

# Systemair AB (publ)

## Interim Report Q2

### 1 May – 31 October 2018

Net sales Q2

**SEK 2,151 m.**

EBIT Q2

**SEK 189 m.**

#### Second quarter, August–October 2018

- Net sales increased by 15.4 percent to SEK 2,151 million (1,864).
- Organic growth was 9.1 percent (4.2).
- Operating profit (EBIT) totalled SEK 189 million (144).
- The operating margin was 8.8 percent (7.7).
- Profit after tax amounted to SEK 126 million (101).
- Earnings per share totalled SEK 2.43 (1.95).
- Cash flow from operating activities amounted to SEK 87 million (100).

#### First half-year, May–October 2018

- Net sales increased by 12.5 percent to SEK 4,164 million (3,701).
- Organic growth was 7.2 percent (4.2).
- Operating profit (EBIT) totalled SEK 334 million (277).
- The operating margin was 8.0 percent (7.5).
- Profit after tax amounted to SEK 198 million (177).
- Earnings per share totalled SEK 3.81 (3.40).
- Cash flow from operating activities amounted to SEK 162 million (173).

#### Significant events during the period under review

- In August, Systemair acquired the Canadian company Greentek, a major manufacturer of residential air handling units for the US and Canadian market. The company has sales of around SEK 70 million.
- In September, Systemair acquired the Spanish company Koolair, a leading producer of air distribution products. Sales for the company total around EUR 30 million whereof around 50% is for export markets.

	2018/19 Aug–Oct 3 mths	2017/18 Aug–Oct 3 mths	2018/19 May–Oct 6 mths	2017/18 May–Oct 6 mths	2017/18 May–Apr 12 mths
Net sales, SEK m.	2,151.4	1,863.7	4,164.1	3,700.9	7,301.2
Growth, %	15.4	5.3	12.5	8.4	6.4
Operating profit, SEK m.	188.9	143.9	333.9	276.8	349.6
Operating margin, %	8.8	7.7	8.0	7.5	4.8
Profit after tax, SEK m.	126.3	101.4	198.3	177.0	230.1
Earnings per share, SEK	2.43	1.95	3.81	3.40	4.43
Operating cash flow per share, SEK	1.67	1.92	3.11	3.34	4.32

## Strong growth and improved profitability

During the second quarter, growth was recorded at 15.4 percent, of which 9.1 percent was organic. All regions reported good growth, especially North America and Asia. Our gross margin showed a degree of improvement through price increases and good capacity utilisation. Operating profit improved to SEK 189 million, as against SEK 144 million in the same quarter last year.

### The market

Market developments were favourable in Systemair's major sales regions during the second quarter. In the Nordic market, growth was good in Sweden, Norway and Finland, while sales were more or less unchanged in Denmark. In Western Europe, several major markets developed strongly, including Spain, Italy, Portugal, the Netherlands and Germany, while sales declined in Austria, Switzerland and France. Overall, in Eastern Europe, the market situation is good, only sales in Russia were practically unchanged during the quarter. The North American market continues to perform well and Systemair's acquisition of Greentek fits closely with our strategy of continued expansion in the region. In the Middle East and Asia, the growth was strong in India and Turkey during the second quarter.

### Acquisitions and disposals

In September, Systemair acquired Koolair, a Spanish maker of air distribution products. The company has sales of around EUR 30 million, half of which go to export markets. The acquisition considerably strengthens Systemair's market share in air distribution in Europe. The takeover was completed on 1 November.

In August, Systemair acquired the Canadian company Greentek, a major manufacturer of residential air handling units for the US and Canadian market. The company has sales of around CAD 10 million and the production has been relocated to Systemair's current production site.



### Investments

During the period, Systemair continued to invest in machinery in a number of factories in order to maintain and raise productivity. However, the pace of investment is lower than last year, when substantial investments were made.

### Outlook

Activity and demand remain strong in several of our markets and so we are confident of further positive developments.

The ventilation market continues to move at an increasingly fast pace towards energy-efficient system solutions based on intelligent and smart products. Even the current public discussion of the importance of high quality indoor air contributes to a stronger interest from existing and new customers. Our ongoing projects and investments in IT, digitalization and system solutions will provide us with an excellent platform for further growth. Our customers will get improved access and understanding of our products and opportunities to connect different products to optimized systems.

Roland Kasper  
President and CEO

## Sales and markets

Group sales for the second quarter of the 2018/19 financial year totalled SEK 2,151.4 million (1,863.7), an increase of 15.4 percent from the same period in the preceding year.

Adjusted for foreign exchange effects, acquisitions and disposals, net sales grew 9.1 percent. Growth in acquired operations was 0.9 percent, while foreign exchange effects increased sales by 5.4 percent during the period.

### Geographic breakdown of Q2 sales

#### Nordic region

During the second quarter, sales in the Nordic region were up 9 percent on the same period in the preceding year. The Swedish, Finnish and Norwegian markets reported good growth during the quarter. Adjusted for foreign exchange effects, acquisitions and disposals, sales rose 6 percent.

#### Western Europe

During the quarter, sales in the West European market were 16 percent higher than in the corresponding period last year. Adjusted for foreign exchange effects and acquisitions, sales rose by 5 percent. Several markets in the region performed well during the period, including Greece, Spain, Italy and Portugal, while sales declined in Austria, Switzerland and France.

#### Eastern Europe and CIS

Sales in Eastern Europe and the CIS rose by 12 percent during the quarter. Adjusted for foreign exchange effects and acquisitions, the increase was 7 percent. Sales in Russia were more or less unchanged from the same quarter last year. The Russian market accounts for 5 percent of Systemair's total sales, as against 6 percent in the previous year. Other major markets showing growth during the period include the Czech Republic, Slovenia and Slovakia.

#### North and South America

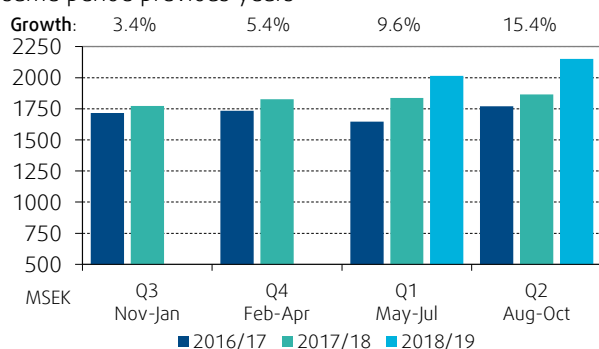
Sales in the North and South America region during the quarter were 20 percent higher than in the same period last year. Both the Canadian and US markets performed well in the quarter. Adjusted for foreign exchange effects and acquisitions, sales increased by 4 percent in the region.

#### Other markets

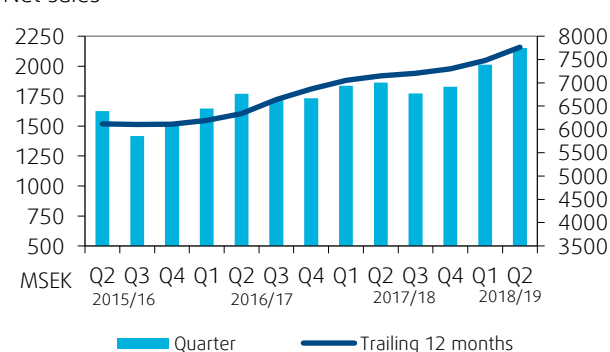
Sales in Other markets rose by 28 percent compared with the same period in the preceding year. Adjusted for foreign exchange effects and acquisitions, sales rose by 41 percent. Sales in Turkey, India and South Africa increased during the quarter but declined in parts of the Middle East.

	2018/19 Aug-Oct 3 mths	2017/18 Aug-Oct 3 mths	Sales – change	Of which, organic	2018/19 May-Oct 6 mths	2017/18 May-Oct 6 mths	Sales – change	Of which, organic
Nordic region	499.7	456.8	9%	6%	908.4	840.0	8%	5%
Western Europe	881.8	757.1	16%	5%	1,750.7	1,506.6	16%	6%
Eastern Europe & the CIS	333.7	298.4	12%	7%	657.6	589.6	12%	7%
North and South America	189.0	157.6	20%	4%	371.7	338.6	10%	1%
Other markets	247.2	193.8	28%	41%	475.7	426.1	12%	20%
<b>Total</b>	<b>2,151.4</b>	<b>1,863.7</b>	<b>15%</b>	<b>9%</b>	<b>4,164.1</b>	<b>3,700.9</b>	<b>13%</b>	<b>7%</b>

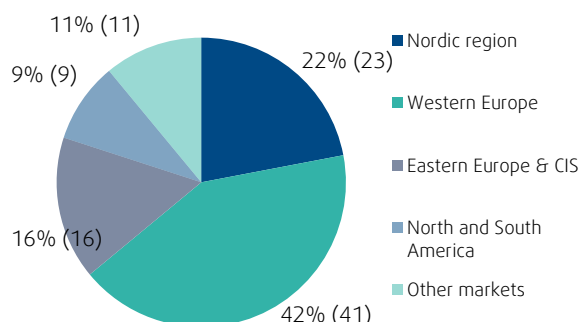
Net sales per quarter compared with same period previous years



Net sales



## Sales by market, 6 months 2018/19 (2017/18)



## Profit in the second quarter

The gross profit for the second quarter was SEK 731.6 million (631.4), an increase of 15.9 percent over the same period in the preceding year. The gross margin rose to 34.0 percent (33.9).

The operating profit for the second quarter totalled SEK 188.9 million (143.9), up 31.3 percent on the same period in the preceding year. The Company's operating margin was 8.8 percent (7.7). The operating profit includes restructuring costs of total SEK 9.2 million, mostly attributed to the German companies TTL and Menerga.

Selling and administration expenses for the quarter totalled SEK 540.7 million (475.0), a rise of SEK 65.7 million, or 13.8 percent. Acquisitions and disposals accounted for SEK 7.3 million of the quarter's costs. As a result, selling and administration expenses for comparable units rose by SEK 58.4 million, or 12.3 percent.

Selling expenses were charged with SEK 12.5 million (4.8) for anticipated and confirmed impairment losses on trade receivables, of which an individual customer in the Middle East accounted for SEK 4.1 million. During the quarter, costs related to acquisitions totalled SEK 0.8 million (0.9).

Net financial items ended the second quarter at SEK -11.1 million (-0.2). The impact of foreign exchange on long-term receivables, loans and bank balances totalled SEK -3.5 million (+4.2) net. The foreign exchange impact was caused mainly through weakening of the Turkish lira. Interest expenses for the quarter totalled SEK -8.1 million (-5.1).

## Tax expense

Estimated tax for the quarter totalled SEK -51.5 million (-42.3), corresponding to an effective tax rate of 28.9 percent based on profit after net financial items.

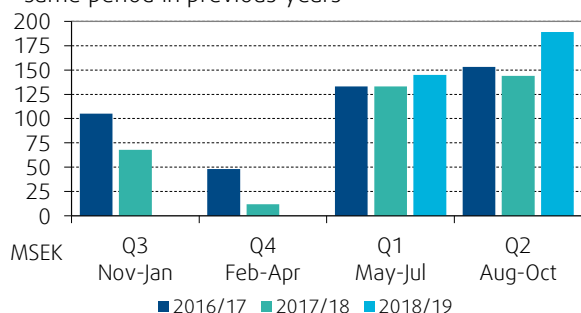
Systemair has received a negative tax ruling on the 30th of November 2018 from the Swedish board for advance tax rulings. The ruling relates to losses carried forward and a deferred tax asset totalling SEK 25.9 million for the financial year 2017/18. Systemair intends to appeal to the Supreme administrative Court since Management believe that it is probable to reach success. The accounted deferred tax asset has therefore not been adjusted for in the closing per 31<sup>st</sup> of October.

## Acquisitions, new operations and disposals

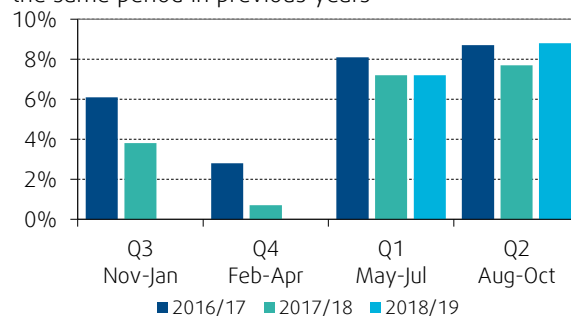
In September, Systemair acquired the Spanish company Koolair. Koolair is a leading manufacturer of air distribution products. Export markets account for 50 percent of the company's sales. Production in Mostoles on the outskirts of Madrid is highly automated. Sales for the company total around EUR 30 million. The takeover was completed on 1 November 2018.

In August, Systemair acquired the Canadian company Greentek, formerly a division of the Imperial Manufacturing Group Inc. Greentek is based in Moncton, approximately 50 kilometres from Systemair's production facility at Bouctouche, in the Province of New Brunswick. The company develops, manufactures and sell high-quality air handling units with heat recovery for homes in the Canadian and US markets. Annual sales are valued at around CAD 10 million. The production has

Operating profit per quarter, relative to the same period in previous years



Operating margin per quarter, relative to the same period in previous years



been relocated to the Bouctouche facility.

In July, Systemair acquired 49.9 percent of the shares in Burda WTG GmbH, Germany. Burda sells and develops radiant heaters for outdoor use. The company has a number of patents and smart technical solutions. Systemair has an option to acquire the remaining shares in the company within three years. Burda has sales of EUR 2.8 million.

In May 2018, Systemair signed an agreement to sell its Norwegian subsidiary Reftec A/S. The company has been acquired by its former management and will continue to operate as exclusive distributor of Systemair's air conditioning products in the Norwegian market. In 2017/18, Reftec posted net sales of NOK 28.9 million, with an operating profit of NOK -2.0 million. As a result of the sale, a goodwill impairment of SEK 11.2 million was incurred and recognised in the fourth quarter of 2017/18. No further impact on profit arose as a result of the disposal.

If the companies acquired during the period had been consolidated as of 1 May 2018, net sales for the period May through October 2018 would have totalled approximately SEK 4,189.7 million. The operating profit for that period would have totalled approximately SEK 336.5 million. For more information regarding acquisitions and disposals and their impact on the Group's cash and cash equivalents, see Note 3 in this interim report.

### Investments, depreciation and amortisation

Investments for the quarter, excluding disposals, totalled SEK 105.3 million (121.1), including SEK 26.2 million (95.2) in new construction and machinery. The investments consisted in large part of investments in buildings and machinery in the factories in Turkey, Germany and the Czech Republic. Acquisitions and formerly withheld purchase considerations totalled SEK 64.5 million (21.8) for the quarter. Depreciation of non-current assets amounted to SEK 57.2 million (48.8).

### Personnel

The average number of employees in the Group was 5,321 (5,053). At the end of the period, Systemair had 5,578 employees (5,408), 170 more than one year previous. New employees were recruited chiefly at Systemair in Spain (42), Germany (27), Turkey (27), India (21), the Czech Republic (16), Slovenia (15), Slovakia (14), Sweden (13) and South Africa (12). Personnel cutbacks were made at Frivent Austria (-39) and Malaysia (-11). The acquisition of Syneco of Switzerland and Greentek of Canada brought 27 employees into the Group while the disposal of Reftec in

Norway reduced the number of employees by 13.

### Cash flow and financial position

Cash flow from operating activities during the quarter, before changes in working capital, totalled SEK 196.3 million (191.9). Changes in working capital, mainly consisting of higher trade accounts receivable, had an impact of SEK -109.5 million (-92.3) on cash flow. The cash flow from financing operations totalled SEK +212.5 million net (-50.0). At the end of the period, the Group's net indebtedness was SEK 1,954.2 million (1,585.9). The consolidated equity/assets ratio was 39.7 percent (43.2) at the end of the period.

### Events after the close of the period

No significant events have occurred since the end of the period.

### Material risks and uncertainty

Systemair is exposed to operational and financial risks in its business. Operational risks include the international nature of the operations, tough competition and the sensitivity of the construction industry to the business cycle. The financial risks that Systemair has identified in its business consist of foreign exchange risk, borrowing and interest rate risk, as well as credit risk and liquidity risk. The material risks and uncertainties affecting Systemair are described in more detail in the Company's 2017/18 Annual Report. No significant change occurred in the risk situation during the period.

### Related party transactions

Systemair's significant transactions with related parties concern ebmpapst AB and ebmpapst Mulfingen GmbH & Co. KG. Transactions with related parties are described in detail in Note 37 to the accounts in the Annual Report for the 2017/18 financial year. During the period, no change worthy of mention occurred in the scale of these transactions.

### Parent Company

The Parent Company's net sales for the period under review totalled SEK 66.6 million (53.8). Operating profit totalled SEK -33.5 million (-41.2). The company had 51 employees (47). The core business of the Parent Company is that of intra-Group services.

### Systemair in brief

Systemair is a leading ventilation company with operations in 50 countries in Europe, North America, South America, the Middle East, Asia and Africa. The

company had sales of approximately SEK 7.3 billion in the 2017/18 financial year and approximately 5,600 employees. Systemair has reported an operating profit every year since 1974, when the company was founded. During the past 10 years, the Company's growth rate has averaged about 9 percent.

Systemair has well-established operations in growth markets. The Group's products are marketed under the Systemair, Frico, Fantech and Menerga brands. Systemair shares have been quoted on the Mid Cap List of the Nasdaq OMX Nordic Exchange in Stockholm since October 2007. The Group comprises about 70 companies.

## About Systemair

The Company established operations in 1974 with a product concept, the circular duct fan, a design that considerably simplified the process of installation. We adopted the motto "the direct route", which has been developed from a product concept into a business philosophy. Our product range has expanded strongly to extend over a broad range of fans, air handling units, products for air distribution, air conditioning, air curtains and heating products.

## Mission statement

Operating from the core values of simplicity and reliability, our business concept is to develop, manufacture and market high-quality ventilation products. On the basis of our business concept and with our customers in focus, our aim is to be seen as a company to rely on, with the emphasis on delivery reliability, availability and quality.

## Business model

Availability is an important parameter in terms of our competitiveness, and we ensure effective control of our flow of goods, with owned production units, centralised warehouse facilities and an efficient ERP system. With modern production plants and our own sales companies around the world, we reach out directly to our customers.

The business model supports stability and development, and today we are a leading producer and supplier of ventilation products with our own production and own sales companies.

## Strategies

The following strategies create major strengths and competitive advantages that help us to achieve our goals.

- Innovative product development and a broad

product range focusing on energy-efficient air handling products.

- High product availability and fast delivery via an efficient production, logistics and IT organisation.
- Development and expansion of Systemair's own sales organisation.
- Good relationships with ventilation contractors, distributors and consultants.
- A highly diversified customer base reduces our vulnerability to fluctuations in the economy.
- Early presence in growth markets.
- Strategy of acquisition and establishment to expand market shares.

## Miscellaneous

The information in this Interim Report is information that Systemair is required to disclose in accordance with the Swedish Securities Markets Act (lagen om värdepappersmarknaden) and/or the Swedish Financial Instruments Trading Act (lagen om handel med finansiella instrument). This information will be submitted for publication at 8.00 a.m. on 5 December 2018.

The undersigned affirm that this six-month report provides a true and fair survey of the Parent Company's and the Group's operations, financial position and profits, as well as describing the material risks and uncertainty facing the Parent Company and the companies included in the Group.

Skinnskatteberg, 4 December 2018

Systemair AB (publ)

Roland Kasper  
*Chief Executive Officer*

Gerald Engström  
*Chairman of the Board*

Carina Andersson  
*Director*

Svein Nilsen  
*Director*

Hans Peter Fuchs  
*Director*

Patrik Nollåker  
*Director*

Åke Henningsson  
*Employee Representative*

Ricky Sten  
*Employee Representative*



## Calendar

Interim Report Q3 2018/19

8.00 a.m., 13 March 2019

Year-end report Q4 2018/19

8.00 a.m., 11 June 2019

Interim report Q1 2019/20

1.00 p.m., 29 August 2019

## Contact

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## Auditor's Review Report

### Introduction

We have reviewed the condensed interim financial information (interim report) for Systemair as per 31 October 2018 and the six-month reporting period ending on that date. The preparation and fair presentation of the interim report in accordance with IAS 34 and the Annual Accounts Act are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express our opinion of this interim report based on our review.

### Emphasis and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements: ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The emphasis and scope of a review differ considerably from that of an audit in accordance with International Standards on Auditing (ISA) and other generally accepted auditing practices in Sweden.

The procedures performed in a review do not enable us to obtain a level of assurance to become aware of all significant matters that could have been identified in an audit. As our opinion is based on a review, the level of assurance is not as high as that of an opinion expressed based on an audit.

### Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim report was not, in all material respects, prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act, and, for the Parent Company, in accordance with the Swedish Annual Accounts Act.

Stockholm, 4 December 2018

Ernst & Young AB

Åsa Lundvall

Authorised Public Accountant



## Summary income statement

	Group						Parent Company	
	2018/19 Aug-Oct 3 mths	2017/18 Aug-Oct 3 mths	2018/19 May-Oct 6 mths	2017/18 May-Oct 6 mths	2017/18 Nov-Oct trailing 12	2017/18 May-Apr 12 mths	2018/19 May-Oct 6 mths	2017/18 May-Oct 6 mths
SEK m.								
Net sales	2,151.4	1,863.7	4,164.1	3,700.9	7,764.4	7,301.2	66.6	53.8
Cost of goods sold	-1,419.8	-1,232.3	-2,781.6	-2,462.5	-5,206.3	-4,887.2	-	-
<b>Gross profit</b>	<b>731.6</b>	<b>631.4</b>	<b>1,382.5</b>	<b>1,238.4</b>	<b>2,558.1</b>	<b>2,414.0</b>	<b>66.6</b>	<b>53.8</b>
Other operating income	56.9	23.0	97.4	51.8	162.5	116.9	5.0	0.8
Selling expenses	-449.3	-392.1	-878.4	-778.5	-1,752.6	-1,652.7	-28.0	-26.1
Administration expenses	-91.4	-82.9	-178.6	-165.6	-373.7	-360.7	-44.2	-40.9
Other operating expenses	-58.9	-35.5	-89.0	-69.3	-187.6	-167.9	-32.9	-28.8
<b>Operating profit/loss</b>	<b>188.9</b>	<b>143.9</b>	<b>333.9</b>	<b>276.8</b>	<b>406.7</b>	<b>349.6</b>	<b>-33.5</b>	<b>-41.2</b>
Net financial items	-11.1	-0.2	-46.6	-27.1	-35.9	-16.4	272.4	241.6
<b>Profit/loss after financial items</b>	<b>177.8</b>	<b>143.7</b>	<b>287.3</b>	<b>249.7</b>	<b>370.8</b>	<b>333.2</b>	<b>238.9</b>	<b>200.4</b>
Appropriations	-	-	-	-	-	-	-0.1	0.5
Tax on profit for the period	-51.5	-42.3	-89.0	-72.7	-119.4	-103.1	4.1	6.2
<b>Profit for the period</b>	<b>126.3</b>	<b>101.4</b>	<b>198.3</b>	<b>177.0</b>	<b>251.4</b>	<b>230.1</b>	<b>242.9</b>	<b>207.1</b>
<b>Attributable to:</b>								
Parent Company shareholders	125.9	101.4	198.5	177.0	252.0	230.5	-	-
Non-controlling interests	0.4	-	-0.2	-	-0.6	-0.4	-	-
Earnings per share, SEK <sup>1</sup>	2.43	1.95	3.81	3.40	4.83	4.43	-	-

## Statement of comprehensive income

<b>Profit for the period</b>	126.3	101.4	198.3	177.0	251.4	230.1	242.9	207.1
<b>Other comprehensive income</b>								
<i>Items that have been, or may later be, transferred to profit for the year:</i>								
Translation differences	15.9	33.5	-47.5	-20.4	96.8	123.9	-	-
Impact of tax	0.3	0.1	0.5	0.3	0.0	-0.2	-	-
<i>Items that cannot be transferred to profit for the year:</i>								
Revaluation of defined-benefit pensions, net after tax	-	-	-	-	-11.7	-11.7	-	-
<b>Other comprehensive income</b>	<b>16.2</b>	<b>33.6</b>	<b>-47.0</b>	<b>-20.1</b>	<b>85.1</b>	<b>112.0</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>142.5</b>	<b>135.0</b>	<b>151.3</b>	<b>156.9</b>	<b>336.5</b>	<b>342.1</b>	<b>242.9</b>	<b>207.1</b>
<b>Attributable to:</b>								
Parent Company shareholders	142.1	135.0	151.5	156.9	337.1	342.5	-	-
Non-controlling interests	0.4	-	-0.2	-	-0.6	-0.4	-	-

1) Not affected by dilution.

## Summary balance sheet

	Group			Parent Company	
SEK m.	31 Oct 2018	31 Oct 2017	30 Apr 2018	31 Oct 2018	31 Oct 2017
<b>ASSETS</b>					
Goodwill	753.9	728.0	759.1	0.0	0.2
Other intangible assets	208.1	200.3	216.9	22.2	19.2
Property, plant and equipment	1,732.6	1,538.4	1,722.2	40.5	29.3
Financial and other assets	257.2	201.9	240.4	2,807.2	2,419.4
<b>Total non-current assets</b>	<b>2,951.8</b>	<b>2,668.6</b>	<b>2,938.6</b>	<b>2,869.9</b>	<b>2,468.1</b>
Inventory	1,437.7	1,181.5	1,399.4	-	-
Short-term receivables	1,897.6	1,582.2	1,632.4	1,514.3	1,264.5
Cash and cash equivalents	431.9	208.3	212.8	-	-
<b>Total current assets</b>	<b>3,767.2</b>	<b>2,972.0</b>	<b>3,244.6</b>	<b>1,514.3</b>	<b>1,264.5</b>
Available-for-sale assets	-	-	11.8	-	-
<b>TOTAL ASSETS</b>	<b>6,719.0</b>	<b>5,640.6</b>	<b>6,195.0</b>	<b>4,384.2</b>	<b>3,732.6</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>2,664.9</b>	<b>2,434.2</b>	<b>2,620.3</b>	<b>2,012.9</b>	<b>2,045.6</b>
Untaxed reserves	-	-	-	5.2	5.1
Non-current liabilities, non-interest-bearing	268.9	232.7	275.5	-	-
Non-current liabilities, interest-bearing	847.1	368.2	690.7	996.4	418.0
<b>Total non-current liabilities</b>	<b>1,116.0</b>	<b>600.9</b>	<b>966.2</b>	<b>996.4</b>	<b>418.0</b>
Current liabilities, interest-bearing	1,468.7	1,391.3	1,283.2	1,307.5	1,220.1
Current liabilities, non-interest-bearing	1,469.4	1,214.2	1,316.1	62.2	43.8
<b>Total current liabilities</b>	<b>2,938.1</b>	<b>2,605.5</b>	<b>2,599.3</b>	<b>1,369.7</b>	<b>1,263.9</b>
Liabilities attributable to available-for-sale assets	-	-	9.2	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,719.0</b>	<b>5,640.6</b>	<b>6,195.0</b>	<b>4,384.2</b>	<b>3,732.6</b>

## Summary consolidated cash flow statement

	2018/19 Aug-Oct 3 mths	2017/18 Aug-Oct 3 mths	2018/19 May-Oct 6 mths	2017/18 May-Oct 6 mths	2017/18 May-Apr 12 mths
SEK m.					
Operating profit/loss	188.9	143.9	333.9	276.8	349.6
Adjustment for non-cash items	50.7	62.7	68.5	78.8	220.4
Financial items	-7.3	-4.0	-14.0	-9.6	-23.9
Income tax paid	-36.0	-10.7	-71.9	-42.5	-147.4
<b>Cash flow from operating activities before changes in working capital</b>	<b>196.3</b>	<b>191.9</b>	<b>316.5</b>	<b>303.5</b>	<b>398.7</b>
Changes in working capital	-109.5	-92.3	-154.6	-130.0	-174.4
<b>Cash flow from operating activities</b>	<b>86.8</b>	<b>99.6</b>	<b>161.9</b>	<b>173.5</b>	<b>224.3</b>
Cash flow from investing activities	-104.4	-118.0	-206.0	-279.4	-481.9
Cash flow from financing activities	212.5	-50.0	268.6	79.2	218.8
<b>Cash flow for the period</b>	<b>194.9</b>	<b>-68.4</b>	<b>224.5</b>	<b>-26.7</b>	<b>-38.8</b>
Cash and cash equivalents at start of period	234.3	270.0	213.3	241.8	241.8
Translation differences, cash and cash equivalents	2.7	6.7	-5.9	-6.8	9.8
<b>Cash and cash equivalents at close of period</b>	<b>431.9</b>	<b>208.3</b>	<b>431.9</b>	<b>208.3</b>	<b>212.8</b>

## Statement of Changes in Equity – Group

	2018/19 May-Oct		2017/18 May-Oct		2017/18 May-Apr	
	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity
SEK m.						
<b>Amount at beginning of year</b>	<b>2,620.3</b>	<b>2,620.3</b>	<b>2,381.3</b>	<b>2,381.3</b>	<b>2,381.3</b>	<b>2,381.3</b>
Dividend	-104.0	-104.0	-104.0	-104.0	-104.0	-104.0
Revaluation of acquisition option	-2.7	-2.7	-	-	0.9	0.9
Comprehensive income	151.3	151.3	156.9	156.9	342.1	342.1
<b>Amount at end of period</b>	<b>2,664.9</b>	<b>2,664.9</b>	<b>2,434.2</b>	<b>2,434.2</b>	<b>2,620.3</b>	<b>2,620.3</b>

## Performance measures for the Group

		2018/19 Aug-Oct 3 mths	2017/18 Aug-Oct 3 mths	2018/19 May-Oct 6 mths	2017/18 May-Oct 6 mths	2017/18 May-Apr 12 mths
Net sales	SEK m.	2,151.4	1,863.7	4,164.1	3,700.9	7,301.2
Growth	%	15.4	5.3	12.5	8.4	6.4
Operating profit/loss	SEK m.	188.9	143.9	333.9	276.8	349.6
Operating margin	%	8.8	7.7	8.0	7.5	4.8
Profit after net fin. items	SEK m.	177.8	143.7	287.3	249.7	333.2
Profit margin	%	8.3	7.7	6.9	6.7	4.6
Return on capital employed	%	8.8	10.4	8.8	10.4	9.1
Return on equity	%	9.7	10.8	9.7	10.8	9.3
Equity/assets ratio	%	39.7	43.2	39.7	43.2	42.5
Investments	SEK m.	104.4	118.0	206.0	279.4	481.9
Depreciation/Amortisation	SEK m.	57.2	48.8	112.8	97.6	204.6
<b>Per share ratios</b>						
Earnings per share	SEK	2.43	1.95	3.81	3.40	4.43
Equity per share	SEK	51.25	46.81	51.25	46.81	50.39
Operating cash flow per share	SEK	1.67	1.92	3.11	3.34	4.32
No. of shares at end of period	No.	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000

## Quarterly key ratios – Group

		2018/19			2017/18			2016/17		
		Aug-Oct Q2	May-Jul Q1	Feb-Apr Q4	Nov-Jan Q3	Aug-Oct Q2	May-Jul Q1	Feb-Apr Q4	Nov-Jan Q3	Aug-Oct Q2
Net sales	SEK m.	2,151.4	2,012.7	1,827.1	1,773.3	1,863.7	1,837.2	1,733.2	1,715.4	1,769.2
Growth	%	15.4	9.6	5.4	3.4	5.3	11.6	14.9	21.1	8.9
Gross margin	%	34.0	32.3	32.3	33.0	33.9	33.0	33.8	33.7	35.2
Operating profit/loss	SEK m.	188.9	144.9	5.2	67.7	143.9	132.9	47.7	105.1	153.2
Operating margin	%	8.8	7.2	0.3	3.8	7.7	7.2	2.8	6.1	8.7
Return on capital employed	%	8.8	8.2	9.1	9.3	10.4	10.8	12.0	11.9	10.5
Return on equity	%	9.7	8.9	9.3	10.2	10.8	11.4	12.6	12.9	11.6
Equity/assets ratio	%	39.7	42.2	42.5	43.9	43.2	44.0	44.6	45.5	43.9
Basic equity per share	SEK	51.25	50.56	50.39	47.34	46.81	46.22	45.79	44.46	45.35
Basic earnings per share	SEK	2.43	1.38	0.22	0.80	1.95	1.45	0.55	0.98	2.22
Cash flow from operating activities per share	SEK	1.67	1.44	-0.29	1.28	1.92	1.42	-0.49	4.01	3.22

## Note 1 New accounting policies

Systemair applies International Financial Reporting Standards (IFRS). This interim report was prepared for the group in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and RFR 2.

New or amended standards that entered into force in 2018

IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied at Systemair since 1 May 2018. Neither IFRS 15 nor IFRS 9 has had any material impact on Systemair and no adjustment has been applied to historical figures. The following is a presentation of accounting policies in accordance with IFRS 15 and IFRS 9, in terms of their application by Systemair.

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers establishes a new regime for how and when a company must recognise revenue. It replaces all previously issued standards on revenue recognition. The new standard is based on a five-step model to be applied to contracts with customers. Under IFRS 15, revenue is to be recognised when a goods item or a service is transferred to a customer, which may occur over time or at a point in time. The revenue shall consist of the amount that the company expects to receive as payment for transferred goods or services. IFRS 15 applies to financial years commencing on or after 1 January 2018. Systemair adopted and applied the standard on 1 May 2018.

During the 2017/18 financial year, the Group assessed the effects of IFRS 15 in order to determine the differences between earlier revenue recognition principles and the new requirements under IFRS 15, as well as to prepare for implementation of the new standard within the Group. The overall conclusion is that the new revenue recognition standard does not have any material impact on Systemair's historical financial position. Consequently, Systemair will not be presenting any restatements for earlier periods.

Systemair's revenue is generated in the main from the manufacture and sale of ventilation products, together with servicing of ventilation products. The major share of sales meet the requirements for recognising revenue at a specific point in time, that is, when control of equipment passes to the customer. Revenue is recognised according to that principle and IFRS 15 will therefore not lead to any change in revenue accounting in this case. In the case of customer contracts fulfilled over time, revenue is to be recognised over time as the criteria set out in IFRS 15 are met. Systemair's view is that the contracts that meet the criteria for revenue recognition over time are already recognised over time, and consequently this has no material impact on the Group's revenue recognition.

Systemair provides maintenance services to customers via separate service agreements. Revenue from service activities is today already recognised over time, as the customer receives and uses the benefits provided, and IFRS 15 thus does not represent any difference from current principles. On sale of products, Systemair provides warranties that for the most part cover original product defects. In some cases, extended warranty periods are offered, but in view of what the warranty covers, the warranties provided are not regarded as additional service warranties. On that basis, warranties provided are not considered as separate performance obligations, but instead will continue to be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. If, in a particular case, an extended warranty is regarded as a separate performance obligation, the associated revenue will be recognised over time.

### *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments applies to recognition of financial assets and liabilities. It replaces IAS 39 Financial Instruments: Classification and Measurement. As with IAS 39, financial assets are classified in various categories, some of which are measured at amortised cost and others at fair value. IFRS 9 introduces categories other than those described in IAS 39. Classification under IFRS 9 is based partly on the contractual cash flows of the instruments, and partly on the company's business model. IFRS 9 also introduces a new model for impairment losses on financial assets. In the case of financial liabilities, IFRS 9 largely accords with IAS 39. However, in the case of liabilities recognised at fair value, the portion of the change in fair value that is attributable to own credit risk is recognised in other comprehensive income, rather than in profit or loss, unless to do so would lead to inconsistency in accounting. Changes in criteria for hedge accounting may have the effect that more financial hedging strategies meet the requirements for hedge accounting under IFRS 9 than under IAS 39. IFRS 9 came into effect on 1 January 2018, or could be applied later, and has been applied by the Group and Parent Company since 1 May 2018. The Group's view is that the standard has no material impact on its accounting.

New or amended standards that have not yet entered into force

#### *IFRS 16 Leasing*

IFRS 16 Leases will supersede IAS 17 Leases from 1 January 2019 and will therefore be adopted by Systemair from 1 May 2019. The new standard requires lessees to recognise their obligation to pay lease fees as a lease liability on the balance sheet. The right to use the underlying asset during the lease term is recognised as an asset. Depreciation on the asset is recognised in profit and loss and interest on the lease liability. Lease fees paid are recognised partly as payment of interest and partly as amortisation of the lease liability. The standard exempts leases for periods of less than 12 months (short-term leases) and leases on low-value assets. Both reported non-current assets and financial liabilities are expected to increase. The income statement and financing activities in the cash flow statement will also be affected. The project to determine the effects of IFRS 16 is ongoing. Some reliable calculation of the outcome has not yet been completed.

## Note 2 Revenue analysis

The Group's revenue is generated in the main from the manufacture and sale of ventilation products, together with servicing of ventilation products. Total revenue for the quarter amounted to SEK 2,151.4 million (1,863.7), of which servicing of ventilation products accounted for SEK 76.6 million (71.0).

	2018/19 aug-okt 3 mån	2018/19 maj-okt 6 mån
SEK m.		
Europe		
Sale of goods recognised at a specific point in time	1,657.7	3,229.0
Sale of goods recognized over time	10.1	16.3
Service recognized over time	74.6	138.0
	1,742.4	3,383.3
Asia, Africa, America and the Middle East		
Sale of goods recognised at a specific point in time	364.4	703.9
Sale of goods recognized over time	42.6	72.9
Service recognized over time	2.0	4.0
	409.0	780.8
Total		
Sale of goods recognised at a specific point in time	2,022.1	3,932.9
Sale of goods recognized over time	52.7	89.2
Service recognized over time	76.6	142.0
	2,151.4	4,164.1

### Note 3 Companies sold and acquired

The disposal of the shares in Reftec A/S, Norway, may provisionally be analysed as follows:

Total transaction price SEK 2.7 m.

Disposed assets and liabilities	Total
Goodwill	3.0
Machinery and equipment	0.5
Deferred tax assets	1.0
Inventory	1.4
Other current assets	5.5
Cash and cash equivalents	0.5
Non-interest-bearing liabilities	-0.7
Interest-bearing liabilities	-4.5
Other operating liabilities	-4.0
	2.7

The total impact on cash flow is SEK +2.2 million. As a result of the sale of the company, a goodwill impairment of SEK 11.2 million was incurred and recognised in the fourth quarter of 2017/18.

The purchase consideration the asset acquisition in Greentek, Canada, may provisionally be calculated as follows:

Total historical cost, less transaction costs SEK 64.5 m.

Identifiable net assets	Total
Goodwill	12.4
Brands and customer relationships	24.3
Machinery and equipment	8.7
Inventory	19.0
	64.5

The valuation of identified brands and customer relationships is preliminarily estimated.

The total cash flow impact from acquisitions is SEK -64.5 million. No transaction costs associated with the acquisition have been identified.

Brands and customer relationships have been stated at the net present value of future payment flows. The useful life of these assets has been estimated at 5 years.

The goodwill upon acquisition is attributable to the strong market position of the companies acquired, synergy effects expected to arise after the acquisition and the company's estimated future earning capacity.

Figures that are sufficiently reliable to calculate the effects from the acquisition of Koolair, Spain, have not yet been obtained. The takeover was completed on 1 November 2018. The agreed purchase price amounts to EUR 20 million.

The acquired companies' net sales from acquisition date to the end of the interim period amounted to SEK 9.6 million. The operating profit for the corresponding period amounts to SEK 8.4 million. If the acquired companies had been consolidated



from 1 May 2018, net sales for the period May to October 2018 would have amounted to approximately SEK 4,189.7 million. The operating profit for the same period would have amounted to approximately SEK 336.5 million.

#### Note 4 Financial instruments

Systemair's financial instruments consist of derivatives, trade accounts receivable, cash and cash equivalents, available-for-sale financial assets, trade accounts payable, accrued supplier costs and interest-bearing liabilities. Liabilities to credit institutions carry variable interest rates or, in certain cases, fixed rates for a short period. Derivatives are measured at fair value via the income statement on the basis of input data corresponding to level 2 as defined in IFRS 13. Available-for-sale financial assets are measured at fair value on the basis of input data corresponding to level 1 as defined in IFRS 13. Other financial assets and liabilities are short-term. For that reason, the fair values of all financial instruments are considered to equate approximately to the carrying amounts. Systemair has not recognised any financial assets and liabilities net.

#### Note 5 Segment reporting

The Group's operations are classified on a geographical basis and Systemair aggregates into the geographical segments of Europe and Asia, Africa, America and the Middle East. The market segment Europe accounts for the major share of Systemair's business. The Europe segment consists of a large number of markets. The legal entities within Europe work with each other in manufacturing and sales. The Company also judges that in every material respect similar economic conditions exist in the region, and so the legal entities within the region have been aggregated. Systemair further considers that accounting for the merged segments of Europe and Asia, Africa, America and the Middle East presents a clearer picture. The Parent Company is accounted for via a separate segment, Group-wide. The subsidiaries are merged on the basis of their legal domicile and consolidation takes place according to the same principles as for the Group as a whole.

SEK m.	2018/19 Aug-Oct 3 mths	2017/18 Aug-Oct 3 mths	2018/19 May-Oct 6 mths	2017/18 May-Oct 6 mths	2017/18 May-Apr 12 mths
Europe					
Net sales, external	1,742.4	1,530.5	3,383.3	2,975.8	5,959.5
Net sales, intra-Group	34.7	35.0	64.3	75.2	153.2
Operating profit/loss	194.7	159.4	316.2	280.0	459.0
Operating margin, %	11.2	10.4	9.3	9.4	7.7
Profit after net fin. items	195.9	157.9	340.6	282.1	474.4
Profit margin, %	11.2	10.3	10.1	9.5	8.0
Assets	3,624.9	2,860.5	3,624.9	2,860.5	3,432.6
Investments	19.2	90.3	101.8	185.6	352.6
Depreciation/Amortisation	47.7	41.8	95.0	83.7	175.6
Asia, Africa, America and the Middle East					
Net sales, external	409.0	333.2	780.8	725.1	1,341.7
Net sales, intra-Group	3.7	1.8	5.4	5.1	11.6
Operating profit/loss	20.1	12.3	47.0	38.5	26.0
Operating margin, %	4.9	3.7	6.0	5.3	1.9
Profit after net fin. items	2.6	17.9	6.5	28.8	-17.5
Profit margin, %	0.6	5.4	0.8	4.0	-1.3
Assets	1,021.1	811.0	1,021.1	811.0	905.1
Investments	69.4	1.4	85.5	7.8	22.9
Depreciation/Amortisation	6.9	5.7	12.7	11.3	23.2

Group-wide					
Net sales, intra-Group	31.5	26.5	66.6	53.8	106.9
Operating profit/loss	-25.9	-27.8	-29.3	-41.7	-135.4
Profit after net fin. items	-20.7	-32.1	-59.8	-61.2	-123.7
Assets	4,385.4	3,735.4	4,385.4	3,735.4	3,953.2
Investments	15.8	26.3	18.7	86.0	106.4
Depreciation/Amortisation	2.6	1.3	5.1	2.6	5.8
Eliminations					
Net sales, intra-Group	-69.9	-63.3	-136.3	-134.1	-271.7
Assets	-2,312.4	-1,766.3	-2,312.4	-1,766.3	-2,095.9
Total					
Net sales, external	2,151.4	1,863.7	4,164.1	3,700.9	7,301.2
Operating profit/loss	188.9	143.9	333.9	276.8	349.6
Operating margin, %	8.8	7.7	8.0	7.5	4.8
Profit after net fin. items	177.8	143.7	287.3	249.7	333.2
Profit margin, %	8.3	7.7	6.9	6.7	4.6
Assets	6,719.0	5,640.6	6,719.0	5,640.6	6,195.0
Investments	104.4	118.0	206.0	279.4	481.9
Depreciation/Amortisation	57.2	48.8	112.8	97.6	204.6

## Alternative performance measures

In its interim report, Systemair presents performance measures that supplement the financial ratios defined in IFRS; these are known as alternative performance measures (APMs). The Company is of the view that these APMs provide valuable information to investors and the Company's management, in that they enable evaluation of the Company's performance, trends, capacity to pay down debt and invest in new business opportunities, and that they reflect the Group's acquisition-intensive business model.

Because not all companies calculate financial performance measures in the same way, these are not always comparable. As a result, they should not be regarded as substitutes for performance measures as defined in IFRS. A number of definitions appear below, the majority of which are alternative performance measures.

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## Definitions of performance measures

### Operating profit (EBIT)

Earnings before financial items and tax.

### Growth

Growth is defined as the change in net sales, relative to net sales for the preceding period.

### Organic growth

Change in sales by comparable units, adjusted for acquisitions and foreign currency effects.

### Operating margin

Operating profit divided by net sales.

### Profit margin

Profit after financial items divided by net sales.

### Return on capital employed

Profit after financial income, for the trailing 12 months (TTM), divided by average capital employed.

### Capital employed

Total assets less non-interest-bearing liabilities.

### Net indebtedness

Interest-bearing liabilities + provisions for pensions reduced by cash and cash equivalents.

### Return on equity

Profit after tax before non-controlling interest, for the trailing 12 months (TTM), divided by average equity excluding non-controlling interest.

### Number of employees

The number of employees at the end of the accounting period. New employees, appointments terminated, part-time employees and paid overtime are converted into full-time equivalents.

### Earnings per share

Profit for the period attributable to Parent Company shareholders, divided by the average number of shares during the period.

### Operating cash flow per share

Cash flow from operating activities for the period, divided by the average number of shares during the period.

### Equity/assets ratio

Adjusted equity divided by total assets.

### Equity per share

Equity divided by the number of shares at the end of the period.