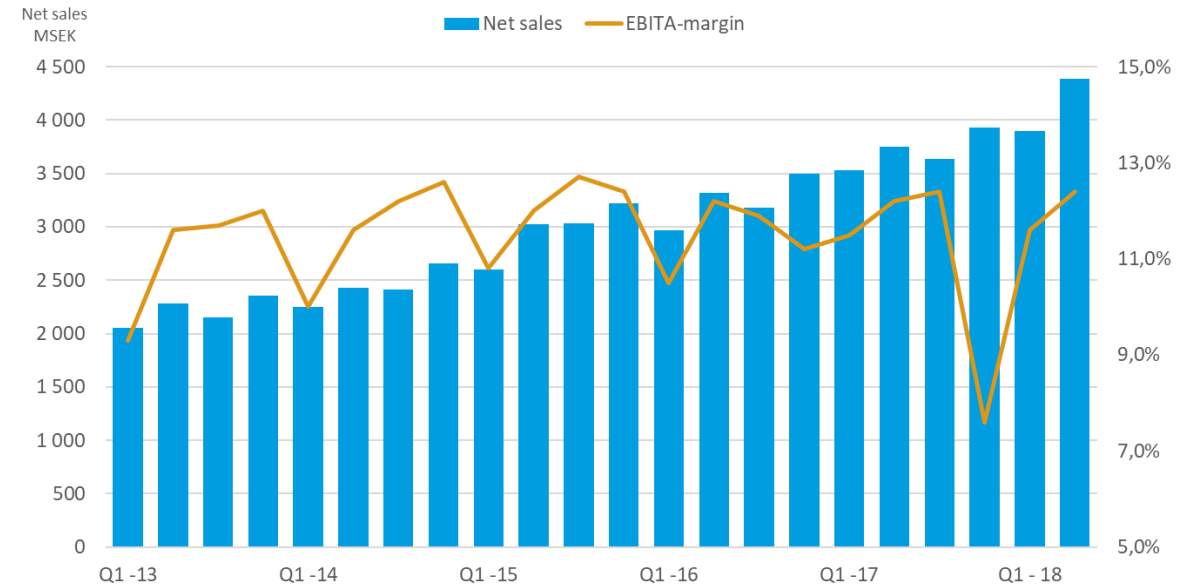


- Cash Flow from operating activities in Q2 declined 13% to 290 MSEK (334)
- Decline mainly driven by higher volumes and additional inventory to safeguard delivery service

# Margins



Gross profit 33.6% of sales (33.8)



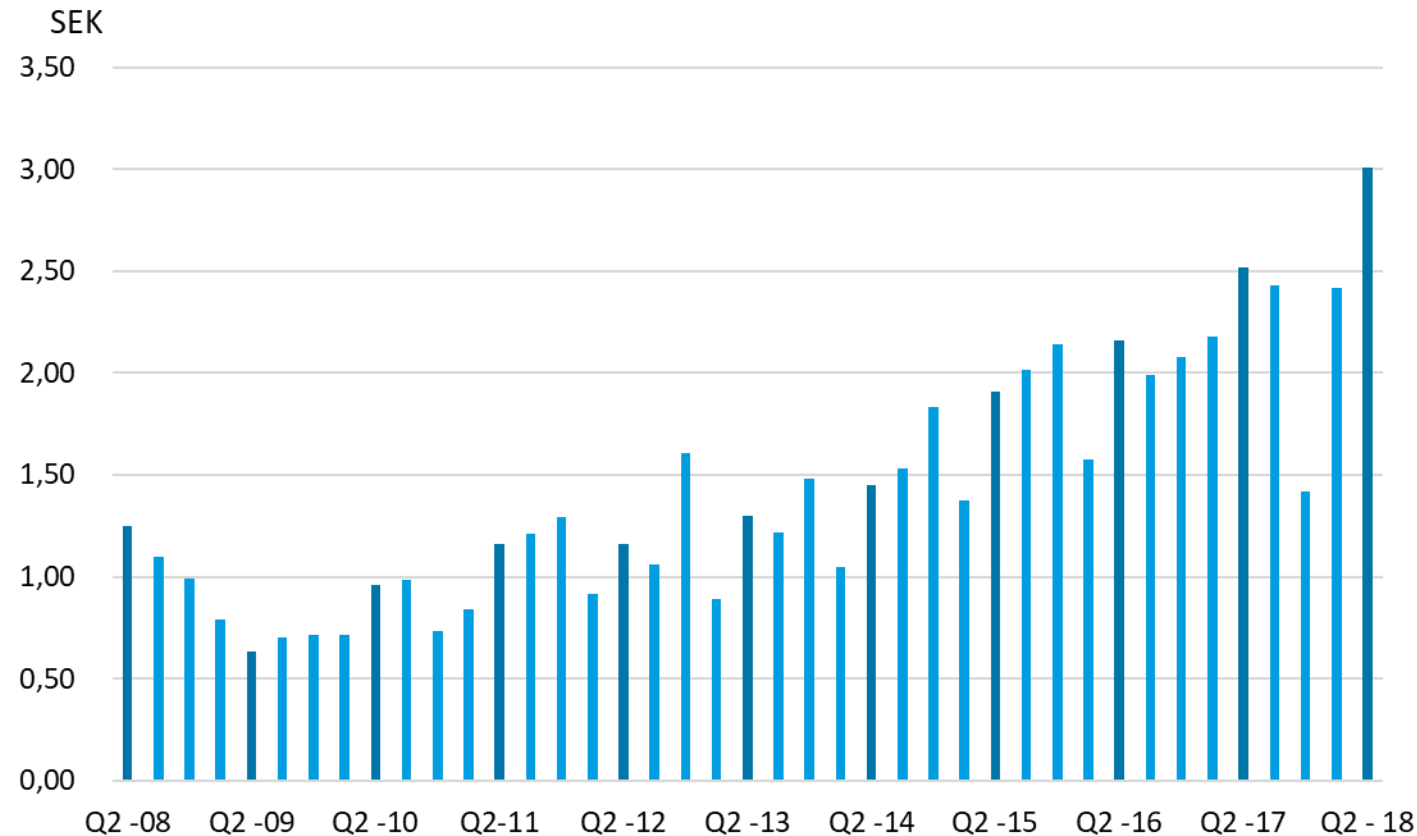
EBITA margin 12.4% of sales (12.2)

# Financial key data, rolling 12 months

MSEK	30 Jun 2018	30 Jun 2018 <sup>*)</sup>	31 Dec 2017	30 Jun 2017
EBITA margin, %	11.0	11.8	10.9	11.7
Return on operating capital, %	19	21	19	20
Return on equity, %	22	24	22	24
Interest-bearing net debt, SEK million	4,451		3,829	3,683
Net debt/equity ratio, %	79		74	79
Net debt/EBITDA, times	2.2		2.1	2.0
Equity ratio, %	40		41	40
<i>Key ratios per share</i>				
Earnings per share, SEK	9.28		8.54	8.76

*\*) Adjusted – excluding restructuring costs*

# Earnings per share



- Earnings per share rose 19% to SEK 3.01 (2.52)
- 12 months rolling earnings per share rose 6% to SEK 9.28 (8.76)
- Excluding restructuring 12 months rolling earnings per share rose 16% to SEK 10.13 (8.76)
- 5 year earnings per share CAGR, excluding restructuring is 16%

# Financial targets

	Q2 2018	Target
Growth	17%	>10%
EBITA-margin	12.4%	>10%
Return on operating capital	19%	>20%
Net debt/equity ratio	79%	<100%







# Enclosures

# Income statement

MSEK	Q2 2018	Q2 2017	%
<b>Net sales</b>	4,390	3,749	<b>17%</b>
Gross profit	1,476	1,268	16%
%	33.6%	33.8%	
Operating expenses	-1,001	-867	15%
%	-22.8%	-23.1%	
Other	0	-1	
<b>Operating profit</b>	<b>475</b>	<b>400</b>	<b>19%</b>
Financial net	-18	-16	
<b>Earnings before tax (EBT)</b>	<b>457</b>	<b>384</b>	<b>19%</b>
%	10.4%	10.2%	
<b>EBITA</b>	543	458	<b>19%</b>
%	12.4%	12.2%	
<b>Earnings per share, SEK</b>	<b>3.01</b>	<b>2.52</b>	<b>19%</b>

# Balance sheet

MSEK	30 Jun 2018		31 Dec 2017	
Intangible fixed assets	5,289	38%	4,947	39%
Tangible and financial fixed assets	1,872	13%	1,757	14%
Inventories	2,833	20%	2,517	20%
Receivables	3,521	25%	2,881	23%
Cash and cash equivalents	534	4%	464	4%
<b>Total assets</b>	<b>14,049</b>		<b>12,566</b>	
Equity	5,616	40%	5,168	41%
Interest-bearing liabilities	4,985	35%	4,293	34%
Non-interest-bearing liabilities	3,448	25%	3,105	25%
<b>Total equity and liabilities</b>	<b>14,049</b>		<b>12,566</b>	