

Systemair AB (publ) Interim Report Q2 1 May – 31 October 2019

Net sales Q2

SEK 2,483 m.

EBIT Q2

SEK 284 m.

Second quarter August–October 2019

- Net sales increased by 15.4 percent to SEK 2,483 million (2,151).
- Organic growth was 6.0 percent (9.1).
- Operating profit (EBIT) totalled SEK 284 million (189).
- The operating margin was 11.4 percent (8.8).
- Profit after tax amounted to SEK 194 million (126).
- Earnings per share totalled SEK 3.72 (2.42).
- Cash flow from operating activities amounted to SEK 271 million (87).

First half-year, May–October 2019

- Net sales increased by 13.8 percent to SEK 4,737 million (4,164).
- Organic growth was 5.1 percent (7.2).
- Operating profit (EBIT) totalled SEK 456.8 million (334).
- The operating margin was 9.6 percent (8.0).
- Profit after tax amounted to SEK 322.8 million (198).
- Earnings per share totalled SEK 6.16 (3.82).
- Cash flow from operating activities amounted to SEK 440 million (162).

Significant events during the period under review

- In August, Systemair acquired Pacific Ventilation of Australia. The company has sales of around SEK 130 million and 60 employees.
- Also in August, Systemair received an order for ventilation equipment for three cruise liners to be built by the Meyer Yard in Hamburg. The order is valued at EUR 3.3 million.
- Again in August, Systemair acquired 60 percent of the shares in Moroccan sales company Systemair Maroc. The company has sales of around SEK 70 million and 27 employees.
- New financial targets were communicated at the Capital markets day in September.

	2019/20 Aug-Oct 3 mths	2018/19 Aug-Oct 3 mths	2019/20 May-Oct 6 mths	2018/19 May-Oct 6 mths	2018/19 May-Apr 12 mths
Net sales, SEK m.	2,483.1	2,151.4	4,737.1	4,164.1	8,326.5
Growth, %	15.4	15.4	13.8	12.5	14.0
Operating profit, SEK m.	283.9	188.9	456.8	333.9	528.1
Operating margin, %	11.4	8.8	9.6	8.0	6.3
Profit after tax, SEK m.	194.3	126.3	322.8	198.3	321.2
Earnings per share, SEK	3.72	2.42	6.16	3.82	6.20
Operating cash flow per share, SEK	5.21	1.67	8.45	3.11	7.43

A strong quarter

During the second quarter, growth was recorded at 15.4 percent, of which 6.0 percent was organic. All regions except the Nordic region show good growth, with Eastern Europe and North America at the forefront. The second quarter of the financial year is usually Systemair's strongest in terms of earnings. As a result of actions taken and effective capacity utilisation in the majority of factories, the gross margin continued to improve. Operating profit also improved, to SEK 284 million corresponding to 11.4 percent, as against SEK 189 million in the same quarter last year. Over the past nine years, Systemair has shown organic growth during all quarters with one exception.

The market

Market developments were favourable in most of Systemair's major sales regions during the second quarter. In the Nordic market, sales decreased slightly, other than in Sweden, where sales rose by 5 percent. In Western Europe, most of the major markets performed well, including Germany, France, the Netherlands and the UK. In Eastern Europe, too, the market situation is on the whole good. Russian sales account for 30 percent of the region's sales and are continuing to show positive growth. Sales in the North American market are also developing strongly. In both Eastern Europe and North America, organic growth was recorded at 13 percent over the quarter. In the Middle East and Asia, Turkey, South Africa and Morocco were among the markets that performed well.

Acquisitions and disposals

In August, Systemair acquired Pacific Ventilation in Australia. The company has sales of around SEK 130 million, 60 employees and headquarters in Melbourne. It also operates in Sydney, Adelaide, Brisbane and Perth, as well as in Auckland, New Zealand. Pacific Ventilation has a strong market position and is the second-largest operator in Australia's ventilation sector. The first hundred days as part of the Systemair Group have passed, during which the company has developed strongly and executed a number of internal and external projects.

In August, we also acquired 60 percent of the shares in Systemair Maroc, which distributes Systemair's products in Morocco. The company has sales of around SEK 70 million and 27 employees. It formerly held



licensing agreements to operate under the Systemair brand. This company, too, has continued to develop strongly as part of Systemair.

Investments

During the period, Systemair continued to invest in machinery in a number of factories in order to maintain and increase productivity. At Skinnskatteberg, a major conversion project is in progress to increase production capacity for compact units in preparation for the launch of a new modernized series of models.

Outlook

Demand remains strong in several of our major markets and so we are confident of further organic growth in the quarters ahead. We are keeping a close watch on the market, especially in the Nordic region, in order to be ready to take action if the market were to decline.

The partnership with Panasonic is advancing according to plan. In September, the first deliveries of heat pumps were made from our factories to Panasonic. Demand on the refrigeration side has been good to date over the year and profitability has improved.

Demand in the ventilation market is stimulated long-term by global drivers such as increased comfort, health, safety, productivity and - above all - improved energy efficiency. These drivers are an assurance of continued firm demand for Systemair's products.

Roland Kasper
President and CEO

Sales and markets

Group sales for the second quarter of the 2019/20 financial year totalled SEK 2,483.1 million (2,151.4), an increase of 15.4 percent from the same period in the preceding year.

Adjusted for the effects of foreign exchange and acquisitions, net sales expanded 6.0 percent. Growth in acquired operations was 5.2 percent, while foreign exchange effects increased sales by 4.2 percent over the period.

Geographic breakdown of Q2 sales

Nordic region

During the second quarter, sales in the Nordic region decreased 1 percent from the same period the preceding year. The Danish, Norwegian and Finnish markets declined during the quarter, while sales in the Swedish market showed good growth. In the Norwegian market, there are signals indicating that a further slowdown is to be expected. Overall, exchange rate effects and acquisitions did not materially affect sales during the quarter.

Western Europe

During the quarter, sales in the West European market were 19 percent higher than in the corresponding period last year, when the acquisition of the Spanish company Koolair had major impact. Adjusted for foreign exchange effects and acquisitions, the increase was 7 percent. Several markets in the region performed well during the

period, including Germany, France, the Netherlands and the UK, while sales declined in the Austria.

Eastern Europe and CIS

Sales in Eastern Europe and the CIS rose by 20 percent during the quarter. Adjusted for foreign exchange effects and acquisitions, sales rose by 13 percent. In Russia, sales increased by 21 percent during the quarter, stated in Swedish kronor. The Russian market accounts for 30 percent of sales in the region. Other major markets showing growth during the period include the Czech Republic, Poland and Slovakia.

North and South America

Sales in the North and South America region over the quarter were 22 percent higher than in the same period last year. Both the USA and Canadian markets performed well in the quarter. Adjusted for foreign exchange effects and acquisitions, sales increased by 13 percent in the region.

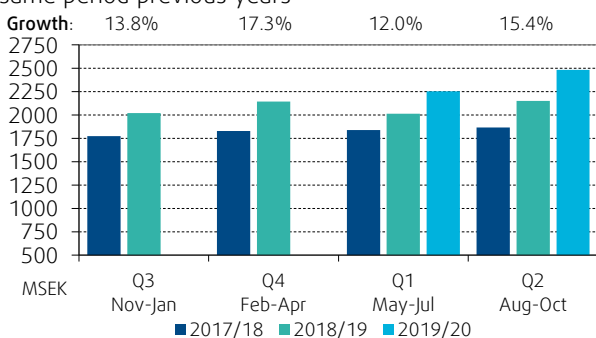
Middle East, Asia, Australia and Africa

Sales in the Middle East, Asia, Australia and Africa rose by 24 percent compared with the same period in the preceding year. Adjusted for foreign exchange effects and acquisitions, sales in the region only increased by 3 percent relative to figures for comparison that were high. Sales in Turkey, South Africa and Morocco increased during the quarter but declined slightly in India.

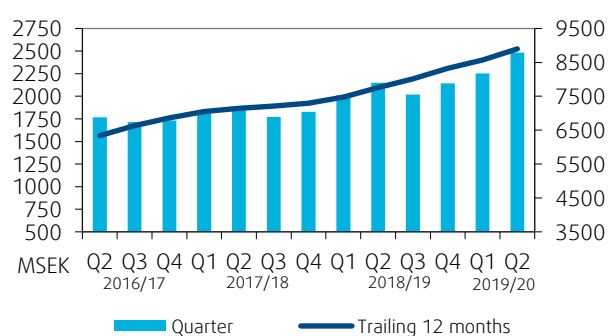
	2019/20 Aug-Oct 3 mths	2018/19 Aug-Oct 3 mths	Sales - change	Of which, organic	2019/20 May-Oct 6 mths	2018/19 May-Oct 6 mths	Sales - change	Of which, organic
Nordic region	495.2	499.7	-1%	-1%	862.7	908.4	-5%	-6%
Western Europe	1,048.6	881.8	19%	7%	2,037.5	1,750.7	16%	4%
Eastern Europe & CIS	401.9	333.7	20%	13%	807.3	657.6	23%	17%
North and South America	229.7	189.0	22%	13%	472.6	371.7	27%	15%
Middle East, Asia, Australia and Africa	307.7	247.2	24%	3%	557.0	475.7	17%	6%
Total	2,483.1	2,151.4	15%	6%	4,737.1	4,164.1	14%	5%

(Sales figures are based on geographical domicile of customers.)

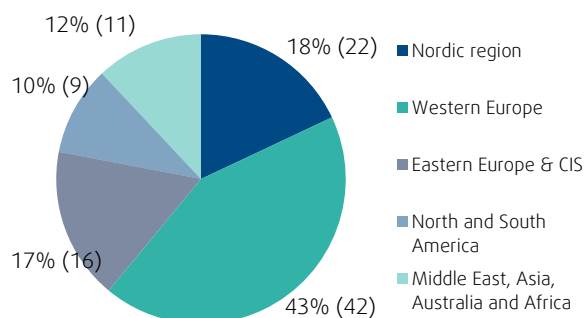
Net sales per quarter compared with same period previous years



Net sales



Sales by market, 6 months 2019/20 (2018/19)



Profit in the second quarter

The gross profit for the second quarter was SEK 889.7 million (731.6), an increase of 21.6 percent over the same period in the preceding year. The gross margin increased to 35.8 percent (34.0), partly because of performance improvement measures implemented and better capacity utilisation.

The operating profit for the second quarter totalled SEK 283.9 million (188.9), up 50.3 percent on the same period in the preceding year. The operating margin rose to 11.4 percent (8.8). The adoption of IFRS 16 led to an increase of SEK 1.3 million in operating profit. The operating profit also includes non-recurring item, SEK +7.0 million from sale of the Airwell brand.

Selling and administration expenses for the quarter totalled SEK 611.6 million (540.7), a rise of SEK 70.9 million, or 13.1 percent. Company acquisitions accounted for SEK 26.9 million of the quarter's costs. As a result, selling and administration expenses for comparable units rose by SEK 44.0 million, or 8.1 percent.

Selling expenses were charged with SEK 8.2 million (12.5) for anticipated bad debts. No material acquisition-related costs were charged during the quarter (0.8).

Net financial items ended the second quarter at SEK -20.0 million (-11.1). The impact of foreign exchange on long-term receivables, loans and bank balances totalled SEK -9.9 million (-3.5) net. Interest expenses for the

quarter totalled SEK -10.5 million (-8.1). Adjusted for the effect of adoption of IFRS 16, interest expenses for the quarter totalled SEK -8.3 million.

Tax expense

Estimated tax for the quarter totalled SEK -69.6 million (-51.5), corresponding to an effective tax rate of 26.4 percent based on profit after net financial items.

Acquisitions and new operations

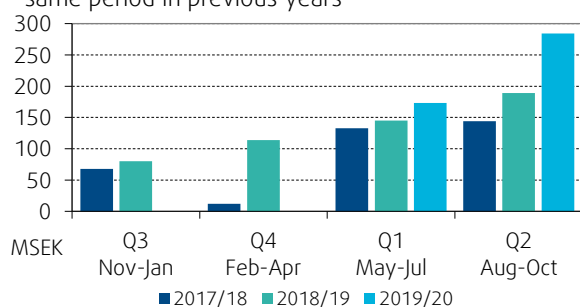
In August, Systemair acquired the ventilation business of Australian company Pacific HVAC Engineering. The company has sales of around SEK 130 million and 60 employees. Pacific HVAC's headquarters are in Melbourne, but the company also has offices in Sydney, Adelaide, Brisbane and Perth, as well as in Auckland, New Zealand. The company is a distributor of ventilation products and produces a range of fans. The company has been renamed Pacific Ventilation.

In August, 60 percent of the shares in Systemair Maroc were acquired. The company sells Systemair's products in Morocco and West Africa. In 2018, the company had sales of around SEK 70 million. It has 27 employees. The sales company, which has its office and warehousing facilities in Casablanca, had prior to the acquisition held a licence to operate under the Systemair brand.

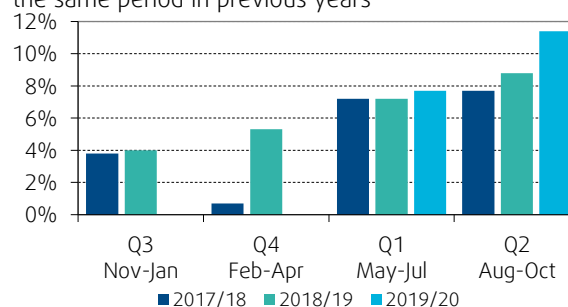
Investments, depreciation and amortisation

Investments for the quarter, excluding disposals, totalled SEK 109.8 million (105.3), including SEK 58.5 million (26.2) in new construction and machinery. The investments consisted in the main of investments in machinery at the factories in Spain, Germany and Sweden. Acquisitions and formerly withheld purchase considerations totalled SEK 48.6 million (64.5) for the quarter. Depreciation of non-current assets amounted to SEK 89.0 million (57.2). Adjusted for the impact of IFRS 16, depreciation/amortisation during the quarter totalled SEK 61.7 million.

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



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



Personnel

The average number of employees in the Group was 5,979 (5,321). At the end of the period, Systemair had 6,286 employees (5,578), 708 more than one year previous. New employees were recruited chiefly at Systemair in Turkey (52), the Netherlands (28), Slovenia (22), Lithuania (19), Russia (18), the USA (17), Brazil (13) and the Czech Republic (13). Personnel cutbacks were made at Menerga in Germany (-26) and TTL in Germany (-13). Through the acquisitions of Greentek in Canada and Koolair in Spain last year and this year's acquisition of Pacific Ventilation in Australia and Systemair Morocco added 477 employees.

Cash flow and financial position

Cash flow from operating activities during the quarter, before changes in working capital, totalled SEK 294.3 million (196.3). Changes in working capital, mainly consisting of higher trade accounts receivable, had a negative impact of SEK -23.6 million (-109.5) on cash flow. Cash flow from financing activities totalled SEK -144.1 million net (+212.5). At the end of the period, the Group's net indebtedness was SEK 2,282.4 million (1,954.2). Adjusted for the impact of IFRS 16 on interest-bearing liabilities, the Group's net indebtedness was SEK 1,989.7 million. The consolidated equity/assets ratio was 41.1 percent (39.7) at the end of the period. Through the adoption of IFRS 16, the equity/assets ratio declined by 1.6 percentage points.

New financial targets

New financial target were launched in connection with Systemair's Capital market day in September.

- The average annual sales growth over a business cycle should amount to at least 10 percent.
- The average EBIT margin over a business cycle should amount to at least 10 percent.
- The equity/assets ratio should not be less than 30 percent.

- The target for dividend is set around 40 percent of the company's profit after tax.

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 2018/19 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 39 to the accounts in the Annual Report for the 2018/19 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 71.7 million (66.6). Operating profit totalled SEK -48.9 million (-33.5). The company had 53 employees (51). 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

Systemair d.o.o. has won the award in the category of best long-term presence foreign investor in Slovenia

"The award presents motivation for the future and also confirms that we are on the right way. The award belongs to the whole team who has proved and deserved it by good work and commitment", says Anton Zupančič, MD Systemair Slovenia. The prize ceremony is organized by SPIRIT of Slovenia which is a public agency who in connection with ministry of Economy promoting Slovenian Economy worldwide and attract foreign investors to invest in Slovenia. In 2012 Systemair Slovenia received incentives for investment in to new machinery and R&D from SPIRIT of Slovenia.



Company had sales of SEK 8.3 billion in the 2018/19 financial year and employs approximately 6,200 people. 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 10 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 80 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 2019.

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, 5 December 2019

Systemair AB (publ)

Roland Kasper
Chief Executive Officer

Gerald Engström
Chairman of the Board

Carina Andersson
Director

Svein Nilsen
Director

Gunilla Spongh
Director

Patrik Nolåker
Director

Åke Henningsson
Employee Representative

Ricky Sten
Employee Representative

Calendar

Interim Report Q3 2019/20

8.00 a.m., 11 March 2020

Year-End Report Q4 2019/20

8.00 a.m., 9 June 2020

Interim report Q1 2020/21

1.00 p.m., 26 August 2020

Contact

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Auditor's Review Report

Introduction

We have reviewed the condensed interim financial information (interim report) for Systemair AB (Publ) as per 31 October 2019 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 Standards (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, 5 December 2019

Ernst & Young AB

Åsa Lundvall

Authorised Public Accountant

Summary income statement

	Group						Parent Company	
	2019/20 Aug-Oct 3 mths	2018/19 Aug-Oct 3 mths	2019/20 May-Oct 6 mths	2018/19 May-Oct 6 mths	2018/19 Nov-Oct trl 12	2018/19 May-Apr 12 mths	2019/20 May-Oct 6 mths	2018/19 May-Oct 6 mths
SEK m.								
Net sales	2,483.1	2,151.4	4,737.1	4,164.1	8,899.5	8,326.5	71.7	66.6
Cost of goods sold	-1,593.4	-1,419.8	-3,080.4	-2,781.6	-5,896.5	-5,597.7	-	-
Gross profit	889.7	731.6	1,656.7	1,382.5	3,003.0	2,728.8	71.7	66.6
Other operating income	46.1	56.9	72.8	97.4	145.0	169.6	0.4	5.0
Selling expenses	-509.0	-449.3	-985.3	-878.4	-1,933.8	-1,826.9	-33.6	-28.0
Administration expenses	-102.6	-91.4	-205.8	-178.6	-416.4	-389.2	-50.9	-44.2
Other operating expenses	-40.3	-58.9	-81.6	-89.0	-146.8	-154.2	-36.5	-32.9
Operating profit/loss	283.9	188.9	456.8	333.9	651.0	528.1	-48.9	-33.5
Net financial items	-20.0	-11.1	-16.0	-46.6	-39.5	-70.1	335.3	272.4
Profit/loss after financial items	263.9	177.8	440.8	287.3	611.5	458.0	286.4	238.9
Appropriations	-	-	-	-	-	-	0.1	-0.1
Tax on profit for the period	-69.6	-51.5	-118.0	-89.0	-165.8	-136.8	6.8	4.1
Profit/loss for the period	194.3	126.3	322.8	198.3	445.7	321.2	293.3	242.9
Attributable to:								
Parent Company shareholders	193.4	125.9	320.1	198.5	443.9	322.3	-	-
Non-controlling interests	0.9	0.4	2.7	-0.2	1.8	-1.1	-	-
Earnings per share, SEK ¹	3.72	2.42	6.16	3.82	8.54	6.20	-	-

Statement of comprehensive income

Profit/loss for the period	194.3	126.3	322.8	198.3	445.7	321.2	293.3	242.9
Other comprehensive income								
<i>Items that have been, or may later be, transferred to profit for the year:</i>								
Translation differences	12.6	15.9	31.6	-47.5	107.8	28.7	-	-
Impact of tax	-	0.3	-	0.5	-0.1	0.4	-	-
<i>Items that cannot be transferred to profit for the year:</i>								
Revaluation of defined-benefit pensions, net after tax	-8.6	-	-8.6	-	-19.3	-10.7	-	-
Other comprehensive income	4.0	16.2	23.0	-47.0	88.4	18.4	-	-
Total comprehensive income for the period	198.3	142.5	345.8	151.3	534.1	339.6	293.3	242.9
Attributable to:								
Parent Company shareholders	197.4	142.1	343.1	151.5	532.4	340.7	-	-
Non-controlling interests	0.9	0.4	2.7	-0.2	1.8	-1.1	-	-

1) No dilution effect.

Summary balance sheet

SEK m.	Group			Parent Company	
	31/10/2019	31/10/2018	30/04/2019	31/10/2019	31/10/2018
ASSETS					
Goodwill	874.3	753.9	846.8	-	0.0
Other intangible assets	252.7	208.1	265.1	26.2	22.2
Property, plant and equipment	2,109.2	1,732.6	1,769.4	42.8	40.5
Financial and other assets	228.0	257.2	267.6	2,752.1	2,807.2
Total non-current assets	3,464.2	2,951.8	3,148.9	2,821.1	2,869.9
Inventory	1,544.9	1,437.7	1,509.4	-	-
Short-term receivables	2,201.7	1,897.6	1,902.1	1,451.4	1,514.3
Cash and cash equivalents	321.0	431.9	250.4	-	-
Total current assets	4,067.6	3,767.2	3,661.9	1,451.4	1,514.3
TOTAL ASSETS	7,531.8	6,719.0	6,810.8	4,272.5	4,384.2
EQUITY AND LIABILITIES					
Equity	3,092.6	2,664.9	2,839.2	1,921.1	2,012.9
Untaxed reserves	-	-	-	5.9	5.2
Non-current liabilities, non-interest-bearing	296.9	268.9	288.6	-	-
Non-current liabilities, interest-bearing	1,257.1	847.1	1,070.0	1,325.3	996.4
Total non-current liabilities	1,554.0	1,116.0	1,358.6	1,325.3	996.4
Current liabilities, interest-bearing	1,251.4	1,468.7	1,175.9	951.6	1,307.5
Current liabilities, non-interest-bearing	1,633.8	1,469.4	1,437.1	68.6	62.2
Total current liabilities	2,885.2	2,938.1	2,613.0	1,020.2	1,369.7
TOTAL EQUITY AND LIABILITIES	7,531.8	6,719.0	6,810.8	4,272.5	4,384.2

Summary consolidated cash flow statement

	2019/20	2018/19	2019/20	2018/19	2018/19
SEK m.	Aug-Oct	Aug-Oct	May-Oct	May-Oct	May-Apr
	3 mths	3 mths	6 mths	6 mths	12 mths
Operating profit/loss	283.9	188.9	456.8	333.9	528.1
Adjustment for non-cash items	55.1	50.7	133.5	68.5	193.1
Financial items	-8.2	-7.3	-16.3	-14.0	-32.3
Income tax paid	-36.5	-36.0	-81.3	-71.9	-152.9
Cash flow from operating activities before changes in working capital	294.3	196.3	492.7	316.5	536.0
Changes in working capital	-23.6	-109.5	-53.1	-154.6	-149.5
Cash flow from operating activities	270.7	86.8	439.6	161.9	386.5
Cash flow from investing activities	-107.1	-104.4	-162.6	-206.0	-515.4
Cash flow from financing activities	-144.1	212.5	-211.6	268.6	161.8
Cash flow for the period	19.5	194.9	65.4	224.5	32.9
Cash and cash equivalents at start of period	301.4	234.3	250.4	213.3	213.3
Translation differences, cash and cash equivalents	0.1	2.7	5.2	-5.9	4.2
Cash and cash equivalents at close of period	321.0	431.9	321.0	431.9	250.4

Statement of Changes in Equity – Group

Mkr	2019/20 May-Oct			2018/19 May-Oct			2018/19 May-Apr		
	Equity attributable to Parent Company shareholders	Non-controlling interests	Total equity	Equity attributable to Parent Company shareholders	Non-controlling interests	Total equity	Equity attributable to Parent Company shareholders	Non-controlling interests	Total equity
Amount at beginning of year	2,839.2	-	2,839.2	2,620.3	-	2,620.3	2,620.3	-	2,620.3
Dividend	-104.0	-	-104.0	-104.0	-	-104.0	-104.0	-	-104.0
Part of acquisition attributable to non-controlling interests	-	13.3	13.3	-	-	-	-	-	-
Revaluation of acquisition option	0.3	-2.0	-1.7	-2.9	0.2	-2.7	-17.8	1.1	-16.7
Comprehensive income	343.1	2.7	345.8	151.5	-0.2	151.3	340.7	-1.1	339.6
Amount at end of period	3,078.6	14.0	3,092.6	2,664.9	-	2,664.9	2,839.2	-	2,839.2

Performance measures for the Group

		2019/20 Aug-Oct 3 mths	2018/19 Aug-Oct 3 mths	2019/20 May-Oct 6 mths	2018/19 May-Oct 6 mths	2018/19 May-Apr 12 mths
Net sales	SEK m.	2,483.1	2,151.4	4,737.1	4,164.1	8,326.5
Growth	%	15.4	15.4	13.8	12.5	14.0
Operating profit/loss	SEK m.	283.9	188.9	456.8	333.9	528.1
Operating margin	%	11.4	8.8	9.6	8.0	6.3
Profit after net fin. items	SEK m.	263.9	177.8	440.8	287.3	458.0
Profit margin	%	10.6	8.3	9.3	6.9	5.5
Return on capital employed	%	12.6	8.8	12.6	8.8	11.3
Return on equity	%	15.4	9.7	15.4	9.7	11.9
Equity/assets ratio	%	41.1	39.7	41.1	39.7	41.7
Investments	SEK m.	107.1	104.4	162.6	206.0	515.4
Depreciation/Amortisation	SEK m.	89.0	57.2	174.4	112.8	233.3
Per share ratios						
Earnings per share	SEK	3.72	2.42	6.16	3.82	6.20
Equity per share	SEK	59.47	51.25	59.47	51.25	54.60
Operating cash flow per share	SEK	5.21	1.67	8.45	3.11	7.43
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

		2019/20			2018/19			2017/18		
		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.	2,483.1	2,254.0	2,143.8	2,018.5	2,151.4	2,012.7	1,827.1	1,773.3	1,863.7
Growth	%	15.4	12.0	17.3	13.8	15.4	9.6	5.4	3.4	5.3
Gross margin	%	35.8	34.0	32.8	31.9	34.0	32.3	32.3	33.0	33.9
Operating profit/loss	SEK m.	283.9	173.0	114.1	80.1	188.9	144.9	5.2	67.7	143.9
Operating margin	%	11.4	7.7	5.3	4.0	8.8	7.2	0.3	3.8	7.7
Return on capital employed	%	12.6	11.1	11.3	8.8	8.8	8.2	9.1	9.3	10.4
Return on equity	%	15.4	13.5	11.9	9.6	9.7	8.9	9.3	10.2	10.8
Equity/assets ratio	%	41.1	41.1	41.7	41.3	39.7	42.2	42.5	43.9	43.2
Basic equity per share	SEK	59.47	57.44	54.60	52.11	51.25	50.56	50.39	47.34	46.81
Basic earnings per share	SEK	3.72	2.44	1.50	0.86	2.42	1.38	0.22	0.80	1.95
Cash flow from operating activities per share	SEK	5.21	3.25	0.68	3.64	1.67	1.44	-0.29	1.28	1.92

Note 1 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 2019

IFRS 16 Leasing

IFRS 16 Leases entered into force on 1 January 2019, superseding IAS 17 Leases. Systemair applies the standard as of 1 May 2019. IFRS 16 requires the lessee, as a principle, to recognise all rental and lease contracts on the balance sheet. As a result, classification into operating and finance leases no longer applies. The underlying asset for the lease contract is recognised on the balance sheet. In subsequent periods, the right-of-use under the contract is recognised at cost less depreciation and any impairment, as well as adjustments for any revaluations of the lease liability. The lease liability is recognised in the statement of financial position and is recognised continuously at amortised cost less lease payments made. Re-measurement of balance sheet items is made continuously on the basis of changes in interest rate/index components, lease terms, residual value guarantees etc. Short-term lease contracts (right-of-use contracts for less than 12 months) and leases in which the underlying asset is of low value (less than USD 5,000) are not recognised on the balance sheet. Such items are recognised in operating income in the same way as for operating leases according to the standard that formerly applied, IAS 17.

During the 2018/19 financial year, Systemair analysed the contractual and financial implications to the Group of existing rental and leases. Under the new financial reporting standard, rental agreements and leases formerly classified as operating leases are, as of 1 May 2019, subject to balance sheet recognition, which has had an effect on the Group's financial position. The transitional rule issued by IFRS is applied, under which the balance sheet does not report short-term leases (less than 12 months) and leases in which the underlying asset is of low value (less than USD 5,000). As regards discounting of calculated balance sheet values, the Group applies a marginal borrowing rate for the currency and asset category concerned.

On adoption of IFRS 16 Leases, the consolidated balance sheet increased by SEK 307 million via recognition of rental and lease contracts as in the guidelines described above. Approximately 520 leases are included in the leasing portfolio recognised. The majority of these leases relate to vehicles, whereas the major share of the amount recognised is attributable to property-related leases. As regards the consolidated income statement, a change has been made, in that former operating expenses attributable to operating leases are replaced by amortisation and interest expenses. On the basis of contracts identified at the start of the 2019/20 financial year, operating income is expected to be charged with SEK 9 million in lease fees on annualised basis, which is reflected in a higher financial expense of approximately the same amount. The net effect on income after financial items is marginal. Adoption of the standard led to an increase of SEK 2.5 million in operating profit for the period under review, May-October 2019. The effect on profit after net financial items in the same period was SEK -1.9 million. The effect of adoption of IFRS 16 on the consolidated financial statements is summarised below.

SEK m.	Closing balance 30 April 2019 before adoption of IFRS 16	Estimated reclassifications of financial leases on adoption of IFRS 16	Adjustments on adoption of IFRS 16	Adjusted opening balance, 1 May 2019
Non-current assets	1,769.4	-7.0	-	1,762.4
Rights-of-use	-	7.0	307.0	314.0
Other liabilities	300.6	-7.0	-	293.6
Lease liabilities, interest-bearing	-	7.0	307.0	314.0

Systemair has not restated figures for comparison. The lease assets affect the item Property, plant and equipment on the balance sheet. The lease liabilities affect Non-current liabilities, interest-bearing, and Current liabilities, interest-bearing. All leases affected by the new standard have been measured on the first day of adoption as if the standard had always applied.

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 2,483.1 million (2,151.4), of which servicing of ventilation products accounted for SEK 88.5 million (76.6).

SEK m.	2019/20 Aug-Oct 3 mths	2018/19 Aug-Oct 3 mths	2019/20 May-Oct 6 mths	2018/19 May-Oct 6 mths	2018/19 May-Apr 12 mths
Europe					
Sale of goods recognised at a specific point in time	1,844.9	1,657.7	3,497.6	3,229.0	6,357.9
Sale of goods recognised over time	33.7	10.1	77.6	16.3	124.6
Servicing recognised at a certain point in time	41.2	34.1	77.6	75.6	154.7
Servicing recognised over time	45.0	40.5	74.2	62.4	142.3
	1,964.8	1,742.4	3,727.0	3,383.3	6,779.5
Asia, Africa, America, Australia and the Middle East					
Sale of goods recognised at a specific point in time	434.7	364.4	847.7	703.9	1,374.8
Sale of goods recognised over time	81.3	42.6	157.6	72.9	164.5
Servicing recognised at a certain point in time	0.0	-	0.1	-	0.0
Servicing recognised over time	2.3	2.0	4.7	4.0	7.7
	518.3	409.0	1,010.1	780.8	1,547.0
Total					
Sale of goods recognised at a specific point in time	2,279.6	2,022.1	4,345.3	3,932.9	7,732.7
Sale of goods recognised over time	115.0	52.7	235.2	89.2	289.1
Servicing recognised at a certain point in time	41.2	34.1	77.7	75.6	154.7
Servicing recognised over time	47.3	42.5	78.9	66.4	150.0
	2,483.1	2,151.4	4,737.1	4,164.1	8,326.5

Note 3 Companies acquired

The purchase consideration for the ventilation business of the Australian company Pacific HVAC Engineering and 60 percent of the shares in Systemair Maroc is calculated as follows:

Total historical cost, less transaction costs of SEK 49.4 million

	Pacific Ventilation	Systemair Maroc	Total
Identifiable net assets			
Goodwill	9.3	7.6	17.0
Brands and customer relationships	-	8.5	8.5
Other intangible assets	3.3	-	3.3
Buildings and land	-	8.8	8.8
Machinery and equipment	-	0.3	0.3
Inventory	12.9	18.7	31.6
Accounts receivable – trade	-	66.1	66.1
Other current assets	2.8	9.5	12.3
Cash and cash equivalents	-	0.8	0.8
Minority interest	-	-13.3	-13.3
Non-interest-bearing liabilities	-	-11.1	-11.1
Deferred tax liability	-	-4.6	-4.6
Interest-bearing liabilities	-	-33.5	-33.5
Other operating liabilities	-6.4	-30.5	-36.9
	21.9	27.6	49.4

The total cash flow impact from acquisitions is SEK -48.6 million. Transaction costs arising from the acquisitions were marginal.

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.

Net sales for the acquired companies between the time of acquisition and the end of the interim report period totalled SEK 36.8 million. During the period, an operating profit of SEK 6.9 million was recorded. If the companies acquired during the period had been consolidated as of 1 May 2019, net sales for the period May through October 2019 would have totalled approximately SEK 4,757.8 million. The operating profit for that period would have totalled approximately SEK 459.4 million.

Note 4 Financial instruments

Systemair's financial instruments comprise derivatives, trade accounts receivable, cash and cash equivalents, available-for-sale financial assets, trade accounts payable, accrued supplier costs, interest-bearing liabilities, share purchase options and additional purchase considerations. 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.

Share purchase options and additional purchase considerations are measured on level 3 as defined in IFRS 13. The calculation for the option to acquire the remaining 25 percent of the shares in Traydus, Brazil, is based on the anticipated profit after tax for the 2019/20 and 2020/21 financial years. Any increase in anticipated profit after tax would result in an increase in the liability relating to the option. No upper limit for the anticipated liability is established in the agreement. Any change in estimated liability will be charged to the consolidated income statement. No change with regard to the option took place in the first half of 2019/20. The calculation for the option to acquire the remaining 10 percent of the shares in Systemair HSK Turkey, is based on the anticipated profit before depreciation/amortisation and tax (EBITDA) for the financial years until 2019/20, plus the increase in value of the land on which the Turkish production facility is situated. Any increase in anticipated profit after tax and any increase in value of the land would result in an increase in the liability relating to the option. No upper limit for the anticipated liability is established in the agreement. Any change in estimated liability is transferred via the Group's equity. For the interim report period of May-October 2019, the liability has been revalued by the amount of SEK 1.7 million. The liability for the purchase options is recognised under Non-current liabilities, non-interest-bearing on the balance sheet.

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 geographically and Systemair aggregates into the geographical segments of Europe, Asia, Africa, America, Australia 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, Asia, Africa, America, Australia and the Middle East presents a clearer picture. The Parent Company is accounted for via a separate segment, Group-wide. The subsidiaries are aggregated on the basis of their legal domicile and consolidation takes place according to the same principles as for the Group as a whole.

	2019/20 Aug-Oct 3 mths	2018/19 Aug-Oct 3 mths	2019/20 May-Oct 6 mths	2018/19 May-Oct 6 mths	2018/19 May-Apr 12 mths
SEK m.					
Europe					
Net sales, external	1,964.8	1,742.4	3,727.0	3,383.3	6,779.5
Net sales, intra-Group	33.3	34.7	69.6	64.3	134.4
Operating profit/loss	272.2	194.7	442.2	316.2	559.0
Operating margin, %	13.9	11.2	11.9	9.3	8.2
Profit after net fin. items	267.9	195.9	446.9	340.6	548.8
Profit margin, %	13.6	11.2	12.0	10.1	8.1
Assets	4,375.0	3,624.9	4,375.0	3,624.9	3,988.3
Investments	51.1	19.2	92.7	101.8	164.0
Depreciation/Amortisation	72.0	47.7	141.3	95.0	186.0
Asia, Africa, America, Australia and the Middle East					
Net sales, external	518.3	409.0	1,010.1	780.8	1,547.0
Net sales, intra-Group	5.5	3.7	12.2	5.4	15.5
Operating profit/loss	35.1	20.1	73.4	47.0	53.2
Operating margin, %	6.8	4.9	7.3	6.0	3.4
Profit after net fin. items	17.7	2.6	61.6	6.5	-5.4
Profit margin, %	3.4	0.6	6.1	0.8	-0.3
Assets	1,278.6	1,021.1	1,278.6	1,021.1	1,070.0
Investments	3.7	69.4	6.0	85.5	113.0
Depreciation/Amortisation	13.3	6.9	25.9	12.7	36.1
Group-wide					
Net sales, intra-Group	35.8	31.5	71.7	66.6	131.3
Operating profit/loss	-23.4	-25.9	-58.8	-29.3	-84.1
Profit after net fin. items	-21.8	-20.7	-67.7	-59.8	-85.4
Assets	4,274.2	4,385.4	4,274.2	4,385.4	4,168.2
Investments	52.3	15.8	63.9	18.7	238.4
Depreciation/Amortisation	3.7	2.6	7.2	5.1	11.2
Eliminations					
Net sales, intra-Group	-74.6	-69.9	-153.5	-136.3	-281.2
Assets	-2,396.0	-2,312.4	-2,396.0	-2,312.4	-2,415.7
Total					
Net sales, external	2,483.1	2,151.4	4,737.1	4,164.1	8,326.5
Operating profit/loss	283.9	188.9	456.8	333.9	528.1
Operating margin, %	11.4	8.8	9.6	8.0	6.3
Profit after net fin. items	263.8	177.8	440.8	287.3	458.0
Profit margin, %	10.6	8.3	9.3	6.9	5.5
Assets	7,531.8	6,719.0	7,531.8	6,719.0	6,810.8
Investments	107.1	104.4	162.6	206.0	515.4
Depreciation/Amortisation	89.0	57.2	174.4	112.8	233.3

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.

For more key performance measures and information on how they are calculated, see Systemair's website at: group.systemair.com/se/investerare/-finansiella-data/

Definitions of key 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.

Adjusted operating profit

Operating profit, excluding restructuring costs and other items affecting comparability.

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.

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.