FINANCIAL UPDATE

- Restructuring
- R & D
- Capital Expenditure
- Return on Capital
- Fx, Step-up etc.
- GPM
- Order backlog & sales bridge

NOVEMBER 23, 2017
### Reorganisation & capacity
- Update adjustment program as per September 30, 2017

#### EMPLOYEE IMPACT, FTE

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<tbody>
<tr>
<td>R&amp;D</td>
<td>-</td>
<td>- 450</td>
<td>- 450</td>
<td>+ 80</td>
<td>+ 215</td>
<td>+300</td>
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<tr>
<td>S&amp;A</td>
<td>- 100</td>
<td>- 250</td>
<td>- 550</td>
<td>+ 10</td>
<td>+ 15</td>
<td>+200</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>COGS</strong></td>
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</tr>
<tr>
<td>Total</td>
<td>- 100</td>
<td>- 700</td>
<td>- 1,000</td>
<td>+ 90</td>
<td>+ 230</td>
<td>+ 500</td>
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#### TOTAL SAVINGS, MSEK

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<tr>
<td><strong>Total</strong></td>
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Savings expected to be reached to 75% level by end 2017 and completely by end of 2018.
Development of R&D spend

![Graph showing the development of R&D spend from 2005 to LTM1709. The x-axis represents years, while the y-axis shows SEK million and the percent of sales. The graph indicates an increase in R&D spend over time, with a peak around 2015 and a slight decline in the most recent data (LTM1709).]
Capital expenditure

Guidance <= 2.0 % of sales
+ 2016 – 2017:
Pune, India, relocation
Kolding, Denmark, extension
Appr SEK 500 m
Capital expenditure
- Major projects in 2016 - 2017

- Relocation to new site in India NOT carried through, EUR 27 million
- Development of current main site including consolidation
Capital expenditure
- Major projects in 2016 - 2017

- New state of the art distribution centre in Kolding, Denmark carried through, according to plan and within the budget of EUR 25 million
- Benefits are being realized as anticipated
Capital expenditure
- Major projects in 2016 - 2017

- New state of the art distribution centre in Kolding, Denmark carried through, according to plan and within the budget of EUR 25 million
- Benefits are being realized as anticipated
Capital expenditure

Guidance:
- <= 2.0% of sales
- 2018 – 2019: Footprint projects
  Relocations
  Extensions

[Bar chart showing capital expenditure from 2004 to 2018]
Capital expenditure
- Major projects in 2018 - 2019

- Footprint in the USA, SEK 175 million
- Footprint in Poland, SEK 100 million
- Adjustment to global supply structure for GPHE, SEK 150 million
- Relocation in Qingdao, China SEK 200 million
- Extension in Kunshan, China SEK 100 million
- Establish BHE production in Richmond, USA SEK 50 million
- Extension of BHE production in Alonte, Ronneby & JiangYin, SEK 120 million
- Upgrade and relocation in Pune, India SEK 75 million
Capital expenditure
- Major projects in 2018 – 2019 “Footprint”

- Reduction of “footprint” in the USA, capex of EUR 17 - 20 million including extensions of buildings and project costs of EUR 7 million

- Closure of activities in three locations and relocation to existing facilities, such as Broken Arrow, Oklahoma
Capital expenditure
- Major projects in 2018 – 2019 “Relocation”

- Forced relocation of manufacturing in Qingdao, China, due to city development
- Anticipated “additional” capital expenditure of EUR 22 million and project costs of EUR 4 million
Establish BHE production in Richmond, USA to improve customer service in the Americas

Increased utilization of existing facility

Anticipated capital expenditure of EUR 6 million and project costs of EUR 1 million
Capital expenditure
- Major projects in 2018 - 2019

- Footprint in the USA, SEK 175 million
- Footprint in Poland, SEK 100 million
- Adjustment to global supply structure for GPHE, SEK 150 million
- Relocation in Qingdao, China SEK 75 million
- Extension in Kunshan, China SEK 100 million
- Establish BHE production in Richmond, USA SEK 50 million
- Extension of BHE production in Alonte, Ronneby & JiangYin, SEK 120 million
- Upgrade and relocation in Pune, India SEK 75 million

Estimated additional capital expenditure during 2018 – 2019: SEK 700 million!
Return on capital employed
- Development from Q110 to Q317

Group target for ROCE is 20%
Return on capital employed
- Main items of capital employed
## Return on...
- Development for ROC and ROCE

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</thead>
<tbody>
<tr>
<td>Operating capital</td>
<td>4.4</td>
<td>4.6</td>
<td>3.7</td>
<td>4.1</td>
<td>4.2</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Step up</td>
<td>2.4</td>
<td>2.2</td>
<td>8.3</td>
<td>6.1</td>
<td>5.3</td>
<td>3.9</td>
<td>0.0</td>
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<tr>
<td>Goodwill</td>
<td>6.0</td>
<td>9.5</td>
<td>19.5</td>
<td>20.4</td>
<td>19.3</td>
<td>19.3</td>
<td>19.3</td>
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<tr>
<td>Capital employed</td>
<td>12.8</td>
<td>16.3</td>
<td>31.5</td>
<td>30.7</td>
<td>28.9</td>
<td>27.4</td>
<td>23.5</td>
</tr>
<tr>
<td><strong>ROC in %</strong></td>
<td>108.5</td>
<td>112.2</td>
<td>182.4</td>
<td>112.9</td>
<td>130.0</td>
<td>130.0</td>
<td>130.0</td>
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<tr>
<td><strong>ROCE in %</strong></td>
<td>37.4</td>
<td>31.3</td>
<td>21.6</td>
<td>15.3</td>
<td>19.0</td>
<td>20.1</td>
<td>23.4</td>
</tr>
<tr>
<td><strong>EBITA in %</strong></td>
<td>19.3</td>
<td>16.4</td>
<td>17.1</td>
<td>13.1</td>
<td>15.6</td>
<td>15.6</td>
<td>15.6</td>
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</table>

*) EBITA LTM 1709 excl non-recurring charges  
**) EBITA LTM 1709 excl non-recurring and capital items c.p.
# Foreign exchange
- Estimated impact on adjusted EBITA from FX fluctuations

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q3 2017</th>
<th>9M 2017</th>
<th>FY 2017*</th>
<th>FY 2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction effect</td>
<td>41</td>
<td>135</td>
<td>190</td>
<td>70</td>
</tr>
<tr>
<td>Translation effect</td>
<td>-22</td>
<td>55</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>190</td>
<td>210</td>
<td>70</td>
</tr>
</tbody>
</table>

*Based on EUR/USD 1.17 and EUR/SEK 9.75

Projected FX-effect for 2017 communicated with the Q3 report: SEK 200 million
Step-up values up to 2021
- Closing balance and amortization according to plan, SEK M
Guidance
- A summary

- R & D-spend in relation to total revenues, ≤ 2.5 %
- Taxes in the P&L, 28 % of PBT
- Capital expenditure in relation to total revenues, ≤ 2.0 % and major projects
- Dividend pay-out ratio, 40 – 50 % of adjusted EPS*

*) Excluding net effect of step-up amortisation
Gross profit margin
- Development 1991 - ...

- CS share
- Fx
+ Volume
+ Restruct.

- Marine & BRIC boom
- Asian crisis
- O&G decline Marine decline
Order backlog as per Sept 30
- MSEK at prevailing rates

For next year, SEK 10.8 (10.1) Bn, "like-for-like" SEK + 0.7 Bn!

For delivery later than next year
For delivery next year
For delivery during the rest of current year
<table>
<thead>
<tr>
<th></th>
<th>BnSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTM Q316</td>
<td>35.1</td>
</tr>
<tr>
<td>Change order backlog Q4, y-o-y</td>
<td>+ 0.0</td>
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<tr>
<td>Fx. Translation</td>
<td>-/+ 0.x</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>+ 0.0</td>
</tr>
<tr>
<td>Demand, in-for-out Q417</td>
<td>-/+ 0.x</td>
</tr>
<tr>
<td>Full year 2017</td>
<td>appr 34.8*</td>
</tr>
</tbody>
</table>

*) SME Direkt, consensus estimate as per November 8, 2017
## Sales

- 2017 and 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>BnSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full year 2017</td>
<td>appr 34.8*</td>
</tr>
<tr>
<td>Change in order backlog y-o-y</td>
<td>+ 0.7</td>
</tr>
<tr>
<td>Fx. Translation</td>
<td>- x.x</td>
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<tr>
<td>Acquisitions during 2017</td>
<td>0.0</td>
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<tr>
<td><strong>Subtotal:</strong></td>
<td><strong>35.5</strong></td>
</tr>
<tr>
<td>Price</td>
<td>+ / -</td>
</tr>
<tr>
<td>Demand</td>
<td>+ / -</td>
</tr>
<tr>
<td>Further acquisitions</td>
<td>+</td>
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<tr>
<td><strong>Full year 2018:</strong></td>
<td>?</td>
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</tbody>
</table>

*) SME Direkt, consensus estimate as per November 8, 2017