Systemair AB (publ)
Interim Report Q3
1 May 2018 - 31 January 2019

Net sales Q3

SEK 2,018 m.

EBIT Q3

SEK 80 m.

Third quarter November 2018 – January 2019

- Net sales increased by 13.8 percent to SEK 2,018 million (1,773).
- Organic growth was 6.2 percent (4.0).
- Operating profit (EBIT) totalled SEK 80 million (68).
- The operating margin was 4.0 percent (3.8).
- Profit after tax amounted to SEK 45 million (42).
- Earnings per share totalled SEK 0.86 (0.80).
- Cash flow from operating activities amounted to SEK 189 million (67).

Nine months, May 2018 – January 2019

- Net sales increased by 12.9 percent to SEK 6,183 million (5,474).
- Organic growth was 6.9 percent (4.1).
- Operating profit (EBIT) totalled SEK 414 million (344).
- The operating margin was 6.7 percent (6.3).
- Profit after tax amounted to SEK 243 million (219).
- Earnings per share totalled SEK 4.68 (4.20).
- Cash flow from operating activities amounted to SEK 351 million (240).

Significant events during the period under review

- In November 2018, Systemair acquired the Spanish company Koolair, a leading manufacturer of air distribution products for the Spanish market, with exports accounting for around 50 percent of sales. Sales for the company total around EUR 30 million.
- In August 2018, Systemair acquired the Canadian company Greentek, a singnificant manufacturer of residential air handling units for the USA and Canadian market. The company has sales of around SEK 65 million.
- After the end of the period, Systemair signed a partnership agreement with Panasonic in ventilation and cooling technology.

	2018/19 Nov–Jan 3 mths	2017/18 Nov–Jan 3 mths	2018/19 May–Jan 9 mths	2017/18 May–Jan 9 mths
Net sales, SEK m.	2,018.5	1,773.3	6,182.6	5,474.1
Growth, %	13.8	3.4	12.9	6.7
Operating profit, SEK m.	80.1	67.7	414.0	344.5
Operating margin, %	4.0	3.8	6.7	6.3
Profit after tax, SEK m.	44.8	41.6	243.2	218.6
Earnings per share, SEK	0.86	0.80	4.68	4.20
Operating cash flow per share, SEK	3.64	1.28	6.75	4.62

Growth still strong

During the third quarter, growth was recorded at 13.8 percent, of which 6.2 percent was organic. Most regions reported good growth, notably Eastern Europe, North America and several parts of Asia. Operating profit improved to SEK 80 million, as against SEK 68 million in the same quarter last year.

The market

Market developments were favourable in Systemair’s major sales regions during the third quarter. In the Nordic region, the Swedish and Norwegian market in particular were strong. In Western Europe, several major markets developed strongly, including Germany, Italy, Portugal, Spain and the Netherlands, while sales declined somewhat in Austria, Belgium and the UK. In Eastern Europe, the market overall performed well. Growth in all major markets in the region was firm during the quarter. The North American market continues to develop robustly, above all in the USA. In South America, order bookings were strong in Brazil and as a result delivery times have had to be extended. In the Middle East, Asia and Africa region, growth was comparatively good in particular in South Africa, Morocco, Turkey and China in the third quarter.

Acquisitions and disposals

In November 2018, Systemair acquired Koolair, a Spanish manufacturer 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 work of integration and the company’s development following acquisition have gone according to plan.

In August, Systemair acquired the Canadian company Greentek, a significant manufacturer of residential air handling units for the USA and Canadian market. The company, with sales of around SEK 65 million, has been integrated into Systemair’s existing production unit in Canada.

Investments

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

Partnership agreement with Panasonic

In February 2019, a partnership with Panasonic in ventilation and cooling technology was announced. Starting in autumn 2019, the partnership will lead to increased volumes at Systemair’s cooling equipment factories. New products combined for ventilation, cooling and heating will be launched thereafter. In a longer term, the aim is joint product development for the future climate systems for buildings.

Outlook

The market and demand remains strong in most of our markets. During the spring fairs, we launch a large number of new products and ventilation solutions that give us an excellent platform for continued growth.

Roland Kasper

President and CEO

Sales and markets

Group sales for the third quarter of the 2018/19 financial year totalled SEK 2,018.5 million (1,773.3), up 13.8 percent from the same period in the preceding year.

Adjusted for foreign exchange effects, acquisitions and divestments, net sales grew 6.2 percent. Growth in acquired operations was 5.4 percent, while foreign exchange effects increased sales by 2.2 percent during the period.

Geographic breakdown of Q3 sales

Nordic region

During the quarter, sales in the Nordic region were up 4 percent on the same period in the preceding year. The Swedish and Norwegian markets reported continued good growth during the quarter. Foreign exchange effects, acquisitions and divestments affected sales marginally.

Western Europe

During the quarter, sales in the West European market were 15 percent higher than in the corresponding period last year. Adjusted for exchange rate effects and acquisitions, sales were largely unchanged compared to the same quarter last year when deliveries to a large project of SEK 17 million were made. Several markets in the region performed well during the period, including Portugal, Greece, Spain and Italy, while sales declined in Belgium, Austria and the UK.

Eastern Europe and CIS

Sales in Eastern Europe and the CIS rose by 17 percent during the quarter. Adjusted for foreign exchange effects and acquisitions, sales rose by 15 percent. Sales in Russia increased by 12 percent compared with the same quarter last year. Other major markets showing growth during the period include Bulgaria, Lithuania, Estonia, the Czech Republic and Poland.

North and South America

Sales in the North and South America region during the quarter were 40 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 18 percent in the region.

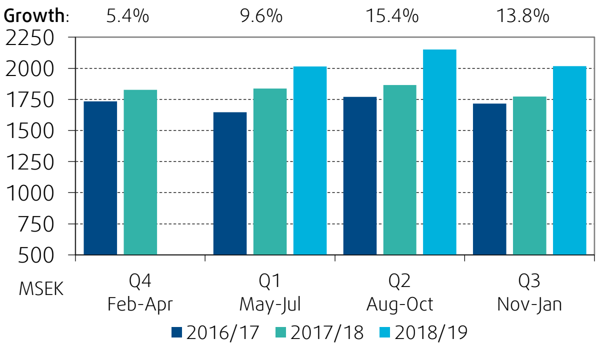
The Middle East, Asia and Africa

Sales in the region rose by 9 percent compared with the same period in the preceding year. Adjusted for foreign exchange effects and acquisitions, sales rose by 16 percent. Sales in Morocco, China and Turkey increased during the quarter but declined in parts of the Middle East.

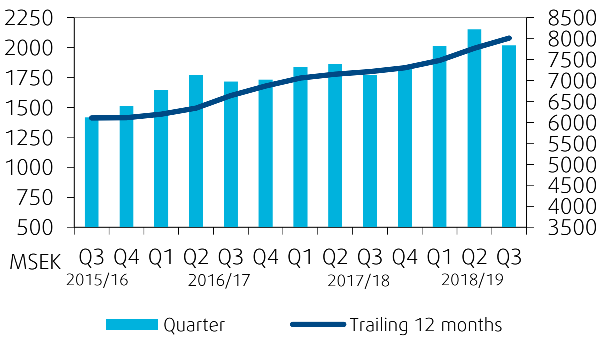
	2018/19 Nov–Jan 3 mths	2017/18 Nov–Jan 3 mths	Sales – change	Of which, organic	2018/19 May–Jan 9 mths	2017/18 May–Jan 9 mths	Sales – change	Of which, organic
Nordic region	453.1	435.0	4%	4%	1,361.5	1,274.9	7%	5%
Western Europe	849.2	735.4	15%	0%	2,599.9	2,242.0	16%	4%
Eastern Europe & the CIS	319.7	274.3	17%	15%	977.3	863.9	13%	10%
North and South America	173.6	123.9	40%	18%	545.3	462.5	18%	6%
The Middle East, Asia and Africa	222.9	204.7	9%	16%	698.6	630.8	11%	19%
Total	**2,018.5**	**1,773.3**	**14%**	**6%**	**6,182.6**	**5,474.1**	**13%**	**7%**

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

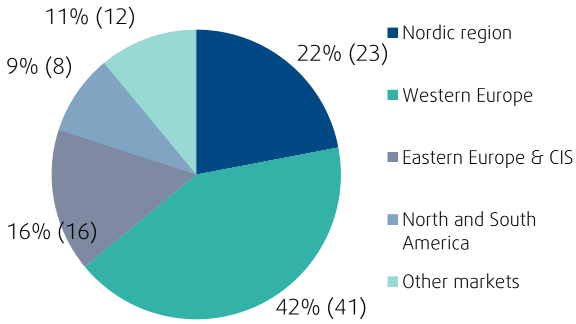
Net sales per quarter compared with same period previous years



Net sales



Sales by market, 9 months 2018/19 (2017/18)



Profit in the third quarter

The gross profit for the third quarter amounted to SEK 643.3 million (585.4), an increase of 9.9 percent over the same period in the preceding year. However, the gross margin narrowed to 31.9 percent (33.0). The lower margin was attributable mainly to insufficient capacity utilisation at the Menerga factory in Germany. The acquired Koolair business is contributing a lower gross margin than the average for the Group, but also relatively lower selling expenses.

The operating profit for the third quarter amounted to SEK 80.1 million (67.7), an increase of 18.4 percent over the same period in the preceding year. The operating margin was 4.0 percent (3.8). The operating profit takes into account restructuring costs totalling SEK 7.1 million, relating mainly to TTL and Menerga in Germany.

Selling and administration expenses for the quarter totalled SEK 563.1 million (519.3), an increase of SEK 43.8 million, or 8.4 percent. Acquisitions and divestments accounted for SEK 10.5 million of the quarter's costs. As a result, selling and administration expenses at comparable units rose by SEK 33.3 million, or 6.4 percent.

Selling expenses were charged with SEK 6.7 million (3.3) for anticipated and confirmed impairment losses on trade receivables. No acquisition-related costs were charged during the quarter (0.1).

Net financial items for the third quarter ended at SEK -5.8 million (-14.9). The impact of foreign exchange on long-term receivables, loans and bank balances totalled SEK +1.5 million (-8.1) net. Interest expenses for the quarter totalled SEK -8.5 million (-7.2).

Tax expense

Estimated tax for the quarter totalled SEK -29.5 million (-11.2), corresponding to an effective tax rate of 39.7 percent based on profit after net financial items. The relatively high tax rate arises from non-capitalised tax loss carry-forwards.

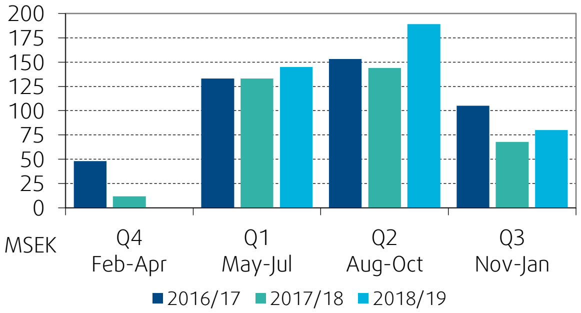
On 30 November 2018, Systemair received a negative advance ruling from Skatterättsnämnden (the Swedish Revenue Law Commission). The case concerns a tax loss carry-forward equating to a deferred tax asset totalling SEK 25.9 million relating to the 2017/18 financial year. Systemair has appealed against the advance ruling at the Supreme Administrative Court, as the appeal is considered likely to be successful. Against that background, the deferred tax asset recognised has not been adjusted.

Acquisitions, new operations and divestments

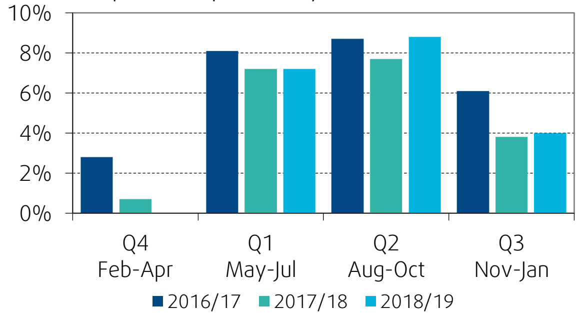
In November, Systemair acquired the Spanish company Koolair. Koolair is a leading manufacturer of air distribution products. Export markets account for 50 percent of the company's sales. Production in Mostoles on the outskirts of Madrid is highly automated. Sales for the company total around EUR 30 million.

In August, Systemair acquired Greentek of Canada, a division of the Imperial Manufacturing Group Inc. Greentek is based in Moncton, approximately 50 kilometres from Systemair's production facility at

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



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



Bouctouche, in the Province of New Brunswick. The company develops, manufactures and sells high-quality air handling units with heat recovery for homes in the Canadian and USA markets. Annual sales are valued at around CAD 10 million. Since completion of the acquisition, operations have been co-located with Systemair's production facility in Canada.

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.

If the companies acquired during the period had been consolidated as of 1 May 2018, net sales for the period May 2018 through January 2019 would have totalled approximately SEK 6,362.3 million. The operating profit for that period would have totalled approximately SEK 425.4 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 264.0 million (122.9), including SEK 52.1 million (116.0) in new construction and machinery. The investments consisted in large part of investments in buildings and machinery in the factories in Germany, Sweden and Denmark. Acquisitions and formerly withheld purchase considerations totalled SEK 209.4 million (0.1) for the quarter. Depreciation of non-current assets amounted to SEK 57.6 million (52.2).

Personnel

The average number of employees in the Group was 5,483 (5,184). At the end of the period, Systemair had 5,943 employees (5,454), 489 more than one year previous. New employees were recruited chiefly at Systemair in Spain (36), the Czech Republic (22), the USA (18), Russia (16), Slovenia (15) and Denmark (15). Personnel cutbacks took place in Frivent Austria (-23), Slovakia (-21), Sweden (-13), TTL in Germany (-13), the Netherlands (-12) and Menerga in Germany (-12). The acquisition of Syneco of Switzerland, Greentek of Canada and Koolair of Spain brought 437 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 77.5 million (49.7). Changes in working capital, mainly arising from a decrease in accounts receivable, had a positive impact of SEK 111.7 million (+16.8) on cash flow. The cash flow from financing operations totalled SEK -107.0 million net (+35.4). At the end of the period, the Group's net indebtedness was SEK 2,022.0 million (1,627.1). The consolidated equity/assets ratio was 41.3 percent (43.9) at the end of the period.

Events after the close of the period

A partnership agreement in ventilation and cooling technology with Panasonic was announced on 26 February 2019.

In March 2019, Taina Horgan was recruited as Director of Business Development at Systemair and will also be a new member of Systemair's Group Management.

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 98.1 million (80.6). Operating profit totalled SEK -52.5 million (-63.6). The company had 50 employees (49). 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 SEK 7.3 billion in the 2017/18 financial year and employs approximately 5,900 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 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 has been submitted for publication at 8.00 a.m. on 13 March 2019.

This interim report has not been reviewed by the Company's auditors.

Skinnskatteberg, 13 March 2019

Systemair AB (publ)

Board of Directors

Calendar

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

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Summary income statement

	Group						Parent Company	
SEK m.	2018/19 Nov–Jan 3 mths	2017/18 Nov–Jan 3 mths	2018/19 May–Jan 9 mths	2017/18 May–Jan 9 mths	2018/19 Feb–Jan trl 12	2017/18 May-Apr 12 mths	2018/19 May–Jan 9 mths	2017/18 May–Jan 9 mths
Net sales	2,018.5	1,773.3	6,182.6	5,474.1	8,009.7	7,301.2	98.1	80.6
Cost of goods sold	-1,375.2	-1,187.9	-4,156.7	-3,650.3	-5,393.6	-4,887.2	-	-
Gross profit	**643.3**	**585.4**	**2,025.9**	**1,823.8**	**2,616.1**	**2,414.0**	**98.1**	**80.6**
Other operating income	34.1	34.3	131.4	86.2	162.1	116.9	8.7	1.1
Selling expenses	-458.6	-420.7	-1,337.0	-1,199.2	-1,790.5	-1,652.7	-44.3	-39.8
Administration expenses	-104.5	-98.6	-283.1	-264.3	-379.5	-360.7	-69.3	-64.2
Other operating expenses	-34.2	-32.7	-123.2	-102.0	-189.1	-167.9	-45.7	-41.3
Operating profit/loss	**80.1**	**67.7**	**414.0**	**344.5**	**419.1**	**349.6**	**-52.5**	**-63.6**
Net financial items	-5.8	-14.9	-52.4	-42.1	-26.7	-16.4	274.8	243.2
Profit/loss after financial items	**74.3**	**52.8**	**361.6**	**302.4**	**392.4**	**333.2**	**222.3**	**179.6**
Appropriations	-	-	-	-	-	-	0.1	0.2
Tax on profit for the period	-29.5	-11.2	-118.4	-83.8	-137.7	-103.1	7.4	10.8
Profit for the period	**44.8**	**41.6**	**243.2**	**218.6**	**254.7**	**230.1**	**229.8**	**190.6**
Attributable to:								
Parent Company shareholders	44.3	41.6	242.9	218.6	254.8	230.5	-	-
Non-controlling interests	0.5	-	0.3	-	-0.1	-0.4	-	-
Earnings per share, SEK[1]	0.86	0.80	4.68	4.20	4.90	4.43	-	-

Statement of comprehensive income

Profit for the period	44.8	41.6	243.2	218.6	254.7	230.1	229.8	190.6
Other comprehensive income								
Items that have been, or may later be, transferred to profit for the year:								
Translation differences	0.4	-13.7	-47.3	-34.0	110.6	123.9	-	-
Impact of tax	-0.4	-0.3	0.1	0.0	-0.1	-0.2	-	-
Items that cannot be transferred to profit for the year:								
Revaluation of defined-benefit pensions, net after tax	-	-	-	-	-11.7	-11.7	-	-
Other comprehensive income	**0.0**	**-14.0**	**-47.2**	**-34.0**	**98.8**	**112.0**	**-**	**-**
Total comprehensive income for the period	44.8	27.6	196.0	184.6	353.5	342.1	229.8	190.6
Attributable to:								
Parent Company shareholders	44.3	27.6	195.7	184.6	353.6	342.5	-	-
Non-controlling interests	0.5	-	0.3	-	-0.1	-0.4	-	-

1) Not affected by dilution.

Summary balance sheet

	Group			Parent Company	
SEK m.	31/01/2019	31/01/2018	30/04/2018	31/01/2019	31/01/2018
ASSETS					
Goodwill	847.3	724.4	759.1	0.0	0.1
Other intangible assets	238.6	185.1	216.9	20.7	18.6
Property, plant and equipment	1,745.3	1,601.4	1,722.2	43.2	32.8
Financial and other assets	253.1	222.1	240.4	2,853.0	2,584.9
Total non-current assets	**3,084.3**	**2,733.0**	**2,938.6**	**2,916.9**	**2,636.4**
Inventory	1,473.4	1,241.4	1,399.4	-	-
Short-term receivables	1,746.6	1,439.9	1,632.4	1,433.0	1,288.0
Cash and cash equivalents	256.2	194.9	212.8	-	-
Total current assets	**3,476.2**	**2,876.2**	**3,244.6**	**1,433.0**	**1,288.0**
Available-for-sale assets	-	-	11.8	-	-
TOTAL ASSETS	6,560.5	**5,609.2**	**6,195.0**	4,349.9	**3,924.4**
EQUITY AND LIABILITIES					
Equity	**2,709.6**	**2,461.9**	**2,620.3**	**1,999.9**	**2,029.1**
Untaxed reserves	-	-	-	5.1	5.3
Non-current liabilities, non-interest-bearing	260.8	252.7	275.5	-	-
Non-current liabilities, interest-bearing	1,090.3	366.6	690.7	1,360.1	649.5
Total non-current liabilities	**1,351.1**	**619.3**	**966.2**	**1,360.1**	**649.5**
Current liabilities, interest-bearing	1,117.3	1,394.8	1,283.2	935.4	1,215.1
Current liabilities, non-interest-bearing	1,382.5	1,133.2	1,316.1	49.4	25.4
Total current liabilities	**2,499.8**	**2,528.0**	**2,599.3**	**984.8**	**1,240.5**
Liabilities attributable to available-for-sale assets	-	-	9.2	-	-
TOTAL EQUITY AND LIABILITIES	**6,560.5**	**5,609.2**	**6,195.0**	**4,349.9**	**3,924.4**

Summary consolidated cash flow statement

SEK m.	2018/19 Nov–Jan 3 mths	2017/18 Nov–Jan 3 mths	2018/19 May–Jan 9 mths	2017/18 May–Jan 9 mths	2017/18 May-Apr 12 mths
Operating profit/loss	80.1	67.7	414.0	344.5	349.6
Adjustment for non-cash items	49.1	45.5	117.5	124.3	220.4
Financial items	-8.5	-6.6	-22.4	-16.3	-23.9
Income tax paid	-43.2	-56.9	-115.1	-99.4	-147.4
Cash flow from operating activities before changes in working capital	**77.5**	**49.7**	**394.0**	**353.1**	**398.7**
Changes in working capital	111.7	16.8	-43.0	-113.1	-174.4
Cash flow from operating activities	**189.2**	**66.5**	**351.0**	**240.0**	**224.3**
Cash flow from investing activities	-257.0	-112.8	-463.0	-392.2	-481.9
Cash flow from financing activities	-107.0	35.4	161.7	114.7	218.8
Cash flow for the period	**-174.8**	**-10.9**	**49.7**	**-37.5**	**-38.8**
Cash and cash equivalents at start of period	431.9	208.3	213.3	241.8	241.8
Translation differences, cash and cash equivalents	-0.9	-2.5	-6.8	-9.4	9.8
Cash and cash equivalents at close of period	**256.2**	**194.9**	**256.2**	**194.9**	**212.8**

Statement of Changes in Equity – Group

	2018/19 May-Jan		2017/18 May-Jan		2017/18 May-Apr	
SEK m.	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity
Amount at beginning of year	**2,620.3**	**2,620.3**	**2,381.3**	**2,381.3**	**2,381.3**	**2,381.3**
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	196.0	196.0	184.6	184.6	342.1	342.1
Amount at end of period	**2,709.6**	**2,709.6**	**2,461.9**	**2,461.9**	**2,620.3**	**2,620.3**

Performance measures for the Group

		2018/19 Nov–Jan 3 mths	2017/18 Nov–Jan 3 mths	2017/18 May–Jan 9 mths	2017/18 May–Jan 9 mths	2017/18 May-Apr 12 mths
Net sales	SEK m.	2,018.5	1,773.3	6,182.6	5,474.1	7,301.2
Growth	%	13.8	3.4	12.9	6.7	6.4
Operating profit/loss	SEK m.	80.1	67.7	414.0	344.5	349.6
Operating margin	%	4.0	3.8	6.7	6.3	4.8
Profit after net fin. items	SEK m.	74.3	52.8	361.6	302.4	333.2
Profit margin	%	3.7	3.0	5.8	5.5	4.6
Return on capital employed	%	8.8	9.3	8.8	9.3	9.1
Return on equity	%	9.6	10.2	9.6	10.2	9.3
Equity/assets ratio	%	41.3	43.9	41.3	43.9	42.5
Investments	SEK m.	257.0	112.8	463.0	392.2	481.9
Depreciation/Amortisation	SEK m.	57.6	52.2	170.4	149.8	204.6
Per share ratios						
Earnings per share	SEK	0.86	0.80	4.68	4.20	4.43
Equity per share	SEK	52.11	47.34	52.11	47.34	50.39
Operating cash flow per share	SEK	3.64	1.28	6.75	4.62	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	
		Nov–Jan Q3	Aug–Oct Q2	May–Jul Q1	Feb–Apr Q4	Nov–Jan Q3	Aug–Oct Q2	May–Jul Q1	Feb–Apr Q4	Nov–Jan Q3
Net sales	SEK m.	2,018.5	2,151.4	2,012.7	1,827.1	1,773.3	1,863.7	1,837.2	1,733.2	1,715.4
Growth	%	13.8	15.4	9.6	5.4	3.4	5.3	11.6	14.9	21.1
Gross margin	%	31.9	34.0	32.3	32.3	33.0	33.9	33.0	33.8	33.7
Operating profit/loss	SEK m.	80.1	188.9	144.9	5.2	67.7	143.9	132.9	47.7	105.1
Operating margin	%	4.0	8.8	7.2	0.3	3.8	7.7	7.2	2.8	6.1
Return on capital employed	%	8.8	8.8	8.2	9.1	9.3	10.4	10.8	12.0	11.9
Return on equity	%	9.6	9.7	8.9	9.3	10.2	10.8	11.4	12.6	12.9
Equity/assets ratio	%	41.3	39.7	42.2	42.5	43.9	43.2	44.0	44.6	45.5
Basic equity per share	SEK	52.11	51.25	50.56	50.39	47.34	46.81	46.22	45.79	44.46
Basic earnings per share	SEK	0.86	2.43	1.38	0.22	0.80	1.95	1.45	0.55	0.98
Cash flow from operating activities per share	SEK	3.64	1.67	1.44	-0.29	1.28	1.92	1.42	-0.49	4.01

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 promised goods item or 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 recognised non-current assets and financial liabilities are expected to increase. The income statement and financing activities in the cash flow statement will be affected. The project to determine the impact of IFRS 16 is in progress. It has not been possible yet to establish a reliable calculation for the outcome.

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 2,018.5 million (1,773.3), of which servicing of ventilation products accounted for SEK 81.2 million (60.1).

SEK m.	**2018/19 Nov–Jan 3 mths**	**2018/19 May–Jan 9 mths**
Europe		
Sale of goods recognised at a specific point in time	1,477.7	4,663.6
Sale of goods recognised over time	87.1	146.6
Servicing recognised at a certain point in time	38.7	114.3
Servicing recognised over time	41.5	103.8
	1,645.0	5,028.3
Asia, Africa, America and the Middle East		
Sale of goods recognised at a specific point in time	339.4	1,043.2
Sale of goods recognised over time	33.1	106.0
Servicing recognised at a certain point in time	0.0	0.0
Servicing recognised over time	1.0	5.1
	373.5	1,154.3
Total		
Sale of goods recognised at a specific point in time	1,817.1	5,706.8
Sale of goods recognised over time	120.2	252.6
Servicing recognised at a certain point in time	38.7	114.3
Servicing recognised over time	42.5	108.9
	2,018.5	6,182.6

Note 3 Company divestments and acquisitions

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

Total transaction price SEK 2.7 m.

Asset and liability disposals	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 divestment of the company, a goodwill impairment of SEK 11.2 million was incurred and recognised in the fourth quarter of 2017/18.

The purchase price paid for acquisition of the assets of Greentek, Canada, and Koolair, Spain, may provisionally be calculated as follows:

Total historical cost, less transaction costs SEK 300.9 m.

Identifiable net assets	Greentek	Koolair	Total
Goodwill	12.4	81.0	93.4
Brands and customer relationships	24.4	52.2	76.6
Machinery and equipment	8.7	11.9	20.6
Financial and other assets	-	17.7	17.7
Inventory	19.0	42.7	61.7
Cash and cash equivalents	-	30.9	30.9
Historical cost	64.5	236.4	300.9

The valuation of brands and customer relationships identified has been calculated on a provisional basis.

The total effect on cash flow from the acquisitions, including payment of a formerly withheld additional purchase consideration for prior years' acquisitions, amounted to SEK -273.9 million. Transactions costs relating to the acquisitions total SEK 0.8 million.

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.

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, interest-bearing liabilities, call options and additional purchase prices. 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.

Call options and additional purchase prices value corresponding to 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 dependent 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. There has been no change of the liability for the period May 2018 to January 2019. 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 amortisation/depreciation and tax (EBITDA) for the financial years up to 2019/20. 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 transferred to consolidated equity. For the period May 2018 to January 2019, the liability has increased by SEK 2.7 million in view of an increase in anticipated profit. Liabilities is reported as Non-current liabilities, non-interest bearing.

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 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 Nov–Jan 3 mths	2017/18 Nov–Jan 3 mths	2018/19 May–Jan 9 mths	2017/18 May–Jan 9 mths	2017/18 May-Apr 12 mths
Europe					
Net sales, external	1,645.0	1,474.6	5,028.3	4,450.3	5,959.5
Net sales, intra-Group	58.1	34.2	122.4	109.4	153.2
Operating profit/loss	100.0	101.5	416.2	381.5	459.0
Operating margin, %	6.1	6.9	8.3	8.6	7.7
Profit after net fin. items	93.2	96.8	433.8	378.9	474.4
Profit margin, %	5.7	6.6	8.6	8.5	8.0
Assets	3,537.6	2,943.5	3,537.6	2,943.5	3,432.6
Investments	18.1	89.9	119.9	275.5	352.6
Depreciation/Amortisation	41.6	45.1	136.6	128.8	175.6

Asia, Africa, America and the Middle East					
Net sales, external	373.5	298.7	1,154.3	1,023.8	1,341.7
Net sales, intra-Group	6.1	2.7	11.5	7.8	11.6
Operating profit/loss	-1.8	-4.1	45.2	34.4	26.0
Operating margin, %	-0.5	-1.4	3.9	3.4	1.9
Profit after net fin. items	-1.3	-14.5	5.2	14.3	-17.5
Profit margin, %	-0.3	-4.9	0.5	1.4	-1.3
Assets	1,033.3	773.5	1,033.3	773.5	905.1
Investments	24.9	12.8	110.4	20.6	22.9
Depreciation/Amortisation	13.0	5.9	25.7	17.2	23.2
Group-wide					
Net sales, intra-Group	31.5	26.6	98.1	80.4	106.9
Operating profit/loss	-18.1	-29.7	-47.4	-71.4	-135.4
Profit after net fin. items	-17.6	-29.6	-77.4	-90.8	-123.7
Assets	4,351.5	3,925.3	4,351.5	3,925.3	3,953.2
Investments	214.0	10.1	232.7	96.1	106.4
Depreciation/Amortisation	3.0	1.2	8.1	3.8	5.8
Eliminations					
Net sales, intra-Group	-95.7	-63.5	-232.0	-197.6	-271.7
Assets	-2,361.9	-2,033.1	-2,361.9	-2,033.1	-2,095.9
Total					
Net sales, external	2,018.5	1,773.3	6,182.6	5,474.1	7,301.2
Operating profit/loss	80.1	67.7	414.0	344.5	349.6
Operating margin, %	4.0	3.8	6.7	6.3	4.8
Profit after net fin. items	74.3	52.7	361.6	302.4	333.2
Profit margin, %	3.7	3.0	5.8	5.5	4.6
Assets	6,560.5	5,609.2	6,560.5	5,609.2	6,195.0
Investments	257.0	112.8	463.0	392.2	481.9
Depreciation/Amortisation	57.6	52.2	170.4	149.8	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.

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 + provision for pensions, less cash and cash equivalents and short-term investments.

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.