

Systemair AB (publ) INTERIM REPORT Q1 1 May – 31 July 2018

First quarter, May – July 2018

- Net sales increased by 9.6 percent to SEK 2,013 million (1,837).
- Organic growth was 5.4 percent (4.2).
- Operating profit (EBIT) totalled SEK 145 million (133).
- The operating margin was 7.2 percent (7.2).
- Profit after tax amounted to SEK 72 million (76).
- Earnings per share totalled SEK 1.38 (1.45).
- Cash flow from operating activities amounted to SEK 75 million (74).

Net sales Q1

SEK 2,013 m.

EBIT Q1

SEK 145 m.

Significant events during the period under review

- In August, after the end of the interim report period, 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.

	2018/19 May-Jul 3 mths	2017/18 May-Jul 3 mths	2017/18 May-Apr 12 mths
Net sales, SEK m.	2,012.7	1,837.2	7,301.2
Growth, %	9.6	11.6	6.4
Operating profit, SEK m.	144.9	132.9	349.6
Operating margin, %	7.2	7.2	4.8
Profit after tax, SEK m.	72.0	75.6	230.1
Earnings per share, SEK	1.38	1.45	4.43
Operating cash flow per share, SEK	1.44	1.42	4.32

A good start to the year

During the first quarter, growth was good at 9.6 percent, of which 5.4 percent was organic. Growth was particularly positive in the Western and Eastern Europe regions, but demand is still strong in the Nordic region too. Systemair's gross margin was lower than in the same period last year, affected by the major project for which a loss was recognised in the fourth quarter. Final delivery of the order has been made during the first quarter. Operating profit improved to SEK 145 million, as against SEK 133 million in the same quarter last year.



The market

Market developments were relatively favourable in Systemair's major sales regions over the quarter. In the Nordic market, growth was good in Sweden, Norway and Finland, while sales declined in Denmark. However, order bookings in the Danish factory were strong and the factory will be running at full capacity in the autumn. In Western Europe, growth was good in several major markets, such as Italy, the Netherlands, the UK and Germany, while sales declined in Austria, Spain and Switzerland. In Eastern Europe, the market is performing well in the vast majority of countries. However, in that region, sales fell slightly in Russia. In the region Other markets, growth was strong in India and South Africa, but weaker in Turkey, where the market came under pressure from a sharply weakened Turkish lira.

The process to phase in the newly-developed Geniox air handling unit is going according to plan and sales are rising steadily.

Acquisitions and disposals

During the period, the Group disposed of its Norwegian subsidiary, Reftec. The company was acquired by its management and will continue as an exclusive distributor of Systemair heat pumps and air conditioning products.

In August, an agreement was reached concerning acquisition of 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.

Investments

During the period, Systemair continued to invest in machinery in a number of factories in order to renew the machine park and raise productivity. A wide-ranging project to replace Systemair's product database and website entered the launch phase.

Outlook

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

The ventilation market continues to move at an increasingly fast pace towards energy-efficient system solutions based on intelligent and smart products. Our ongoing projects and investments in IT, digitisation and system solutions are building an excellent platform for the future. These will gradually give our customers better access to and understanding of our products and possibilities for connecting different products into optimised systems. Implementation of the new tools will begin over the next few months, giving us a firm belief in continued strong growth.

Roland Kasper
President and CEO

Sales and markets

Group sales for the first quarter of the 2018/19 financial year totalled SEK 2,012.7 million (1,837.2), up 9.6 percent from the same period last year.

Adjusted for foreign exchange effects, acquisitions and disposals, net sales grew 5.4 percent. Growth in acquired operations was 0.4 percent, while foreign exchange effects increased sales by 3.8 percent during the period.

Geographic breakdown of Q1 sales

Nordic region

During the first quarter, sales in the Nordic region were 7 percent higher than in the same period last year. The Norwegian, Finnish and Swedish markets reported good growth during the quarter, while sales in the Danish market declined. Adjusted for foreign exchange effects, acquisitions and disposals, sales rose 4 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 8 percent. Several markets in the region performed well during the period, including Italy, the Netherlands, the UK and Germany, while sales declined in Austria, Spain and Switzerland.

Eastern Europe and the CIS

Sales in Eastern Europe and the CIS rose by 11 percent during the quarter. Adjusted for foreign exchange effects and acquisitions, sales rose by 8 percent. Sales in Russia decreased slightly during the quarter, compared with the same period in the preceding year. The Russian market accounts for 5 percent of Systemair's total sales, as against 6 percent in the previous year. Major markets showing growth during the period include the Czech Republic, Slovakia and Slovenia.

North and South America

Sales in the North and South America region during the quarter were 1 percent higher than in the same period last year. The Canadian market performed well in the quarter, while the US market declined slightly. Adjusted for foreign exchange effects and acquisitions, sales decreased by 1 percent in the region.

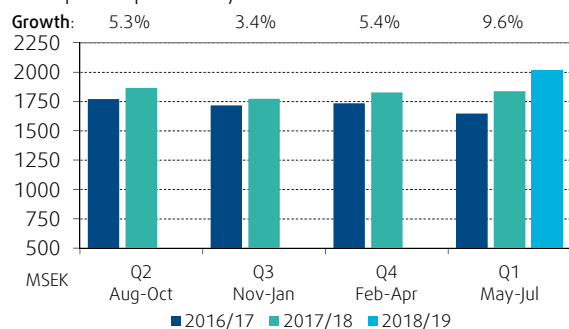
Other markets

Sales in Other markets declined by 2 percent during the quarter, compared with the same period in the preceding year. Adjusted for foreign exchange effects and acquisitions, sales rose by 2 percent. Sales in India, South Africa and the Middle East increased during the quarter but declined in Turkey, measured in Swedish kronor.

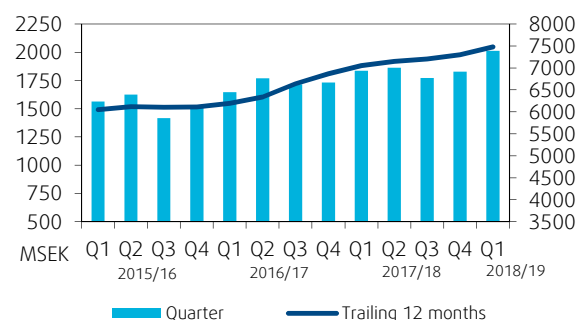
	2018/19 May-Jul 3 mths	2017/18 May-Jul 3 mths	Sales – change	Of which, organic
Nordic region	408.8	383.1	7%	4%
Western Europe	868.9	749.5	16%	8%
Eastern Europe & the CIS	323.9	291.2	11%	8%
North and South America	182.7	181.1	1%	-1%
Other markets	228.4	232.3	-2%	2%
Total	2,012.7	1,837.2	10%	5%

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

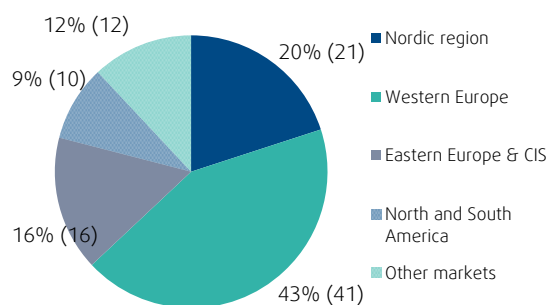
Net sales per quarter compared with same period previous years



Net sales



Sales by market, 3 months 2018/19 (2017/18)



Results for the first quarter

The gross profit for the first quarter amounted to SEK 651.0 million (607.0), an increase of 7.2 percent over the same period in the preceding year. However, the gross margin narrowed to 32.3 percent (33.0). The lower gross margin was partly due to the major project for which a loss was recognised in the fourth quarter and for which final invoicing took place in the quarter. Menerga of Germany initiated a minor restructuring programme at a cost of SEK 2.4 million. Furthermore, costs totalling SEK 3.9 million incurred through relocation of Frivent's production in Austria to Slovenia were charged to income.

Operating profit for the first quarter amounted to SEK 144.9 million (132.9), an increase of 9.1 percent over the same period last year. The operating margin was unchanged at 7.2 percent (7.2).

Selling and administration expenses for the quarter totalled SEK 516.3 million (469.1), a rise of SEK 47.2 million, or 10.1 percent. Acquisitions and disposals accounted for SEK 7.8 million of the quarter's costs. As a result, selling and administration expenses for comparable units rose by SEK 39.4 million, or 8.4 percent.

Selling expenses were charged with SEK 9.2 million

(2.4) for anticipated and confirmed impairment losses on trade receivables of which SEK 4.9 million refers to a single customer in the Middle East. No acquisition-related costs were charged during the quarter (0.2).

Net financial items for the first quarter totalled SEK -35.4 million (-26.9). The effects of foreign exchange on long-term receivables, loans and bank balances was SEK -28.7 million (-20.6) net. Foreign exchange effects arise mainly from long-term liabilities for Swedish subsidiaries in EUR and from the weakening of the Turkish lira. Interest expenses for the quarter totalled SEK -6.9 million (-7.8).

Tax expense

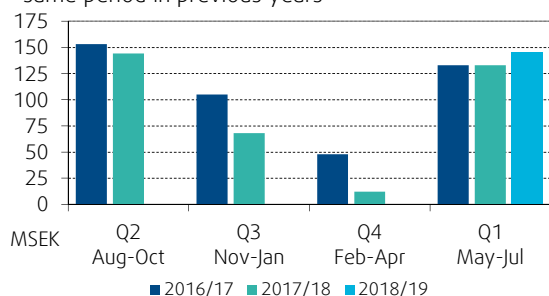
Estimated tax for the quarter totalled SEK -37.5 million (-30.4), corresponding to an effective tax rate of 34.2 percent based on profit after net financial items. The high tax expense is attributable to non-capitalised tax loss carry-forwards in loss-making companies.

Acquisitions, new operations and disposals

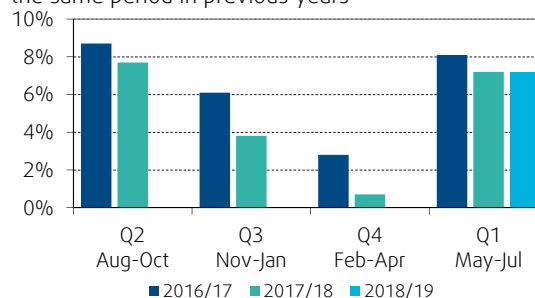
In July, Systemair acquired 49.9 percent of the shares in Burda WTG GmbH, Germany. Burda sells and develops radiant heaters for outdoor use. The company has a number of patents and smart technical solutions. Systemair has an option to acquire the remaining shares in the company within three years. Burda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

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



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



the sale of Reftec A/S, see Note 2 to the accounts.

Investments, depreciation and amortisation

Investments for the quarter, excluding divestments, totalled SEK 108.1 million (170.6), including SEK 96.5 million (115.3) in new construction and machinery. The investments consisted in large part of investments in buildings and machinery in the factories in Canada, Turkey and Lithuania. Acquisitions and previously withheld purchase considerations had no impact on cash and cash equivalents during the quarter (44.1). The company disposal positively affected the cash flow in the amount of SEK 2.2 million (-). Depreciation of non-current assets amounted to SEK 55.6 million (48.8).

Personnel

The average number of employees in the Group was 5,250 (4,915). At the end of the period, Systemair had 5,528 employees (5,434), 94 more than one year previous. New employees were recruited chiefly at Systemair in Lithuania (34), Germany (26), Slovakia (21), Sweden (16), Slovenia (14), Menerga Germany (14) and Turkey (11). Personnel cutbacks were made at Frivent Austria (-40) and France (-15). The acquisition of Syneco in Switzerland brought 23 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 before changes in working capital totalled SEK 120.2 million (111.5) for the quarter. Changes in working capital, mainly consisting of an increase in inventories and trade accounts receivable, had an impact of SEK -45.1 million (-37.7) on cash flow. The cash flow from financing operations totalled SEK +56.1 million net (+129.4). At the end of the period, the Group's net indebtedness was SEK 1,814.4 million (1,444.3). The consolidated equity/assets ratio was 42.2 percent (44.0) at the end of the period.

Events after the close of the period

In August 2018, 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. Systemair plans with immediate effect to begin relocating Greentek's production to Bouctouche, where Systemair already has production of residential air handling units. The transfer of ownership is planned for 4 September 2018.

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 quarter totalled SEK 35.1 million (27.3). Operating profit totalled SEK -8.4 million (-14.1). The company had 52 employees (46). 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 5,500 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 Market Abuse Regulation. The information was provided

by the undersigned contact person, for publication at 1.00 p.m. on 30 August 2018.

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

Skinnskatteberg, 30 August 2018
Systemair AB (publ)

Board of Directors

Calendar

Interim Report Q2 2018/19

8.00 a.m., 5 December 2018

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

President and CEO Roland Kasper

Telephone: +46 (0)222-440 13, +46 (0)730-94 40 13

E-mail: roland.kasper@systemair.se

CFO Anders Ulff

Telephone: +46 (0)222-440,09, +46 (0)70-577,40,09

E-mail: anders.ulff@systemair.se

Systemair AB (publ)

Co. Reg. No. 556160-4108

SE-739 30 Skinnskatteberg, Sweden

Telephone: +46 (0)222-440 00

info@systemair.se

www.systemair.com.

Summary income statement

	Group				Parent Company	
	2018/19 May-Jul 3 mths	2017/18 May-Jul 3 mths	2017/18 Aug-Jul trailing 12	2017/18 May-Apr 12 mths	2018/19 May-Jul 3 mths	2017/18 May-Jul 3 mths
SEK m.						
Net sales	2,012.7	1,837.2	7,476.7	7,301.2	35.1	27.3
Cost of goods sold	-1,361.7	-1,230.2	-5,018.7	-4,887.2	-	-
Gross profit	651.0	607.0	2,458.0	2,414.0	35.1	27.3
Other operating income	40.3	28.8	128.4	116.9	7.8	0.3
Selling expenses	-429.1	-386.4	-1,695.4	-1,652.7	-14.7	-12.9
Administration expenses	-87.2	-82.7	-365.2	-360.7	-20.6	-18.9
Other operating expenses	-30.1	-33.8	-164.2	-167.9	-16.0	-9.9
Operating profit/loss	144.9	132.9	361.6	349.6	-8.4	-14.1
Net financial items	-35.4	-26.9	-24.9	-16.4	268.6	246.5
Profit/loss after financial items	109.5	106.0	336.7	333.2	260.2	232.4
Appropriations	-	-	-	-	0.0	0.3
Tax on profit for the period	-37.5	-30.4	-110.2	-103.1	-0.6	1.4
Profit for the period	72.0	75.6	226.5	230.1	259.6	234.1
Attributable to:						
Parent Company shareholders	72.5	75.6	227.4	230.5	-	-
Non-controlling interests	-0.5	-	-0.9	-0.4	-	-
Earnings per share, SEK ¹	1.38	1.45	4.36	4.43	-	-

Statement of comprehensive income

Profit for the period	72.0	75.6	226.5	230.1	259.6	234.1
Other comprehensive income						
<i>Items that have been, or may later be, transferred to profit for the year:</i>						
Translation differences	-63.5	-53.9	114.3	123.9	-	-
Impact of tax	0.2	0.2	-0.2	-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	-	-
Other comprehensive income	-63.3	-53.7	102.4	112.0	-	-
Total comprehensive income for the period	8.7	21.9	328.9	342.1	259.6	234.1
Attributable to:						
Parent Company shareholders	9.2	21.9	329.8	342.5	-	-
Non-controlling interests	-0.5	-	-0.9	-0.4	-	-

1) No dilution effect arises.

Summary balance sheet

SEK m.	Group			Parent Company	
	31 Jul 2018	31 Jul 2017	30 Apr 2018	31 Jul 2018	31 Jul 2017
ASSETS					
Goodwill	737.7	708.9	759.1	0.1	0.2
Other intangible assets	190.0	204.9	216.9	18.8	16.2
Property, plant and equipment	1,730.0	1,462.3	1,722.2	39.0	22.4
Financial and other assets	253.7	201.9	240.4	2,621.0	2,422.5
Total non-current assets	2,911.4	2,578.0	2,938.6	2,678.9	2,461.3
Inventory	1,414.1	1,138.9	1,399.4	-	-
Current receivables	1,663.1	1,473.8	1,632.4	1,453.1	1,315.3
Cash and cash equivalents	234.3	270.0	212.8	-	-
Total current assets	3,311.5	2,882.7	3,244.6	1,453.1	1,315.3
Available-for-sale assets	-	-	11.8	-	-
TOTAL ASSETS	6,222.9	5,460.7	6,195.0	4,132.0	3,776.6
EQUITY AND LIABILITIES					
Equity	2,629.0	2,403.2	2,620.3	2,133.7	2,176.6
Untaxed reserves	-	-	-	5.1	5.3
Non-current liabilities, non-interest-bearing	269.0	251.2	275.5	-	-
Non-current liabilities, interest-bearing	764.5	352.5	690.7	874.0	408.5
Total non-current liabilities	1,033.5	603.7	966.2	874.0	408.5
Current liabilities, interest-bearing	1,212.6	1,304.1	1,283.2	1,045.2	1,136.7
Current liabilities, non-interest-bearing	1,347.8	1,149.7	1,316.1	74.0	49.5
Total current liabilities	2,560.4	2,453.8	2,599.3	1,119.2	1,186.2
Liabilities attributable to available-for-sale assets	-	-	9.2	-	-
TOTAL EQUITY AND LIABILITIES	6,222.9	5,460.7	6,195.0	4,132.0	3,776.6

Summary consolidated cash flow statement

	2018/19 May-Jul 3 mths	2017/18 May-Jul 3 mths	2017/18 May-Apr 12 mths
SEK m.			
Operating profit/loss	144.9	132.9	349.6
Adjustment for non-cash items	17.7	16.0	220.4
Financial items	-6.6	-5.7	-23.9
Income tax paid	-35.8	-31.7	-147.4
Cash flow from operating activities before changes in working capital	120.2	111.5	398.7
Changes in working capital	-45.1	-37.7	-174.4
Cash flow from operating activities	75.1	73.8	224.3
Cash flow from investing activities	-101.6	-161.4	-481.9
Cash flow from financing activities	56.1	129.4	218.8
Cash flow for the period	29.6	41.8	-38.8
Cash and cash equivalents at start of period	213.3	241.8	241.8
Translation differences, cash and cash equivalents	-8.6	-13.6	9.8
Cash and cash equivalents at close of period	234.3	270.0	212.8

Statement of Changes in Equity – Group

SEK m.	2018/19 May-Jul		2017/18 May-Jul		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
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
Revaluation of acquisition option	-	-	-	-	0.9	0.9
Comprehensive income	8.7	8.7	21.9	21.9	342.1	342.1
Amount at end of period	2,629.0	2,629.0	2,403.2	2,403.2	2,620.3	2,620.3

Key ratios for the Group

		2018/19 May-Jul 3 mths	2017/18 May-Jul 3 mths	2017/18 May-Apr 12 mths
Net sales	SEK m.	2,012.7	1,837.2	7,301.2
Growth	%	9.6	11.6	6.4
Operating profit/loss	SEK m.	144.9	132.9	349.6
Operating margin	%	7.2	7.2	4.8
Profit after net fin. items	SEK m.	109.5	106.0	333.2
Profit margin	%	5.4	5.8	4.6
Return on capital employed	%	8.2	10.8	9.1
Return on equity	%	8.9	11.4	9.3
Equity/assets ratio	%	42.2	44.0	42.5
Investments	SEK m.	101.6	161.4	481.9
Depreciation/Amortisation	SEK m.	55.6	48.8	204.6
Per share ratios				
Earnings per share	SEK	1.38	1.45	4.43
Equity per share	SEK	50.56	46.22	50.39
Operating cash flow per share	SEK	1.44	1.42	4.32
No. of shares at end of period	No.	52,000,000	52,000,000	52,000,000

Quarterly key ratios – Group

		2018/19		2017/18		2016/17				
		May-Jul Q1	Feb-Apr Q4	Nov-Jan Q3	Aug-Oct Q2	May-Jul Q1	Feb-Apr Q4	Nov-Jan Q3	Aug-Oct Q2	May-Jul Q1
Net sales	SEK m.	2,012.7	1,827.1	1,773.3	1,863.7	1,837.2	1,733.2	1,715.4	1,769.2	1,645.9
Growth	%	9.6	5.4	3.4	5.3	11.6	14.9	21.1	8.9	5.3
Gross margin	%	32.3	32.3	33.0	33.9	33.0	33.8	33.7	35.2	34.8
Operating profit/loss	SEK m.	144.9	5.2	67.7	143.9	132.9	47.7	105.1	153.2	133.0
Operating margin	%	7.2	0.3	3.8	7.7	7.2	2.8	6.1	8.7	8.1
Return on capital employed	%	8.2	9.1	9.3	10.4	10.8	12.0	11.9	10.5	10.1
Return on equity	%	8.9	9.3	10.2	10.8	11.4	12.6	12.9	11.6	10.6
Equity/assets ratio	%	42.2	42.5	43.9	43.2	44.0	44.6	45.5	43.9	45.0
Basic equity per share	SEK	50.56	50.39	47.34	46.81	46.22	45.79	44.46	45.35	43.85
Basic earnings per share	SEK	1.38	0.22	0.80	1.95	1.45	0.55	0.98	2.22	1.91
Cash flow from operating activities per share	SEK	1.44	-0.29	1.28	1.92	1.42	-0.49	4.01	3.22	2.19

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 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. The purpose of the new model is that credit losses should be recognised earlier than under IAS 39. 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. Information presented for comparison will not be restated.

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 thus for 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. The Group has begun the process of assessing the impact of the standard. Both recognised assets and recognised liabilities are expected to increase. The income statement and financing activities on the cash flow statement will be affected, but it has not yet been possible to make a reliable estimate of the relevant amounts.

Note 2 – Companies divested

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

Total transaction price	SEK 2.7 m.
Identifiable net assets	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 agreement to sell the company, 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.

Note 3 – 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 4 - Segment reporting

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 financial year amounted to SEK 2,012.7 million (1,837.2), of which servicing of ventilation products accounted for SEK 65.4 million (67.5). The Group's operations are classified on a geographical basis and Systemair aggregates into two geographical segments, Europe and Rest of the World. 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 Europe and Rest of World 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 May-Jul 3 mths	2017/18 May-Jul 3 mths	2017/18 May-Apr 12 mths
Europe			
Net sales, external	1,640.9	1,445.3	5,959.5
Net sales, intra-Group	29.6	40.2	153.2
Operating profit/loss	121.4	120.6	459.0
Operating margin, %	7.4	8.3	7.7
Profit after net fin. items	144.7	124.2	474.4
Profit margin, %	8.8	8.6	8.0
Assets	3,263.4	2,636.6	3,432.6
Investments	82.6	95.3	352.6
Depreciation/Amortisation	47.3	41.9	175.6
Rest of World			
Net sales, external	371.8	391.9	1,341.7
Net sales, intra-Group	1.7	3.3	11.6
Operating profit/loss	26.9	26.2	26.0
Operating margin, %	7.2	6.7	1.9
Profit after net fin. items	3.9	10.9	-17.5
Profit margin, %	1.0	2.8	-1.3
Assets	890.4	843.2	905.1
Investments	16.1	6.4	22.9
Depreciation/Amortisation	5.8	5.6	23.2
Group-wide			
Net sales, intra-Group	35.1	27.3	106.9
Operating profit/loss	-3.4	-13.9	-133.4
Profit after net fin. items	-39.1	-29.1	-121.7
Assets	4,133.6	3,782.5	3,953.2
Investments	2.9	59.7	106.4
Depreciation/Amortisation	2.5	1.3	5.8
Eliminations			
Net sales, intra-Group	-66.4	-70.8	-271.7
Assets	-2,064.5	-1,801.6	-2,095.9
Total			
Net sales, external	2,012.7	1,837.2	7,301.2
Operating profit/loss	144.9	132.9	349.6
Operating margin, %	7.2	7.2	4.8
Profit after net fin. items	109.5	106.0	333.2
Profit margin, %	5.4	5.8	4.6
Assets	6,222.9	5,460.7	6,195.0
Investments	101.6	161.4	481.9
Depreciation/Amortisation	55.6	48.8	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.

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.

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.