Annual Report **2017/18**

systemair

This annual report is a translation of the Swedish original. If any differences exist the Swedish version is the official version and should prevail.

WHO WE ARE

Systemair is a leading ventilation group with operations in 50 countries throughout Europe, North and South America, the Middle East, Asia and South Africa. We develop and design, manufacture and market high-quality ventilation products and systems for customers in more than 130 countries. The Company was founded in 1974 at the initiative of Chairman of the Board Gerald Engström. Its shares have been quoted on Mid Cap List of NASDAQ OMX Stockholm since October 2007.

WHAT WE DO

Systemair offers a broad range of energy-efficient fans, air handling units, products for air distribution, air conditioning, air curtains and heating products for all types of premises. We also help our customers to combine them into end-to-end solutions adapted to the specific needs. Our products are robust and simple to choose, install and use.

The Group's products and solutions are marketed under the Systemair, Frico, Fantech and Menerga brands. We will be the most reliable partner in every local market.

WHERE WE ARE LOCATED

Systemair has sales in 136 countries and its own operations in 50 countries in Europe, North and South America, the Middle East, Asia and Africa. Three main distribution centres handle around 75,000 deliveries a year. The Company has its registered office and headquarters in Skinnskatteberg, Sweden.

The Group is comprised of 69 operating companies with a total of 5,500 employees who are together working to make Systemair into one of the leading players in the global ventilation industry.

A LEADING VENTILATION COMPANY

Systemair's products and solutions create a comfortable and healthy indoor climate in homes, workplaces, public areas and on ships.

OUR MARKETS

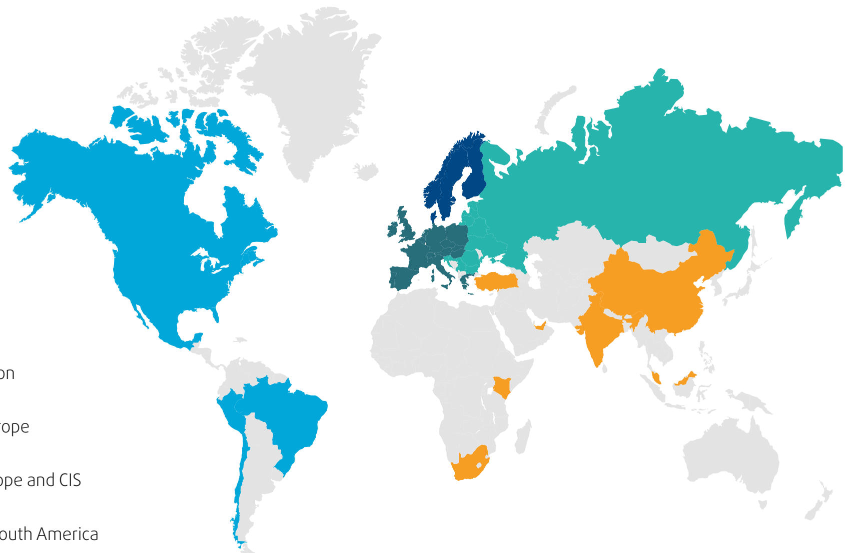
23%
Nordic Region

41%
Western Europe

16%
Eastern Europe and CIS

8%
North and South America

12%
Other markets



OUR BRANDS

Systemair is our main brand. In exceptional cases, acquired companies with their own strong brands in specific markets have continued to operate under their particular brand.

The **Systemair** brand spans a broad range of high-quality ventilation products, including fans, products for air distribution, air conditioning products and air handling units for both comfort and safety ventilation. Systemair holds a strong position as a leading manufacturer of energy-efficient ventilation products in several geographic markets.

Via the **Frico** brand, Systemair offers comprehensive solutions consisting of products for airborne heating, and we are a market leader in air curtains and heating products in Europe. Frico is represented via subsidiaries or distributors in 70 countries. The brand represents 80 years of accumulated experience in developing products that offer customers a pleasant indoor climate.

Under our **Fantech** brand, we develop, design and market ventilation solutions in North America. Products are sold to distributors in the United States and Canada by the Group's own sales staff and agents. We use the Fantech brand for the residential sector, while the Systemair brand is used for commercial projects with a major demand for energy-efficient solutions.

Menerga is a leading European brand of ultra-high efficiency air handling units for swimming pool hall, comfort and process ventilation. Menerga was established as a company in 1980 and its products are marketed throughout Europe. The company's biggest market is Germany. Its top-quality products are used, for example, in swimming pool halls, museums, shopping centres, airports and for data centre cooling.

THE YEAR IN BRIEF

The year of 2017/18 was dominated by change. Many major investments were carried out, along with restructuring measures, which adversely affected income. The measures were necessary to enable us to continue to make positive progress in future.

QUARTER 1

In the first quarter, growth totalled 11.6 percent, 4.2 percent organic. Several regions reported strong growth, notably Eastern Europe, led by Russia, and the Nordic region.

In May 2017, an agreement was signed on the acquisition of FRIVENT Luft- & Wärmetechnik GmbH, Austria, a manufacturer of air handling units.

In June 2017, the South African company Viking Air Conditioning, a market-leading manufacturer of air handling units with integrated cooling, was acquired.

At Skinnskatteberg, our investment in a new, modern technology centre with a ventilation technology laboratory was completed.

QUARTER 2

Over the second quarter, organic growth was 4.2 percent. Several regions reported strong growth, but margins were affected by high raw material prices and lower volumes at some of the Group's factories.

Several regions reported strong growth, notably Eastern Europe with Russia at the forefront, and North America.

The new factory in Turkey was completed and occupancy is being taken up during the quarter.

In Denmark, installation of a new, modern sheet metal forming line for high-productivity, fully-automated production of sheet metal components for air handling units is being completed.

Relocation of production of air handling units from Frivent, Austria, to Slovenia is under way. The relocation is intended to enable cost efficiency improvements in production.

QUARTER 3

Over the third quarter, organic growth was 4.0 percent. Growth was good in parts of Western Europe, as well as in Slovakia, Canada and Russia.

In Hyderabad, India, we moved into a new, modern production building, where products for air distribution for the southern regions of India will be manufactured.

Ongoing investments in machinery are in progress as part of the process to roll out production of next-generation air handling units – Geniox – at several production facilities in the Group.

QUARTER 4

Organic growth was 1.8 percent. Earnings for the quarter were mainly impacted by items affecting comparability of a total of SEK 43.7 million associated with a major project with a negative margin, a goodwill impairment charge, and a provision for a large doubtful receivable.

In March 2018, the Group completed the acquisition of Syneco GmbH, a reseller of Menerga's products in Switzerland.

In April 2018, an agreement was signed to divest Systemair's Reftec subsidiary. The company was bought out by its management and will remain an exclusive reseller of Systemair's heat pumps and air conditioning products in the Norwegian market.

At Systemair, Germany, work on construction of a new building with offices and common areas is in its final phase. The development will enable our German operations to continue to expand.

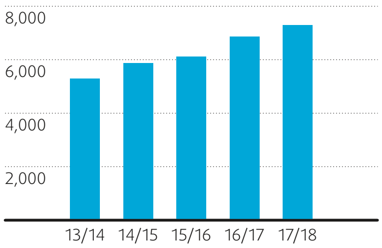
»Net sales rose by 6.4 percent, compared with the preceding year. Adjusted for exchange rate effects and acquistions, the increase was 3.6 percent«

KEY RATIOS 2017/18

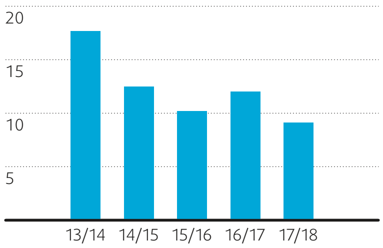
	2017/18	2016/17	2015/16	2014/15	2013/14
Net sales, SEK m.	7,301.2	6,863.6	6,112.5	5,882.2	5,295.8
Growth, %	6.4	12.3	3.9	11.1	16.4
Operating profit, SEK m.	349.6	439.0	344.1	376.8	316.9
Operating margin, %	4.8	6.4	5.6	6.4	6.0
Profit margin, %	4.6	6.0	5.0	6.5	9.6
Return on capital employed, %	9.1	12.0	10.2	12.5	17.7
Earnings per share, SEK	4.4	5.7	4.0	6.0	8.4
Equity per share, SEK	50.4	45.8	40.5	40.0	36.2
Equity/assets ratio, %	42.5	44.6	43.9	44.4	47.2
Dividend per share, SEK	2.00*	2.00	2.00	2.00	3.00
Number of employees at end of period	5,465	5,222	4,855	4,584	4,250

* The Board of Directors proposes a dividend of SEK 2.00 (2.00) per share for approval by the AGM to be held in Skinnskatteberg on 30 August 2018.

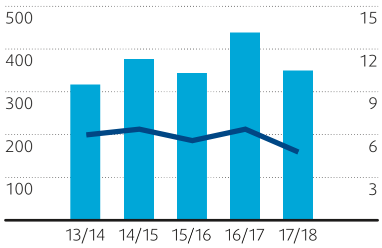
NET SALES, SEK M.



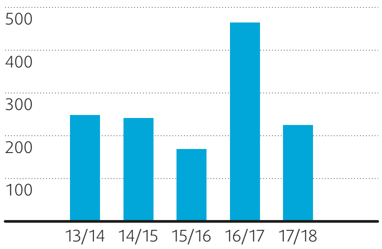
RETURN ON CAPITAL EMPLOYED, %



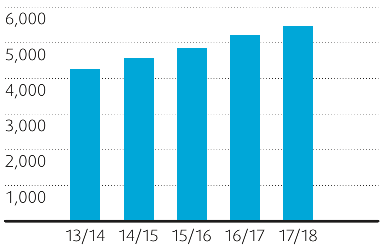
OPERATING PROFIT (EBIT), SEK M./ EBIT MARGIN, %



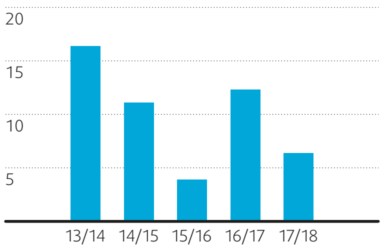
CASH FLOW FROM OPERATING ACTIVITIES, SEK M.



NUMBER OF EMPLOYEES AT END OF PERIOD



SALES GROWTH, %



SYSTEMAIR IS PRESENT EVERYWHERE IN SOCIETY

OFFICES

In office environments, there is a major need for clean air and a pleasant temperature, since they affect the way we feel and how well we perform. Systemair creates a healthy indoor climate in offices and helps customers achieve good energy management. We also offer fire gas fans and exhaust fans, and our air handling units are certified by Eurovent.

INDUSTRIAL

In industrial enterprises, large factory area need to be both heated and ventilated. Our products, evacuate impure air and ensure that working areas are kept at the right temperature. Our solutions help establish a healthy work environment, which in turn creates the conditions for higher productivity.

RESIDENTIAL

Fresh air in the home is important to our well-being. Systemair's air handling units with balanced ventilation feature heat recovery and are ideally suited to home and small offices. Our units have humidity and temperature control as standard.

SCHOOLS AND PUBLIC ENVIRONMENTS

Schools and public buildings recuires a custom ventilation system. With a broad product range, we create optimal system solutions that help to ensure a healthy indoor climate in public environments and the well-being of children at school all day.

MARINE, OIL AND GAS

A healthy indoor climate is crucial to both comfort and safety on board ships, whether provided by air conditioning on cruise liners, cargo hold ventilation in cargo vessels or exhaust air ventilation in ships' engine rooms. The bar for quality is set high, given that conditions are often challenging. Our stainless steel, acid-proof units meet all such requirements and are certified for marine use.

Systemair's products and solutions are everywhere in society. We contribute to an optimal and healthy indoor climate in most places where people move around in day-to-day life – in the home, offices, industrial premises, hospitals, swimming pool halls, tunnels, airports etc. We do this with a conviction that good quality air makes for a better quality of life for people. We also do it in an increasingly energy-efficient way, in order to help bring about effective energy management in society.

SWIMMING POOL HALLS

Swimming pool halls make great demands of ventilation. Part of the task is to create a comfortable indoor climate for users, and part is to ensure continuous dehumidification to protect the building from the harmful effects of damp over time. Our units offer reliable, fully-automated ventilation, dehumidification and heating to order – in the most economical way.

DATA CENTRES

An ever-growing need for storage capacity and increasingly compact equipment are creating a greater need for cooling. We supply both air handling units and precision chillers (close-control units) that provide energy- and cost-efficient cooling in data centres.

MULTI-STOREY/UNDERGROUND CAR PARKS

In multi-storey/underground car parks, ventilation is a safety issue. Our system of fire gas fans meets both the market's requirements for CO control and the requirements for evacuation of dangerous smoke gases in the event of fire, as well as delivering energy savings of up to 80 percent in green ventilation mode.

HOSPITALS AND THE PHARMACEUTICAL INDUSTRY

Hospitals are demanding environments in terms of purity and temperature of the air. A correctly designed ventilation system, combined with our products and solutions, creates an optimal indoor climate. Cleanliness requirements are satisfied via hygiene-certified units and effective filters.

TUNNELS

Effective ventilation is a safety issue both during the construction phase in a tunnel project and when the tunnel is in operation. Systemair's tunnel fans ensure both good quality of air and smoke evacuation. Our products meet all fire safety requirements and, being made from stainless steel, are easy to maintain.

GLOBAL TRENDS CREATING GROWTH OPPORTUNITIES

The global market for ventilation products is being driven by three important trends: energy efficiency, urbanisation and digitisation. The changes taking place are generating demands for investment and new, efficient products, and create growth opportunities for Systemair.

ENERGY-EFFICIENCY

There has long been strong pressure to reduce energy consumption in society, partly to help lower greenhouse gas emissions, thereby counteracting climate changes. The trend is global but is seen most clearly in Europe, where the EU's Energy Efficiency Directive, adopted in 2012, establishes the target of 20 percent primary energy savings by 2020.

How Systemair is affected and what we do about it

Systemair's products are subject to official requirements, at both EU and national levels, not least in terms of energy efficiency. Two examples of this are the EU's Ecodesign Directive, which lays down energy performance requirements for a multiplicity of products, and the Energy Performance of Buildings Directive. According to the latter, EU Member States must ensure that by no later than 2020 all new buildings are nearly zero-energy buildings. Member States are also required to take action to promote the transformation of buildings under renovation into nearly zero-energy buildings.

We are further developing existing products and developing new, energy-efficient products to meet the increased requirements for energy performance. Systemair is represented in most of the major industry and certification organisations, including Eurovent, EVIA (European Ventilation Industry Association) and AMCA (Air Movement and Control Association International) to keep continuously updated on new requirements and to contribute to positive developments in the industry in the form of ever-more efficient products.

The trend towards increasingly demanding energy requirements favours Systemair, since it benefits businesses that invest in the development of high-quality, long-lasting and low-energy products. This is providing competitive advantages and opportunities to seize new market shares.

From a growth perspective, too, the trend is positive. Increasingly strict requirements for energy efficiency in buildings is fuelling demand for energy-efficient ventilation systems in new buildings. At the same time, ventilation systems in existing buildings are needing to be replaced by new, more energy-efficient systems.

URBANISATION

Urbanisation is a long-term global megatrend that today has led to more than half of the world's population living in cities – a trend that is expected to continue going forward.[1)]

How Systemair is affected and what we do about it

The fact that more and more people are settling in cities affects Systemair primarily on two levels. It means that new buildings such as homes, offices, schools and hospitals are needed. It also creates a need for infrastructure projects such as airports and tunnels. Effective ventilation and a healthy indoor climate are an important element of such projects, which drives up demand for our product offering.

[1)] UN (2014). World Urbanisation Prospect – The 2014 revision.

»The changes taking place are generating demands for investment and new, efficient products, and create growth opportunities for Systemair«

In Europe, people spend around 90 percent of their time indoors and exposure to poor quality indoor air is a contributory factor in several illnesses, including asthma and allergies.

Heightened awareness of the importance of a healthy indoor climate is helping to stimulate demand for high-quality ventilation systems, and we develop products with the overall aim of creating a healthy and comfortable indoor environment, in terms of both quality and temperature of the air. This is to the benefit of people's well-being and enables us for example to perform better at work, and creates better conditions for children's learning in schools.

DIGITISATION

Digitisation is one of the factors that is creating the greatest shift in the society of today. It is affecting every part of society, and companies in every sector. Digitisation is paving the way for new business models and new solutions. At the same time, it demands adjustment to quickly changing customer requirements.

How Systemair is affected and what we do about it

All ventilation systems have electronic control systems whose function is to control, regulate and monitor ventilation performance. More and more software-based functions are today being integrated into these digital control systems, enabling people to use their computer, tablet PCs or smartphones to remotely control and monitor their systems, and to be alerted to and diagnose faults. There are a multitude of benefits. Servicing and maintenance is made easier, for example, enabling cost savings to be made.

As stricter requirements regarding the energy performance of buildings come into play, intelligent system solutions will be needed to control and needs-adjust the ventilation system, in order to reduce the amount of energy used. In turn, this bring demands for smart software, for components to be compatible with cloud-based systems and for sensor technology to measure air quality in buildings.

To benefit from these opportunities and meet future requirements from our customers, we are investing heavily in new digital technology for product development.

Digitisation is also bringing greater demands and creating new opportunities within our customer relationships. Our customers are making ever-higher demands for readily accessible production information via digital channels. To this end, Systemair is exploiting the potential of digitisation to make it easier for our customers. We offer several digital product selection programs that help customers to quickly choose the right products and solutions for their application.

A YEAR OF TRANSFORMATION

The year of 2017/18 was challenging, dominated by change and investment. This adversely affected our earnings, but the steps we have taken are necessary to enable us to go forward positively from now on. At the same time, we see good opportunities for development and are adapting to meet new demands and make the most of new opportunities that open up.

The quality of outdoor air, especially in our cities, has been a hot topic of discussion in recent years, and has led to political proposals such as a ban on diesel-powered cars in some cities. Outdoor air comes into our buildings, and pollutants of indoor air are also introduced from other sources. In our society today, we are spending more and more time indoors, and the pressure is growing for a healthy indoor environment. Effective ventilation systems are therefore essential in enabling us to breathe good-quality air indoors. From that perspective, it is clear that the role of the ventilation industry and Systemair will become increasingly important, and that there are good opportunities for continued growth. Systemair's products are everywhere in society: in the home, at work and in public environments. We help to ensure a healthy and comfortable indoor environment, where people feel well.

RISING DEMANDS FOR ENERGY EFFICIENCY

From the perspective of society, our industry can also make a positive contribution in this process by cutting its energy consumption in response to demands from legislators for energy-efficient products. Buildings account for 40 percent of total energy consumption in the EU, and EU directives in force regarding the energy performance of buildings state that Member States must ensure that by no later than 2020 all new buildings are near-zero-energy. To make compliance possible, energy-efficient systems will be needed, including for ventilation, and we have been concentrating for many years on reducing the volume of energy used in our ventilation products and systems in line with the market's requirements. The trend is increasingly towards solutions, with several products and systems being connected and communicating via intelligent control systems. This will create greater opportunities for demand-driven ventilation to conserve energy, and to simplify servicing and maintenance. We invest in developing digital technology on an ongoing basis to exploit this trend and prepare for the future.

SIMPLIFYING THE WORK OF OUR CUSTOMERS

The way for our products to make a positive contribution to society at large of course is through our customers. We aim to be the best partner by simplifying the work of our customers throughout the product life cycle. It must be simple to choose the right products and to do business with Systemair; we must deliver fast, products must be easy to install, start up and maintain, and customers must have access to servicing and aftermarket services wherever they are in the world. These issues top our list of priorities every day. They also form the framework for the customer satisfaction project that we continued to work on this year. The project involved customers in identifying areas for improvement, in our quest to become the best partner for meeting the needs of every individual customer.

SAFE WORKPLACES PRIORITISED

An important aspect of our contribution to society is our own work on sustainability. We have a principle that we can rent offices but strive to own our factories, as this allows us greater scope for influence over design and environmental performance of production. During the year, we invested in new metalworking facilities that reduce metal wastage in the production process, while at the same time substantially improving efficiency and delivering both environmental and cost benefits.

Work on safety in workplaces is highly prioritised at Systemair. During the year, we introduced the IA Occupational Health and Safety Information System to further support follow-up and reporting of work environment related events, to minimise risks in the Group's workplaces. Sweden piloted the system and it has subsequently been launched as an initial phase in Canada, Spain, Lithuania and Denmark. A plan is in place to continue to roll out the system in all the Group's production facilities.

MEASURES TO INCREASE PROFITABILITY

2017/18 was a year of transformation at Systemair. We implemented costly restructuring measures and investments, which is reflected in our earnings for the year. Our operating profit was SEK 350 million, representing an operating margin of 4.8 percent. Our goal for profitability is an operating margin of 10 percent over a business cycle. This is the level of profitability that we are aiming for in our business, and in our view the conditions are such that we can again achieve that goal.

To get there, we will need to take active measures with the business, and we maintained a clear focus on carrying out these measures during the year. This involved personnel cutbacks and merging production units to improve profitability at individual factories. Over the year, the measures led to non-recurring costs of SEK 70 million. For example, we relocated production from Austria to Slovenia and continued restructuring measures relating to our air conditioning factories in Italy and France. We are also evaluating further capacity adjustments and restructuring measures on an ongoing basis at some of the Group's facilities.

In addition, we executed ongoing improvement programmes in purchasing, logistics and production to streamline our processes. Furthermore, we made wide-ranging and necessary investments in production, chiefly in Turkey, and also in IT in order to exploit the benefits of scale in the Group. And we invested in digitising product information and product selection programs to provide our customers with even better and clearer services.

GROWTH IN MANY MARKETS

It is important to point out that we achieved good sales growth in most regions where we have a presence. Net sales for the Group as a whole rose by 6.4 percent over the financial year to SEK 7,301 million. The trend in Nordic and West European markets remained stable, although

with local variations. Germany continues to be a strong market for us, and we are growing strongly both in the local market and via increased exports from our factories.

Sales in Eastern Europe have continued to develop positively, partly driven by higher sales in Russia.

Systemair again performed well in North America, and we have long sought acquisitions there to gain entry into the market in ventilation for commercial buildings. However, no suitable companies to acquiere could be identified at a reasonable valuation. We decided instead to start up our own production of air handling units adapted to the American market's requirements for ventilation in commercial buildings. We also discern tentative signs of political, and thus economic, stabilisation in Brazil, which we hope may favour our development in South America.

In other markets, sales in 2017/18 were lower than in the preceding financial year. This was mainly due to high volumes of deliveries to major projects in the region last year. India introduced a new tax system, which created short-term uncertainty in the market and led to delays in our deliveries in the country. However, the underlying market in India remains strong. During the year, we also acquired a South African company, Viking Air Conditioning, and with it access both to the South African market in commercial air handling units with integrated cooling, and to other export markets in the region.

INVESTING FOR THE FUTURE

We are not satisfied with our earnings in the 2017/18 financial year. At the same time, we have implemented several necessary measures, and so I am looking forward to the years ahead with confidence. We plan to continue creating growth by expanding in existing markets and by entering new markets and product sectors, often via acquisitions. During 2018/19, our journey toward increased profitability will go on and we will continue to focus on continuous improvements to promote efficiency throughout the Group and value chain. At the same time, we have to equip the Company for the future. The trend of the world outside is towards stricter energy conservation requirements, increased digitisation and higher awareness of the importance of a healthy indoor climate. This will create opportunities for Systemair and we will continue to invest in new technology and new products to the benefit of our customers and society at large.

Roland Kasper
President & Group CEO

STRATEGY AND VALUE CREATION

Several interacting forces are generating a rising demand for systems designed to ensure a healthy indoor climate with the minimum possible environmental impact. At the same time, the trend is towards deliveries of solutions, with several products and entire systems being connected and in constant communication via intelligent control systems.

Systemair is engaged in innovative product development and has an extensive product range to offer its customers high-quality and energy-efficient ventilation products with simple and efficient installation, operation and maintenance. Systemair operates as a modern and sustainable ventilation company. Work is in progress around the Group to reduce the environmental impact of our products and our operations, to ensure that we maintain a safe work environment and good business ethics, and to take our social responsibilities.

VALUE CREATION WITH THE FOCUS ON SUSTAINABILITY

We create economic value which is distributed to our stakeholders in the form of share dividends and payments to owners and investors, salaries and benefits to our employees, payments to our subcontract suppliers and taxes to society.

As a global supplier of ventilation systems, we have an important role to play in providing a healthy indoor climate with the minimum climate impact. With new, innovative and energy-efficient products, we can help to create a better climate. We are also working on reducing the climate impact of our own operations.

As an employer, it is important that we accept our social responsibility and nurture a safe work environment, increased equal opportunity and effective competence development. As a buyer, it is important that we lead the way in high business ethics, with zero tolerance of corruption and bribery.

Last year, Systemair decided to link its work on sustainability to the UN's global sustainability goals. On that basis, we will conduct activities and measure results within the target areas of most relevance to our operations.

SDG 5

Greater equal opportunity and diversity

In our view, diversity and equal opportunity help to make a more successful company, more innovative products, smarter working practices, increased well-being in the workplace and long-term sustainable development in society. During recruitment, we actively work towards greater diversity and equal opportunity. At Systemair, we want everyone to feel welcome, whatever their background.

SDG 8

Good jobs and economic growth

Work environment activities engage our employees locally in our facilities. Employees participate actively in presenting suggestions for improvements, which are then implemented. One production facility had its management systems certified in accordance with OHSAS 18001.

In Systemair's production model, the work environment is an important factor. The Group performs internal reviews where we examine conditions such as ergonomics, machine safety, safe working practices and workplaces. We also started work on introducing a Group-wide web-based reporting system for injuries, accidents and near-accidents.

SDG 11

Sustainable cities and communities

Our Group plays an important role in the communities where we operate. Good relationships with external partners are key to long-term success. We engage in activities that contribute to the development of the local community, support various schools and training schemes and the local business community. We do not sponsor political or religious organisations.

SDG 12

Sustainable consumption and production

We strive to reduce consumption of resources in our production by recycling metals and minimising waste.

Our marketing and sales are conducted in an ethical and responsible manner, on the basis of quality, price, delivery reliability and a high standard of service. Our commercial decisions shall in all cases be taken with the Company's best interests in mind. We have a zero-tolerance policy on corruption.

Our aim is to work with specially selected "preferred suppliers" with whom we can maintain a long-term strategic collaboration. Systemair's suppliers are evaluated and selected on the basis of their ability to deliver on commercially correct terms, and of their ability to live up to our ethical guidelines for suppliers.

Mission

Our mission is to develop, manufacture and market high-quality ventilation products. With our customers in focus, we will be the most reliable company for quality, availability and delivery reliability. It must be simple to be a customer of Systemair.

Overall objective

Systemair's overall objective is to become one of the leading players in the global ventilation industry and the most reliable partner in every local market.

- By being a major player, we will influence and help drive trends and development in the ventilation sector.
- We will consistently utilise benefits of scale within production, product development, logistics and sales. Our financial strength enables us to enter new markets through acquisition or new ventures.
- A local presence in priority markets is fundamental to our ability to achieve our goals.
- With new, innovative and energy-efficient products, we can help to create a better climate. We are also working on reducing the climate impact of our own operations.
- As an employer, it is important that we accept our social responsibility and nurture a safe work environment, increased equal opportunity and effective competence development. As a buyer, it is important that we lead the way in high business ethics, with zero tolerance of corruption and bribery.

Strategy for quality and growth

- We will be the most reliable company for quality, availability and delivery reliability. Through this, we will create good relationships with ventilation contractors, distributors and consultants, and become the first choice for our customers.
- We will offer high product availability and fast delivery via efficient production, logistics and IT systems. We focus actively on developing and expanding our own sales organisation in pace with market conditions.
- We will maintain innovative product development and a broad product portfolio focusing on energy-efficient ventilation products.
- With a highly diversified customer base and wide geographical coverage, we are less vulnerable to fluctuations in the economy.
- We maintain an early presence in growth markets.
- Our offensive strategy in acquisition and establishment assures continued growth.

OUR VALUE CREATION MODEL

OUR RESOURCES

Financial capital
Equity and borrowed capital

Capital generated
Production facilities, office premises, machinery and equipment, inventories

Intellectual capital
Brands, product development process, management and ERP systems, logistics system

Human capital
Capable employees

Social capital
Good relationships with customers, suppliers and partners

Capital in natural resources
Energy, metal commodities

BUSINESS ACTIVITIES

Systemair's products and solutions create an optimal and healthy indoor climate in homes, workplaces, public areas, sports centres, hospitals, transport systems and on ships.

Product areas

- Fans
- Air Handling Units
- Air Conditioning
- Air Curtains and Heating Products
- Products for Air Distribution
- Fire protection equipment
- Residential Ventilation
- Swimming Hall Ventilation
- Garage and tunnel Ventilation

GLOBAL DRIVING FORCES

Energy efficiency	Energy conservation solutions in production and operations
Digitisation	High demands for accessibility, smart systems
Urbanisation	Demands for healthy indoor climate

SOCIAL AND ECONOMIC VALUE FOR OUR STAKEHOLDERS

Owners

Dividend per share

2

Dividend, SEK

Employees

Salary, pension, benefits, personal development

>63

Engagement Index

Customers

High-quality ventilation products, availability and delivery reliability

84,500

Customer visits

Society

Safety
Comfort
Health
Productivity

170,000

Lower Carbon Dioxide emissions, tons

OUR CONTRIBUTION TO PROGRESS TOWARDS SDG GOALS

p 30	Diversity and equal opportunity
p 30	Safe Working environment
p 30	Competence development
p 24	Product development and innovation
p 26	Production and distrubition
p 29	Waste and recycling of metals
p 29	Lower energy consumption
p 34	Responsible transactions
p 34	Supplier evaluation

STRATEGIC GOALS

Financial goals

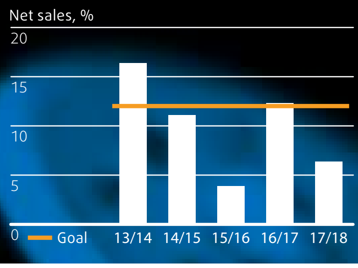
Goal | Goal achievement 2017/18 | Comment

GROWTH

To achieve average annual growth in sales of no less than 12% over a business cycle.

12%

Net sales for the financial year increased by 6.4% to SEK 7,301.2 million (6,863.6).

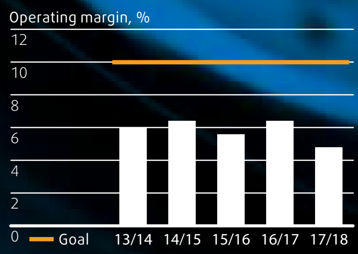


This is to be achieved through both organic growth and acquisitions. Sales growth has averaged 10.0 percent per year over the past five years. Organic growth is to be achieved via product development and expansion of market shares, as well as a broader product offering through acquisitions and new business start-ups. In 2014/15 and 2015/16, we switched our focus from growth-oriented to profitable growth. During that period, new acquisitions were not prioritised, while Russia weighed on organic growth.

PROFITABILITY

To achieve an average operating margin of no less than 10 percent over a business cycle.

10%

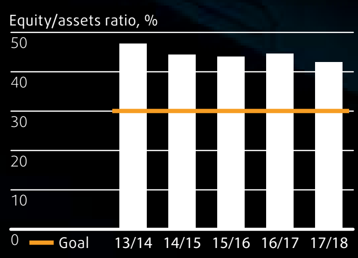


The operating margin has averaged 7.5 percent over the past ten years and 5.8 percent over the past five years. In view of our planned restructuring programmes, existing structure and product programme, the Company believes that the conditions for achieving this goal are favourable. Once our restructuring programme is completed, we will be able to employ our acquired and geographical synergies to once again achieve our goal of 10 percent profitability.

FINANCIAL POSITION

The equity/assets ratio should be no less than 30%.

30%



The Group's financial position is good; our equity/assets ratio on 30 April 2018 was 42.5 percent. The Company continually assesses opportunities for strategic acquisitions and our financial position allows scope for continued acquisitions and investments.

DIVIDEND POLICY

In view of Systemair's ambitions for growth, the goal for dividend is set at around 30 percent of the Company's profit after tax.

30%

The Board of Directors proposes a dividend of SEK 2.00 (2.00) per share for approval by the AGM to be held in Skinnskatteberg on August 30 2018. The proposed dividend corresponds to 45 percent (35) of net consolidated profit.

The AGM determines the dividend to be paid, having considered the Board's recommendation. The aim is to secure a stable financial position for continued acquisitions, the establishment of sales companies and progressive expansion of production capacity. At the same time, shareholders should receive a reasonable share of the Company's annual profits.

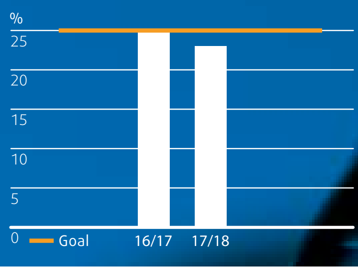
Sustainability goals

Goal	Goal achievement 2017/18	Comment

DIVERSITY AND EQUAL OPPORTUNITY

The percentage of women in senior positions will reach 25 percent 2025.

25%



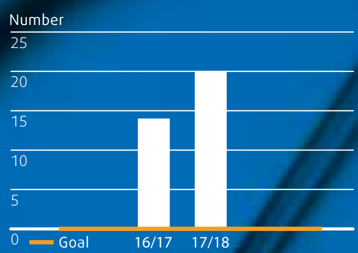
Systemair has strived for equal opportunities for some time. We have now taken one step further by formulating a goal regarding percentage of women in senior positions.

In order to reach this goal, we need to stay committed in connection to recruiting new employees as well as in the continuing career support for women on all levels within Systemair.

SAFE WORKING ENVIRONMENT

Occupational injuries shall be eliminated.

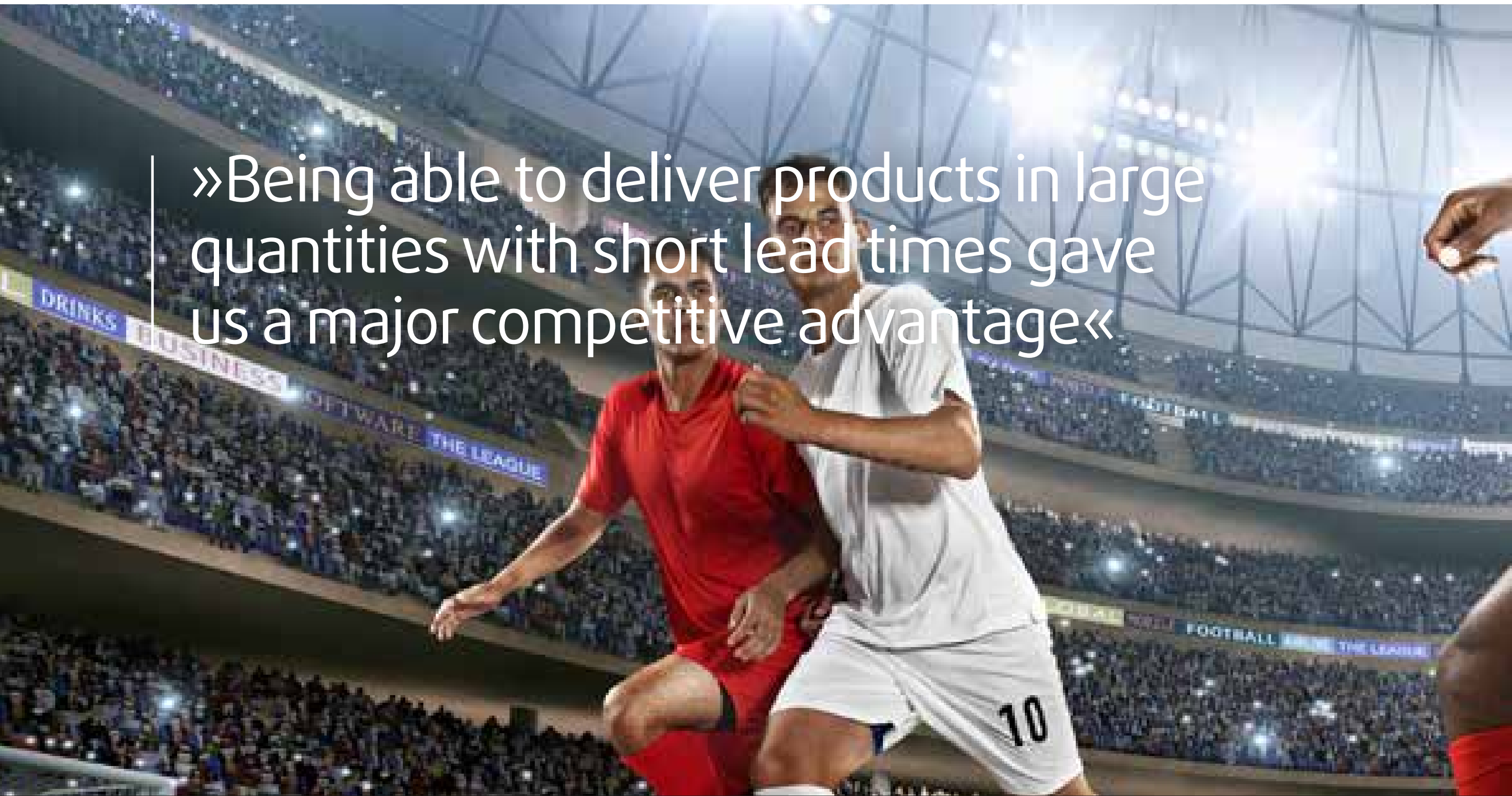
0



The goal for work-related injuries can never be anything else than 0. This year we introduced a new tool for effective reporting of work-related injuries and incidents which in all probability will lead to a seemingly increased number of reports. The new tool will give us valuable information in order to effectively and systematically counteract the occurence of any further work-related injuries.

SYSTEMAIR ON THE SPOT DURING THE FIFA WORLD CUP 2018

During the summer one of the year's great sporting events kicked off in Russia – the FIFA World Cup 2018 – attracting millions of visitors from all over the world. Systemair delivered products and solutions to help create a comfortable indoor climate and high energy efficiency in six arenas and stadiums built or renovated ahead of the competition.



»Being able to deliver products in large quantities with short lead times gave us a major competitive advantage«

Preparations for the football World Cup had been in progress in Russia for many years. For example, several new arenas and stadiums were built and others renovated extensively. Systemair delivered products to six of them, including Russia's national Luzhniki Stadium in Moscow, which hosted both the opening ceremony and the tournament final. The products supplied included air curtains, radiant heaters and air conditioning units. Systemair also delivered ventilation products for offices at the Mordavia Arena in Saransk. The total order value was approximately EUR 1.5 million.

HIGH DEMANDS FOR ENERGY EFFICIENCY

Energy efficiency was high on the agenda of customers in the projects. Here, Systemair was able to provide help in the form of Frico's radiant heaters and air curtains. A radiant heater is an efficient heat source and enables the air temperature to be lowered without sacrificing perceived comfort, which reduces energy costs. It is just as important to protect indoor air from being affected by outdoor air; this is done with the aid of Frico's air curtains, which form an invisible door at stadium entrances. Because stadiums have many large entrances, the products supplied had to meet very high demands. In some projects, Systemair was one of a small number of suppliers able to meet such demands.

"During the summer World Cup, they wanted to keep the hot outdoor air out of the indoor areas in the stadiums. Our air curtains do just that and help to create a comfortable indoor climate for visitors. By keeping hot air out, we also help to reduce energy consumption for cooling the indoor air and as a result keep costs down for those who own and run the stadiums. In general, we say that customers' investments in our air curtains pay for themselves in one to two years", says Diana Bitaeva, Product Manager at Systemair Russia.

A RELIABLE SUPPLIER

Systemair's solid reputation as a supplier who offers high-quality products, short delivery times and good support was another factor that enabled the Company to be entrusted as supplier for the stadium projects.

"Being able to deliver products in large quantities with short lead times gave us a major competitive advantage, considering that building a stadium is a huge project with a clear timetable. Also, our products are developed on the basis of the needs of the user. In other words, they are easy both to install and maintain, and we know that is appreciated by both installation companies and service personnel", says Diana Bitaeva.

ATTRACTIVE, MODERN DESIGN

Both radiant heaters and air curtains are visible to visitors and so become part of how the stadium is perceived. So product design is important.

"Our products are developed in line with Scandinavian design trends and incorporate a modern, minimalist and attractive design. This means that the products can blend into new buildings designed on modern architectural principles, which is characteristic of many of the stadiums built for the football World Cup", concludes Diana Bitaeva.

STADIUMS FOR WHICH SYSTEMAIR DELIVERED PRODUCTS:

Luzhniki Stadium, Moscow
Otkritie Arena, Moscow
Samara Arena, Samara
Mordovia Arena, Saransk
Rostov Arena, Rostov-on-Don
Nizhny Novgorod Stadium, Nizhny Novgorod

EXTERNAL TRENDS CREATING GROWTH

Demand for ventilation products continues to grow around the world, driven by external trends such as energy efficiency, urbanisation and digitisation. With sales in more than 130 countries, Systemair is well positioned to benefit from the opportunities that are being created.

The ventilation market is influenced by external trends. World economy is expanding and our increased standard of living leads to increased demand for a comfortable and healthy indoor climate in homes and schools, work places and other indoor environments. Calls for energy efficiency and reduced climate impact, which began in Europe, are spreading throughout the world and driving expansion in the sector. Cities are growing and the need for building new homes and renovating existing homes, commercial premises and infrastructure is rising. To most people today, a good, healthy indoor climate is becoming more and more important. Digitisation is another factor, in both management and control of ventilation equipment and in the form of growing demand for ventilation and cooling in data centres. Customers are increasingly needing help with suggestions for system solutions that enable products and control systems to work efficiently together. The need for connected products that can be monitored and measured increases.

STRONG MARKET POSITION

Systemair is a global established actor in the ventilation sector. With a strong local presence in most important markets, we are laying the foundations for a strong market position. This is further underpinned by an extensive product portfolio, with high availability of both products and access to support. Certifications, for example via Eurovent, are an important tool enabling Systemair to set itself apart and create competitive advantages, not least vis-à-vis local and regional competitors. By virtue of our size, we can invest in highly-developed product selection programmes and sales support. This makes it easy for customers to choose the right products for their specific applications.

Competition in the market became somewhat tougher during the year. For example, we have observed that several competitors are to a greater extent copying our concept and are offering products in several product sectors. To Systemair, it is crucial to continue making the most of and further strengthening our competitive advantages in order to gain further market shares. For more information on our competitors, see the table on page 19.

Competitors

Per product area

Company	Fans	Air handling units, Central	Residential Ventilation	Air handling units, Compact	Air conditioning	Air distribution	Air curtains	Fire Safety
Systemair, Sweden	●	●	●	●	●	●	●	●
Fläkt Group, Switzerland	●	●	●	●	●	●		●
Flexit, Norway	○		●	●		●		
Swegon, Sweden		●	●	●	●	●		○
Exhausto, Denmark	●	●	●	●				●
Östberg, Sweden	●	●	●	●				
Trox, Germany	●	●	●	●		●		●
VTS, Poland		●	○	●				○
Nuaire, United Kingdom	●	●	●	●				●
Vent-Axia, United Kingdom	●		●	●				○
Nicotra-Gebhardt, Germany	●							●
Rosenberg, Germany	●	●		●			●	●
S&P, Spain	●	○	●	●			●	●
Wolf, Germany		●	○	●	○			
CIAT, France		●		●	●			
Aldes, France	●		●	●		●		●
Zehnder Group, Switzerland			●	●	○	○		
Petra, Jordan		●						
AL-KO, Germany		●						
Zamil, Saudi Arabia		●						
Dynair, Italy	●							
Greenheck, North America	●	○		○	○	●		○
Johnson Control, North America		●		●	●			
Nortek, North America	○		●	●	○			
Titus, North America				○		●		

● Full range ○ Limited range

Presence in Systemair's markets

Company	Nordic Region	United Kingdom	Germany	Poland	France	Spain	Russia	Nether-lands	North America	Middle East and Asia
Systemair, Sweden	●	●	●	●	●	●	●	●	●	●
Fläkt Group, Switzerland	●	●	●	●	●		●	●	●	●
Flexit, Norway	●									
Swegon, Sweden	●	●	●	●	●	●	●	●	●	●
Exhausto, Denmark	●	●	●					●		
Östberg, Sweden	●		●				●		●	●
Trox, Germany	●	●	●	●	●	●		●		●
VTS, Poland		●		●		●	●		●	
Nuaire, United Kingdom		●								●
Vent-Axia, United Kingdom		●								
Nicotra-Gebhardt, Germany	●		●	●	●			●		●
Rosenberg, Germany	●	●	●	●	●		●	●	●	●
S&P, Spain	●	●	●	●	●	●		●	●	●
Wolf, Germany	●	●	●	●	●		●			
CIAT, France		●		●	●	●	●			
Aldes, France					●	●		●		
Zehnder Group, Switzerland	●	●	●	●	●			●	●	
Petra, Jordan									●	●
AL-KO, Germany	●		●	●	●		●	●		●
Zamil, Saudi Arabia										●
Dynair, Italy		●	●	●	●	●		●		●
Greenheck, North America									●	
Johnson Control, North America									●	
Nortek, North America									●	
Titus, North America									●	

● Presence in geographical market

SYSTEMAIR – MARKET REGIONS

NORDIC REGION

23%
Share of Systemair sales

6%
Growth

5%
Organic growth

The region as a whole was characterised by buoyant market conditions. In Norway, infrastructure products such as tunnels and hospitals account for an ever-increasing share of sales. The Finnish market shows good signs of recovery after some years of a hard-pressed market climate.

WESTERN EUROPE

41%
Share of Systemair sales

10%
Growth

4%
Organic growth

In the northern parts of the region, including countries such as Germany and the Netherlands, market conditions were firm during the year and general strength in the economy favourably impacted the market. We see signs of recovery in several southern European markets, including Portugal, Spain and Greece. For example, the investment appetite and construction in Spain gathered strength to some degree during the year.

EASTERN EUROPE & CIS

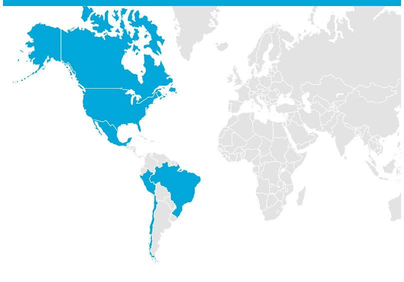
16%
Share of Systemair sales

18%
Growth

11%
Organic growth

The region in general showed signs of stabilisation, with increasingly-buoyant markets during the year. Our so-important Russian market has grown for six consecutive quarters. Other major markets in the region, such as Poland and the Czech Republic, again performed well. In addition, growth in the Baltic Region has re-emerged.

NORTH AND SOUTH AMERICA



8%

Share of Systemair sales

3%

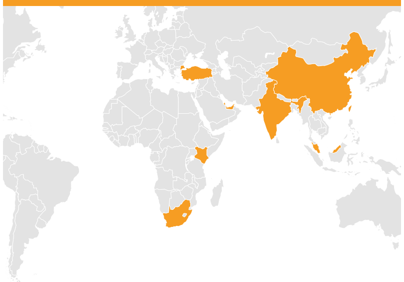
Growth

7%

Organic growth

The region as a whole is characterised by stable growth in demand. A strong USA economy combined with increased demand for modern, energy-efficient ventilation equipment are important underlying factors. In South America, Brazil is showing tentative signs of economic and political stabilisation. Systemair also has sales companies in Peru and Chile, which are performing well, albeit from low volumes.

OTHER MARKETS



12%

Share of Systemair sales

–14%

Growth

–9%

Organic growth

Sales in the region decreased during the year. This was partly because a major project was delivered in the Middle East last year, resulting in challenging figures for comparison. The Middle East market generally is characterised by uncertainty as a result of the situation in Syria. In India, reform of the tax system temporarily created adverse impact on our deliveries in that country. We view the tax reform as positive long term and the underlying market is developing well in India. We see good potential from the continuing growth in Southeast Asia and in many African countries, and during the year stepped up our presence on the continent via a complementary acquisition in South Africa.

WE ARE HERE

Our standard products can be delivered within 24 hours from local stock, and within 72 hours from one of our three distribution centres. In the case of customised ventilation products, we maintain stocks of individual components and operate flexible production.

DISTRIBUTION CENTRES

1. Skinnskatteberg, Sweden
2. Windischbuch, Germany
3. Kuala Lumpur, Malaysia

PRODUCTION FACILITIES

4. Kansas City, USA
5. Tillsonburg, Canada
6. Bouctouche, Canada
7. São Paulo, Brazil
8. Eidsvoll, Norway
9. Skinnskatteberg, Sweden
10. Hässleholm, Sweden
11. Århus, Denmark
12. Waalwijk, Netherlands
13. Mülheim An Der Ruhr, Germany
14. Langenfeld, Germany
15. Windischbuch, Germany
16. Winterbach, Germany
17. Helmstadt, Germany
18. Tilliéres, France
19. Milano, Italy
20. Madrid, Spain
21. Ukmerge, Lithuania
22. Pardubice, Czech Republic
23. Bratislava, Slovakia
24. Maribor, Slovenia
25. Istanbul, Turkey
26. Johannesburg, South Africa
27. New Delhi, India
28. Hyderabad, India
29. Kuala Lumpur, Malaysia

PRODUCT AREAS

- Fans
- Residential Ventilation
- Swimming Hall Ventilation
- Air Handling Units
- Air Conditioning
- Air Curtains and Heating Products
- Products for Air Distribution
- Fire Safety
- Garage and Tunnel Ventilation

- Technical Centres

5,500
Employees

85,400
Customer visits per year

»Systemair is a global established actor in the ventilation sector. A strong local presence in important markets provides the base for a strong market position«

50
Countries with own sales organisation

>130
Exports to more than 130 countries

9
Technology centres conduct laboratory tests

MARKET-LEADING PRODUCTS AND SOLUTIONS

Innovative product development closely tied into external trends are crucial to Systemair's ability to offer market-leading products and solutions that help customers to meet their challenges – today and tomorrow.

»More than 150 new or redeveloped products were launched«

The purpose of Systemair's products is to create an optimal and healthy indoor climate. Our aim is to achieve this at the lowest possible level of energy use. Our products must be simple to understand, install, use and maintain. It is the basic requirement of all product development at Systemair. During 2017/18, we invested SEK 195 million in product development, corresponding to 2.7 percent of net sales, and more than 150 new or redeveloped products were launched.

INFLUENCED BY EXTERNAL TRENDS

Systemair strives to develop leading products that meet the expectations of customers who make high demands of the indoor climate and ventilation. Success with that depends not only on understanding the market but also having insights into external trends and technological developments. Systemair's more than 850 salespeople around the world maintain daily contact with our customers and in-depth insight into how their needs are changing. Our technology centres are responsible for monitoring technological developments within their area of technology. We are also strongly involved in certification, standardisation and industry organisations, including Eurovent, EVIA (European Ventilation Industry Association) and AMCA (Air Movement and Control Association International), and maintain close contacts with research institutions and government agencies at national and European levels. This enables us to keep up-to-date on new requirements and to influence developments in the industry.

Systemair sees developments in the ventilation sector being influenced by four major trends, which we are integrating into our product development:

1. **Quality of indoor air.** As the quality of outdoor in our cities is deteriorating, the demands for good quality indoor air are rising. It affects our health, comfort and how we perform at work and in school.
2. **Energy efficiency.** New official requirements – at both EU and national levels – mean ever-higher demands on energy consumption by ventilation products such as units and fans.
3. **Systems.** Rising demands regarding energy use in buildings, for example as a result of EU directives on energy performance in buildings, are increasing the pressure for energy efficiency throughout the ventilation system, in turn demanding smart system solutions. This will make it possible to achieve a healthy indoor climate in the most energy-efficient way possible, for example via demand-driven ventilation.
4. **Cloud-based solutions.** Digitisation is opening up new opportunities for controlling and monitoring ventilation systems, in that way assuring function and optimisation and accumulating knowledge for use in future products.

EFFICIENT PRODUCT DEVELOPMENT

Systemair's product development organisation consists of around 230 engineers, spread across 23 development teams in 18 countries. The development teams are in the main located close to our production facilities. We also have 9 technology centres that conduct laboratory tests for product development and technical documentation in accordance with current standards. Systemair strives for high efficiency in its product development projects, which follow a standardised process – from initial idea generation to certification, production transfer and launch. Development projects are selected and prioritised for every individual product area via our strategic product planning system. The decision is based on what generates most value for the Systemair Group as a whole, on the basis of these criteria: strategic importance, potential profitability and the current situation in terms of competence and resources.

CONTRIBUTION OF THE MODULAR UNITS SOLD BY SYSTEMAIR IN EUROPE OVER A YEAR:

Lower Carbon Dioxide emissions	Lower energy consumption	A better indoor climate
170,000	**1.7**	**95**
Tons of CO_2 savings	TWh	Million m[3] clean air per hour
=	=	=
Carbon Dioxide emissions from an average of 95,000 cars per year[1)]	Electricity to supply 345,000 single-family houses[2)]	Enough to supply 100 m[3] of clean air per year for every person on the planet[3)]

1) According to Nordic electric generation, 0.1 kg of CO_2 per kWh. The example is based on a car driven 15,000 km/year emitting 120 g of CO_2 per km

2) Average annual consumption of domestic electricity in Sweden in 2016 was 5,000 kWh per household according to Vattenfall

3) Based on a World population of 7.5 billion

MAJOR DEVELOPMENT PROJECTS LAUNCHED IN 2017/18

GENIOX – THE NEXT-GENERATION OF AIR HANDLING UNITS

Geniox, Systemair's most important product development project in recent years, was concluded in 2017. The project was unique at Systemair inasmuch as it involved engineers from eight different development teams and production facilities. The aim was to created a product platform designed for use globally, with local adaptations.

Geniox, based on the latest technology, was developed to meet future energy requirements via high-efficiency heat recovery and low electricity consumption. With a flexible modular design, Geniox is extremely adaptable and can function as the heart of an efficient ventilation system, whether used in public environments, industry, data centres, hospitals or marine environments.

SAVECAIR – CONTROL SYSTEM FOR HOME VENTILATION

If the air handling unit is the heart of an efficient ventilation system, the control system is the brain. SAVECair makes it easy to control and adapt ventilation in the home to personal preferences. The system incorporates intelligent pre-settings that optimise ventilation and energy consumption, for example, according to whether people are away or have many visitors in their home.

SAVECair has been developed with an eye to the future and to be able to operate in smart homes. The systems is controlled via a user-friendly control panel with touch functionality. It is even possible to control the system via a smartphone app, wherever you happen to be. The system can also be used in eco-mode to save energy.

HIGH QUALITY AND FAST DELIVERIES

Efficient production, high quality and fast deliveries are fundamental constituents of Systemair's offering, and of the value we create for our customers.

Systemair will be the most reliable company for quality, availability and delivery reliability. Our customers can rely on always receiving high-quality products with early delivery, making Systemair a priority supplier to both ventilation contractors and distributors of ventilation solutions. To create this customer value, both efficient production processes and an optimised logistics system are essential.

Systemair manufactures standard products for stock in order to be able to offer customers early delivery. This means that the products can be delivered within 24 hours from local stock, and within 72 hours from one of our three distribution centres. To be able to offer early delivery of customised ventilation products, a different approach is necessary. For this, we focus for example on maintaining stocks of individual components and on high flexibility in production.

STRIVING FOR CONTINUOUS IMPROVEMENT

Efficient production is vital to profitability growth in the Group, and consequently to the value we create for our owners. The aim is that all factories in the Systemair Group should operate in a standardised way in line with the Systemair Production Model – our system for efficient production – to assure high productivity, quality and safety in production.

Our production model is based on four fundamentals:

1. **5s** – to create organisation and order in our factories.
2. **Standardised way of working** – to work using what are currently the best processes at any one time.
3. **Day-to-day control** – to ensure that a clear structure is in place for day-to-day planning and work management.
4. **Constant improvements** – to ensure that improvement projects operate continuously as part of day-to-day work.

Within the scope of the *System Production Model* we regularly conduct audits of all production facilities to assure constant improvement. One main focus during the year was optimisation of the production flow in the factories, resulting in shorter lead times and thus faster deliveries to customers. With 27 production facilities in 19 countries, we have great opportunities for sharing experiences, and benchmarking among the facilities takes place on an ongoing basis.

MAJOR INVESTMENTS DURING THE YEAR

During 2017/18, investments in production facilities totalled SEK 508 million. One of our more substantial investments is in the newly built factory in Turkey, which has a strategically important role to our expansion in the region. In the new factory, the production area increases from 11,900 to 27,400 square metres. We also relocated and expanded our production facility in Hyderabad, India.

During the year, we invested in new machinery to make maximum use of the benefits of scale offered by the new Geniox platform. In addition to being the next-generation air handling unit, offering leading-edge technology and low energy use, Geniox is a flexible product platform that is currently replacing three product platforms in five of our factories in Europe. By concentrating production on products built on one and the same platform, we are creating excellent conditions for higher profitability and quality.

EFFICIENCY THROUGHOUT THE SUPPLY CHAIN

If we are to live up to our customer promise of high availability and early delivery, and create conditions for higher profitability at Systemair, we need both efficient production and efficient management throughout the supply chain. The ERP system is the core of Systemair's logistics organisation. The system includes facilities for order and inventory management, purchasing, production planning, resource planning and accounting. We take a strategic approach to individual components for our products and regularly review what Systemair itself should manufacture and what we should buy in, on the basis of parameters such as lead time and cost.

Systemair operates three international distribution centres – in Skinnskatteberg, Sweden, Windischbuch, Germany, and Kuala Lumpur, Malaysia. The centres stock products for forwarding to local warehouses in different countries. The Group also has centralised national warehouses and local sales locations that carry inventory.

Efficient logistics is reliant on efficient transport, and Systemair makes high demands of the transport operators it chooses. During the year, we set up a pilot project in Sweden regarding fourth-party logistics, in order to identify new ways of working that can deliver optimal transport operations in terms of time, environmental and cost considerations. Improvement activities in this area are also being driven forward in other markets in the Group.

OUR SUSTAINABLE GOALS

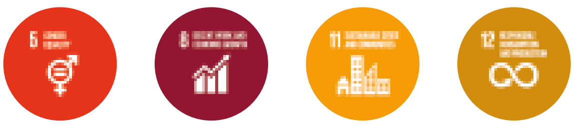
Systemair wants to play its part in creating a sustainable society. We do so by developing energy-efficient products and by constantly reviewing the environmental impact of our operations. This includes everything from materials and the working practices we use, to avoiding unnecessary transport movements. We ensure that we maintain a safe work environment and good business ethics, and take our social responsibilities.

Systemair has decided to link its work on sustainability to the UN's global sustainability goals. The UN's 17 sustainable development goals are to be achieved by 2030 and are the most ambitious agreement for sustainable development ever to be adopted by the world's leaders. The concept of sustainable development integrates the three dimensions of sustainability: social, economic and environmental.

Systemair has identified the global sustainability goals that are most relevant to the Company's operations, where we can have most influence. By actively working on these focus areas, we can become a more successful company, and make a contribution to sustainable development in society.

MEASUREMENT AND REPORTING

Systemair reports on its sustainability work in accordance with the international guidelines of the Global Reporting Initiative (GRI). Our ambition is to further develop our follow-up and reporting in sustainability. Extended measurement began in 2017/18, and we are now working on devising goals and strategies by which we at Systemair can best advance a sustainable society.



DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (MSEK), G4–EC1

	2017/18	2016/17
Economic value generated		
Revenues	7,459	6,984
Economic value distributed		
Operating costs	5,298	4,847
Employee wages and benefits	1,667	1,591
Payments to providers of capital	161	136
Payments to government	103	116
Economic value retained	**230**	**294**

The table illustrates economic value generated and distributed to the Company's stakeholders as measured by GRI indicator G4-EC1

UN'S GLOBAL SUSTAINABILITY GOALS THAT ARE MOST RELEVANT TO SYSTEMAIR

Equal gender opportunity
- Greater equal opportunity and diversity

Good jobs and economic growth
- Fair working conditions and safe workplaces
- Training and career opportunities for our employees
- Good financial return for Systemair

Sustainable cities and communities
- Development of energy-efficient products
- Choosing safe materials and compliance with legislation for our products
- Better indoor climate for people in the home, commercial/public premises and other areas
- Local presence and playing a part in social development in our markets

Responsible consumption and production
- Reduced consumption of resources in our production by recycling of metals and minimising waste
- Zero tolerance to bribery and corruption
- Evaluation of suppliers

VALUE CREATION

We create economic value which is distributed to our stakeholders in the form of share dividends and payments to owners and investors, salaries and benefits to our employees, payments to our subcontract suppliers and taxes to society. In addition, we create value for our customers and users of premises equipped with our ventilation systems, in the form of a healthy indoor climate and low energy consumption.

OUR SHARED ENVIRONMENT

Systemair strives continuously and methodically to reduce the impact of our products and our operations on the environment. We do this by reducing our consumption of energy and material resources, and by improving efficiency in our warehouse and transport operations. Optimisation in all parts of the supply chain and staying at the forefront in the use of smart production technology are both part of a constant process.

WASTE AND RECYCLING OF METALS

Systemair continues to invest in manufacturing technology that can reduce wastage of steel plate and aluminium, which represent a high proportion of materials used in our products. In addition to reducing wastage, we also ensure that waste in production is sorted and recycled. Waste that is recycled includes steel, aluminium, packaging materials and paint powder.

LOWER ENERGY CONSUMPTION

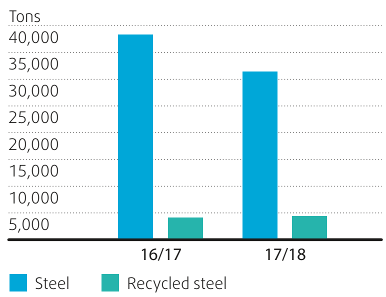
By increasing our use of recycled steel, we are helping to lessen the energy burden of our products. During investments in machinery, energy efficiency is of course one parameter, as it is when examining the premises in which we operate. Energy use in our factory premises is followed up monthly, and both internal and external benchmarking is performed to identify effective ways of achieving our goals.

TRANSPORT AND TRAVEL

Transport of our products from production facilities to various warehouses and sales locations and then on to the customer contributes to carbon dioxide emissions. For us, it is important to analyse transport flows and plan and manage transport to prevent unnecessary journeys and processing.

Because Systemair is a global company, travel by road, rail and air is necessary. Many journeys are unavoidable – we need to meet with our customers and other stakeholders – but by using the option of virtual meetings, for example video conferences, we have been able to reduce the need for travel and therefore also our carbon dioxide footprint. Use of this technology has also enabled us to become more time-efficient.

MATERIEL USE, G4-EN 1 AND EN2



ENERGY CONSUMPTION, (MWh) G4-EN3

	2017/18	**2016/17**
Oil	874	803
Natural gas	14,135	17,554
Diesel	0	366
Electricity	32,311	30,479
Heatin	7,636	6,981
Cooling	8	9
Total energy consumption	**54,964**	**56,193**

The table shows Systemair's total energy consumption by energy category.

THE IMPORTANCE OF OUR EMPLOYEES

The ability to attract, develop and retain competent employees is of great importance to our long-term success. As an employer, it is important that we promote a safe working environment, competence development and increased equal opportunity.

SAFE WORKING ENVIRONMENT

Fair working conditions and safe workplaces are important. No-one should need to go to their workplace and be worried about their health – physical or mental. Our aim is to prevent accidents and minimise sick leave. Violence, threats, bullying and similar abuses of employees will not be tolerated. Systemair employees decide themselves whether to join a labour union in accordance with the legislation in the country where they work.

With a global organisation and production in 19 countries, driving forward a programme of systematic improvements in the work environment is a challenge. The aim has been to find a model that suits all our companies, whatever their geographical location or production methods. Productivity and cost efficiency are important, but they should never be at the expense of a safe work environment. Our employees are our most important asset; they and their families depend on our commitment to maintain a safe workplace.

To support the implementation of an effective health and safety policy and to achieve the benefits of a healthy work environment, Systemair decided to introduce IA, a web-based system to aid our production facilities in their work on constantly improving the work environment. The objective of the IA system is to reduce the incidence of occupational injuries. Work environment activities are also followed up via internal reviews where we examine ergonomics, machine safety, working practices and workplaces. This is an area that engages our employees, and we encourage them to report any risks and near-accidents that they observe, and of course any injuries.

COMPETENCE DEVELOPMENT

The ability to attract, develop and retain competent employees is of great importance to Systemair's long-term success. Competence development is an important focus area, to ensure constant improvement in our organisation and products, to enhance our employees' competence for contacts with customers and to maintain our lead over our competitors. Excellent career prospects exist for employees wanting to gain international experience and quickly take on big responsibilities within the Systemair Group.

DIVERSITY AND EQUAL OPPORTUNITY

In our view, diversity and equal opportunity help to make a more successful company, more innovative products, smarter working practices, increased well-being in the workplace and long-term sustainable development in society. During recruitment, we actively work to advance diversity and equal opportunity. At Systemair, we want everyone to feel welcome, whatever their background. What is important is knowledge, experience and personal qualities, and no discrimination on the basis of sexual disposition, gender, age, ethnicity, colour of skin or religion is permitted. All employees will be treated with respect, and no employee will be subject to bullying or insulting treatment.

Systemair is a global business with employees in 50 countries. Diversity is totally natural to us, and is clearly evident in the Group-wide projects in which representatives from various parts of the world are involved.

Of the Group's 5,465 employees, 23 percent are women and both Board of Directors and Group Management today have one woman member. Our goal is to have 25 percent women in senior positions by 2025. 2017/18 the percentage was 21 percent women in senior positions (2016/17: 23 percent). In Sweden, we operate an Equal Treatment Plan, including analysis and activities to ensure equal treatment regarding gender, age, origin, religion, sexual disposition and functional impairment.

Diversity and equal opportunity help to make a more successful company, more innovative products, smarter working practices, increased well-being at the workplace and long-term sustainable development in society.

No incidents occurred during the year.

SYSTEMAIR ACADEMY 2017/18

"Selling the straight way 2.0"

Sales training targeting the MDs and sales managers of the subsidiaries, who in turn train salespeople at the local offices via the "Train the Trainer" concept. The focus is on sales techniques, negotiation and presentation techniques.

Systemair Academy

Training for engineers and sales personnel, administered at 16 academies. The courses focus on concept sales – the products are placed in a context – and on how Systemair can increase its sales by better integrating the Company's values into the sales process.

3C – Corporate Culture Concept

Training in Systemair's leadership and corporate culture to all our employees. Training is given via the "Train the Trainer" concept and has been implemented at the local companies over the past three years. All MDs at the subsidiaries and the majority of employees in the major companies have undergone the programme to date.

Finance Controller Academy

Training in financial accounting, follow-up and accounting.

M3 Academy

Training that examines our ERP system and how it is to be managed.

eLearnings

Digital product training courses that facilitate the spread of our product knowledge throughout the Company.

TOTAL NUMBER OF EMPLOYEES AT SYSTEMAIR ON 30 APRIL 2018, G4-10

	2017/18		2016/17	
	Employees (no.)	% women	Employees (no.)	% women
Number of permanent employees	4,965	25%	4,746	24%
– Of whom, full-time	4,804	23%	4,602	23%
– Of whom, part-time	161	70%	144	75%
Number of temporary employees	322	15%	259	15%
Total number of employees	5,287	24%	5,005	24%
Contract personnel	178	8%	217	13%
Total workforce	**5,465**	**23%**	**5,222**	**23%**

The table shows the number of employees and contract personnel at Systemair at the end of the period, by types of employment contract and by gender.

GEOGRAPHICAL BREAKDOWN OF EMPLOYEES ON 30 APRIL 2018, G4-10

	2017/18		2016/17	
	Employees (no.)	% women	Employees (no.)	% women
Nordic Region	1,027	25%	969	26%
Western Europe	1,811	23%	1,739	19%
Eastern Europe & CIS	1,273	37%	1,151	33%
North & South America	432	34%	424	32%
Other markets	744	12%	722	14%
Total number of employees	5,287	24%	5,005	24%
Contract personnel	178	8%	217	13%
Total workforce	**5,465**	**23%**	**5,222**	**23%**

The table shows the number of employees and contract personnel at Systemair at the end of the period, by region and by gender.

PROPORTION OF COLLECTIVE AGREEMENT EMPLOYEES (%), G4-G11

	2017/18	2016/17
Proportion of employees covered by collective bargaining agreements	34%	34%

EMPLOYEE TURNOVER, G4-LA1

	2017/18		2016/17	
	Employees (no.)	% women	Employees (no.)	% women
New employees during the year				
Younger than 30 years	527	22%	399	20%
30–50 years	535	26%	480	24%
Older than 50 years	119	26%	63	37%
Total number of new employees	**1,181**	**24%**	**942**	**23%**
% new employees	22%		19%	
Employees terminating during the year				
Younger than 30 years	276	22%	267	22%
30–50 years	361	25%	354	25%
Older than 50 years	130	15%	112	27%
Total number of terminations	**767**	**22%**	**733**	**24%**
Percentage terminating their employment	15%		15%	

The table shows the number of employees recruited and employees terminating their employment, by gender and by age category. It is still the case that more people are being taken on than are terminating their employment.

SICK LEAVE AND WORK-RELATED INJURIES, G4-LA6

	2017/18		2016/17	
	Men	Women	Men	Women
Sick leave per region (%)				
Nordic Region	4.7%	11.9%	5.6%	11.7%
Western Europe	10.6%	8.3%	8.4%	8.3%
Eastern Europe & CIS	2.3%	9.8%	2.3%	12.4%
North & South America	1.5%	1.6%	0.7%	0.8%
Other markets	1.1%	0.9%	1.2%	2.0%
Average, Systemair	**6.1%**	**8.6%**	**5.8%**	**5.6%**

The table shows the average number of days of absence per person for each year. As far as work-related injuries during 2017/18 are concerned, Systemair had no major incidents and 316 reported minor incidents. Systemair had 24 reported work-related illnesses in 2017/18. The higher level of sick leave among women is largely made up of a higher proportion of long-term absences and more absence for child-care reasons.

PROPORTION OF EMPLOYEES WITH PERFORMANCE REVIEWS COMPLETED, G4-LA11

	2017/18	2016/17
Women	49%	53%
Men	47%	49%
All employees	**47%**	**50%**

The table shows the proportion of employees who have completed at least one performance review, by gender.

COMPOSITION OF COMPANY BY AGE GROUP AND BY GENDER (NO.), G4-LA12

	2017/18		2016/17	
	Number	% women	Number	% women
Board of Directors				
Younger than 30 years	0	0%	0	0%
30–50 years	1	0%	1	0%
Older than 50 years	6	17%	6	17%
Group Management				
Younger than 30 years	0	0%	0	0%
30–50 years	1	0%	5	20%
Older than 50 years	6	20%	2	0%
All employees				
Younger than 30 years	1,031	22%	956	23%
30–50 years	2,877	25%	2,756	25%
Older than 50 years	1,379	24%	1,293	22%

The table shows the composition of the Board of Directors, Group Management and other employees, by gender and by age category. The age breakdown shows a relatively even distribution. Both Board of Directors and Group Management now each have one woman member and around a quarter of the employees of the Group are women.

OUR VALUES

Systemair's fundamental values shape our corporate climate and guide us when we make decisions. They filter through to every level of our organisation and show how we as employees are to behave in our day-to-day work. Our values apply in all our businesses, wherever in the world we work.

Prioritise

TAKE INITIATIVE

We are proactive and take responsibility. At Systemair, initiative is appreciated – even if a result is not always achieved. It is our responsibility to actively seek information, track down relevant facts and make a contribution where needed to find a solution.

TAKE DECISIONS

We take our decisions on the basis of available facts. We stick with decisions taken, until there is reason to change. Our organisation is solution-oriented and pragmatic; we involve colleagues when making decisions for better outcomes – "Together we are strong".

FOLLOW THE STRATEGY

Our local strategy is aligned with the Group's goals and strategy. At Systemair, we know which market position to target, and we sell the product range selected to the customer platform defined. We continuously seek out growth opportunities, by selling as many products as possible from our factories. We use the Group's chosen tools in marketing, sales support, statistical follow-up, ERP and product selection. We always answer enquiries quickly and have no misgivings about turning down an order.

Simplify

THE STRAIGHT WAY

At Systemair, it is part of our DNA to do things simply and always look for "the straight way". From the very beginning this was the basic philosophy of the Group and a way of continuously making improvements. Seeking "the direct route" has been a goal and way of working in all processes in the Company, to improve and be as efficient as possible. "The straight way" also means saying what we think and sticking with the decisions taken. We practise direct, clear communication and talk with people – not about people.

ORGANISATION AND ORDER

We take on tasks in a pragmatic and systematic way, which enables us to adopt a proactive approach to challenges. Organisation and order make the job simpler, and experience has taught us that a structured environment makes for greater efficiency and better performance. Good order has been a significant value of Systemair through the years and has made us an attractive employer, supplier and partner. In our day-to-day work, we follow the Systemair Sales Model by using the customer platform, sales support system, product database and ERP system.

STANDARDISED PRODUCTS

Systemair offers standardised and robust products that are simple to choose, install and maintain. Our basic range of products enables us to benefit from economies of scale in production and simplifies day-to-day work for ourselves and our customers. Today, we have a wider, more complex product portfolio, but we continue to strive for benefits of scale in and standardisation of our products. It is a fundamental requirement that our sales force focuses on selling the products that are manufactured within the Group.

Trust

DIRECT, CLEAR INFORMATION

We keep our promises by providing clear, professional information throughout the business process, including tendering, order confirmation, technical documentation and invoice.

We communicate in a clear, concise and respectful way within and outside the organisation. We also observe this policy when dealing with our competitors. It is our right and duty to express our opinion and to stay true to decisions that have been taken.

WE ARE A SAFE CHOICE

Systemair is a product supplier in the ventilation industry, which is part of the construction industry, and we deliver the best quality for the given market price. Our customers will not get any negative surprises when receiving a product from us. It will be as good or better than their expectation. We are recognised for professionalism throughout the process from design, product development, purchasing, production, logistics, sales and aftermarket. We focus closely on energy efficiency when developing our products, which helps to reduce climate impact.

COLLECTIVE RESPONSIBILITY

Together, we are strong and efficient when everyone takes individual responsibility and strives to achieve our common goals. It is a common responsibility to ensure the right competence within the Company. All of us have a clear role for which we are fully accountable.

At Systemair, we have a culture of respecting one another, and we share our unique skills with each other. Together we can keep our promises and go the extra mile when needed. Collective responsibility begins with you as an individual.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BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

As an orderer and major buyer of products and materials, it is important that we uphold high business ethics, with zero tolerance of corruption and bribery. As part of this policy, we carry out supplier evaluations. We also take our social responsibility in the locations where we operate.

RESPONSIBLE TRANSACTIONS

At Systemair, we conduct marketing and sales in an ethical and responsible manner, on the basis of quality, price, delivery reliability and a high standard of service. Systemair shall at all times comply with the laws of each country and our commercial decisions shall in all cases be taken with the Company's best interests in mind. We exercise zero tolerance towards corruption, and our employees are not allowed to demand, offer or accept bribes or other illegal benefits in order to retain a customer or close a business deal. This is summarised in our Code of Conduct and our values, which apply throughout our organisation, in every country.

The code of conduct contains Systemair's position on matters regarding social conditions and employee management, human rights, environment and the countering of corruption.

SUPPLIER EVALUATION

Systemair uses around 4,300 suppliers and sub-contractors. The majority are European or North American and thus are covered by national laws and regulations that ensure acceptable working conditions. Our aim is to work with specially selected "preferred suppliers" with whom we can maintain a long-term strategic collaboration. Systemair's suppliers are evaluated and selected on the basis of their ability to deliver on commercially correct terms, and of their ability to live up to Systemair's ethical guidelines for suppliers.

New suppliers are required to complete a self-assessment form before they can be qualified to work with Systemair. The form includes questions about financial strength, working conditions, child labour, health and safety, environment and ethics. All new suppliers must confirm that they do not accept child labour in their organisation, nor accept products from suppliers using child labour directly, or indirectly via their subcontractors. The self-assessment form is regularly updated.

Systemair also carries out on-site checks on suppliers, above all at the start of a new collaboration, at suppliers of health- and safety-critical equipment and at suppliers where we identify a need to improve their services. Systemair also operates special quality assurance agreements for suppliers of health- and safety-critical components.

RESPONSIBILITY TO THE COMMUNITY

Our Group plays an important role in the communities where we operate. Good relationships with external partners are key to long-term success. We engage in activities that contribute to the development of the local community, support various schools and training schemes and the local business community. We do not sponsor political or religious organisations.

SOCIAL PROJECTS THAT SYSTEMAIR SUPPORTS

- In North America, Systemair supports organisations that ensure that schoolchildren have the educational tools and materials needed to take part in education from the first day at school.
- In Latvia, Poland, Slovenia, North America and Turkey, Systemair supports universities and university colleges in promoting engineering programmes in ventilation technology.
- In Germany, Systemair provides girls at primary school the chance to learn what a profession in technology can offer, for example via a special Girls' Day event. This supports the Group's work to recruit more women into technology-based professions.
- Systemair in Germany sponsors the Pro-Children Project, which aims to increase awareness at an early age of the importance of a correct diet.
- In Sweden, Systemair supports an employers' initiative aimed at narrowing the gap between the labour market and school. The idea is, quite simply, to put the labour market on the agenda.
- Systemair in Sweden also supports Navigatorcentrum, a support organisation for young people who do not know which job to choose, whether they should start studying, or whether they should find another alternative that suits their particular case.
- In North America and Germany we offer internships. It allows the students to put their academic earnings into practical use, while we support with experience and guidance.

INCIDENTS OF CORRUPTION (NO.), G4-SO5

	2017/18	2016/17
Number of incidents in which employees werered or subject to other disciplinary measure because of corruption	0	0
Number of cases where contracts with partners were not renewed because of corruption offences	0	0

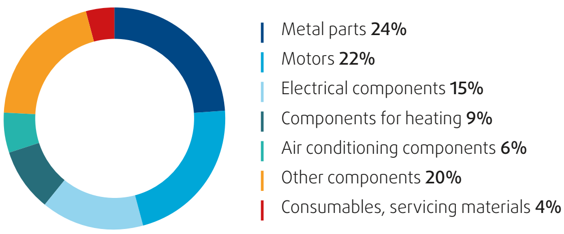
The table shows the number of corruption incidents. During 2017/18 and 2016/17, we had no cases of corruption.

PROPORTION OF NEW SUPPLIERS EVALUATED WITH REGARD TO THE FACTORS BELOW (%), G4-EN32, LA14, HR10

	2017/18	2016/17
Environmental factors, EN32	98	92
Employment conditions, LA14	98	92
Human rights, HR10	98	90

The table shows the proportion of new suppliers evaluated with regard to environmental factors, employment conditions and human rights. The total number of new suppliers in 2017/18 was 181.

PERCENTAGE BREAKDOWN OF SYSTEMAIR'S EXTERNAL PURCHASES OF COMPONENTS IN 2017



The pie chart illustrates Systemair's external purchases of components in the 2017 calendar year, by percentage per product group. The largest product groups are motors and metal parts, but electrical, heating and air conditioning components etc. are also bought in for use as components in Systemair's products and solutions.

RISK MANAGEMENT

Systemair's business involves risks that to a varying extent may adversely affect the Group. These risks may in the short and the long term affect Systemair's ability to achieve its set objectives according to the Company's business plan.

Risk area	Risk	Description	Risk level	Risk control measures 2017/18
1 MARKET RISKS	**Market and competition risk**	Aggressive price-cutting strategies may be implemented by powerful competitors	Medium	Several restructuring programmes and actions to improve profitability were carried out
	Trends in the macro-economy	Risk of fall in volume of new construction through the effect of interest rates, state of the stock market, political decisions etc.	Low	Restructuring programmes were implemented to re-align production capacity. Continued focus on products for the renovation market
	International business operations	Risk of negative trade policy decisions or excise duties. Risk of political instability	Low	Systemair is actively engaged in most industry organisations where we have established business, in order to obtain early information and influence decisions
2 OPERATIONAL RISKS	**Suppliers**	Dependence on major suppliers, for example, of fan motors; fluctuations in prices of commodities such as steel plate and copper	Low	During the year, Systemair built up a more robust central purchasing organisation designed to minimise the risks and systematically assess strategically important suppliers
	Production plant and distribution centres	Risk that an important facility or item of equipment becomes seriously damaged, for example by fire or leakage	Low	Insurance cover and *disaster recovery plans*, such as crisis management plan, drills and communication plan, are updated annually
	Business combinations	Risk that customers, suppliers or key individuals leave the Company. Integration and synergies take longer than expected to achieve	High	During the year, Systemair took the considered decision not to make any business acquisitions requiring substantial resources for integration and transformation
	IT infrastructure	Risk of interruptions in availability of Group-wide ERP systems	Medium	Continued improvements in processes and systems to enhance operating reliability. Historically, Systemair has never before carried out such extensive investments in IT upgrades as we have done this year
	Product liability	Risk that products fail to meet specifications, which may lead to claims from customers	Medium	The Company maintains global product liability insurance, which was updated during the year
3 FINANCIAL RISKS	**Foreign exchange risk – transaction exposure**	Substantial business is transacted in currencies such as EUR, which represents a foreign exchange risk	Medium	Around 50 percent of the EUR/SEK exposure is hedged
	Foreign exchange risk – translation exposure	Foreign assets and liabilities of foreign subsidiaries are translated to SEK on consolidation	Medium	Major investments are often financed via borrowing in the currency of the country concerned
	Borrowing and interest rate risk	Risk that rapid changes in conditions in the Company's markets create problems with raising new loans. Sharply falling interest rates may lead to poorer earnings by the Group	Medium	Systemair signed a new, three-year credit agreement for SEK 500 million during the year
	Credit and liquidity risk	Risk that a customer becomes unable to fulfil his payment obligation	Medium	Systemair is working actively on improving routines and processes for credit assessment and payment
4 OTHER RISKS	**Brands**	Risk that a competing business uses the Group's brands	Low	Systemair maintains a day-to-day focus on protecting its brands in important markets

Low Medium High

THE SYSTEMAIR SHARE AND SHAREHOLDERS

THE SYSTEMAIR SHARE

Systemair shares have been listed on the Mid Cap list of the NASDAQ OMX Exchange Nordic since 12 October 2007. The initial offer price was SEK 78 per share, corresponding to a market capitalisation of approximately SEK 4.1 billion. The Company's market capitalisation on 30 April 2018 was approximately SEK 6.0 billion (8.2). The share's trading symbol is SYSR.

CHANGES IN SHARE PRICE

At the end of the 2017/18 financial year, the share price was SEK 115.80, a fall of 26.5 percent from the price at the start of the financial year. In the same period, the OMX Stockholm's PI Index fell by 0.9 percent.

The number of Systemair shares traded on NASDAQ OMX Stockholm totalled 7,304,636 (4,723,445), corresponding to a turnover rate of 14 percent (9) during the financial year.

SHARE CAPITAL AND VOTING RIGHTS

The Company's share capital totals SEK 52.0 million, represented by 52,000,000 shares with the same number of voting rights. The quotient value is SEK 1.00 per share.

In the 2014/15 financial year, Systemair's principal shareholder, Färna Invest AB, issued a total of 520,000 options to buy Systemair shares, to 19 senior executives at Systemair. Färna Invest AB is owned by Systemair's Chairman Gerald Engström. The programme terminated in October 2017. No dilution effect or cost, in connection with redemption of options, arose for Systemair AB since the options were issued by Färna Invest AB.

AUTHORISATION BY AGM

The 2017 AGM voted to authorise the Board, on one or more occasions during the period until the next AGM, with or without deviation from the preferential rights of the shareholders, to resolve to increase the Company's share capital by issuing new shares. On the basis of that authorisation, the Company may issue new shares equal to no more than ten percent of the number of shares in the Company in issue at the time of the 2017 AGM. Any such issue shall be made on market conditions, with the right reserved to offer an issue discount where appropriate.

SHAREHOLDERS

The two main shareholders, Färna Invest AB and ebm-papst AB, hold 42.62 percent and 21.27 percent, respectively, of the Company's shares. During the year, Färna Invest increased its shareholding by 0.32 percentage points.

Other major shareholders are Swedbank Robur Fonder with a holding of 7.46 percent (3.05), Alecta Pensionsförsäkring with 4.90 percent (4.15) and Fidelity Funds – Nordic Fund with 3.58 percent (1.78).

The number of shareholders at the end of the accounting period, 30 April 2018, was 3,666 (3,949).

DIVIDEND POLICY AND DIVIDEND

The Board of Directors proposes that the AGM approve a dividend of SEK 2.00 (2.00) per share. As a result, shareholders' dividend payments for the 2017/18 financial year will amount to SEK 104.0 million.

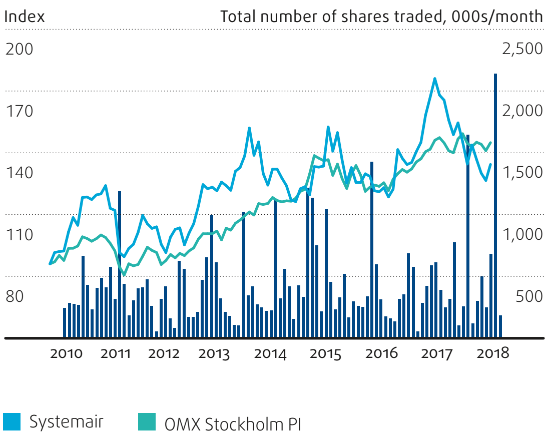
The dividend corresponds to 45 percent of the Group's profit after full tax and exceeds the Company's dividend policy that around 30 percent should be distributed.

SHAREHOLDER INFORMATION

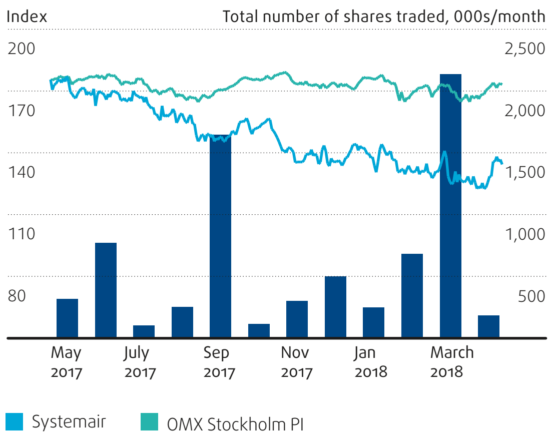
Management participates actively in meetings with analysts, investors, other shareholders and the media. This is important in terms of stimulating interest in the Systemair share and of giving current and new shareholders ample opportunity to value the Group as fairly as possible.

Press releases are distributed without delay as soon as an event of material importance to the business occurs. They are archived on the Company's website. Interim reports are also published as press releases and are similarly archived on the website. Year-end accounts are published and archived on the website. Financial data has also been published on the web-site for the past six years, and share data since flotation in 2007.

CHANGES IN SHARE PRICE EIGHT YEAR OVERVIEW



SHARE PRICE, 12-MONTH OVERVIEW



SHAREHOLDER STRUCTURE

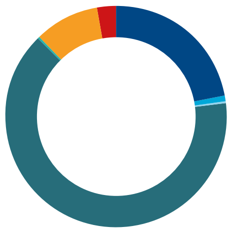
Size of holding	No. of shareholders	No. of shares	Share of total shares held, %	Market value (SEK th.)
1–500	2,991	425,223	0.82%	49,241
501–1,000	340	279,732	0.54%	32,393
1,001–5,000	219	504,425	0.97%	58,412
5,001–10,000	29	210,856	0.41%	24,417
10,001–15,000	14	170,530	0.33%	19,747
15,001–20,000	8	145,464	0.28%	16,845
20,001–	65	50,263,770	96.66%	5,820,545
Total	**3,666**	**52,000,000**	**100.00%**	**6,021,600**

TEN BIGGEST SHAREHOLDERS

	Percentage	No. of shares
Färna Invest AB*	42.62%	22,164,162
ebm-papst AB	21.27%	11,059,770
Swedbank Robur Fonder	7.46%	3,877,049
Alecta Pensionsförsäkring, Ömsesidigt	4.90%	2,550,000
Fidelity Funds – Nordic Fund	3.58%	1,861,169
Nordea Investment Funds	3.58%	1,859,019
AFA Insurance	2.55%	1,324,709
Lannebo Fonder	2.24%	1,165,916
JP Morgan Bank Luxembourg S.A.	1.50%	780,496
SEB Investment Management	0.82%	426,534
	90.52%	**47,068,824**
Other	9.48%	4,931,176
TOTAL	**100%**	**52,000,000**

Shareholders grouped according to Euroclear
* Private company wholly owned by Gerald Engström, Chairman of the Board
Source: Shareholders' register at Euroclear AB, 28 April 2017

SHAREHOLDER CATEGORIES



- Financial companies **22.21%**
- Social security funds **0.81%**
- Stakeholder organisations **0.04%**
- Other Swedish legal persons **64.56%**
- Unclassified legal entitles **0.18%**
- Foreign-domiciled shareholders **9.46%**
- Swedish natural persons **2.74%**

PER-SHARE DATA

	2017/18	2016/17	2015/16	2014/15	2013/14
No. of shares at 30 April	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000
After tax earnings per share (SEK)	4.43	5.66	3.98	5.96	8.44
Cash flow per share (SEK)	4.32	8.93	3.25	4.64	4.83
Equity per share (SEK)	50.39	45.79	40.54	40.04	36.17
Share price, end of accounting period	115.80	157.50	102.50	115.00	105.75
High during the year (SEK)	158.50	160.50	143.50	125.75	136.75
Low during the year (SEK)	99.20	95.25	96.25	89.00	97.00
Dividend per share, proposed, SEK	2.00*	2.00	2.00	2.00	3.00
After tax P/E	26.14	27.83	25.75	19.30	12.53
Direct yield (%)	1.73	1.27	1.95	1.74	2.84
Payout ratio (%)	45.15	35.34	50.25	33.57	35.56
Trading volume	7,304,636	4,723,445	4,879,431	6,989,140	4,632,443
Turnover rate (%)	14.05	9.08	9.38	13.44	9.00

* The Board of Directors proposes a dividend of SEK 2.00 (2.00) per share for approval by the AGM to be held in Skinnskatteberg on 30 August 2018.

SHARE CAPITAL

Year	Event	Quotient value	Increase in share capital	Total shares	Total no. of shares
1993/94	Bonus issue, Series A shares	100	7,000,000	10,000,000	100,000
1994/95	New issue, Series A shares	100	14,000,000	24,000,000	240,000
1995/96	Bonus issue, Series A shares	100	26,000,000	50,000,000	500,000
2005/06	New issue, Series B shares	100	2,000,000	52,000,000	520,000
2006/07	100:1 split	1	–	52,000,000	52,000,000
2007/08	Reregistration of shares to one type	1	–	52,000,000	52,000,000

ANALYSTS

The analysts who have followed Systemair's progress during the financial year are as follows:

Handelsbanken Capital Markets
Daniel Lindkvist, +46 72 547 67 65

Nordea Markets
Henrik Nilsson, +46 8 534 917 70

Kepler Cheuvreux
Douglas Lindahl, +46 8 723 51 73

Redeye
Henrik Alveskog, +46 8 545 013 45

Erik Penser Bank
Marlon Värnik, +46 8 463 84 22

SEB
Johan Dahl, +46 8 522 296 18

AGB Sundal Collier
Emmi Östlund, +46 8 566 286 73

CORPORATE GOVERNANCE REPORT

At Systemair AB (publ), corporate governance is exercised via the Annual General Meeting (AGM), the Company's Articles of Association, the Board of Directors and the Chief Executive Officer, in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act, the NASDAQ OMX Stockholm Rule Book for Issuers and the Swedish Code of Corporate Governance.

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE ("THE CODE")

It is generally accepted practice in the stock market for Swedish companies whose shares are listed for trading in a regulated market to apply the Code. Systemair applies the Code with the following exceptions:

The AGM has appointed a nominating committee consisting of representatives of three of the largest shareholders. The chairman of the nominating committee is the Company's main shareholder, Gerald Engström, who owns 42.6 percent of the share capital and votes in Systemair, via his wholly owned company Färna Invest AB. Engström is also Chairman of the Board of Directors. The second largest shareholder, ebm-papst AB, owns 21.3 percent of the capital and votes, and is represented on the nominating committee by Gerhard Sturm.

The Code states for example that the majority of the members of the nominating committee must be independent of the Company and company management. Further, the chairman of the nominating committee must not be a director of the company.

However, the majority of the members of Systemair's nominating committee are not independent, which is a deviation from the Code. The Company's judgement is that the said arrangement is in the interests and to the benefit of the Company and the other shareholders.

SHAREHOLDERS AND SHARE CAPITAL

Systemair AB (org. reg. no. 556160-4108) is headquartered at Skinnskatteberg in the County of Västmanland, Sweden. The Company's shares have been quoted on the Mid Cap List of NASDAQ OMX Stockholm since 12 October 2007. The Company's trading symbol is SYSR. At the end of the accounting period, Systemair AB had 3,666 shareholders. The largest individual shareholder is Färna Invest AB, which owns 42.6 percent of the capital and votes and is 100 percent controlled by Chairman of the Board Gerald Engström. Other major shareholders are ebm-papst AB, Järfälla, Sweden, wholly owned subsidiary of ebm-papst GmbH, Mulfingen, Germany, with 21.3 percent of the capital and votes, and Swedbank Robur Fonder, with 7.5 percent. All shares have a quotient value of SEK 1.00. At the financial year-end, 30 April 2018, the total number of shares outstanding was 52,000,000, all of the same class. For more information, see section "The Systemair Share", on page 36.

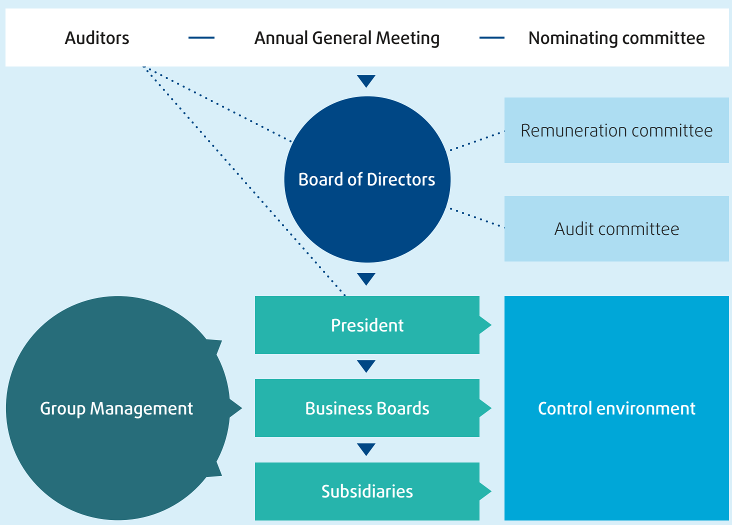
ARTICLES OF ASSOCIATION

Systemair is a limited company whose business is to conduct the manufacture and sale of ventilation and heating products. The Board of Directors shall consist of no fewer than three and no more than eight members and no more than three deputy members. In addition, the trade unions are entitled by Swedish law to appoint two members and two deputies. The Board of Directors shall have its registered office in Skinnskatteberg Municipality, Västmanland County. The Company's Annual Report and the management of the Company by the Chief Executive Officer and Board of Directors shall be audited by a registered public accounting firm or an auditor, with or without a deputy auditor. The Company's financial year shall be 1 May–30 April. For the complete articles of association, please visit Systemair's website: group.systemair.com/Investor/

THE NOMINATING COMMITTEE

The 2017 AGM resolved that the nominating committee shall consist of representatives of three of the largest shareholders. The record date for determining the three largest shareholders was 31 January 2018. The nominating committee shall submit nominations for the Chairman of the AGM, the Board and Chairman of the Board, the choice of auditors in consultation with the audit committee, proposed fees to the Chairman of the Board and other Board members, remuneration for work on committees and proposed auditors' fees.

HOW SYSTEMAIR IS GOVERNED



WORK OF THE BOARD DURING THE YEAR

Regular items on Board's agenda:

- State of the business and important events
- Internal financial follow-up – earnings, liquidity, currency situation and financing
- External financial reporting (interim reports)
- Investments of more than SEK 10 million
- Acquisitions
- Organisation and employees
- Policies
- CEO's report on state of the business

JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

Budget
In the spring, the Board addresses the Group's budget for the year ahead

Annual Accounts
In June, the Board discusses the annual accounts for the past year; the meeting is also attended by the Company's auditor

Strategy
During the autumn, the Board holds an in-depth discussion of strategy

Visits to subsidiaries
To gain a greater depth of understanding of the business

These proposals shall be submitted to the AGM. The nominating committee held one meeting in 2017/18. No remuneration was paid for work on the nominating committee. The proposals of the nominating committee to the 2018 AGM are shown in the Notice of AGM posted on the Systemair website, group.systemair.com. Shareholders wishing to submit proposals for the nominating committee may do so by e-mail to any member of the nominating committee.

BOARD OF DIRECTORS

Diversity policy regarding the size and composition of the Board of Directors

During the 2016/17 financial year, Systemair's Board of Directors adopted a diversity policy regarding the size and composition of the Board. The policy states that Systemair's Board shall be of a size and composition that ensures its ability to administer the affairs of the Company with integrity and efficiency. The Board's composition shall be characterised by diversity and breadth in terms of competence, experience and background. Another aspiration is to achieve an even gender balance. The majority of Board members elected by the AGM shall be independent in relation to the Company and the Company's management. Board members shall not be appointed for longer than until the end of the next AGM.

Composition of the Board of Directors during the financial year

Until the start of the 2017 Annual General Meeting, Systemair's Board of Directors consisted of five members elected by the AGM, Gerald Engström (Chairman), Carina Andersson, Svein Nilsen, Patrik Nolåker and Per-Erik Sandlund. At the 2017 AGM, Gerald Engström, Carina Andersson, Svein Nilsen and Patrik Nolåker were re-elected as members of the Board. Per-Erik Sandlund declined to stand for re-election. Hans Peter Fuchs was elected as a new member of the Board. Gerald Engström was elected as Chairman of the Board. The employees elected two representatives, Åke Henningsson (Unionen) and Ricky Sten (IF Metall). More detailed biographies of the members of the Board of Directors are provided on page 44–45 of this annual report. Anders Ulff, CFO, serves as Secretary to the Board. As the chart shows, all members of the Board elected by the AGM, except for Gerald Engström and Hans Peter Fuchs, are independent of the Company. Senior executives participate as needed in Board meetings in a reporting capacity.

Work of the Board

During the 2017/18 financial year, the Board held six meetings and one statutory meeting. According to the Board's rules of procedure, the Board must meet at least six times during the financial year. All decisions taken by the Board were unanimous and placed on record. The work of the Board is governed by annually approved rules of procedure which govern the work of the Board and its internal allocation of tasks, including committees, decision-making process within the Board and the Board's meeting procedures. The Chief Executive Officer also maintains regular contact with the Chairman of the Board. During the year, the Board of Directors assessed its work, and all directors participated in the assessment and made observations. The Chairman of the Board is responsible for the assessment.

Attendance at Board meetings and fees

As the table shows, all members attended all meetings, with the exception of Patrik Nolåker, who was absent from one meeting. Fees to the Board of Directors are shown in Note 10.

Remuneration committee

The Board has appointed a remuneration committee consisting of Gerald Engström, Carina Andersson and Patrik Nolåker (committee chairman). The committee's functions are:

COMPOSITION OF THE NOMINATING COMMITTEE FOR THE 2018 AGM

Board member	Representative of	Contact (e-mail)
Gerald Engström, chairman of the nominating committee	Färna Invest AB, Chairman of the Board	gerald.engstrom@systemair.se
Gerhard Sturm	ebm-papst AB	gerhard.sturm@de.ebmpapst.com
Lennart Francke	Swedbank Robur Fonder	lennart.francke@gmail.com

DIRECTORS – ATTENDANCE AND DEPENDENCE/INDEPENDENCE

	Board of Directors	Remuneration committee	Audit committee	Year elected	Dep./Indep. Company	Dep./Indep. Shareholder
Number of meetings	7	2	6			
Gerald Engström, Chairman	7	2	–	1974	Dep.	Dep.
Carina Andersson	7	2	6	2015	Indep.	Indep.
Svein Nilsen	7	–	–	2016	Indep.	Indep.
Patrik Nolåker[1)]	6	2	1	2016	Indep.	Indep.
Per-Erik Sandlund[2)]	4	–	4	2015	Indep.	Indep.
Hans Peter Fuchs[3)]	3	–	–	2017	Dep.	Dep.
Åke Henningsson[4)]	7	–	–	2015	–	–
Ricky Sten[4)]	7	–	–	2014	–	–

1) Patrik Nolåker was elected to the Audit Committee on 24 August 2017.
2) Per-Erik Sandlund resigned as Board member on 24 August 2017.
3) Hans-Peter Fuchs was elected to the Board on 24 August 2017. The mandate period covers 3 meetings.
4) Employee representative

- to prepare proposals on behalf of the Board regarding remuneration in the form of fixed and variable salaries, pensions, severance payments and any other types of remuneration to senior executives
- to monitor and assess programmes, in progress and concluded during the year, for variable remuneration to senior executives
- to monitor and assess the application of guidelines for remuneration for senior executives, as well as current remuneration structures and levels.

The members of the committee are appointed annually by the Board at the first ordinary Board meeting. The committee shall consist of three members. No member may participate in issues related to his or her own remuneration. Over the financial year, the committee held two minuted meetings, at which all members were present.

Audit committee

At the start of the financial year, the audit committee consisted of Board members appointed by the AGM, Carina Andersson (chair) and Per-Erik Sandlund. On his retirement from the Board of Directors, Per-Erik Sandlund was replaced by Patrik Nolåker. The committee's tasks include:

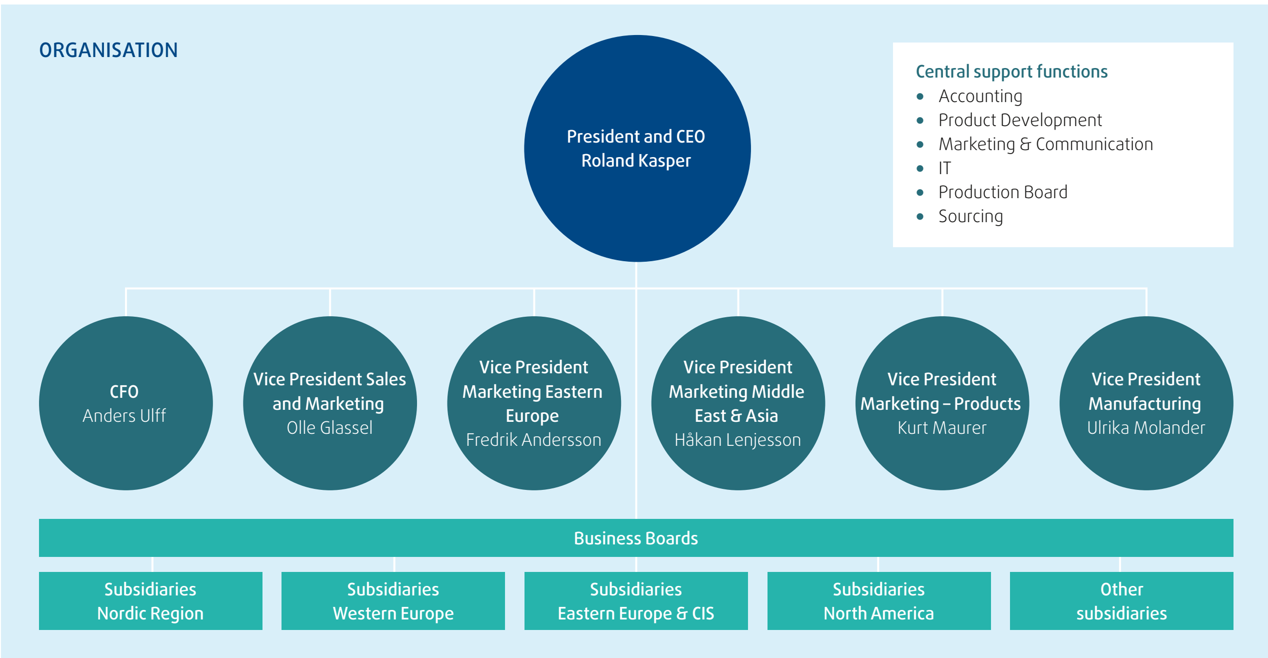
- supervising the Company's internal controls, risk management and internal audits
- staying informed about the external audit
- reviewing and monitoring the impartiality and independence of the auditor
- assisting in the preparation of proposals for decisions on the election of auditors
- supervising of the financial reporting
- discussion of valuation issues, such as testing of needs for impairment.

The committee held six minuted meetings in which the Company's CFO, one Group controller and the auditor also took part. These meetings addressed issues such as the risk assessment of internal control and risk management with respect to financial reporting, procurement of auditing services and IT security. Reports were submitted from internal audits performed. Minutes of the meetings were taken and presented at the next Board meeting.

GROUP MANAGEMENT

President Roland Kasper, who is also Chief Executive Officer of the Parent Company, is responsible for day-to-day control of the Group. He receives reports from the Group's senior management, comprising Vice President Marketing – Eastern Europe Fredrik Andersson, Vice President Sales and Marketing Olle Glassel, Vice President Marketing – Middle East and Asia Håkan Lenjesson, Vice President Marketing – Products Kurt Maurer and Vice President Manufacturing Ulrika Molander and Chief Financial Officer Anders Ulff. President and Chief Executive Officer Roland Kasper supervises the work of the Group's senior management.

Group Management holds regular meetings during the year to review earnings for the Group and for individual subsidiaries, as well as the market and business situation, and to take decisions on strategic and operational matters within the framework established by the Board. One of these yearly meetings is more comprehensive, involving more detailed discussion and planning for operations and the formulation of targets at Group and subsidiary levels. Systemair's organisation is characterised by a simple, straightforward style of communication, so ongoing informal contact among Company executives is key to the management culture. Group Management is supported by functions at Group level for financing, treasury, business development, product development, production, purchasing, marketing and IT.



BUSINESS BOARDS AND GOVERNANCE OF SUBSIDIARIES

The Systemair Group consists in total of 80 companies, of which 69 are operational. The Parent Company is Systemair AB (org. reg. no. 556160-4108), which owns the majority of the subsidiaries directly. All subsidiaries are 100 percent owned, apart from Systemair-HSK of Turkey, which is 90 percent owned, Systemair-Traydus in Brazil, which is 75 percent owned and Tekadoor of Austria, which is 50 percent owned.

Operating activities in the subsidiaries are governed at overall level via business boards, which may best be described as executive steering committees for the subsidiaries. Each of these consists of one or two members of Group Management and/or another key person from the Parent Company, plus the subsidiary's MD. Each business board sets targets and monitors financial outcomes, takes decisions on major market and product issues and serves as the link between Parent Company and the particular subsidiary regarding various organisational matters. Business boards meet two to four times each year. Each subsidiary also has a formal board of directors, if required by law in that country.

SENIOR EXECUTIVE REMUNERATION

Guidelines

The 2017 AGM adopted guidelines for senior executive remuneration. Remuneration to senior executives shall – based on the conditions in the market in which the Company operates and the environment in which the particular executive works – be competitive, enable the recruitment of new executives and motivate senior executives to remain with the Company. The system of remuneration shall consist of a fixed salary and pension, but may also include variable salary and benefits such as, for example, a company car. In addition to the above, special incentive programmes approved by the AGM may apply. Fixed salary and benefits shall be determined individually, based on the aforementioned criteria and the specific competence of the particular executive. Variable salary will be paid subject to the attainment of clearly established targets. The variable salary will be paid as a proportion of the fixed salary and may normally equal no more than two months' salary. As a rule, pensions shall be paid through defined contribution plans. The size of the pension shall adhere to the same criteria as above and be based on fixed salary. The Board is entitled to depart from these guidelines if justified in any particular case.

Remuneration to the Chief Executive Officer and other senior executives is described in Note 10.

Notice of termination and severance payments

The Chief Executive Officer's employment may be terminated on 12 months' notice by the Company or six months' notice by the CEO. For other senior executives, the period of notice is as stated in the applicable collective bargaining agreement or is no more than 12 months from the Company or six months from the employee. No other agreements entitle the Chief Executive Officer or other senior executives to severance pay.

Pensions

The Chairman and the directors do not receive any pension benefits in connection with their Board duties. The pensionable age for all senior executives is 65 years. In 2017/18, pension costs for senior executives totalled SEK 3,6 million.

AUDITOR AND AUDITING

The 2017 AGM resolved to appoint Ernst & Young AB as auditors, with Authorised Public Accountant Åsa Lundvall as auditor in charge, until the next AGM is held in 2018.

The external audit is performed in accordance with generally accepted accounting practice in Sweden. Annual report documents for legal entities domiciled outside Sweden are audited in accordance with the legal requirements and other applicable rules of the countries in question.

The work of auditing the Group's accounts adheres to an audit plan that is adapted to the size of companies and that lays down guidelines for the auditors' work at each subsidiary. In addition to audit engagements, the audit firm has performed certain consulting assignments during the year, primarily involving advice on tax and accounting issues. The auditors have presented oral and written reports to the Board on both the audit engagement as well as on the audit of the Company's internal control.

Systemair's mid-year report for the 2017/18 financial year was audited by the Company's auditor.

Fees to the auditors are shown in Note 6.

2017 ANNUAL GENERAL MEETING

Systemair's Annual General Meeting, held in Skinnskatteberg on 24 August 2017, was attended by 87 shareholders, representing 76 percent of the shares and votes in the Company. Gerald Engström, Chairman of the Board, was appointed to chair the meeting. The Chairman, Gerald Engström, informed the AGM of the work of the Board and reported on the guidelines for remuneration to senior executives, as well as on the work of the Board's committees. In addition, Systemair's President, Roland Kasper, gave a talk on Systemair's business during the 2016/17 financial year. Åsa Lundvall, the auditor in charge, presented sections of the audit report.

Resolutions adopted at the AGM:

- To discharge the Board and Chief Executive Officer from liability in respect of the past financial year.
- To re-elect Gerald Engström, Carina Andersson, Svein Nilsen and Patrik Nolåker as members of the Board.
- To elect Hans Peter Fuchs as a new member of the Board.
- To elect Gerald Engström as Chairman of the Board.
- To pay a Board fee of SEK 550,000 to the Chairman and SEK 275,000 to each director not employed by the Company, together with an extra fee of SEK 600,000 to the Chairman for work on acquisitions. To pay a fee of SEK 27,500 to each employee representative.
- To pay a dividend of SEK 2.00 per share.
- To resolve that the nominating committee be made up of representatives of the three biggest shareholders, based on the ownership details on 31 January 2018.
- To authorise the Board, during the period until the 2018 AGM, to take decisions to issue new shares equal to no more than 10 percent of the number of shares in the Company.

The minutes from the 2017 AGM are posted on Systemair's website at: group.systemair.com/Investor

INTERNAL CONTROL RELATED TO FINANCIAL REPORTING

REPORT OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL FOR FINANCIAL YEAR 2017/18

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report has been drawn up in accordance with the Swedish Annual Accounts Act. It describes how the internal control of financial reporting is performed.

The audit committee has an important role to play in quality assuring financial reporting, which includes issues of internal control and compliance, verification of reported values and estimates, and other issues that could influence the quality of the financial disclosures. Internal control is based on the structure described in the framework for internal control referred to as the COSO model, from the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

CONTROL ENVIRONMENT

Effective work by the Board of Directors is the basis of effective internal control. The control environment in Systemair is characterised by short paths between Group management and the operational units. The Board of Directors has adopted several basic documents to create and maintain a smoothly functioning control environment significant to the financial reporting. These include the Board of Directors' set of procedures, instructions for the CEO, a financial policy and accounting manuals. Instructions and guidelines for financial reporting are prepared and updated continuously by the Parent Company's controller organisation.

An audit committee has been established from the members of the Board of Directors. Its task is to ensure that policies adopted on financial reporting and internal control are complied with and developed. The committee also maintains day-to-day relationships with the Company's auditor. The audit committee and the Board include accounting and auditing issues as a regular item on the agenda at the four Board meetings at which the quarterly reports are discussed.

RISK ASSESSMENT

Systemair's Board of Directors is responsible for identifying and managing significant financial risks and risks of errors in financial reporting. With respect to financial reporting, the primary risks are deemed to be material errors that may arise in the disclosures of the Company's results and position. The Board, audit committee and management continuously assess reporting from a risk viewpoint, in which comparisons of income statement and balance sheet items with previous reporting and budgets are an important aid. In addition, regular risk assessments are conducted in connection with strategic planning, budgeting, forecasting and acquisition activities.

CONTROL ACTIVITIES

Important instructions and guidelines for financial reporting are prepared and updated continuously by the Parent Company's central controller organisation and can be readily accessed on the Group's intranet.

All companies in the Group report five working days after the end of the month via a common group consolidation and reporting system. This enables any deviations or errors to be recognised quickly and corrected.

At the end of the accounting period, the Group comprised around 80 subsidiaries, for the most part owned directly by the Parent Company Systemair AB. The subsidiaries are legal entities with their own complete income statements and balance sheets. Each individual subsidiary reports to the Parent Company monthly, where consolidation is performed.

Central controllers are directly responsible for following up several companies that they monitor and analyse on an ongoing basis. Outcomes are reviewed regularly against plans and targets in consultation with representatives of the subsidiaries, business boards and Group management.

For the majority of its subsidiaries, the Group operates a common, wholly-integrated ERP system that provides a highly efficient tool for management, control and follow-up. For major decisions such as those in connection with acquisitions, investments and significant contracts, clear decision-making methods and processes are in place.

In addition, every unit is also visited regularly by representatives of business boards and Group Management for ongoing evaluation of internal control and financial reporting.

INFORMATION AND COMMUNICATION

The Chief Executive Officer and the CFO are jointly responsible for the accuracy and good quality of all information published externally, including quarterly reports, press releases and company presentations in conjunction with analysts' meetings. The tasks of the Company's auditor include reviewing accounting issues that are material to financial reporting, and reporting his or her observations to the Board.

Each month, the Board receives a reporting package that includes complete final accounts for each important subsidiary, as well as the consolidated accounts for the Group. Several key ratios and benchmarks are also included; these enable the results for the period to be compared with budget and the results for preceding years.

The Board's set of procedures regulates which reports and information of a financial nature will be presented continuously and for each Board meeting.

In order to promote awareness of policies and manuals among the Group's employees, information is available to all concerned on the Group's intranet. Therefore, to ensure that external information is accurate and comprehensive, the Board of Directors has adopted a Communication Policy.

FOLLOW-UP

Systemair is characterised by simplicity in its legal and operational structures and by smoothly functioning and established management and control systems. The Board and the audit committee, together with Group Management, monitor compliance with policies and guidelines adopted. At every Board meeting, the Company's financial situation is discussed, and prior to the publication of quarterly reports and annual reports, the Board reviews the financial information. Each month, Group Management and business board review the results for each subsidiary and discuss deviations from plan with that subsidiary's CEO.

The tasks of the external auditors include supervising internal control in the Group companies annually. The auditors maintain contact with and report directly to the Board of Directors.

During the year, the controller organisation carried out a number of internal audits of subsidiaries with the aid of the Company's auditors. This work adheres to a standardised model, in which various significant issues associated with internal guidelines and policies are followed up.

Ways of working with internal audits are being developed continuously, and an annual plan for audit activities has been adopted and is addressed by the Board.

INTERNAL AUDIT

Systemair has a simple operating structure with effective facilities for internal control. Compliance with the Company's well-developed governance and internal control system is monitored regularly by the Group's controllers. In addition, ongoing follow-up is performed by business boards and Group Management. Further supervision is exercised in the form of the control and follow-up by the Board and the external auditors.

Day-to-day dialogue between the Company and its external auditors, as well as the checks carried out by the above-mentioned parties are considered at present to be adequate in ensuring that internal control is effective. Every year, the Board evaluates the need for internal auditing. To date, it has concluded that a separate internal auditing function would not deliver any material benefit. This judgement is subject to continual review, and a re-assessment will take place in the 2018/19 financial year.

BOARD OF DIRECTORS

ÅKE HENNINGSSON
Employee Representative
Current position: Technology Consultant
Holding: 400 shares
Born: 1957
Year elected: 2015

RICKY STEN
Employee Representative
Current position: Materials Handler
Holding: –
Born: 1968
Year elected: 2014

HANS PETER FUCHS
Director
Chief Financial Officer
ebm-papst Mulfingen GmbH & Co. KG
Education: University degree in Macro Economics at Johannes Gutenberg Universität Mainz
Formerly: Senior Finance position at Atmel Group
Holding: –
Born: 1961
Year elected: 2017
Independent: No

CARINA ANDERSSON
Director
Director, Beijer Alma, SinterCast AB and Gränges AB
Education: M.Sc in Metallurgy and Material Science, Royal Institute of Technology Stockholm (KTH)
Formerly: Senior position at Sandvik AB, CEO, Ramnäs Bruk AB and Scana Ramnäs AB
Holding: 1,000 shares
Born: 1964
Year elected: 2015
Independent: Yes

GERALD ENGSTRÖM
Chairman of the Board
Chairman, Bluefish Pharmaceuticals AB. Director, Hanza Holding.
Education: Upper secondary school qualification in Engineering, Business Studies at Stockholm University
Formerly: Chief Executive Officer and President of Systemair AB and CEO of Ziehl-ebm AB etc.
Holding: 22,164,162 shares
(shares owned by Färna Invest)
Born: 1948
Year elected: 1974
Independent: No

SVEIN NILSEN
Director
Education: Engineering degree in HVAC from the Norwegian University of Science and Technology, Trondheim
Formerly: Vice President Marketing för Systemair AB, other senior positions
Holding: 49,261 shares
Born: 1947
Year elected: 2016
Independent: Yes

PATRIK NOLÅKER
Director
Chairman AQ Group AB, Chairman Velcora Holding AB, Director Outotec Oyj.
Education: Upper secondary qualification in Engineering, BSc in Business Administration and MBA from the Maastricht School of Management.
Formerly: CEO at Dywidag-Systems International S.A.R.L and Alimak Hek Group AB and senior positions at Atlas Copco, ABB and others.
Holding: 4,000 shares
Born: 1963
Year elected: 2016
Independent: Yes

MANAGEMENT GROUP

FREDRIK ANDERSSON
Vice President Marketing Eastern Europe
Education: M.Sc. Business Administration – International Business Program (Russian/ German), Uppsala University
Formerly: Export Manager Russia at Systemair AB, Managing Director, Fläkt Woods, Russia
Holding: 24,000 shares
Born: 1966
Employed since: 2014 , 1997–2012

KURT MAURER
Vice President Marketing – Products, and MD Systemair GmbH, Germany
Education: Mechanical Engineering Diploma, Dipl. Ing (FH), Heilbronn University, Germany
Formerly: Technical Director, Lti Lüftungstechnik; Product Dvpt, Rosenberg; Product Dvpt, ebmpapst
Holding: 77,308 shares
Born: 1959
Employed since: 1994

ROLAND KASPER
President and CEO
Education: Energy and Heating Technology Engineering Diploma, University of Applied Sciences Giessen-Friedberg, Germany
Formerly: Product Manager, Fläkt Woods Group and ABB Ventilation Products GmbH
Holding: 21,500 shares
Born: 1969
Employed since: 2007

HÅKAN LENJESSON
Vice President Marketing Middle East and Asia
Education: Upper secondary school qualification in engineering and business studies
Formerly: MD, Munters Pty, Australia, MD, Munters Thailand Co. Ltd., MD, Hawa-Munters, Saudi Arabia
Holding: 10,000 shares
Born: 1956
Employed since: 2012

ANDERS ULFF
CFO
Education: M.Sc. Business Administration, Uppsala University
Formerly: Auditor and consultant, Ernst & Young; Financial Director Systemair
Holding: 42,150 shares
Born: 1967
Employed since: 1999

ULRIKA MOLANDER
Vice President Manufacturing
Education: Graduate engineer, Borås University
Formerly: President, BDX Företagen AB. Operations Director, Sapa Profiler AB
Holding: –
Born: 1966
Employed since: 2016

OLLE GLASSEL
Vice President Sales and Marketing
Education: Qualified Ventilation Engineer, Diploma in Business Administration.
Formerly: MD, Systemair Ltd, United Kingdom, Sales Director, Systemair, Sweden
Holding: 13,200 shares
Born: 1966
Employed since: 2002

DIRECTORS' REPORT

DESCRIPTION OF THE BUSINESS AND FINANCIAL INFORMATION

General

The Board of Directors and the Chief Executive Officer of Systemair AB (publ), corporate identity number 556160–4108, hereby present the Company's annual accounts and consolidated accounts for the 2017/18 financial year, the Company's 45th year of operations. Systemair AB (publ) has its registered office and headquarters in Skinnskatteberg, Sweden.

The Group's brands are Systemair, Frico, Fantech and Menerga.

Systemair offers a standardised, energy efficient range of ventilation products, including fans, air terminal devices, air handling units and chillers, with the focus on simplifying the task of ventilation contractors.

Frico specialises in air-based heating systems such as air curtains, fan heaters and radiant heaters.

The *Fantech* brand is used in North America. Its products include fans and other ventilation products, as well as heat recovery units for single-family homes.

Menerga offers a range of air handling units for swimming pool halls and comfort ventilation with extra-high efficiency.

With production facilities in 19 countries (Sweden, Denmark, Norway, France, Italy, the Netherlands, Spain, Germany, Lithuania, Slovakia, Slovenia, the Czech Republic, Brazil, Canada, the USA, India, Malaysia, South Africa and Turkey) and a total of 280,000 m² of floor space for production and storage, Systemair is a significant international player in its product areas.

Systemair's products are marketed via the Group's own sales companies in around 50 countries and via agents and distributors in a further approximately 80 countries. The Group's customers are primarily ventilation contractors and distributors of ventilation and electrical products.

The Systemair Share

The Company's share capital totals SEK 52.0 million, represented by 52,000,000 shares with the same number of votes. The quotient value is SEK 1.00 per share.

Stock market listing

Since 12 October 2007, Systemair shares have been quoted (trading symbol: SYSR) on the Mid Cap List of the Nasdaq OMX Nordic Exchange in Stockholm. There are just over 3,600 shareholders in the Company.

Changes in organisation, Board of Directors and Group Management

Until the start of the 2017 Annual General Meeting, Systemair's Board of Directors consisted of five members elected by the AGM: Gerald Engström (Chairman), Carina Andersson, Svein Nilsen, Patrik Nolåker and Per-Erik Sandlund. At the 2017 AGM, Gerald Engström, Carina Andersson, Svein Nilsen and Patrik Nolåker were re-elected as members of the Board. Per-Erik Sandlund declined to stand for re-election. Hans Peter Fuchs was elected as a new member of the Board. Gerald Engström was elected as Chairman of the Board.

Group

Sales and profit

Group sales totalled SEK 7,301 million (6,864), 6.4 percent higher than in the preceding financial year. Organic growth was 3.6 percent. Companies acquired contributed 2.6 percent, SEK 181 million. Exchange rate effects in the translation of foreign subsidiaries' accounts had a positive net effect of 0.2 percent on sales.

Sales – geographic breakdown

Sales in the Nordic region grew by 6 percent over the year. Adjusted for both exchange rate effects and acquisitions, sales rose 5 percent. The Norwegian market is the biggest in the region and the second-biggest overall, with sales of SEK 734 million. Sales in Norway fell by 2 percent over the year as a result of lower demand for home ventilation products. In contrast, sales in other markets in the region increased; in Denmark by 4 percent, in Finland by 21 percent and in Sweden by 15 percent.

In Western Europe, sales were up 10 percent. Companies acquired contributed SEK 105 million, 4 percent of the total. Adjusted for acquisitions and exchange rate effects, sales increased by 4 percent, indicating that changes in exchange rates – chiefly the euro – had a positive impact of 2 percent. The biggest market in the region, and also overall for the Group as a whole, is Germany. Other major Systemair markets in Western Europe are France, the Netherlands, the United Kingdom and Italy.

The market in Eastern Europe & CIS showed an increase of 18 percent over the year. Sales in the region totalled SEK 1,166 million (987). Adjusted for exchange rate effects and acquisitions, sales in Eastern Europe & CIS declined by 11 percent during the year. The Russian market showed a strong recovery during the year, with a rise of 16 percent when translated to Swedish kronor. Systemair's major markets in the region are Russia, Poland, the Czech Republic and Slovenia.

Sales in the North and South American markets increased by 3 percent compared to the preceding year. Sales totalled SEK 602 million (587). Adjusted for exchange rate effects and acquisitions, sales rose by 7 percent.

Sales in Other markets fell 14 percent during the year. Adjusted for exchange rate effects and acquisitions, sales were down 9 percent. The sales figures for the preceding year included a major project delivery in the Middle East. Systemair's major markets in the region are Turkey, India and the United Arab Emirates.

	2017/18			2016/17	
Sales – geographic breakdown	May–Apr	% of total	Change	May–Apr	% of total
Nordic Region	1,709.5	23%	6%	1,611.4	23%
Western Europe	2,990.3	41%	10%	2,713.4	40%
Eastern Europe & CIS	1,165.5	16%	18%	987.3	14%
North and South America	602.0	8%	3%	586.6	9%
Other markets	833.9	12%	–14%	964.9	14%
Total	**7,301.2**	**100%**	**6%**	**6,863.6**	**100%**

Profits

Operating profit for the financial year from May 2017 to April 2018 totalled SEK 349.6 million (439.0). The Company's operating margin was 4.8 percent (6.4). Profit includes items affecting comparability totalling SEK 69.7 million, consisting of a low-margin project order recognised in income at year-end in the amount of SEK –20.3 million, goodwill impairment of SEK –11.2 million, a provision of SEK –12.2 million for impairment of trade accounts receivable and restructuring costs of SEK –26.0 million. Adjusted for items affecting comparability, operating profit for the full year totalled SEK 419.3 million and the operating margin 5.7 percent. The items were charged as follows: SEK 24.3 million to cost of goods sold, SEK 21.3 million to selling expenses, SEK 10.2 million to administration expenses and SEK 13.9 million to other operating costs.

Selling expenses for the full year were charged with SEK 20.1 million (34.2) for anticipated and confirmed impairment losses on trade receivables. Company acquisitions added SEK 53.0 million (47.8) to selling and administration expenses for the year. Acquisition-related costs during the year totalled SEK 1.9 million (0.3).

Financial income, consisting of interest income, totalled SEK 4.3 million (3.2). Financial expenses for the year totalled SEK –20.8 million (–32.0). Interest expenses accounted for SEK –27.1 million (–24.6).

Tax expense for the year totalled SEK –103.1 million (–116.0), corresponding to an effective tax rate of 30.9 percent (28.3). The high tax expense is attributable to non-capitalised tax loss carry-forwards in loss-making companies.

Investments

The Group's total investments for the financial year amounted to SEK 508.3 million (316.4) excluding divestments. Gross investments in new construction and machinery totalled SEK 403.7 million (182.7). Major investments were made in production facilities in Turkey, Denmark and Germany. Acquisitions and formerly withheld purchase considerations in the financial year totalled SEK 79.4 million (119.9). Depreciation and amortisation of non-current assets totalled SEK 204.6 million (186.7) for the year.

Business combinations

In May 2017, Systemair AB completed the acquisition of Frivent Luft- & Wärmetechnik GmbH, Austria. Frivent is based in St. Johann, Tyrol, Austria. The company sells products for commercial and industrial use to a value of around EUR 7 million per year in Austria, Germany, the Czech Republic and Russia. The company manufactures air handling units, heat recovery systems and roof-mounted units for niche applications. In autumn 2017, work started on relocation of production to Systemair's factory in Slovenia. Frivent was consolidated on 1 May.

In June 2017, Systemair's South African subsidiary acquired the assets of the South African company Viking Air Conditioning, a market-leading manufacturer of air handing units with integrated cooling. Viking is based in Spartan, Johannesburg, South Africa. The company produces and sells customised air handling units with integrated cooling for commercial use. Sales are valued at around SEK 40 million annually in South Africa and neighbouring countries. Viking has been selling high-quality air handling units, with and without integral cooling, for more than 25 years. The products are stocked by the leading supermarket chains, as well as other sellers, in the region. The company has 45 employees and operates from leased premises of 3,000 m². Viking was consolidated as of 1 June.

In September, the French subsidiary Frico S.A.S. acquired the operations of French company Hora S.A.S. The company operates as a reseller of electric ceiling heaters and has sales of around EUR 1.2 million. The acquisition includes 3 employed salespersons and agreements with approximately 15 agents.

In March 2018, Systemair acquired Syneco GmbH, Switzerland, which sells and services Menerga's products. In 2017, Syneco GmbH had sales of around SEK 50 million and 16 employees. The sales company, which is headquartered in Solothurn, today focuses on the French- and Italian-speaking parts of the Swiss market. On completion of the acquisition, Syneco was integrated into Menerga Switzerland.

If the companies acquired had been consolidated as of 1 May 2017, net sales for the period May 2017 through April 2018 would have totalled approximately SEK 7,327.6 million. The operating profit for that period would have totalled approximately SEK 345.9 million.

Human resources

The average number of employees in the Group was 5,249 (4,907). At the end of the period, Systemair had 5,465 employees (5,222), 243 more than one year previous. New employees were recruited chiefly at Systemair in Lithuania (42), Slovakia (37), Germany (32), Menerga Germany (22), Sweden (21), Russia (14), Canada (13) and Slovenia (13). Personnel cutbacks were made in China (–23), Brazil (–18) and France (–16). Acquired companies added 93 employees to the Group, of whom 26 at Frivent in Austria, 45 at Viking in South Africa and 16 at Syneco in Switzerland.

Cash flow and financial position

Cash flow from operating activities before changes in working capital during the period totalled SEK 398.7 million (446.3). The decrease relative to the preceding year was mainly due to a lower operating profit. As a result of increases in trade accounts receivable and inventories, working capital had a negative effect of SEK 173.9 million (+18.2) on cash flow. Net cash flow from financing activities totalled SEK +218.8 million (134.5), as a result of higher net borrowing. Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 1,978.4 million (1,555.4). Net indebtedness at year-end was SEK 1,837.7 million (1,372.3).

The consolidated equity/assets ratio was 42.5 percent (44.6) at the financial year-end. The target adopted by the Board for the equity/assets ratio, 30 percent or more, was comfortably attained.

Group's financial policy

Systemair has established subsidiaries that operate in 50 countries, with our own production facilities in 19 of them. Systemair products are sold in 100 or so countries around the world. Systemair AB has granted short- and long-term loans to its subsidiaries. The value of these loans, translated into Swedish kronor, was SEK 1,470.6 million (1,330.2) on the balance sheet date.

Treasury operations for the Group, in the form of risk and foreign currency management as well as borrowing, are conducted centrally by the Parent Company in Skinnskatteberg, Sweden. The Group's financial policy serves as the framework not only for financial risk management but for financial activities in general. Payments and cash flows are managed using central accounting systems.

The Soliditet AB credit-rating agency retained its AAA rating for Systemair AB for the 25th consecutive year.

Risks and uncertainties

Systemair is exposed to operational and financial risks in its business. Operational risk is inherent in 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 include foreign exchange risk, borrowing and interest rate risk, credit risk and liquidity risk. The material risks and uncertainty affecting Systemair are described in more detail in Note 2.

Financial survey

Over the past five years, growth in Group sales has averaged 10.0 percent. In the same period, the annual operating margin (EBIT) has averaged 5.8 percent. The average equity/assets ratio for the past five years has been 44.5 percent. Of total Group sales, 94 percent (94) are to customers outside Sweden.

Further information on changes in the Group's financial position is provided in the table of key ratios, after the notes to the financial statements.

Outlook

In several markets, Systemair is still a relatively small player, and we see good opportunities to win bigger market shares via our increasingly broad product portfolio and excellent delivery capacity. This is supported by the fact that we consistently report strong organic growth and are continuing to receive substantial, exciting orders. The outlook is bright on several of our major markets. The Russian market has shown signs of recovery, even though sales today are at a relatively low level compared to when they were at their peak three years ago. We focus consistently on product development, and 2017/18 invested major resources in developing our new Geniox range, which is based on a Group-wide platform. Considerable resources are also being invested in control and monitoring systems and product selection programs.

We are continuing to focus on our work of improving profitability. This will be supported by sound underlying organic growth. On our journey there, we will review areas and units that today are not profitable. We are continuing to invest on an ongoing basis in production equipment, product development and marketing, to become an even better partner to our customers.

Seasonal factors

Systemair's business operations are influenced by seasonal variations as a result of cold weather. Usually, activity in the autumn is higher because much construction work is being completed before winter. During the coldest parts of the year, demand for heating products increases, too. Normally the second quarter, August to October, is when Systemair achieves its strongest sales.

Financial targets

In April 2007, the Board of Directors of Systemair adopted three financial targets and a dividend policy.

Growth in sales	>12%	Both organic and acquired, over a business cycle
EBIT	>10%	Over a business cycle
Equity/assets ratio	>30%	
Dividend	App. 30%	of profit after tax

Statutory sustainability report

Under section 6 of the Swedish Annual Accounts Act, Systemair is required to report on issues relating to the environment, social conditions, employees, respect for human rights and anti-corruption. In the report, Systemair is to describe its business model, policy documents in the areas concerned, the result of these policies, material risks in these areas and how they are managed via central performance indicators that are relevant to the business.

Systemair's statutory sustainability report is presented on pages 10–18 and 28–35 in the annual report.

Proposed guidelines on remuneration to senior executives

The Board of Directors has proposed the following guidelines on remuneration to senior executives, for the period beginning with the 2018 Annual General Meeting, which also comply with the guidelines adopted at the AGM for the preceding year, other than as regards variable remuneration.

Remuneration to senior executives shall – based on the conditions in the market in which the Company operates and the environment in which the particular executive works – be competitive, enable the recruitment of new executives and motivate senior executives to remain with the Company.

The system of remuneration shall consist of a fixed salary and pension, but may also include variable salary and benefits such as, for example, a company car. In addition to the above, special incentive programmes approved by the AGM may apply. Fixed salary and benefits shall be determined individually based on the aforementioned criteria and the specific competence of the executive. Variable salary will be paid subject to the attainment of clearly established targets. The variable salary will be paid as a proportion of the fixed salary and shall be subject to a predetermined limit amounting to no more than 40 percent for the Chief Executive Officer and no more than 25 percent for other managers in the organisation. As a rule, pensions shall be paid through defined contribution plans. The pension contributions shall be based on market conditions for the sector in the particular country and shall be based on the fixed salary.

The Board shall be entitled to depart from these guidelines if justified in any particular case.

Product Development

To Systemair, it is vital to constantly engage in developing new ventilation products and solutions to meet the future needs of the market. The key is to understand the market's opportunities and the customer's needs so as to stay one step ahead of the competition. To us, it is important to develop the "right" product correctly and efficiently in the shortest possible time.

Systemair's mission statement places product development at the forefront. The Group's mission is to develop high-quality, reliable products with a long service life, that are energy-efficient and improve the indoor climate. They must be simple to understand, use, install and maintain.

To fulfil this mission, Systemair has created an efficient product development process and an organisation comprising approximately 230 engineers and technicians with leading-edge expertise in a range of technologies. 23 technology teams and 13 technology centres are engaged in product development worldwide.

Five-year survey	2017/18	2016/17	2015/16	2014/15	2013/14
Net sales	7,301	6,864	6,113	5,882	5,296
EBIT	350	439	344	377	317
Operating margin	4.8%	6.4%	5.6%	6.4%	6.0%
Equity/assets ratio	43%	45%	44%	44%	47%
Return on capital employed	9%	12%	10%	12%	18%
Average number of employees	5,249	4,907	4,613	4,385	4,142

Quality system

Systemair Sverige AB has been ISO 9001 certified since 1993. In addition to Systemair Sverige AB, subsidiaries Systemair GmbH in Germany, Systemair a/s in Denmark, Systemair HVAC in Spain, IMOS-Systemair in Slovakia, Systemair d.o.o. in Slovenia, Recutech s.r.o in the Czech Republic, Systemair Ltd in Canada, Systemair Sdn Bhd in Malaysia, VEAB Heat Tech AB in Hassleholm (Sweden), Systemair BV in the Netherlands, Systemair HSK in Turkey, Systemair S.r.l. in Italy, Systemair UAB in Lithuania, Systemair Pvt Ltd in India, Systemair Mfg. Inc. in the USA, Menerga GmbH in Germany, Systemair AC SAS in France, LGB in Germany and Systemair Ltd in South Africa are also ISO-certified.

Environmental management system

Systemair attaches great importance to strict compliance with environmental regulations. Environmental issues and conservation are a priority area, and we focus on constantly improving methods and work practices to reduce environmental impact.

Systemair's production plants in Sweden, Lithuania, Slovakia, Spain and Germany have earned ISO 14001 certification. Systemair regards the Company's manufacturing facilities and operations as meeting the requirements of all significant environmental laws and regulations that affect the Company.

Systemair Sverige AB is engaged in activities that are subject to environmental registration. These activities fall within Category C, meaning that the Municipality of Skinnskatteberg is responsible for environmental supervision.

Parent Company

Systemair AB is a holding company with corporate staff and group functions. The core business of the Parent Company consists of intra-Group services.

The Parent Company's net sales for the financial year totalled SEK 106.9 million (96.1). Profit after tax totalled SEK 27.0 million (196.9) The company had 49 employees (45).

The balance sheet shows a strong equity/assets ratio of 48 percent (54).

Significant events after financial year-end

In May 2018, Systemair signed an agreement to divest its Norwegian subsidiary Reftec A/S. The company has been acquired by its present management and Systemair is of the view that as an independent company it has better opportunities for development. Reftec will in future continue to exclusively distribute Systemair's air conditioning products in the Norwegian market. In 2017/18, Reftec had net sales of NOK 28.9 million and an operating profit of NOK –2.0 million. As a result of the sale, Systemair has recorded a goodwill impairment of SEK 11.2 million, which is recognised in 2017/18. Reftec is therefore recognised as an available-for-sale asset on the balance sheet as per 30 April 2018.

Proposed Appropriation of Profits

Available for distribution by the Annual General Meeting:

Share premium reserve	SEK 35,206,751
Fair value reserve	SEK –5,167,245
Profit brought forward	SEK 1,739,728,643
Net profit for the year	SEK 27,038,163
	SEK 1,796,806,312

The Board proposes that the Annual General Meeting, to be held on 30 August 2018, approve a dividend of SEK 2.00 (2.00) per share. As a result, dividend payments will amount to SEK 104.0 million (104.0). The remaining unappropriated profit is to be carried forward. The proposed dividend corresponds to 45 percent (35) of net consolidated profit. The number of shares entitled to a dividend is 52,000,000.

FINANCIAL STATEMENTS

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Consolidated Income Statement

SEK m., 1 May – 30 April	Note	2017/18	2016/17
Net sales	4	7,301.2	6,863.6
Cost of goods sold	5	–4,887.2	–4,502.4
Gross profit		**2,414.0**	**2,361.2**
Other operating income	8	116.9	119.6
Selling expenses	5	–1,652.7	–1,548.1
Administration expenses	5, 6	–360.7	–365.1
Other operating expenses	9	–167.9	–128.6
Operating profit	5, 7, 10, 11	**349.6**	**439.0**
Financial income	12	4.3	3.2
Financial expenses	13	–20.7	–32.0
Profit after financial items		**333.2**	**410.2**
Tax	14	–103.1	–116.0
Profit for the year		**230.1**	**294.2**
Attributable to:			
Parent Company shareholders		230.5	294.2
Non-controlling interests		–0.4	–
Earnings per share[1)]	36	4.43	5.66
Average no. of shares during period[1)]		52,000,000	52,000,000

1) No dilution effect arises since the options programme that expired in October 2017 was arranged by Färna Invest.

Consolidated Statement of Comprehensive Income

SEK m., 1 May – 30 April	2017/18	2016/17
Profit for the year	**230.1**	**294.2**
Other comprehensive income, net after tax		
Items that have been, or may later be, transferred to profit for the year		
Translation differences, foreign operations	123.1	82.7
Translation effects of long-term loans to subsidiaries with no settlement planned	0.8	2.1
Tax effects from long-term loans to subsidiaries with no settlement planned	–0.2	–0.5
Items that cannot be transferred to profit for the year		
Change in defined-benefit pensions, gross before tax	–14.7	–1.7
Tax on change in defined-benefit pensions	3.0	0.3
Other comprehensive income, net after tax	**112.0**	**82.9**
Total comprehensive income for the year	**342.5**	**377.1**
Attributable to:		
Parent Company shareholders	342.5	377.1
Non-controlling interests	–0.4	–

Consolidated Balance Sheet

SEK m.	Note	30/04/2018	30/04/2017
ASSETS	22		
Non-current assets			
Intangible assets	4, 15		
Goodwill		759.1	691.4
Capitalised development expenditure		8.9	9.6
Brands, customer relationships etc.		198.7	181.4
Other intangible assets		9.3	11.9
		976.0	**894.3**
Property, plant and equipment	4, 15		
Buildings and land		1,156.6	965.8
Plant and machinery		302.5	245.5
Equipment and tools		140.5	134.7
Construction in progress		122.6	61.6
		1,722.2	**1,407.6**
Financial and other assets			
Other securities held as non-current assets	16	1.5	1.5
Deferred tax assets	14	213.4	178.3
Other long-term receivables	17	25.5	20.8
		240.4	**200.6**
Total non-current assets		**2,938.6**	**2,502.5**
Current assets			
Inventory	19		
Raw materials and consumables		654.8	534.1
Products in progress		138.7	100.8
Finished products		605.9	535.5
		1,399.4	**1,170.4**
Current receivables			
Accounts receivable – trade	20	1,462.2	1,251.8
Taxes recoverable		34.1	23.2
Other receivables		67.4	90.5
Prepaid expenses and accrued income	18	66.5	77.8
Other investments in securities etc.		2.2	3.2
		1,632.4	**1,446.5**
Cash and bank balances		212.8	241.8
Total current assets		**3,244.6**	**2,858.7**
Available-for-sale asset		11.8	–
TOTAL ASSETS		**6,195.0**	**5,361.2**

SEK m.	Note	30/04/2018	30/04/2017
EQUITY AND LIABILITIES	22		
Equity			
Share capital	21	52.0	52.0
Additional paid-in capital		2.2	2.2
Other reserves		116.3	–7.4
Retained profit, incl. profit for the year		2,449.8	2,334.5
Total equity		**2,620.3**	**2,381.3**
Non-current liabilities			
Non-current liabilities, interest-bearing	22	690.7	319.3
Provisions for pensions	26	74.8	61.9
Provisions for deferred tax liabilities	14	90.1	86.8
Other provisions	27	73.1	81.9
Other non-current liabilities		37.5	28.5
Total non-current liabilities		**966.2**	**578.4**
Current liabilities			
Current liabilities, interest-bearing	22	1,283.2	1,236.1
Accounts payable – trade		673.6	574.4
Income tax liability		85.0	81.9
Other liabilities		239.7	235.7
Accrued expenses and deferred income	23	317.8	273.4
Total current liabilities		**2,599.3**	**2,401.5**
Total liabilities		**3,565.5**	**2,979.9**
Liabilities attributable to available-for-sale assets		9.2	–
TOTAL EQUITY AND LIABILITIES		**6,195.0**	**5,361.2**

Statement of Changes in Equity – Group

SEK m.	Share capital	Additional paid-in capital	Translation reserve	Retained profit, incl. profit/ loss for year	Total equity
	Attributable to Parent Company shareholders				
Equity, 30 April 2016	**52.0**	**2.2**	**–91.7**	**2,145.7**	**2,108.2**
Dividends				–104.0	–104.0
Profit for the year				294.2	294.2
Other comprehensive income			84.3	–1.4	82.9
Equity, 30 April 2017	**52.0**	**2.2**	**–7.4**	**2,334.5**	**2,381.3**
Dividends				–104.0	–104.0
Profit for the year				230.1	230.1
Revaluation of acquisition option				0.9	0.9
Other comprehensive income			123.7	–11.7	112.0
Equity, 30 April 2018	**52.0**	**2.2**	**116.3**	**2,449.8**	**2,620.3**

Consolidated Cash Flow Statement

SEK m., 1 May – 30 April	Note	2017/18	2016/17
Operating activities			
Operating profit		349.6	439.0
Interest received		4.3	3.2
Interest paid		–28.2	–25.6
Adjustment for non-cash items etc.	34	220.4	158.4
Income tax paid		–147.4	–128.7
Cash flow from operating activities before changes in working capital		**398.7**	**446.3**
Changes in working capital			
Inventory		–159.6	22.8
Current receivables		–104.4	–110.0
Accounts payable – trade		54.0	33.4
Current liabilities		35.6	72.0
Cash flow from operating activities		**224.3**	**464.5**
Investing activities			
Acquisition of subsidiaries	30	–79.4	–119.9
Acquisitions of companies carrying deficits from earlier operations		–5.7	–
Acquisition of intangible assets		–19.5	–13.8
Acquisition of property, plant and equipment		–403.7	–182.7
Sale of property, plant and equipment		26.4	35.1
Cash flow from investing activities		**–481.9**	**–281.3**
Financing activities			
Borrowings	22	564.3	259.0
Repayment of loans	22	–241.5	–289.5
Dividend to shareholders		–104.0	–104.0
Cash flow from financing activities		**218.8**	**–134.5**
Increase/Decrease in cash and cash equivalents		**–38.8**	**48.7**
Cash and cash equivalents at start of year		**241.8**	**176.9**
Exchange rate difference in cash and cash equivalents		**9.8**	**16.2**
Cash and cash equivalents at end of year		**212.8**	**241.8**

Parent Company Income Statement

SEK m., 1 May – 30 April	Note	2017/18	2016/17
Net sales	4	106.9	96.1
Cost of goods sold		–	–
Gross profit		**106.9**	**96.1**
Other operating income	8	2.4	2.6
Selling expenses		–59.3	–42.9
Administration expenses	6, 7	–100.1	–85.5
Other operating expenses	9	–83.6	–60.3
Operating profit	10, 11	**–133.7**	**–90.0**
Profit/loss from participations in Group companies	28	62.5	214.1
Other interest income and similar profit/loss items	12	26.0	32.9
Interest expense and similar profit/loss items	13	–13.5	–11.4
Profit after financial items		**–58.7**	**145.6**
Appropriations	24	79.9	50.2
Pre-tax profit		**21.2**	**195.8**
Tax on profit for the year	14	5.8	1.1
Profit for the year		**27.0**	**196.9**

Parent Company Statement of Comprehensive Income

SEK m., 1 May – 30 April	2017/18	2016/17
Profit for the year	**27.0**	**196.9**
Other comprehensive income	–	–
Total comprehensive income for the year	**27.0**	**196.9**

Parent Company Balance Sheet

SEK m.	Note	30/04/2018	30/04/2017
ASSETS			
Non-current assets			
Intangible assets	15		
Goodwill		0.1	0.2
Capitalised development expenditure		8.9	9.6
Licences and other intangible assets		20.5	6.1
		29.5	**15.9**
Property, plant and equipment	15		
Equipment and tools		3.8	3.8
Construction in progress		22.1	15.6
		25.9	**19.4**
Financial assets			
Participations in Group companies	29	2,417.0	2,177.8
Receivables from Group companies	31	158.2	125.3
Deferred tax assets	14	6.5	1.2
Other long-term receivables	17	15.6	15.8
		2,597.3	**2,320.1**
Total non-current assets		**2,652.7**	**2,355.4**
Current assets			
Current receivables			
Receivables from Group companies		1,312.4	1,204.9
Taxes recoverable		11.7	7.9
Other receivables		1.6	31.6
Prepaid expenses and accrued income	18	12.1	16.9
		1,337.8	**1,261.3**
Cash and bank balances		–	–
Total current assets		**1,337.8**	**1,261.3**
TOTAL ASSETS		**3,990.5**	**3,616.7**

Parent Company Balance Sheet (cont.)

SEK m.	Note	30/04/2018	30/04/2017
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	21	52.0	52.0
Statutory reserve		10.0	10.0
Fund for development expenditure		6.7	5.6
		68.7	**67.6**
Non-restricted equity			
Share premium reserve		35.2	35.2
Fair value reserve		–5.2	–5.2
Retained profit		1,739.8	1,649.6
Profit for the year		27.0	195.3
		1,796.8	**1,874.9**
Total equity		**1,865.5**	**1,942.5**
Untaxed reserves	25	**5.1**	**5.5**
Provisions			
Non-current liabilities			
Liabilities to credit institutions	22	409.2	124.9
Liabilities to Group companies		550.2	401.3
		959.4	**526.2**
Current liabilities			
Bank overdraft facilities	22	1,039.8	1,003.0
Liabilities to credit institutions	22	30.3	65.3
Accounts payable – trade		9.3	10.2
Liabilities to Group companies		14.0	24.3
Other liabilities		40.6	26.5
Accrued expenses and deferred income	23	26.5	13.2
		1,160.5	**1,142.5**
TOTAL EQUITY AND LIABILITIES		**3,990.5**	**3,616.7**

Parent Company Statement of Changes in Equity

SEK m.	Share capital	Statutory reserve	Fund for development expenditure	Non-restricted equity: Share premium reserve	Non-restricted equity: Fair value reserve	Non-restricted equity: Retained profit, incl. profit/ loss for year	Total equity
Equity, 30 April 2016	**52.0**	**10.0**	**–**	**35.2**	**–6.8**	**1,759.2**	**1,849.6**
Dividend						–104.0	–104.0
Profit for the year						195.3	195.3
Other comprehensive income			5.6		1.6	–5.6	1.6
Equity, 30 April 2017	**52.0**	**10.0**	**5.6**	**35.2**	**–5.2**	**1,844.9**	**1,942.5**
Dividend						–104.0	–104.0
Profit for the year						27.0	27.0
Other comprehensive income			1.1			–1.1	0.0
Equity, 30 April 2018	**52.0**	**10.0**	**6.7**	**35.2**	**–5.2**	**1,766.8**	**1,865.5**

Dividend paid in 2017 totalled SEK 104 million, corresponding to SEK 2.00 per share.

Parent Company Cash Flow Statement

SEK m., 1 May – 30 April	Note	2017/18	2016/17
Operating activities			
Operating profit		–133.7	–90.0
Interest received		20.6	19.5
Interest paid		–12.7	–10.7
Adjustment for non-cash items etc.	34	19.1	18.3
Income tax paid		–3.6	0.7
Cash flow from operating activities before changes in working capital		**–110.3**	**–62.2**
Changes in working capital			
Current receivables		–149.1	2.5
Accounts payable – trade		–11.3	–0.4
Current liabilities		5.3	7.3
Cash flow from operating activities		**–265.4**	**–52.8**
Investing activities			
Acquisition of property, plant and equipment		–23.6	–18.0
Acquisitions/paid-in capital at subsidiaries		–293.9	–183.2
Dividends on shares in subsidiaries		262.6	268.0
Acquisition of intangible assets		–7.2	–6.5
Cash flow from investing activities		**–62.1**	**60.3**
Financing activities			
Dividend to shareholders		–104.0	–104.0
Borrowings	22	536.9	219.3
Repayment of loans	22	–105.4	–122.8
Cash flow from financing activities		**327.5**	**–7.5**
Increase/Decrease in cash and cash equivalents		**0.0**	**0.0**
Cash and cash equivalents at start of year		**–**	**–**
Cash and cash equivalents at end of year		**–**	**–**

Notes

Note 1 Accounting and valuation policies

Systemair AB's consolidated accounts for the year ended 30 April 2018 were approved on 5 July 2018 by the Board of Directors and the Chief Executive Officer for publication and will be submitted for adoption to the 2018 Annual General Meeting. The Parent Company is a Swedish limited liability company with its registered office at Skinnskatteberg, Sweden.

Basis of preparation

Systemair's consolidated accounts are based on historical cost, with the exception of Financial derivative instruments, Available-for-sale financial assets and Liabilities measured at fair value via the income statement. These assets and liabilities are recognised at fair value. Unless otherwise indicated, all amounts are in millions of Swedish kronor (SEK million). "Income statement" refers either to the consolidated income statement or the Parent Company income statement.

Parent Company's accounting policies

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2 (Accounting for Legal Entities). Accordingly, the Parent Company complies with IFRS as far as possible within the scope of the Swedish Annual Accounts act, with regard to the relationship between accounting and taxation. In the Parent Company, untaxed reserves are recognised inclusive of deferred tax. In the consolidated accounts, this item is classified as deferred tax and equity, respectively. Appropriations are recognised gross in the Parent Company income statement. All Group contributions received and paid are recognised as an appropriation in the income statement.

Amended and new accounting policies for the year

The following is a summary of the amended accounting policies applied by the Group as of 1 May 2017. Amendments to IFRSs for application from 1 January 2017 had no material impact on the Group's accounting.

IAS 7 Statement of Cash Flows

IAS 7 Statement of Cash Flows has been amended with increased disclosure requirements regarding changes in liabilities arising from financing activities. The requirements apply both to changes arising from inward and outward payments and to changes not affecting liquidity, such as changes arising from acquisitions and translation differences. The changes are to be applied prospectively for financial years commencing on or after 1 January 2017. The Group provides the aforementioned disclosures in Note 22 Borrowing and financial instruments.

IAS 12 Income Taxes

IAS 12 Income taxes has been amended. The amendments provide clarification as to when a deferred tax asset may be recognised. A deductible temporary difference generates a deferred tax asset in cases where the changes in value are negative, and such changes in value become deductible only when realised. If no restrictions apply, the company must determine the deferred tax asset in conjunction with other deferred tax assets arising from temporary differences. Where restrictions apply, the company must determine the deductible temporary difference in conjunction with deductible temporary differences of the same type. The changes are to be applied retroactively for financial years commencing on or after 1 January 2017. The amendment has not had any material impact on the Group's accounting.

New standards, revised standards and interpretations not yet in force have not been adopted early in Systemair's financial statements. The following standards entered or enter into force on 1 January 2018 or later.

Future amendments of accounting policies

A number of new or revised IFRSs have not yet come into effect and have not been adopted early in the preparation of the consolidated and parent company financial statements. An account is provided below of the IFRSs that may impact on the consolidated or parent company financial statements. Other new or amended standards or interpretations published by IASB are not expected to have any impact on the consolidated or parent company financial statements.

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 and was due to be adopted by the Group and Parent Company as of 1 May 2018. The Group's view is that the standard will not have any material impact on its accounting. Information presented for comparison will not be restated.

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 as of 1 May 2018.

During the 2017/18 financial year, the Group continued to assess the effects of IFRS 15 in order to determine the differences between the present revenue recognition principles and the new requirements under IFRS 15, as well as its focus on preparing 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, as well as from 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. Today, revenue is already 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 already meet the criteria for revenue recognition over time are today, and historically, 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 16 Leasing

IFRS 16 Leases will supersede IAS 17 Leases with effect from 1 January 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. During the year, the Group began the process of assessing the impact of the standard. Both recognised assets and 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 1 (cont.)

Other revisions to standards and interpretations that enter into force on 1 January 2018 are not deemed to have any effect on Systemair's financial statements.

Statement of compliance with applicable regulations

The consolidated accounts were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Further, the consolidated accounts were prepared in compliance with Swedish law, by application of Recommendation RFR 1 (Supplementary Accounting Rules for Groups) of the Swedish Financial Accounting Standards Council. In preparing the financial reports for the Parent Company, the Council's Recommendation RFR 2 (Accounting for Legal Entities) has been applied.

Consolidated accounts

Basis of consolidation

The consolidated accounts comprise the Parent Company and its subsidiaries. The accounts for the Parent Company and the subsidiaries included in the consolidated accounts refer to the same period and have been prepared in accordance with the same accounting policies applied to the Group.

All intra-Group receivables and liabilities, revenues and costs, profits and losses arising in transactions between companies included in the consolidated accounts are eliminated in their entirety.

A subsidiary is included in the consolidated accounts from the date of acquisition, that is, the date on which the Parent Company gains a controlling influence over the company, and is included in the consolidated accounts until the date on which the controlling influence ceases. Normally, controlling influence over a subsidiary is obtained by owning more than 50 percent of shares entitled to vote, but it may also be obtained by other means, for example, via an agreement.

Subsidiaries acquired are reported in the consolidated accounts based on acquisition accounting. This also applies to businesses acquired directly. In acquisition accounting, the historical cost of the shares, or of the directly acquired business, is apportioned over the assets acquired and undertakings and liabilities assumed at the time of acquisition, based on their fair value at that time. Any additional purchase price considerations are measured at fair value. If the historical cost exceeds the fair value of the net assets of the company acquired, the difference constitutes goodwill. If the historical cost is less than the fair value of the net assets of the company acquired, the difference is recognised directly in the income statement. Transaction costs arising from acquisitions are taken directly to income for the year as other operating expense. In the event that a conditional purchase consideration is re-measured to fair value, this is recognised in the operating profit.

A non-controlling interest is the share of profits and net assets of a partly owned company that accrues to other owners. A non-controlling interest in profit is included in the profit after tax reported in the consolidated income statement. The non-controlling interest in net assets is included in equity on the consolidated balance sheet but is recognised separately from equity attributable to the shareholders in the Parent Company.

Investments in associated companies

An associated company is an entity in which the Group exercises a significant influence that is not a joint venture. A significant influence normally exists if the shareholding represents 20–50 percent of the votes. Holdings in associated companies are recognised based on the equity method. In the equity method, the carrying amount of the Group's shares in associated companies corresponds to the Group's participation in the equity of the associated companies plus goodwill on consolidation and any other remaining value adjustments at the time of acquisition. Goodwill and other value adjustments at acquisition are calculated in the same way as in business combinations, described above. In the consolidated income statement, the Group's share of associated companies' recognised profit after tax, adjusted where appropriate for any depreciation, amortisation, impairment losses or reversals of value adjustments, is reported under Participations in associated companies' profits. Dividends received from an associated company reduce the carrying amount of the investment. Holdings in associated companies are recognised on the Parent Company balance sheet based on the cost method.

Translation of accounts of foreign operations

A foreign operation is one that is conducted in an economic environment with a functional currency other than the Group's reporting currency (SEK). Assets, including goodwill and other surplus values, as well as liabilities in such operations are translated into the reporting currency at the closing day rate. The income statements of foreign operations are translated using a weighted average of exchange rates for the year. Any exchange rate differences resulting from translation are taken directly to Other comprehensive income. Upon the divestment of an independent foreign operation, the accumulated exchange rate differences are recognised in the income statement together with the capital gain or loss.

Translation of receivables and liabilities denominated in foreign currencies

Transactions denominated in non-Swedish currencies are translated at the rate prevailing on the transaction date. On the balance sheet date, monetary receivables and liabilities denominated in foreign currencies are translated at the rate on that date. All exchange rate differences are charged to the income statement except for those differences arising in loans in foreign currencies raised to hedge net investments in foreign operations or those arising in claims on subsidiaries that are not planned to be settled or are unlikely to be settled in the foreseeable future. Exchange rate differences in such loans or receivables are recognised in other comprehensive income, under the headings Hedging of net assets in foreign operations and Translation differences and are transferred to the income statement in the event of the divestment of the foreign operation in future. During the year, foreign exchange loan losses regarded as net investment in subsidiaries, totalling SEK 0.6 million (1.6), net after tax, were recognised as other comprehensive income.

Net sales

Net sales are recognised at the fair value of the consideration received or that will be received for goods and services sold in the regular operations of the Group. Revenue is recognised once delivery has been made to the customer in accordance with the terms of sale. Net sales are recognised excluding value-added tax and net of discounts. Systemair's net sales comprise predominantly sales of ventilation and heating products and, to a lesser extent, services such as installation, maintenance and design.

Segment reporting

The Group manufactures and sells ventilation products. Systemair's top executive decision-makers, that is the respective CEOs/MDs, govern and manage the operations per legal corporation. The number of legal corporations within Systemair is about 70, and so, according to IFRS 8, the Group has that number of segments. Because the presentation of 70 segments would entail excessively detailed information, the standard proposes aggregating these at a suitable level if the economic characteristics are similar and the segments resemble one another in terms also of other factors such as type of products and type of customers. As of the 2016/17 financial year, Systemair aggregates on the basis of the geographical regions 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 aggregated segments Europe and Rest of the World presents a clearer picture. Net sales, Operating profit, Assets, Investments and Depreciation and amortisation will be reported per aggregated segment. The subsidiaries are to be aggregated on the basis of their legal domicile and consolidation will take place according to the same principles as for the Group as a whole.

Tangible and intangible assets

Tangible and intangible assets are recognised at historical cost, less accumulated depreciation/amortisation and any impairment losses. Depreciation/Amortisation is charged on a straight-line basis over the useful life of the asset, to an estimated residual value. Land and goodwill are not depreciated or amortised.

The following depreciation/amortisation periods are applied.

Own developed assets	3–5 years
Brands, customer relationships etc.	5–10 years
Buildings	25–50 years
Plant and machinery	3–10 years
Equipment and tools	3–5 years

Research and development

Development expenditure is recognised as an intangible asset but only if the following criteria are satisfied. The development project must be well defined and include concrete plans as to how and when the asset will be used in operations; it must be possible to calculate expenses reliably; the asset must be considered likely to create future economic benefits; it must be considered technically feasible to perform the project; and the Group must be deemed to have the resources required to conclude development. The historical cost of the intangible asset includes not only the cost of personnel and direct purchases but also the share of indirect costs attributable to the asset. Other development expenditure is expensed as incurred. Development costs of SEK 3.2 million were capitalised during the financial year. The amortisation period is estimated to be 3–5 years.

Impairment losses

Regular tests are made during the year to establish whether any assets have declined in value. In such tests, the recoverable amount of the asset is calculated.

>> Note 1 (cont.)

For goodwill and intangible assets not yet ready for use, the recoverable amount is calculated annually.

If essentially independent cash flows cannot be determined for particular assets, the assets shall, in testing for impairment, be classified at the lowest level where essentially independent cash flows can be identified (a cash-generating unit). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are charged to the income statement.

An impairment loss on an asset attributable to a cash-generating unit is charged first to goodwill. The loss is then applied proportionately to other assets in the unit.

Calculation of the recoverable amount
The recoverable amount is an asset's net realisable value or its value in use, whichever is the higher. The value in use is the present value of future cash flows discounted at a rate based on the risk-free interest rate, adjusted for the risk associated with that particular asset. In the case of an asset that does not generate cash flows; the recoverable amount is calculated for the cash-generating unit in which the asset is included.

Reversal of impairment losses
Impairment losses are reversed if a subsequent increase in the recoverable amount is objectively attributable to an event that has occurred after the impairment loss was recognised. Impairment losses on goodwill are not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount that the asset would have had if no impairment had been recognised.

Inventory
Inventory is measured at the lower of historical cost or net realisable value for raw materials and purchased finished products, and at production cost for goods produced. The acquisition value is based on the latest purchase price and takes into account expenses arising at acquisition of the inventory assets and transport of such assets to their current location and condition. The acquisition value for finished products and products in progress is made up of the cost of raw materials, other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). Net realisable value is the estimated selling price in normal circumstances, less the costs required to complete the sale. Deductions for obsolescence are made as required. Deliveries between Group companies are priced in line with the market. Intercompany gains on the inventory of Group companies are eliminated in the consolidated accounts. These eliminations are charged to operating profit.

Financial assets
Financial assets are classified in categories depending on the intention behind the acquisition of each particular asset. The classification is determined at the time of acquisition. A financial asset is removed from the balance sheet when the contractual rights to the cash flow cease.

Financial assets measured at fair value via the income statement
In Systemair's balance sheet, this category contains derivative instruments not classified as hedging instruments. The assets are measured at fair value, and changes in value are recognised in the income statement.

Loan receivables and Accounts receivable – trade
Loan receivables and trade accounts receivable are financial assets with fixed payments or payments for which the amounts can be determined. These receivables are related to the Group's deliveries of goods and services. They are measured at historical cost. The receivables are recognised in the amount expected to be received, less doubtful receivables based on individual assessment. A provision for credit losses is made if there are strong indications that the Group will not be able to obtain the amounts stated in accordance with the original terms of the receivables. Market assessments, credit insurance and the like are taken into account. Loan receivables and trade accounts receivable are anticipated to be of short duration and are thus measured at their nominal amounts, undiscounted.

Investments held to maturity
Held to maturity investments are financial assets that are not derivatives but have fixed payments or payments that may be fixed, are of a fixed duration and will be held until maturity. They are recognised at amortised cost.

Available-for-sale financial assets
Available-for-sale investments are financial assets that have either been assigned to this category or not been classified in any of the other categories. They are included in noncurrent assets if management does not intend to dispose of the assets within 12 months from the balance sheet date. Available-for-sale financial assets are stated at fair value after the date of acquisition. Unrealised gains and losses resulting from changes in the fair value of non-monetary instruments classified as assets are recognised in equity. When instruments that are classified as available-for-sale financial assets are divested or impaired, the accumulated adjustments to fair value are recognised in the income statement.

Financial liabilities
Financial liabilities are measured at fair value through the income statement.
In Systemair's balance sheet, this category contains derivative instruments not classified as hedging instruments or purchase options. The fair value of these liabilities is measured at fair value on an ongoing basis, with changes in value recognised in the income statement.

Systemair has options to buy and has issued options to sell shares representing non-controlling interests, which were agreed in connection with business combinations. Depending on the terms and conditions for the options and in the shareholder agreements, each and every one of the options are classified and recognised according to one of the two following principles. In cases where the conditions are deemed to result in all economic advantages and disadvantages accruing to Systemair right from the time of acquisition, a non-controlling interest is not recognised and instead a liability equal to the fair value of the future redemption price, changes in value attributable to the liability, is recognised in the income statement.

In cases where the conditions are not deemed to result in all economic advantages and disadvantages accruing to Systemair right from the time of acquisition, Systemair initially recognises a non-controlling interest and allocates this portion of the profit or loss. The Group further recognises a liability equal to the discounted anticipated redemption price for the options, at which point non-controlling interests attributable to the options are eliminated. Any difference between the liabilities relating to the options and the non-controlling interests attributable to the options are taken directly to equity and separated from other receivables in equity. Any reversal of the effect of discounting is thus recognised directly in equity.

Other financial liabilities
This category includes interest-bearing and non-interest-bearing financial liabilities not held for trading. They are measured at amortised cost.

Non-current liabilities have more than one year to maturity, while liabilities maturing before that are recognised as current liabilities. Trade accounts payable have a short anticipated maturity and are thereby measured at their nominal amount, undiscounted.

Provisions
Provisions are recognised on the balance sheet when the Group has an obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources associated with economic benefits will be required to settle the obligation, and the amount can be estimated reliably. If the Group anticipates receiving compensation corresponding to a provision that has been made, for example through an insurance agreement, the compensation is recognised as an asset in the balance sheet only when it is almost certain that the compensation will be received. If the effect of the time value of the future payment is deemed to be material, the value of the provision is determined by estimating the present value of the expected future payment using a discount factor (before tax) that reflects the market's current valuation of the time value and any risks associated with the obligation. The gradual increase in the amount of the provision resulting from this method is recognised as an interest expense in the income statement.

Employee benefits
Pensions and similar post-employment benefit obligations
Systemair operates several different post-employment benefit plans. These are classified as either defined-benefit or defined-contribution plans. A defined-benefit pension plan is one that specifies an amount for the pension benefit that an employee will receive on retirement. A defined-contribution pension plan is one in which the Group pays fixed contributions to a separate legal entity. Defined-contribution plans are recognised as a cost in the period during which the employees perform the service to which the remuneration refers. Defined-benefit plans are measured separately and for each plan, based on the benefits earned during prior and current periods. The liability recognised as Provisions for pensions, defined-benefit pension plans, is the present value of the defined-benefit obligation at the balance sheet date, less the fair value of plan assets.

The Group's obligations with regard to other defined-benefit pension plans are calculated separately for each plan using the Projected Unit Credit Method. In this method, the obligation is calculated as the present value of estimated future pension payments. The obligation thus estimated is compared to the fair value of the plan assets that secure the obligation. The difference is recognised as a liability/asset. The estimation of future payments is based on actuarial assumptions,

>> Note 1 (cont.)

including assumptions as to life expectancy, future salary increases, personnel turnover and factors relevant to the selection of discount rate.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income, with payroll tax and deferred tax having been taken into account.

Pension costs relating to service during the current and earlier periods are recognised directly in the income statement. In the case of defined-contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a compulsory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Profits are charged as the benefits are earned.

Share-based remuneration

No agreements on share-based remuneration exist within the Group.

Leasing

At Systemair, leasing is generally only used to a limited extent and normally only for company cars and in rental agreements. Lease contracts in which all risks and benefits associated with ownership essentially do not accrue to the Group are classified as operating leases. Fees for such contracts are recognised as costs in the income statement on a straight-line basis for the duration of the contract. Systemair classifies the majority of current lease contracts as operating leases. The exception is the newly acquired corporate group 2VV of the Czech Republic, which has finance leases for machinery used in production. Further information on operating and finance leases is provided in Note 7.

Borrowing costs

Borrowing costs are charged to income in the period to which they pertain. Any costs incurred in raising loans are distributed over the life of the loan based on the liability recognised.

Income tax

Income tax consists of current tax and deferred tax. Income taxes are recognised in the income statement when referring to income statement items and in other comprehensive income when the underlying transaction is recognised in other comprehensive income.

Current tax is tax to be paid or recovered for the current year, based on the tax rates enacted, or substantively enacted, by the balance sheet date. This includes any adjustments in current tax attributable to prior periods.

Deferred tax is recognised in accordance with the balance sheet method, in which deferred tax is calculated for all temporary differences – that is, between the taxable values of assets and liabilities and their carrying amounts – identified on the balance sheet date. Deferred tax assets for unused loss carry-forwards are also recognised in the balance sheet.

However, a deferred tax liability is not recognised in the balance sheet for taxable temporary differences relating to goodwill. Deferred tax is also not recognised if the temporary difference pertains to investments in subsidiaries or associated companies in which the Group has a controlling influence over when a temporary difference will be reversed, and it is likely that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences or unutilised loss carry forwards can be applied. The carrying amounts of deferred tax assets are tested at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or parts of the deferred tax assets to be utilized.

Deferred tax assets and tax liabilities are calculated using the tax rates that are expected to apply in the period when the assets are realized or the liabilities settled, based on the tax rate (and tax legislation) in force, or substantively in force, at the balance sheet date. Accrued tax assets and tax liabilities are recognised net in the balance sheet provided that the tax will be paid in the net amount.

In the Parent Company, untaxed reserves are recognised including deferred tax liabilities. In the consolidated accounts, untaxed reserves are divided into two components: a deferred tax liability recognised as a provision, and a portion of equity.

Cash flow statement

The cash flow statement presents incoming and outgoing payments. The indirect method is used for operating activities. In addition to cash and bank balances, cash and cash equivalents consist of current ready assets with an original maturity less than three months.

Government subsidies

Government subsidies are recognised when there is reasonable assurance that the Company will meet the conditions attached to the grant and will receive the grant. In the past, the Group has received two types of government subsidy: government grants, loans for which repayment may be waived and grants relating to assets.

Systemair received employment grants of SEK 0.3 million (0.2) in Canada, SEK 1.0 million in Finland and SEK 1.8 million in Turkey. The employment grants were offset against salaries paid in the functions affected.

In Lithuania, Systemair received an investment grant. The grant represented a tax reduction totalling SEK 1.4 million (–).

Material estimates and assumptions

The preparation of financial reports requires complex estimates and assessments for accounting purposes. Management also makes various judgements when applying the Group's accounting policies. Estimates and assessments may affect the income statement, balance sheet and supplementary disclosures provided in the financial reports. The estimates and assumptions that could constitute a risk of significant adjustments to the amounts recognised during the next financial year are described below.

Impairment testing of goodwill

Every year, Group management tests goodwill for impairment in accordance with the accounting policy described above. A number of estimates must be made for this test. For more detailed information on impairment testing of goodwill, see Note 15.

Provisions for pensions

Estimates and assessments play a major role in measuring provisions for pensions. The present-value calculation of this item is based on actuarial assumptions. Estimates and assessments are evaluated continuously, on the basis of past experience and reasonable expectations for the future. In the case of pension obligations, the present-value calculation is based on assumptions described in Note 26.

Deferred tax assets

Systemair benefits from loss carry-forwards that have arisen mainly through the acquisition of companies that made losses from business conducted, but also in day-to-day operations, especially in start-ups. Group Management has made assumptions and assessments as to the future earning capacity of these subsidiaries and, on that basis, has assessed the possibilities for offsetting future profits against these losses. If Systemair's operations do not succeed in generating sufficient taxable surpluses in the future, the deferred tax assets stated in the Company's accounts may be written down. Tax assets may also be written down if the tax authorities are of the opinion that the losses are not tax-deductible in whole or in part. If the Company cannot fully utilise the loss carry-forwards, the Company's earnings and financial position may be adversely affected.

Note 2 Risks and risk management

Systemair's business involves risks that to a varying extent may adversely affect the Group. These may be divided into operational risks, such as the market risk in the cyclical construction industry and changes in the competitive situation, as well as financial risks, chiefly currency exposure. Both operational and financial risks may in the short and the long term affect Systemair's ability to achieve its set objectives according to the Company's business plan. Systemair works continuously on keeping abreast of the Group's risk situation via a documented, systematic process at Board level, in which risks are identified, assessed, monitored and reported. Priority is given to the risks that are judged to represent the greatest negative effect, on the basis of the probability of their occurring and the possible impact on the business.

The table below illustrates the hypothetical effects of changes in certain factors on Systemair's 2017/18 operating profit. The calculations below are hypothetical and should not be interpreted as indicating that changes in certain factors are any more or less likely or, if any change takes place, the extent of such change. Actual changes and their effect may be greater or lesser than indicated in the table. Further, it is likely that actual changes will affect several items. Thus, caution is called for when interpreting the sensitivity analysis in those changes in various items may have a counteractive effect.

>> Note 2 (cont.)

Sensitivity analysis: effects on operating profit in 2017/18

SEK m.	30/04/2018	30/04/2017
+/– 5% in selling prices	+/– 365	+/– 343
+/– 5% in material costs	+/– 170	+/– 276
+/– 5% in selling and administration expenses	+/– 101	+/– 96
+/– 5% in balance sheet exchange rates, impact on net assets	+/– 27	+/– 20
+/– 5% in the SEK/EUR exchange rate	+/– 35	+/– 21
+/– 5% in the SEK/NOK exchange rate	+/– 3	+/– 7
+/– 5% in the SEK/RUB exchange rate	+/– 3	+/– 2
+/– 5% in the SEK/USD exchange rate	+/– 2	+/– 2

Of Systemair's total sales, 91 percent (92) are in currencies other than SEK, and thus fluctuations in the SEK exchange rate affect the Group's gross profit. The currencies of importance to Systemair are EUR, USD, RUB and NOK, as shown above. The table shows that a change of +/–5 percent in the SEK/EUR exchange rate would have an impact of approximately SEK 35 million (21) on operating profit for 2017/18. This effect is largely offset by the effects on net financial items of exchange gains and losses on borrowing denominated in EUR.

Systemair's net assets in foreign currencies total SEK 1,826 million (1,574), of which the largest assets are in EUR, DKK and CZK. A change of 5 percent would affect net assets in the amount of SEK 27 million (20).

Operational risks

Competition

Systemair's markets are fragmented and exposed to competition; a large number of small, local businesses and a small number of major international corporations operate in Systemair's markets. Some of Systemair's current or future competitors may have greater resources than Systemair and may use such resources to expand their market shares through aggressive pricing strategies. This could force Systemair to reduce its prices to remain competitive and not lose market shares. If Systemair is exposed to increased price competition or loses market shares, the Company's business, earnings and financial position may be adversely affected. The ventilation sector still consists largely of a number of relatively local operators. Should rapid international consolidation take place in the ventilation sector, and should Systemair not be part of that consolidation, there is a risk that Systemair will be shut out from the market. Systemair has addressed that risk by establishing factories in low-cost countries such as India and Lithuania, and by establishing new sales companies in new markets.

Market risks

Systemair's products are used in new construction as well as in renovations, conversions and additions (Swedish acronym: ROT). The construction industry normally follows a cyclical pattern, above all in new construction, while ROT projects often smooth the cyclical effect. Developments in the industry are largely influenced by the state of the economy in general, which in turn is affected by interest rates, unemployment, inflation, political decisions, taxes, stock market trends and other factors. Changes in circumstances for the construction industry may be difficult to foresee, and a slowdown in the industry in Systemair's markets could reduce demand for the Company's products and/or lead to lower prices for the Company's products, which could adversely affect Systemair's operations, earnings and financial position. Systemair's sales are also vulnerable to seasonal fluctuations, with sales mostly being lower during July and December.

Suppliers

ebm-papst and Ziehl-Abegg, two German manufacturers of fan motors, are major suppliers to Systemair. Some of Systemair's products have been developed in association with these suppliers, and Systemair depends to some extent on the ability of these manufacturers to continue supplying motors to the Company. Thus, supply problems at either of these companies could disrupt Systemair's production and have a negative impact on Systemair's operations, earnings and financial position. Another important component in Systemair's products is steel, in the form of steel plate, so the Company's operations are to a certain extent affected by fluctuations in the price of steel, and by any disruptions in steel deliveries. Historically, it has been possible to spread price increases across multiple actors, but there is no guarantee that this will continue to be possible in future. If future price increases cannot be distributed among actors in the market, Systemair's operations, earnings and financial position may be adversely affected.

Brands

Systemair's brands are vital to the Company's operations. Systemair's major brands include Systemair, Frico, Fantech and Menerga. Systemair assesses the brand situation on an ongoing basis and registers each brand in the countries where they are used to any significant extent. However, the Company cannot guarantee that these measures are sufficient to protect Systemair's brands. Neither can Systemair guarantee that the Company's competitors will not try to use its brands in the marketing of their products, or otherwise infringe its intellectual property rights. If the Company's brands cannot be protected, for whatever reason, the Company's operations, earnings and financial position may be adversely affected.

Production plant and distribution centres

Systemair's operations are dependent on its production plant and distribution centres. If any of them is destroyed or closed or if the equipment at the plant suffers serious damage, production and distribution of Systemair's products could be disrupted or suspended for some period. An extensive and prolonged shutdown could have a huge impact on the Company's ability to produce or distribute the products affected. Systemair has purchased insurance against property damage and operational stoppages in an amount the Company deems sufficient; however, there is no guarantee that the entire loss for the Company would be indemnified in the event of any damage. As a result, damage to production or distribution facilities may adversely affect the Company's operations, earnings and financial position.

Business combinations

For several years running, Systemair has effected a considerable number of business combinations. The companies acquired have been integrated into Systemair's other operations. In many cases, the companies acquired had operational and financial problems, which required substantial efforts on the part of Systemair, not least in the form of management resources. Expansion through acquisition remains an ambition of Systemair's, and in the future more companies that complement or augment the Company's operations may be acquired. The acquisition of companies may involve many different operational and financial risks. Along with well- or lesser-known company-specific risks, these risks include the possible departure of suppliers, customers or key personnel from the company acquired. In addition, the integration of companies acquired may turn out to be more costly or to take longer than expected, and the anticipated synergistic benefits may not be achieved as expected, or at all. These and other acquisition-related risks may adversely affect the Company's operations, earnings and financial position.

IT infrastructure

Systemair has a highly developed IT infrastructure, the core of which is the Company's enterprise resource planning (ERP) system. The ERP system is vital to Systemair's ability to deliver products to its customers at the time appointed and to manage trade accounts receivable and inventory levels. Problems in maintaining, upgrading and integrating these systems may adversely affect the Company's reputation among its customers, increase operating costs and reduce profitability. These systems are also vulnerable to power outages, system errors, computer viruses, network faults and other risks. In the event of a breakdown in the IT infrastructure, the Company's operations, earnings and financial position may be adversely affected.

Product liability

Systemair's customers normally expect detailed performance data on their ventilation products. Against that background, Systemair provides detailed product specifications in its marketing and sales activities and the Company conducts continuous tests in its own test facilities to ensure that its products meet their specifications. However, the possibility cannot be ruled out that products the Company has sold may not live up to their specifications, which may result in claims against the Company. Further, the Company is subject to legal regulations on product liability that, in the event of personal injury or damage to property, may entitle the injured party to compensation from the Company. The Company has taken out global product liability insurance that, in the Company's view, is sufficient to cover any claim for damages. However, this cannot be guaranteed. If a claim for compensation against the Company is upheld and the claim is not covered by the Company's insurance, the Company's operations, earnings and financial position may be adversely affected.

International business operations

Systemair conducts, via subsidiaries or representative offices, its own operations in around 50 countries, some of which are in the process of rapid development and transformation into market economies. As a result, the Company is exposed to risks associated with international business activities, such as trade policy decisions in the form of the introduction or extension of excise duties in the Company's markets, which could significantly and adversely affect the Company's operations. Other risks include differences in the regulatory frameworks of different countries, limited legal protection for intellectual property rights in certain countries, different accounting standards and systems of taxation, changing terms and conditions of payment between different countries and the possibility of political instability. Systemair has substantial sales to Russia, for example, which is one of Systemair's single largest export markets. Political tensions in the development of that society and uncertainty in its legal system, as well as uncertainty in trade policy, mean

>> Note 2 (cont.)

that conditions in the Russian market could change quickly and that Systemair's assets in the country could become uncertain. Each of the abovementioned risks could adversely affect Systemair's operations, earnings and financial position.

Financial risks and other risks

The Systemair Group is exposed to financial risks through its international operations and its borrowing. Financial risk arises when interest and exchange rates fluctuate, which causes variations in the Group's cash flows, and when credit lines are to be renegotiated. Financial risk includes the risk of a counterparty failing to meet their obligations. The objective of risk management in the Group is to limit any possible adverse impact on the Group's earnings and cash flow. Risk is monitored and followed up on an ongoing basis by the Group treasury function, as well as by the major subsidiaries.

Foreign exchange risk – transaction exposure

In trading between Group companies and with suppliers and customers, a transaction risk arises if payment is made in a currency other than the local currency of the particular Group company. Systemair's extensive international operations represent substantial sales in various currencies and thus exposure to foreign exchange risk. This risk arises primarily vis-à-vis the EUR and USD and is partly hedged as per Systemair's foreign exchange policy. Systemair does not use hedge accounting.

The main foreign exchange exposure in the Group exists within the Group's Swedish companies. In 2017/18, Group companies in Sweden invoiced 42 percent (41) of their business in SEK, 57 percent (56) in EUR and 1 percent (3) in other currencies. The Group also has foreign exchange exposure at Systemair HSK in Turkey, where 90 percent (91) of invoicing took place in EUR and 5 percent (8) in USD.

Each year, an estimate is made of the future net inflow of EUR, 50 percent of which is usually hedged. Forward contracts extend for a maximum of 18 months ahead. On the balance sheet date, the Group had forward foreign exchange contracts in EUR/SEK.

Foreign exchange risk – translation exposure

Translation exposure arises upon consolidation, when the assets and liabilities of foreign subsidiaries are translated to SEK. Systemair applies the current method, in which assets, liabilities and equity are translated at the exchange rates prevailing at the balance sheet date, while the income statements are translated at average rates for the year. Any exchange differences resulting from the use of this method are recognised directly in Other comprehensive income. Systemair has adopted the policy of hedging part of this translation exposure. This may result in exchange rate differences that affect the Group's equity.

On the balance sheet date, the value of foreign net assets totalled SEK 1,826 million (1,574). Major net assets consist of SEK 963 million (769) in EUR, SEK 138 million (122) in DKK, SEK 135 million (101) in CZK, SEK 106 million (121) in NOK, SEK 81 million (72) in USD, SEK 73 million (75) in CAD, SEK 66 million (75) in INR, SEK 89 million (68) in TRY and SEK 61 million (62) in RUB.

The impact of foreign exchange on equity is recognised as a translation difference and amounted to SEK 123.7 million (84.2).

Borrowing and interest rate risk

Systemair intends to continue to finance a certain portion of its operations by borrowing from credit institutions. Loan agreements include conditions consisting of standard restrictions, or covenants. This borrowing represents certain risks to the Company's shareholders. For example, if conditions change significantly in the Company's markets, Systemair may have difficulty securing new credit facilities and so may need to use a larger portion of its cash flow for interest payments and amortisation.

The interest rate risk is the risk of changes in current interest rates adversely affecting the Group. Systemair is a net borrower. Net indebtedness at year-end totalled SEK 1,837.7 million (1,372.3), and thus the Group is adversely affected by rising interest rates. Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 1,978.4 million (1,555.4). According to Systemair's financial policy, the fixed-interest term for 2017/18 is to be 3–12 months. A change of +/–1 percentage point in the borrowing interest rate would have an impact of about SEK 20 million (16) on the Group's net financial items over the following 12-month period.

Credit and liquidity risk

Credit risk is the risk that one of Systemair's counterparties may be unable to meet their payment obligations and thus may cause a loss for the Company. A credit appraisal is made based on knowledge the Company's management has of the customer and, if necessary, with the aid of credit rating companies. Every customer also has a credit limit, which may only be exceeded if a new credit appraisal is made. Liquidity risk is the risk that a lack of ready funds will prevent the Company from fulfilling its financial obligations or will reduce its capacity to conduct its operations in an effective manner. Liquidity is greatly affected by credit to customers and credit from suppliers. As Systemair's operations have expanded in new markets with different payment customs, the credit periods have lengthened somewhat. This has increased the cost of tied-up capital as well as the risk of credit losses and consequently the risk of negative effects on the Company's ready cash and earnings.

Note 3 Segment reporting

The Group's operations consist in the main of manufacturing and sale of ventilation products. Internal follow-up of operations is conducted per legal corporation, by Systemair's highest executive decision-makers. Each legal corporation therefore represents an operating segment. If several countries and markets show similar economic characteristics, they may be aggregated for the purposes of segment reporting. For segment reporting, Systemair aggregates into the segments of 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 aggregating of the legal entities in the region is reasonable. Systemair further considers that accounting for the aggregated segments Europe and Rest of the World presents a clearer picture. The Parent Company is accounted for via a separate segment, Group-wide. The subsidiaries are to be aggregated on the basis of their legal domicile and consolidation will take place according to the same principles as for the Group as a whole.

	Group	
SEK m.	**2017/18**	2016/17
Europe		
Net sales, external	5,959.5	5,472.3
Net sales, intra-Group	153.5	167.0
Operating profit	459.0	437.9
Operating margin, %	7.7	8.0
Profit after net fin. items	474.4	422.2
Profit margin, %	8.0	7.7
Assets	3,432.6	2,678.7
Investments	352.6	122.5
Depreciation/Amortisation	175.6	158.8
Rest of World		
Net sales, external	1,341.7	1,391.3
Net sales, intra-Group	11.6	12.5
Operating profit	26.0	91.1
Operating margin, %	1.9	6.5
Profit after net fin. items	–17.5	58.5
Profit margin, %	–1.3	4.2
Assets	905.1	873.8
Investments	22.9	14.3
Depreciation/Amortisation	23.2	23.8
Group-wide		
Net sales, intra-Group	106.9	96.1
Operating profit	–135.4	–90.0
Profit after net fin. items	–123.7	–70.4
Assets	3,953.2	3,608.9
Investments	106.4	144.5
Depreciation/Amortisation	5.8	4.1
Eliminations		
Net sales, intra-Group	–271.7	–275.6
Assets	–2,095.9	–1,823.4
Total		
Net sales, external	7,301.2	6,863.6
Operating profit	349.6	439.0
Operating margin, %	4.8	6.4
Profit after net fin. items	333.2	410.2
Profit margin, %	4.6	6.0
Assets	6,195.0	5,338.0
Investments	481.9	281.3
Depreciation/Amortisation	204.6	186.7

Note 4 Information on geographical regions

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 7,301.2 million (6,863.6), of which servicing of ventilation products accounted for SEK 238.8 million (223.2).

The Group's operations are geographically divided mainly into the Nordic region, Western Europe (excluding Region Nordic), Eastern Europe and CIS, North and South America and Other markets.

Region Nordic comprises Denmark, Finland, Iceland, Norway, Sweden and Åland.

Region Western Europe includes Austria, Belgium, Cyprus, the Faeroes, France, Germany, Greece, Greenland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, the Netherlands, Portugal, San Marino, Spain, Switzerland and the United Kingdom.

Region Eastern Europe including CIS consists of Albania, Armenia, Azerbaijan, Belarus, Bosnia & Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldavia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Region North and South America consists of Argentina, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Jamaica, Mexico, Panama, Peru, Puerto Rico, Surinam, Uruguay and the USA.

Other Markets includes Afghanistan, Algeria, Angola, Australia, Bahrain, Bangladesh, Botswana, Brunei, Burma, Cambodia, Cameroon, Cap Verde, China, Egypt, French Polynesia, Ghana, India, Indonesia, Iran, Iraq, Israel, Ivory Coast, Japan, Jordan, Kenya, Kuwait, Lebanon, Libya, Malaysia, Mauritius, Mongolia, Morocco, Mozambique, Namibia, New Zealand, Nigeria, Oman, Pakistan, the Philippines, Qatar, Saudi Arabia, Senegal, the Seychelles, Singapore, South Africa, South Korea, Swaziland, Taiwan, Tanzania, Thailand, Tunisia, Turkey, Uganda, the United Arab Emirates, Vietnam, Zambia and Zimbabwe.

Sales income below is based on the geographical market where the customer is located. Assets and investments are recognised where the asset is located.

The table below shows external net sales in Systemair's ten biggest markets based on the customer's domicile. Systemair has a very extensive customer base of nearly 100,000 customers, with no individual customer normally accounting for more than around 2 percent of the Company's total sales. As a result, Systemair's dependence on individual customers is limited.

Geographical breakdown	Net sales		Non-current assets[1]	
Group	**2017/18**	2016/17	**2017/18**	2016/17
Norway	733.8	745.9	89.4	95.3
Sweden	496.9	430.6	255.8	216.0
Denmark	299.7	288.0	145.2	112.0
Rest of Nordic region	179.1	146.9	0.7	0.9
Total Nordic region	**1,709.5**	**1,611.4**	**491.1**	**424.2**
Germany	952.2	855.0	460.5	384.9
France	524.0	455.3	93.6	52.5
Netherlands	329.7	349.4	129.4	125.3
United Kingdom	307.6	310.8	21.6	19.2
Rest of Western Europe	876.7	742.9	344.9	282.7
Total Western Europe	**2,990.2**	**2,713.4**	**1,050.0**	**864.6**
Russia	398.7	343.1	48.2	56.0
Rest of Eastern Europe and CIS	766.8	644.2	472.2	405.1
Total Eastern Europe and CIS	**1,165.5**	**987.3**	**520.4**	**461.1**
USA	398.4	415.2	80.5	82.1
Other, North and South America	203.6	171.4	102.9	96.4
Total, North and South America	**602.0**	**586.6**	**183.4**	**178.5**
Turkey	282.6	291.1	184.4	127.4
Other markets	551.4	673.8	268.9	242.3
Total Other markets	**834.0**	**964.9**	**453.3**	**369.7**
	7,301.2	6,863.6	2,698.2	2,298.1

1) Non-current assets refers to intangible assets and property, plant and equipment.

Parent Company sales consist exclusively of intra-Group services on behalf of other Group companies.

By geographical market	Parent Company	
Net sales	**2017/18**	2016/17
Nordic Region	35.3	30.7
Western Europe	40.0	36.7
Eastern Europe and CIS	15.6	12.0
North and South America	6.9	7.3
Other markets	9.1	9.4
	106.9	**96.1**

Note 5 Classification by type of cost

	Cost of goods sold	Selling expenses	Administration expenses	Total
2017/18				
Material costs	–3,395.0	–	–	–3,395.0
Employee benefits expense	–1,011.8	–941.2	–216.2	–2,169.2
Depreciation/ Amortisation costs	–102.1	–77.7	–18.5	–198.3
Other costs	–378.3	–633.8	–126.0	–1,138.1
	–4,887.2	**–1,652.7**	**–360.7**	**–6,900.6**
2016/17				
Material costs	–3,167.4	–	–	–3,167.4
Employee benefits expense	–905.2	–851.5	–221.7	–1,978.4
Depreciation/ Amortisation costs	–92.4	–70.0	–18.3	–180.7
Other costs	–337.4	–626.6	–125.1	–1,089.1
	–4,502.4	**–1,548.1**	**–365.1**	**–6,415.6**

Product development costs totalled approximately SEK 195 million in 2017/18 and SEK 187 million in 2016/17. Personnel costs represent the major share of costs recognised under the heading of Cost of goods sold.

Note 6 Auditors' fees

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
EY				
Auditing services	–4.7	–5.5	–0.8	–1.5
Other additional auditing services	–0.6	–0.4	–0.5	–0.3
Tax advice	–	–0.1	–	–
Other services	–0.3	–0.1	–	–
Total, EY	**–5.6**	**–6.1**	**–1.3**	**–1.8**
Other				
Auditing services	–3.5	–3.1	–	–
Other additional auditing services	–0.9	–0.8	–	–
Tax advice	–1.5	–1.1	–	–
Other services	–1.1	–0.9	–	–
Total, Other	**–7.0**	**–5.9**	**–**	**–**
Total	**–12.6**	**–12.0**	**–1.3**	**–1.8**

Note 7 Leasing

Leasing costs recognised	Group 2017/18	Group 2016/17	Parent Company 2017/18	Parent Company 2016/17
Operating leases	56.1	61.8	1.5	1.3

Operating leases refer mainly to leases for office properties and company cars for employees.

The amounts of future lease fees under leases with more than one year remaining are distributed as follows for the Group and the Parent Company.

	Group 2017/18	Group 2016/17	Parent Company 2017/18	Parent Company 2016/17
Operating leases – nominal value				
Payable within 1 year	54.6	57.6	0.6	0.6
Payable in 2–5 years	77.0	76.9	0.7	0.3
Payable after 5 years	12.6	7.3	–	–
	144.2	**141.8**	**1.3**	**0.9**

Finance leasing

Finance leases in the Group relate to a group of production machines, together with company cars. The lease terms vary from four to five years and the implicit interest rate is between 1.13 and 1.66 percent. The Company has the option of buying the assets under the conditions of the lease at the end of the contract period. On 30 April 2018, the Parent Company had no finance leases.

Historical cost and accumulated depreciation	2017/18	2016/17
Historical cost	29.6	21.6
Accumulated depreciation	–10.1	–5.4
	19.5	**16.2**

	Minimum future lease charges 2017/18	Minimum future lease charges 2016/17	Present value of minimum future lease charges 2017/18	Present value of minimum future lease charges 2016/17
Within a year	6.8	4.5	6.4	4.3
Within 2–5 years	9.6	10.0	9.1	9.4
More than 5 years	–	–	–	–
	16.4	**14.5**	**15.5**	**13.7**
Future finance charges	–	–0.8	–	–
Total	**16.4**	**13.7**	**15.5**	**13.7**

Note 8 Other operating income

	Group 2017/18	Group 2016/17	Parent Company 2017/18	Parent Company 2016/17
Exchange gains in operations	73.3	76.2	2.4	2.5
Gain on sale of property, plant and equipment	7.3	11.5	–	–
Revaluation of option to purchase, Brazil	2.3	5.9	–	–
Other miscellaneous income	34.0	26.1	–	0.1
	116.9	**119.6**	**2.4**	**2.6**

Note 9 Other operating expenses

	Group 2017/18	Group 2016/17	Parent Company 2017/18	Parent Company 2016/17
Exchange rate losses in operations	–101.2	–82.8	–35.0	–16.8
Intra-Group expenses	–	–	–7.4	–7.3
Loss on sale of property, plant and equipment	-3.0	-0.4	–	–
Other miscellaneous expenses	–63.7	–45.4	–41.2	–36.2
	–167.9	**–128.6**	**–83.6**	**–60.3**

Note 10 Employees and staff costs

	2017/18 Average number of employees	2017/18 Of whom, men	2016/17 Average number of employees	2016/17 Of whom, men
Parent Company	**47**	**35**	**45**	**33**
Subsidiaries in:				
Nordic Region	**938**	**692**	**888**	**671**
Sweden	556	371	529	372
Denmark	192	169	179	156
Finland	15	8	15	9
Norway	175	144	165	134
Western Europe	**1,751**	**1,418**	**1,668**	**1,337**
Belgium	38	26	36	28
United Kingdom	92	70	88	70
Greece	7	5	7	5
France	222	171	230	157
Netherlands	181	164	186	167
Ireland	6	5	5	4
Italy	171	128	178	132
Portugal	21	12	21	12
Switzerland	56	45	39	31
Spain	89	80	83	76
Germany	808	671	769	636
Austria	60	41	26	19
Eastern Europe and CIS	**1,229**	**759**	**1,080**	**709**
Estonia	12	7	12	7
Croatia	4	4	3	3
Latvia	7	6	7	5
Lithuania	255	96	222	127
Poland	55	43	55	44
Romania	6	6	6	5
Russia	262	148	262	152
Serbia	7	3	8	4
Slovakia	257	162	233	145
Slovenia	100	88	92	80
Czech Republic	250	190	163	129
Ukraine	3	1	3	1
Hungary	5	4	5	4
Belarus	6	1	9	3
North and South America	**442**	**297**	**421**	**291**
Brazil	69	53	76	58
Chile	4	4	4	4
Canada	249	153	228	147
Mexico	1	1	1	1
Peru	4	3	4	3
USA	115	83	108	78
Rest of World	**842**	**753**	**805**	**705**
United Arab Emirates	15	12	16	12
India	384	371	352	335
China	6	4	32	26
Malaysia	143	123	119	91
Singapore	11	6	12	7
South Africa	68	57	31	25
Taiwan	1	1	1	1
Turkey	207	172	236	201
Qatar	7	7	6	7
	5,249	**3,954**	**4,907**	**3,746**

>> Note 10 (cont.)

Percentage of women on boards and in management	Group 2017/18	Group 2016/17	Parent Company 2017/18	Parent Company 2016/17
Board, excluding employee representatives			20%	20%
Group Management			14%	14%
Company managements	7%	7%		

Salaries, other remuneration and social security expenses	Salaries and remuneration 2017/18	Salaries and remuneration 2016/17	Social security expenses 2017/18	Social security expenses 2016/17
Board and CEO				
Parent Company	5.5	4.5	2.4	2.0
Subsidiaries Nordic Region	13.0	12.3	5.1	5.2
Western Europe	35.5	29.8	8.9	6.9
Eastern Europe and CIS	15.7	14.2	3.8	3.5
North and South America	4.9	6.0	1.1	1.3
Rest of World	9.5	9.9	0.7	0.4
Total, Board and CEO	**84.1**	**76.7**	**22.0**	**19.3**

Group's remuneration/benefits to senior executives during the year	Basic salary/ Fee	Variable pay	Other benefits	Pension cost	Total
2017/18					
Gerald Engström – Chairman of the Board	1.2				1.2
Carina Andersson – Board Member	0.3				0.3
Hans Peter Fuchs – Board Member	0.3				0.3
Svein Nilsen – Board Member	0.3				0.3
Patrik Nolåker – Board Member	0.3				0.3
Roland Kasper – CEO	3.5	–	0.1	0.6	4.2
Other senior executives	10.1	0.2	0.5	3.0	13.8
Total	**16.0**	**0.2**	**0.6**	**3.6**	**20.4**

Group's remuneration/benefits to senior executives during the year	Basic salary/ Fee	Variable pay	Other benefits	Pension cost	Total
2016/17					
Gerald Engström – Chairman of the Board	1.2				1.2
Carina Andersson – Board Member	0.3				0.3
Per-Erik Sandlund – Board Member	0.3				0.3
Svein Nilsen – Board Member	0.3				0.3
Patrik Nolåker – Board Member	0.3				0.3
Roland Kasper – CEO	3.0	0.5	0.1	0.6	4.2
Other senior executives	8.8	1.0	0.4	2.5	12.7
Total	**14.2**	**1.5**	**0.5**	**3.1**	**19.3**

Fees totalling SEK 2,250 thousand (2,250) shall be paid to the Board of Directors: SEK 550 thousand (550) to the Chairman, SEK 275 thousand (275) to each of the other members elected by the AGM, and an extra fee of SEK 600 thousand to the Chairman of the Board for work on the Company's acquisition issues.

Salaries, other remuneration and social security expenses	Salaries and remuneration 2017/18	Salaries and remuneration 2016/17	Social security expenses 2017/18	Social security expenses 2016/17
Other employees				
Parent Company	33.1	31.0	23.0	19.9
Subsidiaries Nordic Region	428.2	395.1	127.8	113.0
Western Europe	730.5	716.4	185.4	176.7
Eastern Europe and CIS	189.0	151.0	55.1	42.7
North and South America	119.8	126.8	27.2	26.1
Rest of World	86.1	79.7	12.3	10.3
Total, other employees	**1,586.7**	**1,500.0**	**430.8**	**388.7**

Of social security expenses in the Parent Company, pension expenses accounted for SEK 10.2 million (8.6), including SEK 0.6 million (0.6) in pension expenses for the Board and CEO. In other Group companies, pension expenses totalled SEK 54.9 million (46.4), including SEK 4.7 million (3.7) for boards of directors and CEOs.

Remuneration policy

The Chairman and members of the Board receive remuneration as per resolution of the Annual General Meeting. Fees totalling SEK 28 thousand (28) are paid to employee representatives each year.

Remuneration to the Chief Executive Officer is determined by the Board based on a proposal from the compensation committee, consisting of Patrik Nolåker, Gerald Engström and Carina Andersson. Remuneration to other senior executives is determined by the CEO in consultation with the compensation committee.

Senior executives consist of: President and Chief Executive Roland Kasper, Chief Financial Officer Anders Ulff, Vice President Sales Olle Glassel, Vice President Marketing Eastern Europe Fredrik Andersson, Vice President Marketing Middle East and Asia Håkan Lenjesson, Production Director Ulrika Molander and Marketing Director Kurt Maurer.

Remuneration to other senior executives is made up of the basic salary, variable pay, car benefit and pension. For other senior executives, variable pay may amount to between one and two extra monthly salary payments. Variable pay is normally based on any improved performance in an individual's area of responsibility compared to the preceding year, the consolidated profit after net financial items and the outcome of individual development plans.

Pension

The pensionable age for the President and other senior executives is 65 years. Pension benefits for senior executives are paid within the scope of the contractual ITP plan and alternative ITP schemes.

Severance pay

For other senior executives, the period of notice is as stated in the applicable collective bargaining agreement or is no more than 12 months from the Company or six months from the employee. No other agreements entitle other senior executives to severance pay. Agreements are in place with MDs of subsidiaries such that benefits will be paid for 6–12 months upon termination of employment by the Company.

Note 11 Depreciation and amortisation of tangible and intangible non-current assets

	Group 2017/18	Group 2016/17	Parent Company 2017/18	Parent Company 2016/17
Goodwill	–	–	0.2	0.2
Brands, customer relationships etc.	45.9	39.6	3.7	2.4
Other intangible assets	3.7	4.8	–	–
Buildings and land improvements	47.2	43.8	–	–
Plant and machinery	62.4	54.1	–	–
Equipment and tools	45.4	44.4	1.9	1.6
	204.6	**186.7**	**5.8**	**4.2**
Straight-line depreciation/ amortisation, by function				
Cost of goods sold	102.1	92.4	–	–
Selling expenses	77.7	70.0	1.7	1.0
Administration expenses	18.5	18.3	3.9	3.0
Other operating expenses	6.3	6.0	0.2	0.2
	204.6	**186.7**	**5.8**	**4.2**

Capitalised development costs are still accruing and no depreciation has yet been applied. An impairment test was conducted, indicating an impairment loss totalling SEK 3.9 million (–) for the year. The impairment loss was charged to Cost of goods sold.

Note 12 Financial income

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Interest income, external	4.3	3.2	–	–
Interest income, related companies	–	–	20.7	19.5
Translation effects of long-term loans to subsidiaries	–	–	0.8	2.1
Net change in exchange rates	–	–	4.5	11.3
	4.3	**3.2**	**26.0**	**32.9**

Note 13 Financial expenses

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Interest expenses, external	–27.1	–24.6	–13.4	–11.4
Interest expenses, related companies	–	–	–0.1	–
Net change in exchange rates in financial instruments	8.0	–5.5	–	–
Other financial expenses	–1.6	–1.9	–	–
	–20.7	**–32.0**	**–13.5**	**–11.4**

Note 14 Tax on profit for the year

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Current tax	–129.5	–136.0	–1.8	–1.5
Deferred tax	26.4	20.0	7.6	2.6
	–103.1	**–116.0**	**5.8**	**1.1**

The Group's tax expense constitutes 31.0 percent (28.3) of consolidated pre-tax profit. The high tax expense is attributable to non-capitalised tax loss carry-forwards in loss-making companies. The tax rate for the Parent Company in the financial year was 22.0 percent (22.0).

At financial year-end, the Systemair Group had deferred tax assets totalling SEK 160.8 million (105.0) in tax loss carry-forwards that were not included in the calculation of deferred tax assets. Deferred tax assets are recognised provided that it is probable that the loss carry-forwards can be applied to future taxable surpluses based on assessments in each individual company. No time restrictions are applied to the loss carry-forwards that correspond to the deferred tax assets capitalised. The same also applies to the deferred tax assets of SEK 152.2 million that were not taken into account.

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Pre-tax profit	333.2	410.2	21.2	195.8
Tax at current tax rate for Parent Company	–72.9	–90.4	–4.7	–43.1
Effect of foreign tax rates	0.1	–1.0	–	–
Non-deductible expenses	–8.9	–5.9	–0.5	–0.3
Tax-exempt income	5.9	8.1	–	–
Tax effect of capitalised loss carry-forwards	–28.3	–26.9	–	–
Dividends from subsidiaries	–	–	57.8	59.0
Adjustment for previous years' taxes	0.9	–0.6	0.1	–1.8
Tax effect of impairment of receivable from subsidiary	–	–	–44.1	–11.8
Miscellaneous	0.1	0.7	–2.8	–0.9
	–103.1	**–116.0**	**5.8**	**1.1**

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Deferred tax assets				
Property, plant and equipment	1.2	1.4	–	–
Inventory	22.5	22.0	–	–
Current receivables	3.0	2.6	–	–
Pension provisions	13.1	9.5	–	–
Tax loss carry-forwards	160.1	130.7	–	–
Miscellaneous	13.5	12.1	6.5	1.2
	213.4	**178.3**	**6.5**	**1.2**
Deferred tax liabilities				
Intangible assets	57.3	45.6	–	–
Property, plant and equipment	16.2	13.3	–	–
Inventory	0.9	0.6	–	–
Untaxed reserves	11.7	20.9	–	–
Miscellaneous	4.1	6.4	–	–
	90.1	**86.8**	**–**	**–**

Change in deferred tax, temporary differences and tax loss carry-forwards

Group **2017/18**	Opening balance 1 May 2017	Recognised via income statement	Recognised in other comprehensive income	Acquisition/divestment of business	Available-for-sale asset/liability	Translation difference	Closing balance 30 April 2018
Non-current assets	–57.4	–12.5	–	–	–	–2.4	–72.3
Current receivables and liabilities	24.0	0.8	–	–	–0.1	–0.1	24.6
Provisions and non-current liabilities	9.5	–1.8	0.3	5.1	–	–	13.1
Untaxed reserves	5.5	4.3	–	–	–	0.1	9.9
Tax loss carry-forwards	–20.9	9.3	–	–	–0.7	–0.1	–12.4
Other	130.8	–8.6	–	34.9	–0.5	3.8	160.4
	91.5	**–8.5**	**0.3**	**40.0**	**–1.3**	**1.3**	**123.3**

Group 2016/17	Opening balance 1 May 2016	Recognised via income statement	Recognised in other comprehensive income	Acquisition/divestment of business	Available-for-sale asset/liability	Translation difference	Closing balance 30 April 2017
Non-current assets	–63.2	7.1	–	–3.8	–	2.5	–57.4
Current receivables and liabilities	20.3	4.1	–	–	–	–0.4	24.0
Provisions and non-current liabilities	9.0	0.1	0.3	–	–	0.1	9.5
Untaxed reserves	–12.1	–5.2	–	–	–	–3.6	–20.9
Tax loss carry-forwards	119.0	9.4	–	–	–	2.4	130.8
Other	3.9	4.5	–	–	–	–2.9	5.5
	76.9	**18.1**	**0.3**	**–3.8**	**–**	**–1.9**	**91.5**

Note 15 Intangible and tangible non-current assets

Group **2017/18**	Goodwill	Capitalised development expenditure	Brands, customer relationships etc.	Other intangible assets	Buildings and land	Plant and machinery	Equipment and tools	Construction in progress
Accumulated historical cost								
At beginning of the year	711.3	9.6	417.6	36.5	1,432.5	762.0	483.6	61.6
Acquired in business combinations	57.4	–	21.7	–	0.1	5.3	1.9	–
Acquisitions for the year	–	3.2	16.2	–	96.2	102.9	52.8	173.4
Sales/Disposals	–	–	–0.1	–0.4	–3.4	–12.2	–33.6	–1.2
Reclassifications	–	–	15.5	0.3	86.3	4.2	1.9	–108.3
Translation difference	26.9	–	24.4	2.7	84.2	39.4	28.5	–2.9
	795.6	**12.8**	**495.3**	**39.1**	**1,695.9**	**901.6**	**535.1**	**122.6**
Accumulated depreciation/amortisation								
At beginning of the year	–	–	–236.2	–24.5	–461.4	–515.9	–348.9	–
Sales/Disposals	–	–	–	0.4	2.9	8.4	22.2	–
Reclassifications	–	–	0.2	–0.2	–	–	–	–
Translation difference	–	–	–14.8	–1.8	–28.1	–28.7	–21.9	–
Depreciation/Amortisation for the year	–	–	–45.8	–3.7	–47.3	–62.5	–45.5	–
	–	**–**	**–296.6**	**–29.8**	**–533.9**	**–598.7**	**–394.1**	**–**
Accumulated impairment losses								
At beginning of the year	–19.9	–	–	–	–5.3	–0.5	–	–
Translation difference	–2.5	–	–	–	–0.1	0.1	–	–
Impairment for the year	–11.1	–3.9	–	–	–	–	–	–
	–33.5	**–3.9**	**–**	**–**	**–5.4**	**–0.4**	**–**	**–**
Attributable to available-for-sale assets	–3.0	–	–	–	–	–	–0.5	–
Carrying amount	**759.1**	**8.9**	**198.7**	**9.3**	**1,156.6**	**302.5**	**140.5**	**122.6**

Group 2016/17	Goodwill	Capitalised development expenditure	Brands, customer relationships etc.	Other intangible assets	Buildings and land	Plant and machinery	Equipment and tools	Construction in progress
Accumulated historical cost								
At beginning of the year	640.8	4.0	355.3	32.4	1,338.7	666.3	413.8	32.0
Acquired in business combinations	35.3	–	22.5	3.2	22.5	44.2	8.9	5.8
Acquisitions for the year	–	5.6	13.8	–	27.4	30.9	48.0	70.8
Sales/Disposals	–	–	–	–	–20.9	–10.6	–16.2	–4.4
Reclassifications	–	–	8.4	–	18.0	9.1	12.7	–48.2
Translation difference	35.2	–	17.6	0.9	46.6	22.1	16.4	5.6
	711.3	**9.6**	**417.6**	**36.5**	**1,432.3**	**762.0**	**483.6**	**61.6**
Accumulated depreciation/amortisation								
At beginning of the year	–	–	–179.0	–19.4	–408.3	–459.7	–307.4	–
Sales/Disposals	–	–	–	–	6.4	9.9	11.3	–
Reclassifications	–	–	–7.3	–	–0.1	3.0	4.4	–
Translation difference	–	–	–10.3	–0.4	–15.6	–15.0	–12.8	–
Depreciation/Amortisation for the year	–	–	–39.6	–4.8	–43.8	–54.1	–44.4	–
	–	**–**	**–236.2**	**–24.6**	**–461.4**	**–515.9**	**–348.9**	**–**
Accumulated impairment losses								
At beginning of the year	–19.0	–	–	–	–5.2	–0.6	–	–
Translation difference	–0.9	–	–	–	–0.1	–	–	–
Impairment for the year	–	–	–	–	–	–	–	–
	–19.9	**–**	**–**	**–**	**–5.3**	**–0.6**	**–**	**–**
Carrying amount	**691.4**	**9.6**	**181.4**	**11.9**	**965.8**	**245.5**	**134.7**	**61.6**

>> Note 15 (cont.)

Impairment testing of goodwill

Goodwill has been allocated to cash-generating units, legal units and the Group as a whole, and has been tested for impairment. The recoverable amount of the cash-generating units is based on value in use. These calculations are based on estimated cash flows derived from financial plans approved by management, and cover a five-year period. Management has established the financial plans on the basis of earlier results, experiences and expectations as to developments in the market. The plans take into account assumptions regarding product launches, price trends, sales volumes, competing products and cost trends. The cash flow beyond this five-year period is assumed to show annual growth corresponding to 2–4 percent. The discount rate before tax varies between 9 and 12 percent (9–14) for the various cash-generating units.

The table below shows the allocation of goodwill per cash-generating unit for the 10 single biggest goodwill items, the average estimated growth and gross margin during the forecast period and the discount rate before tax for each unit that is used for calculation of the value in use.

		2017/18				2016/17			
Cash-generating unit	Country	Goodwill 30 April	Average estimated growth	Average estimated gross margin	Discount rate before tax	Goodwill 30 April	Average estimated growth	Average estimated gross margin	Discount rate before tax
Menerga GmbH	Germany	73.5	5%	23%	9%	67.3	2%	26%	10%
Systemair B.V.	Netherlands	63.4	2%	21%	9%	58.0	–1%	19%	9%
Systemair India Pvt. Ltd	India	57.3	12%	18%	11%	60.3	14%	19%	14%
Systemair S.p.A.	Italy	55.5	7%	16%	10%	50.8	6%	16%	11%
OOO Systemair	Russia	41.7	5%	30%	12%	46.7	8%	28%	13%
Systemair HSK	Turkey	39.9	11%	17%	12%	46.1	9%	18%	13%
Recutech s.r.l.o.	Czech Republic	30.4	12%	23%	9%	26.3	15%	22%	10%
Systemair (Pty) Ltd	South Africa	28.2	16%	23%	11%	0.2	–	–	–
Systemair Schweiz AG	Switzerland	24.9	3%	44%	9%	25.3	2%	46%	9%
Systemair Inc.	Canada	21.2	6%	19%	11%	20.3	5%	19%	9%
Other		323.1				290.1			
		759.1				**691.4**			

The recoverable amounts for the units tested exceed their carrying amounts and as a result no impairment losses are recognised. Sensitivity analyses have been applied to the estimated gross margin, rate of growth and discount rate. The sensitivity analyses are in each case based on a variation of one assumption while all other assumptions are maintained constant. Systemair has concluded that good margins exist in the calculations for all units other than Systemair in Italy and Menerga in Germany. In Italy, the recoverable amount exceeded the carrying amount by EUR 0.5 million (3.1) on 30 April 2018. In the event of a change in the discount rate from 10.4 percent to 10.6 percent before tax, the recoverable amount would equal the carrying amount. Systemair Italy is at present engaged in restructuring measures to improve the company's profitability. In Menerga, the recoverable amount exceeded the carrying amount by EUR 1.4 million (22.7) on 30 April 2018. In the event of a change in the discount rate from 9.4 percent to 9.7 percent, the recoverable amount would equal the carrying amount. Menerga is also engaged in restructuring measures to improve the company's profitability. Based on current business plans, the view is that no impairment losses currently exist for any of the above-mentioned companies.

Parent Company **2017/18**	Goodwill	Capitalised development expenditure	Licences etc.	Equipment and tools	Construction in progress
Accumulated historical cost					
At beginning of the year	0.7	9.6	18.4	6.9	15.6
Acquisitions for the year	–	3.2	4.0	0.2	23.4
Sale/disposal	–	–	–	–	–1.1
Reclassifications	–	–	14.1	1.7	–15.8
	0.7	**12.8**	**36.5**	**8.8**	**22.1**
Accumulated depreciation/amortisation					
At beginning of the year	–0.4	–	–12.4	–3.0	–
Depreciation/Amortisation for the year	–0.2	–	–3.7	–2.0	–
	–0.6	**–**	**–16.1**	**–5.0**	**–**
Accumulated impairment losses					
At beginning of the year	–	–	–	–	–
Impairment for the year	–	–3.9	–	–	–
	–	**–3.9**	**–**	**–**	**–**
Carrying amount	**0.1**	**8.9**	**20.5**	**3.8**	**22.1**

Parent Company 2016/17	Goodwill	Capitalised development expenditure	Licences etc.	Equipment and tools	Construction in progress
Accumulated historical cost					
At beginning of the year	0.7	4.0	11.9	4.7	5.6
Acquisitions for the year	–	5.6	6.5	2.2	10.0
	0.7	**9.6**	**18.4**	**6.9**	**15.6**
Accumulated depreciation/amortisation					
At beginning of the year	–0.3	–	–9.9	–1.5	–
Depreciation/Amortisation for the year	–0.2	–	–2.4	–1.6	–
	–0.4	**–**	**–12.4**	**–3.1**	**–**
Carrying amount	**0.2**	**9.6**	**6.1**	**3.8**	**15.6**

Note 16 Other securities held as non-current assets

The holding consists for the most part of shares in Mechartes Researchers Pvt Ltd, India. The shares are designated as an available- for-sale financial asset. The shares were measured at fair value, any adjustments being recognised in other comprehensive income.

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Opening balance	1.5	1.8	–	–
Translation difference	0.0	–0.3	–	–
	1.5	**1.5**	**–**	**–**

Note 17 Other long-term receivables

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Opening balance	20.8	19.9	15.8	15.4
Additional receivables	8.6	2.4	–	–
Receivables settled	–1.8	–1.5	–	–
Impairment losses	–1.3	–	–1.3	–
Reclassifications	–1.6	0.1	1.1	0.4
Translation differences	0.8	–0.1	–	–
Closing balance	**25.5**	**20.8**	**15.6**	**15.8**

Note 18 Prepaid expenses and accrued income

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Prepaid rent	7.3	7.6	–	0.3
Prepaid insurance premiums	8.0	7.7	–	–
Service agreements and program licences	14.3	23.5	9.2	14.2
Miscellaneous	36.4	39.0	2.9	2.4
	66.5	**77.8**	**12.1**	**16.9**

Note 19 Inventory

The direct cost of materials during the year totalled SEK 3,395.0 (3,167.4). The obsolescence reserve increased by SEK 9.0 million. In all, the obsolescence reserve totals SEK 83.5 million (74.5), corresponding to 5 percent of the inventory value before a deduction for obsolescence.

Note 20 Accounts receivable – trade

	Group		Parent Company	
Age breakdown of trade accounts receivable, including reserve	**2017/18**	2016/17	**2017/18**	2016/17
Not yet due	1,160.8	974.5	–	–
< 90 days	202.0	173.8	–	–
90–180	39.6	55.9	–	–
181–360	27.9	37.6	–	–
> 360	31.9	10.0	–	–
Total	**1,462.2**	**1,251.8**	**–**	**–**

Provision for impairment of trade accounts receivable in the Group totalled 6.5 percent (6.7) of total trade accounts receivable.

Customer credit risk is managed at every subsidiary that has drawn up a credit policy in accordance with a standard template. Outstanding trade accounts receivable are monitored and reported on regularly at each company and at Group level. Systemair has a very extensive customer base of nearly 100,000 customers, with no individual customer normally accounting for more than around 2 percent of the Company's total sales. As a result, Systemair's dependence on individual customers is limited. The cost of impairment of trade accounts receivable and confirmed credit losses is charged to general selling expenses.

	Group		Parent Company	
Reserve for impairment of trade accounts receivable	**2017/18**	2016/17	**2017/18**	2016/17
Opening balance	90.6	85.5	–	–
Provision for anticipated losses	24.3	33.6	–	–
Reversal of amount unused	–6.0	–6.6	–	–
Bad debts	–11.9	–24.8	–	–
Provisions acquired	–	0.2	–	–
Exchange rate effects	4.7	2.7	–	–
Closing balance	**101.7**	**90.6**	**–**	**–**

Breakdown of reserve for impairment of trade accounts receivable by age category, as follows.

	Group		Parent Company	
Reserve for impairment of trade accounts receivable	**2017/18**	2016/17	**2017/18**	2016/17
Not yet due	1.2	2.2	–	–
Due < 90 days	1.6	2.9	–	–
Due < 90–180 days	0.9	2.1	–	–
Due < 181–360 days	5.9	7.8	–	–
Due > 360 days	92.1	75.6	–	–
Provision for impairment of trade accounts receivable, total	**101.7**	**90.6**	**–**	**–**

The credit quality of trade accounts receivable not due, for which no reserve has been made, is considered good.

Note 21 Share capital and proposed dividend

Year	Action	Quotient value	Change in share capital, SEK m.	Share capital, SEK m.	Change in A shares	Change in B shares	Total no. of shares
Opening balances, May 2007		–		52.0	500,000	20,000	520,000
2007/08	100:1 split	1	–	52.0	50,000,000	2,000,000	52,000,000
2007/08	Reregistration of shares to one class[1)]	1	–	52.0	–50,000,000	–2,000,000	52,000,000
At year-end, April 2018		**1**	**–**	**52.0**	**–**	**–**	**52,000,000**

1) The Annual General Meeting held on 25 June 2007 resolved that the Company would have one class of share only.

At 30 April 2018, the registered share capital totalled SEK 52,000,000, represented by 52,000,000 shares, each entitled to one vote and of one and the same class. All shares are fully paid.

The Board of Systemair has resolved that dividend should amount to approximately 30 percent of profit after tax. The Board proposes to the 2018 AGM that a dividend of SEK 2.00 (2.00) per share be paid, totalling SEK 104.0 million (104.0) and representing a dividend of 45 percent (35) of profit after tax.

Capital management

The Board of Systemair has adopted a target for the Company's equity/assets ratio of no less than 30 percent. In the 2017/18 financial year, an equity/assets ratio of 42.5 percent (44.6) was reported. Other financial covenants measured, as required under existing financing agreements with Nordea Bank AB and Svenska Handelsbanken AB, are interest coverage ratio and net debt/equity ratio. The target for interest coverage ratio is no less than 3.50. Over the financial year the ratio was measured at 33.7 (29.7). The target for net debt/equity ratio is no more than 3.50. Over the 2017/18 financial year the ratio was measured at 3.18 (2.10). It is therefore confirmed that all covenant requirements were satisfied.

Translation reserve

The impact of foreign exchange on equity is recognised as a translation difference. The translation difference arises upon consolidation, when the net assets of foreign subsidiaries are translated to SEK. Systemair applies the current method, in which assets, liabilities and equity are translated at the exchange rates prevailing at the balance sheet date, while the income statements are translated at average rates for the year. Any exchange differences resulting from the use of this method are recognised directly in Other comprehensive income. In the 2017/18 financial year, the translation difference in equity was SEK 123.7 million (84.2).

Fund for development expenditure – Parent Company

On capitalisation of development costs, an amount equal to that capitalised is to be transferred from retained profit to a special restricted fund for development expenditure. The fund is to be drawn on in the event of depreciation/amortisation, impairment or disposal. The Parent Company recognises a fund of SEK 6.7 million (5.6) for development expenditure for the 2017/18 financial year. Capitalised development costs are still accruing and no depreciation has yet been applied. An impairment test was conducted, indicating an impairment loss totalling SEK 3.9 million (–) for the year. The impairment loss was charged to Cost of goods sold.

Proposed Appropriation of Profits

Available for distribution by the Annual General Meeting:

Share premium reserve	SEK 35,206,751
Fair value reserve	SEK –5,167,245
Profit brought forward	SEK 1,739,728,643
Net profit for the year	SEK 27,038,163
	SEK 1,796,806,312

The Board proposes that the Annual General Meeting, to be held on 30 August 2018, approve a dividend of SEK 2.00 (2.00) per share. As a result, dividend payments will amount to SEK 104.0 million (104.0). The remaining unappropriated profit is to be carried forward. The proposed dividend corresponds to 45 percent (35) of net consolidated profit. The number of shares entitled to a dividend is 52,000,000.

List of shareholders

Systemair's 10 largest shareholders according to Euroclear at 30 April 2018.

Shareholder	No. of shares	% of capital and votes
Färna Invest AB[1)]	22,164,162	42.62%
ebm-papst AB	11,059,770	21.27%
Swedbank Robur Fonder	3,877,049	7.46%
Alecta Pensionsförsäkring, Ömsesidigt	2,550,000	4.90%
Fidelity Funds – Nordic Fund	1,861,169	3.58%
Nordea Investment Funds	1,859,019	3.58%
AFA Insurance	1,324,709	2.55%
Lannebo Fonder	1,165,916	2.24%
JP Morgan Bank Luxembourg S.A.	780,496	1.50%
SEB Investment Management	426,534	0.82%
Other	4,931,176	9.48%
Total	**52,000,000**	**100.00%**

1) Färna Invest AB is a company owned by Systemair's Chairman Gerald Engström.

Options programme

In the 2014/15 financial year, Systemair's principal shareholder, Färna Invest AB, issued a total of 520,000 options to buy Systemair shares, to 19 senior executives at Systemair. Färna Invest AB is owned by Systemair's Chairman Gerald Engström. The programme extended over three years beginning on 24 October 2014. No dilution effect or cost arose for, or was incurred by, Systemair AB since as the options are issued by Färna Invest AB.

Note 22 Borrowing and financial instruments

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Non-current liabilities				
Bank loans of one to five years	620.6	280.0	409.2	124.9
Bank loans for longer than five years	70.1	39.3	–	–
	690.7	**319.3**	**409.2**	**124.9**
Current liabilities				
Bank overdraft facilities	1,076.6	1,027.5	1,039.8	1,003.0
Current portion of bank loans	206.6	208.6	30.3	65.3
	1,283.2	**1,236.1**	**1,070.1**	**1,068.3**
Total borrowing	**1,973.9**	**1,555.4**	**1,479.3**	**1,193.1**
Distribution among banks				
Nordea Bank AB	828.0	760.0	718.2	687.3
Svenska Handelsbanken AB	877.1	626.4	761.1	505.8
Other banks	268.8	169.0	–	–
	1,973.9	**1,555.4**	**1,479.3**	**1,193.1**

>> Note 22 (cont.)

Loans, by currency	SHB 2017/18	SHB 2016/17	Nordea 2017/18	Nordea 2016/17	Other 2017/18	Other 2016/17	Total 2017/18	Total 2016/17
EUR	460.2	335.4	69.8	130.7	223.7	131.0	753.7	597.1
SEK	303.1	155.7	562.9	472.4	4.8	–	870.8	628.1
USD	–	–	113.4	85.5	–	–	113.4	85.5
NOK	–	–	–45.5	–22.9	–	–	–45.5	–22.9
DKK	–	–	70.5	38.4	–	–	70.5	38.4
Other currencies	113.8	135.3	56.9	55.9	40.3	38.0	211.0	229.2
Total	**877.1**	**626.4**	**828.0**	**760.0**	**268.8**	**169.0**	**1,973.9**	**1,555.4**

	2017/18 Loan amount	2017/18 Weighted interest rate	2016/17 Loan amount	2016/17 Weighted interest rate
Long-term loans				
Group	690.7	1.38%	319.3	1.82%
Parent Company	409.2	0.84%	124.9	1.24%
Short-term loans				
Group	1,283.2	1.22%	1,236.1	1.20%
Parent Company	1,070.2	0.98%	1,068.3	0.91%

External credit limits granted for operating credits totalled SEK 1,293.6 million (1,253.9) in the Group and SEK 1,170.0 million (1,170.0) in the Parent Company. The Group had an unused overdraft facility of SEK 212.4 million (256.5).

The Group's financing agreements with Nordea Bank AB and Svenska Handelsbanken AB include financial covenants. During the year, new financial covenants with the EBRD were also agreed regarding borrowing by the subsidiary Systemair HSK, Turkey. The key ratios measured are interest coverage ratio, net debt/equity ratio and equity/assets ratio, which are measured quarterly as a rolling 12-month value. During the year, the Group regularly met all the current terms and conditions of its covenants.

Change in liabilities in financing activities

	30/04/2017	Cash flow	Acquisitions	Miscellaneous	Translation differences	30/04/2018
Group						
Non-current financial liabilities	319.3	351.5	12.3	5.5	2.1	690.7
Current financial liabilities	208.6	–9.5	–	–	7.5	206.6
Bank overdraft facilities	1,027.5	–19.1	–	–	68.2	1,076.6
Total financial liabilities	**1,555.4**	**322.9**	**12.3**	**5.5**	**77.8**	**1,973.9**
Parent Company						
Non-current financial liabilities	124.9	280.6	–	3.7	–	409.2
Current financial liabilities	65.3	–34.9	–	–	–	30.4
Bank overdraft facilities	1,003.0	36.8	–	–	–	1,039.8
Total financial liabilities	**1,193.1**	**282.5**	**–**	**3.7**	**–**	**1,479.4**

Maturity structure

Maturity structure for future agreed interest payments based on current interest rates, repayments and other financial liabilities.

	2018/19	2019/20	2020/21	2021/22	2022/23	Later
Interest payments on loans	12.8	7.9	6.1	3.0	2.0	2.7
Interest bank overdraft facilities	11.0					
Total interest expense	**23.8**	**7.9**	**6.1**	**3.0**	**2.0**	**2.7**
Repayments						
Loans	206.6	134.1	417.9	32.9	35.7	70.2
Operating credit	1,076.6					
Non-current liabilities		15.4	6.0			
Other liabilities	758.6					
Total undiscounted payment	**2,065.6**	**157.4**	**430.0**	**35.9**	**37.7**	**72.9**

Classification and categorisation of financial assets and liabilities in the Group

Measurement at fair value is based on a valuation hierarchy governing input data for the valuations. This hierarchy is divided into three levels, corresponding to those introduced in IFRS 13 Financial Instruments: Disclosures. The three levels are:

Level 1: Quoted prices (unadjusted) in an active market for identical assets or liabilities to which the company has access at the time of valuation. Systemair has at present no financial assets or liabilities that are measured at level 1.

Level 2: Inputs other than Level 1 quoted prices that are directly or indirectly observable for the asset or liability. Inputs other than quoted prices observable for the asset or liability may also include interest rates, yield curves, volatility and multiples. Forward contracts are measured at fair value at level 2, that is, fair value established using measurement techniques and observable market data either directly or indirectly that are not included in level 1 (fair value established on the basis of quoted prices in an active market for the same instrument).

Level 3: Inputs not based on observable market data for the asset or liability. On this level, assumptions that market operators would apply in the pricing of the asset or liability, including risk assumptions, are to be taken into account. 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. For the 2017/18 financial year, the liability has been written down, with an impact pf SEK 2.3 million on income. The adjustment is applied to Other operating income. 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 2017/18 financial year, the liability was written down by SEK 0.9 million in view of a decrease in anticipated profit.

The carrying amount for all items, other than borrowing, is an approximation of the fair value, and as a result such items are not classified into levels in accordance with the valuation hierarchy. Because loans to credit institutions carry a variable interest rate and fixed interest rates for short periods, the carrying amount for loans is also deemed to correspond essentially to the fair value.

>> Note 22 (cont.)

2017/18 Assets	Derivatives	Loan receivables, taxes recoverable and accounts receivable – trade	Available-for-sale financial assets	Total financial assets	Non-financial assets	Total
Intangible assets	–	–	–	–	976.0	976.0
Property, plant and equipment	–	–	–	–	1,722.2	1,722.2
Financial investments	–	–	1.5	1.5	–	1.5
Non-current receivables	–	15.7	–	15.7	9.8	25.5
Deferred tax assets	–	–	–	–	213.4	213.4
Inventory	–	–	–	–	1,399.4	1,399.4
Other receivables	–29.5	1,525.9	–	1,496.4	136.0	1,632.4
Cash and cash equivalents	–	212.8	–	212.8	–	212.8
Available-for-sale assets	–	–	11.8	11.8	–	11.8
Total assets	**–29.5**	**1,754.4**	**13.3**	**1,738.2**	**4,456.8**	**6,195.0**

Equity and liabilities	Liability measured at fair value via equity[1]	Liability measured at fair value via the income statement[2]	Other financial liabilities	Total financial liabilities	Non-financial liabilities	Total
Equity	–	–	–	–	2,620.3	2,620.3
Provisions for pensions	–	–	–	–	74.8	74.8
Deferred tax liabilities	–	–	–	–	90.1	90.1
Other provisions	–	–	–	–	73.1	73.1
Other non-current liabilities	15.4	6.0	–	21.4	16.1	37.5
Interest-bearing liabilities	–	–	1,973.9	1,973.9	–	1,973.9
Other liabilities	–	–	758.6	758.6	557.5	1,316.1
Liabilities attributable to available-for-sale asset	–	–	9.2	9.2	–	9.2
Total equity and liabilities	**15.4**	**6.0**	**2,741.7**	**2,763.1**	**3,431.9**	**6,195.0**

[1] Option to acquire the remaining 10 percent in Systemair HSK, Turkey. The option lapses in 2020.
[2] Option to acquire the remaining 25 percent in Systemair Traydus, Brazil. The option lapses in 2021.

2016/17 Assets	Derivatives	Loan receivables, taxes recoverable and accounts receivable – trade	Available-for-sale financial assets	Total financial assets	Non-financial assets	Total
Intangible assets	–	–	–	–	884.7	884.7
Property, plant and equipment	–	–	–	–	1,413.4	1,413.4
Financial investments	–	–	1.5	1.5	–	1.5
Non-current receivables	–	15.8	–	15.8	5.0	20.8
Deferred tax assets	–	–	–	–	178.3	178.3
Inventory	–	–	–	–	1,170.4	1,170.4
Other receivables	–5.6	1,280.6	–	1,275.0	175.3	1,450.3
Cash and cash equivalents	–	241.8	–	241.8	–	241.8
Total assets	**–5.6**	**1,538.2**	**1.5**	**1,534.1**	**3,827.1**	**5,361.2**

Equity and liabilities	Liability measured at fair value via the income statement	Other financial liabilities	Total financial liabilities	Non-financial liabilities	Total
Equity	–	–	–	2,381.3	2,381.3
Provisions for pensions	–	–	–	61.9	61.9
Deferred tax liabilities	–	–	–	86.8	86.8
Other provisions	–	–	–	81.9	81.9
Other non-current liabilities	9.2	–	9.2	19.4	28.5
Interest-bearing liabilities	–	1,555.4	1,555.4	–	1,555.4
Other liabilities	–	656.3	656.3	509.1	1,165.3
Total equity and liabilities	**9.2**	**2,211.7**	**2,220.8**	**3,140.3**	**5,361.2**

On the balance sheet date, the Group had outstanding currency derivatives in EUR. The fair value of the contracts is SEK –29.5 million (–5.6) in the Parent Company and SEK –253 thousand (95) in the Group. The total hedged value was EUR 42.0 million (38.0) and CZK 16.1 million (3.6). The revaluation of the derivatives is charged to Other operating expenses.

Currency derivatives – hedged values Group	EUR m.	CZK m.
Maturity of forward contracts		
< 1 year	25.0	9.6
May 2019 – July 2019	8.0	2.3
Aug 2019 – Oct 2019	9.0	2.3
Nov 2019 – Jan 2020	–	1.9
Total outstanding	**42.0**	**16.1**

In its financial policy, Systemair has stated that 50 percent of the anticipated EUR inflow may be hedged for no more than 18 months. As a result, the Company sells EUR during this period of time. At the financial year-end, 72.2 percent of forward contracts had been taken out by the Parent Company and 27.8 percent by subsidiaries. The forward contracts are measured at fair value. Hedge accounting is not used. Changes in value are recognised via the income statement.

Selling currency on forward contracts requires a binding agreement in which a fixed redemption price (rate) is fixed to apply on a specific date.

Note 23 Accrued expenses and deferred income

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Salary and holiday pay liability	148.0	132.1	8.5	6.8
Employer's social security contribution liability	37.2	30.0	3.7	3.1
Commission payments and bonuses	29.8	25.0	–	1.2
Miscellaneous	102.8	86.3	14.3	2.2
	317.8	**273.4**	**26.5**	**13.2**

Note 24 Appropriations, other

	Parent Company	
	2017/18	2016/17
Group contributions paid	–	–3.5
Group contributions received	79.5	53.5
Reversal of tax allocation reserve	0.1	0.1
Difference between depreciation charged and amortisation according to plan	0.3	0.1
	79.9	**50.2**

Note 25 Untaxed reserves

	Parent Company	
	2017/18	2016/17
Difference between depreciation charged and amortisation according to plan	0.1	0.4
Tax allocation reserve, tax in 2013	–	0.1
Tax allocation reserve, tax in 2014	0.2	0.2
Tax allocation reserve, tax in 2016	4.8	4.8
	5.1	**5.5**

Note 26 Provisions for pensions

Systemair operates several different post-employment benefit plans. These are classified as either defined-benefit or defined-contribution plans, or a combination of the two. A defined-contribution pension plan is one in which the Group pays fixed contributions to a separate legal entity and then is under no further obligations. Defined-contribution plans are recognised as a cost in the period during which the employees perform the service to which the remuneration refers. A defined-benefit pension plan is one that specifies an amount for the pension benefit that an employee will receive on retirement. Defined-benefit plans are measured separately and for each plan, based on the benefits earned during prior and current periods. The liability recognised as Provisions for pensions, defined-benefit pension plans, is the present value of the defined-benefit obligation at the balance sheet date, less the fair value of plan assets. The cost of a defined-contribution pension plan is broken down into different categories, such as cost of entitlement earned, interest expense/income and revaluation effects. The cost of entitlement earned is recognised as an operating expense and classified as cost of goods sold, selling expenses or administration expenses depending on the role of the individual. Interest expense or income is recognised in net financial items, while revaluation effects are recognised in comprehensive income.

Pension obligations are calculated annually with the aid of independent actuaries who use the Projected Unit Credit method. The calculation is based on actuarial, demographic and financial assumptions, including discount rate, anticipated rate of inflation, anticipated rate of increase in salaries and anticipated return on plan assets.

The following is a brief description of the most important pension plans.

Sweden

Some salaried employees in Sweden are subscribed to a defined-benefit pension plan under the ITP 2 scheme. This is a final salary based plan which requires 30 years of service for entitlement to a full pension. The defined-benefit pension obligations under the ITP 2 plan providing retirement and family pensions (or family pension) are secured via insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council, UFR 10 Accounting for ITP 2 Plans Financed via Insurance with Alecta, this consists of a defined-benefit plan serving several employers. For the 2017/18 financial year, the Company has not had access to information enabling it to account for the Group's proportional share of the plan's obligations, plan assets and costs, and so has not been able to account for the plan as a defined-benefit plan. The ITP 2 pension plan is secured through insurance with Alecta and therefore recognised as a defined-contribution plan. Premiums for defined-benefit retirement and family pensions are individually calculated on the basis, for example, of salary, pension earned earlier and anticipated remaining period of service. Contributions during the year for defined-benefit pension insurance policies contracted with Alecta totalled approximately SEK 5.7 million (5.5). The contributions for 2018/19 are expected to be in line with those for 2017/18.

The collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance obligations, based on Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. Normally, the collective consolidation level may be permitted to vary between 125 percent and 155 percent. If Alecta's collective consolidation level falls short of 125 pecent or exceeds 155 precent, steps are to be taken to enable the consolidation level to be brought back within the normal range. In the case of low consolidation, an option is to increase the agreed price for new, and extending existing, benefits. In the event of high consolidation, one measure may be to introduce premium reductions. At the end of 2017, Alecta's surplus, expressed as the collective consolidation ratio, amounted to 154 percent (149).

Norway

Defined-benefit pension plans in Norway are governed by the Norwegian Company Defined Benefit Act. The plan covers all employees; payments from the earlier national pension system and the defined-benefit system amount to around 66 percent of the employee's salary on reaching retirement age (normally 67 years). Because the benefits under the new defined-benefit system are lower than previously, the pension payments will be lower than 66 percent. The amount payable will differ, depending on when the employee chooses to take retirement, normally between the ages of 62 and 75 years. The pension is calculated starting from the day of retirement and based on the number of years until the statistically calculated average life expectancy. Under Norwegian law, the plan assets must at all times cover the pension entitlements earned by the employees subscribing to the pension plan. The plan assets must be kept separate from the company, although there is no regulation on how the assets are to be invested. A management group is appointed to decide where and how the assets are to be invested and it is stipulated that one member of the management group must subscribe to the defined-benefit plan. The company must contribute at least 2 percent of the annual salary cost.

Switzerland

Defined-benefit plans in Switzerland must be funded and administered by an independent, legally autonomous managed pension fund. On this point, Swiss law only lays down a mandatory minimum level.

Insurance plan; the company is affiliated to a collective foundation. In accordance with IAS 19, the plan is classified as a defined-benefit plan, but is based on set contributions. Under Swiss law, the foundation guarantees the benefit amounts earned, as established annually for the employee. Interest may be added to the balance held. At retirement, the employee is entitled to take the pension as a lump sum, or an annuity, or to receive part as a lump sum and have the remainder converted into a fixed annuity in accordance with the rates established by the collective foundation. Under Swiss law, the foundation is required to guarantee a minimum level based on the investment. Otherwise, the foundation is responsible for determining how the plan assets are to be invested.

Italy

According to Italian law, employees whose employment is terminated are entitled to a severance payment, referred to as TFR. In brief, the TFR is calculated on a case-by-case basis as a portion of the employee's gross salary and a reasonable revaluation of the amount earned in the period up to the time when notice of termination of employment is given. Following amendments to Italian legislation on 1 January 2007, all companies with more than 50 employees are obliged to pay the estimated TRF liability to a supplementary pension fund or Italy's national social security fund, INPS. All post-employment benefits to be paid in future will be paid via one of the above-mentioned funds. As a result, the fund has been classified as a defined-contribution plan following the changes to the law.

The pension liability on 30 April 2018 in connection with defined-benefit pension plans is based on amounts earned within TFR on 31 December 2006. This corresponds to the amount the company must pay when an employee reaches retirement age, or in the event of termination of the employee's employment.

France

In France, pensions are paid to employees at retirement age in accordance with the current collective agreement. The plan is of the defined-benefit type and is based on the employee's final salary. The plan does not set any minimum requirements.

>> Note 26 (cont.)

Per country data, **30 April 2018**

Amount shown on balance sheet – defined-benefit pension plans	Norway	Switzerland	Italy	France	Other	Total
Present value of obligations, including payroll tax	118.5	42.7	23.7	20.1	1.8	206.8
Fair value of plan assets	–100.7	–31.3	–	–	–	–132.0
Pension provisions, net	**17.8**	**11.4**	**23.7**	**20.1**	**1.8**	**74.8**
Cost recognised in income statement						
Costs relating to service	7.3	2.0	–	1.0	0.3	10.6
Interest expense / (profit)	0.3	0.1	0.3	0.4	–	1.1
Administration expense	–	–	–	–	–	–
Net cost recognised in income statement	**7.6**	**2.1**	**0.3**	**1.4**	**0.3**	**11.7**
Maturity profile for defined-benefit obligations						
Weighted average duration for defined-benefit obligations this year	22	19	12	17	8	
Major actuarial assumptions, weighted average, %						
Discount rate	2.70	0.90	1.93	2.00	1.50	
Anticipated rate of increase in salaries	2.75	0.50	2.00	1.50	0.50	
Anticipated rate of inflation	1.50	0.50	2.00	0.50	0.50	

Per country data, 30 April 2017

Amount shown on balance sheet – defined-benefit pension plans	Norway	Switzerland	Italy	France	Other	Total
Present value of obligations, including payroll tax	93.0	44.4	22.0	18.1	1.6	179.1
Fair value of plan assets	–85.4	–31.8	–	–	–	–117.2
Pension provisions, net	**7.6**	**12.6**	**22.0**	**18.0**	**1.6**	**61.9**
Cost recognised in income statement						
Costs relating to service	5.8	2.5	–	1.1	0.3	9.7
Interest expense / (profit)	0.3	0.1	0.4	0.3	–	1.1
Administration expense	0.2	–	–	–	–	0.2
Net cost recognised in income statement	**6.3**	**2.6**	**0.4**	**1.4**	**0.3**	**11.0**
Maturity profile for defined-benefit obligations						
Weighted average duration for defined-benefit obligations this year	21	19	11	16	8	
Major actuarial assumptions, weighted average, %						
Discount rate	2.60	0.70	2.30	1.90	1.50	
Anticipated rate of increase in salaries	2.50	0.50	2.00	2.00	0.50	
Anticipated rate of inflation	2.50	0.50	2.00	1.50	0.50	

Impact of pension costs on earnings

	2017/18	2016/17
Operating expenses – defined-benefit plans	10.6	9.9
Operating expenses – defined-contribution plans	60.1	51.7
Total operating expenses	**70.7**	**61.6**
Interest expense – defined-benefit plans	1.1	1.1
Cost before tax	**71.8**	**62.7**

Reconciliation of change in present value of defined-benefit obligations and plan assets

Defined-benefit obligations	**2017/18**	2016/17
Defined-benefit plans – obligation on 1 May	179.1	160.2
Current cost	10.6	9.7
Interest expense	3.5	3.2
Benefits paid	–7.4	–2.8
Actuarial gains/losses (financial assumptions)	12.3	4.7
Actuarial gains/losses (demographic assumptions)	–0.7	–2.1
Actuarial gains/losses (empirical adjustments)	1.2	–0.5
Offsetting (other)	–	–1.3
Exchange rate differences	8.2	8.0
Defined-benefit plan obligations, 30 April	**206.8**	**179.1**

Changes in plan assets	**2017/18**	2016/17
Fair value of plan assets, 1 May	117.2	101.7
Contributions from employers	15.6	10.3
Contributions from employees	1.2	1.4
Benefits paid	–6.6	–2.6
Interest income	2.4	2.1
Actuarial gains/losses	–1.9	0.4
Offsetting (other)	–	–1.1
Exchange rate differences	4.1	5.0
Fair value of plan assets, 30 April	**132.0**	**117.2**

	2017/18	2016/17
Best estimate for contributions next year	10.2	11.5

>> Note 26 (cont.)

Sensitivity analysis

The table below indicates the impact of the value of pension obligations, based on assumed changes.

	Change in assumption (%)	Impact, SEK m.	Change in assumption (%)	Impact, SEK m.
Discount rate	+1.0	–32.2	–1.0	43.5
Rate of inflation	+0.5	–0.8	–0.5	6.0
Future increase in salaries	+0.5	9.5	–0.5	8.1

The sensitivity analysis is performed by varying an actuarial assumption while maintaining the other assumptions unchanged. The method illustrates the liability's sensitivity to a particular assumption. This is a simplified method, as the actuarial assumptions are normally correlated.

Fair value of plan assets

	2017/18	2016/17
Shares and similar financial instruments	17.5	15.0
Fixed-interest securities etc.	94.8	90.1
Properties	13.1	12.1
Other	6.6	–
Total	**132.0**	**117.2**

Amounts recognised in other comprehensive income

	2017/18	2016/17
Actuarial gains/losses, gross	–14.7	–1.7
Tax effect	3.0	0.3
Net in equity	**11.7**	**–1.4**

Note 27 Other provisions

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Amount at beginning of year	81.9	92.8	–	–
Provisions during the year	22.0	30.6	–	–
Provisions acquired	5.5	0.3	–	–
Utilisation during the year	–18.9	–9.8	–	–
Provisions reversed	–5.6	–6.9	–	–
Reclassifications	–15.1	–29.1	–	–
Translation differences	3.3	4.0	–	–
Amount at year-end	**73.1**	**81.9**	**–**	**–**

Provisions totalling SEK 46.1 million (43.1) relate to warranty costs, SEK 1.6 million (7.8) to restructuring costs and SEK 9.8 million (7.5) to other personnel-related items. The option to purchase the remaining 10 percent of the shares in Systemair HSK, Turkey, has been reclassified to Other non-current liabilities.

Note 28 Profit/loss from participations in Group companies

	Parent Company	
	2017/18	2016/17
Dividend from subsidiaries	262.6	268.0
Write-down on shares in subsidiaries	–200.1	–53.9
	62.5	**214.1**

Note 29 Participations in Group companies

Parent Company holdings of shares in Group companies.

Subsidiary	Org. reg. no.	Registered office	% equity	No. of shares	Carrying amount
Systemair Sverige AB	559000-1516	Skinnskatteberg, Sweden	100	1,000,000	1.0
Animac	556311-3926	Motala, Sweden	100	2,500	2.7
Frico AB	556573-3812	Partille, Sweden	100	50,000	288.5
Kanalfläkt Design Alliuq AB	556823-9577	Ängelholm, Sweden	100	500	164.6
Kanalfläkt Industrial Service AB	556063-2530	Skinnskatteberg, Sweden	100	5,000	1.2
KP Klimat AB	556772-1518	Eskilstuna, Sweden	100	1,000	6.0
VEAB Heat Tech AB	556138-3166	Hässleholm, Sweden	100	3,000	65.6
Systemair NV		Belgium	100	–	27.7
Menerga NV		Belgium	100	–	8.6
Systemair Traydus		Brazil	75	–	10.8
Systemair EOOD		Bulgaria	100	–	0.1
Systemair SpA		Chile	100	–	7.2
Welmo Trading Ltd		Cyprus	100	1,000	0.0
Systemair a/s		Denmark	100	10,101	35.1
Systemair Trading LLC		Dubai, United Arab Emirates	100	–	2.1
Systemair Fans & Spares Ltd		United Kingdom	100	1,000,000	32.0
Systemair AS		Estonia	100	3,128	17.3
Systemair Oy		Finland	100	20	0.3
Systemair SAS		France	100	9,994	6.5
Systemair AC SAS		France	100	10,000	10.3
Systemair Hellas		Greece	100	15,000	8.7
Systemair B.V.		Netherlands	100	–	119.2
Frico B.V.		Netherlands	100	40	11.0
Systemair Hong Kong Ltd.		Hong Kong	100	300	0.2
Systemair India Pvt. Ltd		India	100	320,000	161.3
Systemair Ltd		Ireland	100	1	0.0
Systemair s.r.l.		Italy	100	–	187.5
Systemair Ltd		Canada	100	44,600	29.6
Systemair (Suzhou) Co. Ltd.		China	100	–	7.0
Systemair Shanghai Co. Ltd		China	100	–	1.3

>> Note 29 (cont.)

Subsidiary	Org. reg. no.	Registered office	% equity	No. of shares	Carrying amount
Systemair d.o.o.		Croatia	100	–	0.0
Systemair SIA		Latvia	100	2,500	1.1
Systemair UAB		Lithuania	100	500	10.9
UAB Systemair BK		Lithuania	100	–	25.5
Systemair Sdn Bhd		Malaysia	100	1,500,000	20.6
Systemair Mexico		Mexico	100	–	0.4
Systemair AS		Norway	100	82,000	21.4
Menerga AS		Norway	100	50	20.8
Reftec AS		Norway	100	100	2.7
Systemair Peru SAC		Peru	100	20,000	3.6
Systemair SA		Poland	100	200	0.9
Systemair SA		Portugal	100	200,000	26.0
Systemair Middle East LLC		Qatar	100	–	0.4
Systemair Rt		Romania	100	1,000	0.0
OOO Systemair		Russia	100	–	95.9
Systemair d.o.o. Belgrade		Serbia	100	–	12.4
Systemair Suisse AG		Switzerland	100	250	47.0
Syneco AG		Switzerland	100	210	11.7
Systemair (SEA) PTE Ltd.		Singapore	100	1,000,000	6.2
IMOS-Systemair spol. s.r.o.		Slovakia	100	–	68.2
Systemair AS		Slovakia	100	22	0.5
Systemair d.o.o.		Slovenia	100	–	42.9
Systemair HVAC S.L.U.		Spain	100	–	26.3
Systemair (Pty) Ltd		South Africa	100	1,000	43.0
Systemair SA		Czech Republic	100	–	21.5
2VV s.r.o.		Czech Republic	100	–	110.1
Recutech s.r.o.		Czech Republic	10	–	4.8
Systemair Co. Ltd		Taiwan	100	–	0.0
Systemair HSK		Turkey	90	2,150	173.4
Systemair GmbH		Germany	100	–	10.4
Lautner Enegiespartechnik GmbH		Germany	100	–	10.5
LGB GmbH		Germany	100	–	38.9
Menerga GmbH		Germany	100	–	238.3
Tekadoor GmbH		Germany	100	–	30.3
TTL		Germany	100	–	0.2
Systemair TOV		Ukraine	100	–	0.0
Systemair Rt		Hungary	100	2,000	4.5
Systemair Mfg Inc.		USA	100	500	32.1
Systemair GmbH		Austria	100	–	10.9
Frivent GmbH		Austria	100	–	28.9
					2,417.0

Subsidiaries indirectly controlled by Parent Company

Indirectly held	Parent Company	Registered office	% of capital
Kanalfläkt Tekniska AB	Kanalfläkt Industrial Service AB	Skinnskatteberg, Sweden	100
Menerga AB	Kanalfläkt Industrial Service AB	Skinnskatteberg, Sweden	100
Frico SAS	Frico AB	France	100
Frico AS	Frico AB	Norway	100
Menerga Polska	Systemair SA	Poland	100
Frivent CZ s.r.o.	Frivent GmbH	Czech Republic	100
Recutech s.r.o.	2VV s.r.o.	Czech Republic	90
Frico GmbH	Frico AB	Germany	100
Frico GmbH AT	Frico AB	Austria	100
Tekadoor Lufttechnische Geräte GmbH	Tekadoor GmbH	Austria	50
Systemair OOO	UAB Systemair BK	Kaliningrad	100
Systemair	UAB Systemair BK	Belarus	100

Change in Group companies

	Parent Company	
	2017/18	2016/17
At beginning of the year	2,177.8	2,045.6
Acquisitions for the year	239.1	115.5
New share issues during the year	190.6	68.8
Impairment losses for the year	–190.5	–52.1
	2,417.0	**2,177.8**

Note 30 Changes in Group structure – Business combinations

Companies acquired

In May 2017, Systemair AB completed the acquisition of Frivent Luft- & Wärmetechnik GmbH, Austria. Frivent is based in St. Johann, Tyrol, Austria. The company sells products for commercial and industrial use to a value of around EUR 7 million per year in Austria, Germany, the Czech Republic and Russia. The company manufactures air handling units, heat recovery systems and roof-mounted units for niche applications. During 2017/18 production was relocated to Systemair's factory in Slovenia. Frivent was consolidated on 1 May 2017.

In June 2017, Systemair's South African subsidiary acquired the assets of the South African company Viking Air Conditioning, a market-leading manufacturer of air handing units with integrated cooling. Viking is based in Spartan, Johannesburg, South Africa. The company produces and sells customised air handling units with integrated cooling for commercial use. Sales are valued at around SEK 40 million annually in South Africa and neighbouring countries. Viking has been selling high-quality air handling units, with and without integral cooling, for more than 25 years. The products are stocked by the leading supermarket chains, as well as other sellers, in the region. The company has 45 employees and operates from leased premises of 3,000 m². Viking was consolidated as of 1 June 2017.

In September, the French subsidiary Frico S.A.S. acquired the operations of French company Hora S.A.S. The company operates as a reseller of electric ceiling heaters and has sales of around EUR 1.2 million. The acquisition includes 3 employed salespersons and agreements with approximately 15 agents.

In March 2018, Systemair AB acquired Syneco GmbH, Switzerland, which sells and services Menerga's products. In 2017, Syneco had sales of around SEK 50 million and adds 16 employees to the Group. The sales company, which is headquartered in Solothurn, today focuses on the French/Italian part of the Swiss market. On completion of the acquisition, Syneco will be integrated into Menerga Switzerland.

Net sales for the acquired companies between the time of acquisition and the financial year-end totalled SEK 72.9 million. During the period, an operating loss of SEK –5.7 million was recorded. If the companies acquired had been consolidated as of 1 May 2017, net sales for the period May 2017 through April 2018 would have totalled approximately SEK 7,327.6 million. The operating profit for that period would have totalled approximately SEK 345.9 million.

The price paid for the shares in Frivent of Austria and Syneco of Switzerland, and for the assets of Viking of South Africa and the operations of Hora of France, may provisionally be calculated as follows:

SEK m.	2017/18	2016/17
Total historical cost, less costs of acquisition	81.6	123.4
Assets acquired		
Fair value of assets acquired, net	27.3	88.4
Goodwill	54.3	35.0

Assets and liabilities acquired	Total 2017/18	Total 2016/17
Goodwill	54.3	35.0
Brands and customer relationships	28.8	25.7
Buildings and land	0.1	22.5
Machinery and equipment	7.2	58.9
Financial and other non-current assets	4.5	–
Deferred tax assets	0.5	–
Inventory	12.0	33.8
Current receivables	4.7	25.6
Other current assets	2.5	7.2
Cash and cash equivalents	6.6	2.6
Non-interest-bearing liabilities	–6.4	–1.4
Deferred tax liability	–7.7	–3.5
Interest-bearing liabilities	–12.3	–30.4
Other operating liabilities	–13.3	–52.3
	81.6	**123.4**

There is no difference between the fair value and the contractual value of the acquired assets.

Impact of acquisitions on cash flow	2017/18	2016/17
Purchase considerations	–81.6	–123.4
Purchase consideration not paid	8.8	7.0
Cash and cash equivalents in companies purchased	6.6	2.6
Purchase consideration paid for acquisitions in prior years	–11.4	–5.9
Transaction costs, acquisition of subsidiaries	–1.8	–0.2
Change in consolidated cash and cash equivalents after acquisitions	**–79.4**	**–119.9**

Brand and customer relationships have been measured at the net present value of future payment flows. The useful life of these assets has been estimated at 5–10 years.

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

No significant change occurred in relation to the acquisition analysis from preceding years.

Companies divested

No companies were divested during the year.

Note 31 Receivables from Group companies

	Parent Company	
Change in receivables at Group companies	2017/18	2016/17
At beginning of the year	125.3	74.2
Lending	62.5	38.1
Repayments	–38.8	–16.9
Reclassifications	1.0	23.7
Foreign exchange adjustment	8.2	6.2
	158.2	**125.3**

Note 32 Pledged assets

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Assets pledged to credit institutions for own liabilities				
Chattel mortgages	149.2	130.9	–	–
Real estate mortgages	307.3	195.1	–	–
Pledged shares in subsidiaries	106.3	91.0	97.7	97.7
	562.8	**417.0**	**97.7**	**97.7**
Pledged assets, per bank				
Nordea Bank AB	264.4	257.0	97.7	97.7
Svenska Handelsbanken AB	47.7	50.1	–	–
Other banks	250.7	109.9	–	–
	562.8	**417.0**	**97.7**	**97.7**

Pledged shares in subsidiaries consist of all shares in Veab AB and all shares in Systemair Mfg Inc., USA. The amount hedged for the Parent Company consists of the book value of the shares. In the Group, value corresponds to equity plus any surplus values. The securities were obtained in connection with the acquisitions of the companies.

Note 33 Contingent liabilities

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Guarantees on behalf of subsidiaries	–	–	692.6	513.8
Guarantees and other contingent liabilities[1)]	156.7	112.9	91.6	52.9
	156.7	**112.9**	**784.2**	**566.7**

1) Mostly intra-Group Parent Company guarantees and bank guarantees.

The Parent Company has issued external bank guarantees and internal guarantees on behalf of the subsidiaries, in a total amount of SEK 91.6 million. The subsidiaries have issued local bank guarantees in total amount of SEK 65.1 million.

Note 34 Supplementary disclosures on the Cash flow statement

	Group		Parent Company	
	2017/18	2016/17	**2017/18**	2016/17
Adjustment for non-cash items etc.				
Depreciation/Amortisation	204.6	186.7	5.8	4.2
Impairment losses	15.0	–	3.9	–
Changes in provisions	–17.5	–14.1	–	–
Unrealised exchange gains and losses	25.1	–2.2	9.4	14.1
Provisions for pensions	–4.5	–1.1	–	–
Gain/Loss on divestment of non-current assets	–4.2	–11.2	–	–
Other items	1.9	0.3	–	–
	220.4	**158.4**	**19.1**	**18.3**

Note 35 Information on the Parent Company

Systemair AB is a Swedish-registered limited liability company. Its registered office is in Skinnskatteberg. The address of the Company's head office is Industrivägen 3, SE-739 30 Skinnskatteberg, Sweden. The Company's corporate identity number is 556160-4108. The consolidated accounts for the 2017/18 financial year include the Parent Company and its subsidiaries, jointly referred to as the "Group".

Note 36 Earnings per share

Group	**2017/18**	2016/17
Basic earnings per share (SEK)	4.43	5.66
Diluted earnings per share (SEK)	4.43	5.66
Profit for the period	230.1	294.2
Profit for the year attributable to Parent Company shareholders	230.5	294.2
Non-controlling interests	–0.4	–
Weighted average number of shares outstanding, basic	52,000,000	52,000,000
Weighted average number of shares outstanding, diluted	52,000,000	52,000,000

In the 2014/15 financial year, Systemair's principal shareholder, Färna Invest AB, issued a total of 520,000 options to buy Systemair shares, to 19 senior executives at Systemair. Färna Invest AB is owned by Systemair's Chairman Gerald Engström. The programme extended over three years beginning on 24 October 2014. No dilution effect or cost arose for Systemair AB, as the options were issued by Färna Invest AB.

Note 37 Related party transactions

During the year, the Group sold products for SEK 1.4 million (1.6) to ebm-papst AB. Product purchases from ebm-papst AB totalled SEK 1.1 million (1.1). During the year, products purchased by the Group from ebm-papst AB's parent company in Germany, ebm-papst GmbH, totalled SEK 251.3 million (209.6). ebm-papst AB has a holding corresponding to 21.3 percent of the shares in Systemair AB. Systemair AB (publ.) purchased hotel and conference services for SEK 2.7 million (3.1) from WG Hotelldrift AB, which is owned by Gerald and Wenche Engström. At the end of the financial year, Systemair AB had a trade account payable to WG Hotelldrift AB amounting to SEK 0.3 million (0.2).

For information on transactions with senior executives, see Note 10.

Parent Company purchases from other Group companies totalled SEK 53.7 million (47.7). Parent Company sales to Group companies are shown in Note 4. For more information on Parent Company receivables from Group companies, see Note 31. Liabilities to Group companies total SEK 564.3 million (425.6).

Note 38 Significant events after financial year-end

In May 2018, Systemair signed an agreement to divest its Norwegian subsidiary Reftec A/S. The company has been acquired by its present management and will continue to serve as exclusive distributor of Systemair's air conditioning products in the Norwegian market. In 2017/18, Reftec had net sales of NOK 28.9 million and an operating profit of NOK –2.0 million. As a result of the sale, Systemair has recorded a goodwill impairment of SEK 11.2 million, which is recognised in the fourth quarter of 2017/18.

The undersigned declare that the consolidated accounts and annual accounts were prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union, as well as generally accepted accounting principles, and give a true and fair view of the Group's and Company's financial position and earnings, and that the Group's and Company's administration reports give a fair review of the development of the Group's and Company's operations, financial position and earnings and describe the material risks and uncertainties facing the companies in the Group.

Skinnskatteberg, 5 July 2018

Gerald Engström
Chairman of the Board

Carina Andersson
Director

Patrik Nolåker
Director

Svein Nilsen
Director

Hans Peter Fuchs
Director

Ricky Sten
Employee Representative

Åke Henningsson
Employee Representative

Our Audit Report concerning this Annual Report was submitted on 20 July 2018.

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS IN SYSTEMAIR AB (PUBL), CORP. REG. NO. 556160-4108

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Statement

We have conducted an audit of the annual accounts and the consolidated accounts of Systemair AB (publ) for the financial year from 1 May 2017–30 April 2018, with the exception of the corporate governance report on pages 38–47. The company's annual report and consolidated accounts are included on pages 48–85 of this document.

In our view, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the parent company's financial position on 30 April 2018 and of its financial results and cash flow for the year in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and provide, in all material respects, a true and fair view of the financial position of the group as of 30 April 2018 and of its financial performance and cash flow for the year, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not refer to the corporate governance report on pages 38–47. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the contents of the supplementary report presented to the parent company's audit committee, in accordance with Article 11 of the EU Audit Regulation (537/2014).

Grounds for statement

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing practice in Sweden. Our responsibility according to these standards is described more fully in the section "Auditor's responsibility". In accordance with generally accepted accounting practice in Sweden, we are independent of the parent company and the group and have otherwise fulfilled our professional ethical responsibilities in line with the requirements stated therein. This means that, to the best of our knowledge and conviction, no prohibited services within the meaning of article 5.1 of the EU Audit Regulation (537/2014) were provided to the audited company or, where appropriate, to its parent company or controlling company in the EU.

We believe that the accounting evidence we have obtained provides an adequate and appropriate basis for our opinions.

Areas of particular importance

Areas of particular importance to our audit are those that, in our professional opinion, were the most important to our audit of the annual report and consolidated accounts for the period concerned. These areas were addressed within the scope of the audit of, and in our statement of opinion on, the annual report and consolidated accounts, but we make no separate comment on the areas concerned. The following description of how the audit was performed in these areas should be read in this context.

In these areas, we have also fulfilled the obligations described in the section "Auditor's responsibilities" in our report on the annual accounts. We therefore conducted audit processes designed to take account of our assessment of risk of material errors in the annual accounts and consolidated accounts. The result of our audit and the audit processes performed to address the areas described below represents the basis for our audit report.

Measurement of finished goods and in work in progress

Description of area

Inventories of finished goods and in work in progress were measured at SEK 745 million at the financial year-end. As described in Note 1, inventories are measured at historical cost or net realisable value, whichever is the lower, in which finished goods and work in progress are measured at production cost, less any deductions for obsolescence. Measurement at production cost is conducted with the aid of inventory recognition models, in which direct and indirect production-related costs are attributed to products made. An incorrect cost allocation will affect the measurement of the inventory and the recognised cost of products sold during the financial year and on that basis we have taken the view that this is an area of particular importance for the audit.

How this area was addressed in the audit

During our audit, we evaluated the inventory recognition model applied by the company. We also tested arithmetical calculations, carried out random checks on pricing of materials, components and processing costs, and assessed the reasonableness of prices used and assumptions made in the allocation of indirect production costs. We also assessed whether information disclosed was fit for purpose.

Measurement of goodwill and participations in Group companies

Description of area

Goodwill totals SEK 759 million in the consolidated balance sheet and participations in subsidiaries SEK 2,417 million in the parent company balance sheet at the financial year-end. As described in Note 1 and the section on impairments, the company tests for impairment at least annually and in the event of any indication of loss in value, and that goodwill values do not exceed the recoverable amount for these assets. Shares in subsidiaries are reviewed on an ongoing basis over the year to determine whether there are indications of loss or value and, if so, the recoverable amount for the asset is calculated. The recoverable amount is determined by calculating the value in use for each cash-generating unit, which in the company's case is that of the subsidiary concerned, on the basis of a present value calculation for estimated future cash flows. As described in Note 15, the forecasts for future cash flow are based on financial plans, approved by management, covering a five-year period. The plans take into account assumptions regarding product launches, price trends, sales volumes, competing products and cost trends. In addition, assumptions regarding applicable discount rate and growth beyond the five-year period have to be taken into account. In the group, a good impairment amounting to SEK 11 million is recognised. In the parent company, an impairment loss of SEK 200 million on participations in group companies was recognised in the financial year.

We have judged that measurement of goodwill and participations in group companies to be an areas of particular importance in our audit, as the carrying amounts for goodwill and participations in group companies are substantial and in addition are determined by management's estimates and assessments.

How this area was addressed in the audit

During our audit, we evaluated the company's process to establish an impairment test for goodwill. We examined how cash-generating units are identified on the basis of set criteria and compared this with how the company follows up goodwill internally. We examined the company's valuation principles and calculation models, assessed the reasonableness of assumptions made and sensitivity analyses regarding changes in assumptions, and made comparisons with the historical outcomes and accuracy of forecasts made earlier. We evaluated the reasonableness of the discount rate applied, and assessed long-term growth for the units concerned via comparisons with other companies in the same sector. We assessed the measurement of shares in subsidiaries and the company's process for identifying indications of any need for impairment. We also assessed whether information disclosed was fit for purpose.

Information other than in the annual accounts and consolidated accounts

This document also contains information other than in the annual accounts and consolidated accounts. Such information appears on pages 1–37. The Board of Directors and the Chief Executive Officer are responsible for such other information.

Our opinion on the annual accounts and consolidated accounts does not include this information, and we state no opinion in assurance of this other information.

As part of our audit of the annual report and consolidated accounts, it is our responsibility to read the information identified above and to consider whether that information is materially incompatible with the annual report and consolidated accounts. During this review, we also take into account the knowledge we have otherwise acquired during the audit and make a judgement as to whether the information otherwise contains material misstatements.

If, on the basis of the work performed regarding this information, we conclude that the other information contains any material misstatement, we are under a duty to report it. We have nothing to report in this respect.

Responsibilities of the Board of Directors and Chief Executive Officer

The Board of Directors and the CEO are responsible for preparing the annual report, with consolidated accounts, and for ensuring that it provides a true and fair view in accordance with the Swedish Annual Accounts Act, and, regarding the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for the internal controls that they deem to be necessary to prepare an annual report and consolidated accounts that are free of material misstatements, whether caused by irregularity or error.

In preparation of the annual report and the consolidated accounts, the Board of Directors and the CEO are responsible for assessing the company's ability to continue in business. Where appropriate, they are required to disclose information as to conditions that may affect the company's ability to continue in business and to proceed on the going concern assumption. However, the going concern assumption is not applied if the Board of Directors and the CEO intend to wind up the company or discontinue its business, or do not have any realistic prospect of doing either.

The tasks of the Board of Directors' audit committee include overseeing the company's financial reporting, without affecting the responsibilities and tasks of the Board of Directors in other respects.

Responsibilities of the auditor

Our objective is to achieve a reasonable degree of assurance that the annual report and consolidated financial statements as a whole do not contain any material misstatements, whether caused by irregularity or error, and to present an auditor's report including our statement of opinion. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit conducted in accordance with ISA standards and generally accepted accounting practice in Sweden will always reveal a material misstatement if such exists. Misstatements may arise through irregularity or error and are regarded as material if, individually or together, they may reasonably be expected to affect the financial decisions taken by users on the basis of the annual report and consolidated accounts.

As part of an audit in accordance with ISA standards, we use professional judgement and exercise a professionally sceptical approach throughout the audit process. We also:

- identify and assess the risks of material misstatements in the annual report and consolidated accounts, whether caused by irregularity or error; structure and perform audit processes based partly on such risks; and obtain accounting evidence that is adequate and appropriate to serve as grounds for our opinion. The risk of not detecting a material misstatement arising from irregularity is higher than for one arising from error, since irregularities may include collusion, forgery, deliberate omission, false information and disregard of internal controls.

Auditor's Report (cont.)

- obtain an understanding of the part of the company's internal controls that is relevant to our audit, in order to structure audit processes appropriate to the circumstances, but not in order to state an opinion as to the effectiveness of the internal controls.
- assess the suitability of the accounting policies applied and of the reasonableness of the estimates by the Board of Directors and the Chief Executive Officer in the accounts and related disclosures.
- arrive at a conclusion as to the suitability of the Board of Directors and the Chief Executive Officer applying the going concern assumption in the preparation of the annual report and consolidated accounts. We also arrive at a conclusion, based on the accounting evidence obtained, as to the existence of any material factor of uncertainty relating to events or conditions that may cause substantial doubt as to the company's and the group's ability to continue in business. If we arrive at the conclusion that a material factor of uncertainty exists, we must in our auditor's report draw attention to the disclosures in the annual report regarding the material factor of uncertainty or, if such disclosures are insufficient, modify our statement of opinion regarding the annual report and consolidated accounts. Our conclusions are based on the accounting evidence obtained up to the date of the auditor's report. However, future events or circumstances may prevent a company from continuing in business.
- assess the overall presentation, the structure and the content of the annual report and consolidated accounts, including the disclosures, and whether the annual report and the consolidated accounts reflect the underlying transactions and events in a way that presents a true and fair view.
- obtain adequate and appropriate accounting evidence regarding the financial information on the entities or business activities within the group in order to state an opinion on the consolidated accounts. We are responsible for management, supervision and performance of the audit of the consolidated accounts. We are solely responsible for our opinions.

We must inform the Board of Directors of the planned scope and focus of the audit, for example, and the time at which it is to take place. We must also provide information as to significant observations during the audit, including any inadequacies that we have identified in internal controls.

We must further provide the Board of Directors with a statement that we have observed relevant requirements of professional ethics regarding independence, and must make mention of all relationships and other conditions that may reasonably be expected to affect our independence, and as appropriate take suitable countermeasures.

Of the areas of communication with the Board of Directors, we determine which have been the most significant in terms of the audit of the annual report and consolidated accounts, including the most important risks established regarding material misstatements, and which therefore constitute the areas of particular importance to the audit. We describe these areas in the auditor's report, unless laws or other regulations preclude the disclosure of information on the issue.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Statement

In addition to our audit of the annual report, we have also conducted a review of the administration of the affairs of Systemair AB (publ) by the Board of Directors and the Chief Executive Officer in the financial year 1 May 2017–30 April 2018, and of the proposed appropriation of the company's profit or loss.

We recommend to the annual general meeting that the profit be appropriated in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Grounds for statement

We conducted our audit in accordance with generally accepted auditing practice in Sweden. Our responsibility in this respect are described in more detail in the section "Auditor's responsibility". In accordance with generally accepted accounting practice in Sweden, we are independent of the parent company and the group and have otherwise fulfilled our professional ethical responsibilities in line with the requirements stated therein.

We believe that the accounting evidence we have obtained provides an adequate and appropriate basis for our opinions.

Responsibilities of the Board of Directors and Chief Executive Officer

The Board of Directors is responsible for the proposal for the appropriation of the company's profit or loss. Our dividend proposal takes into account a judgement as to whether the dividend is defensible in view of the requirements imposed by the nature, scope and risks of the company's and the group's business, with regard to the shareholders' equity, balance sheet strength, liquidity and general financial condition of the parent company and the group.

The Board of Directors has overall responsibility for the organisation and administration of the company's affairs. This involves, for example, continuously assessing the financial situation of the company and the group, and ensuring that the company's organisation is structured such that the accounting records, management of assets and the company's financial affairs are controlled in a satisfactory fashion. The Chief Executive Officer is required to manage day-to-day administration in accordance with the Board of Directors' guidelines and instructions and to take such measures as are necessary to ensure that the company's record-keeping is conducted in accordance with the law and that resources are managed in a satisfactory fashion.

Responsibilities of the auditor

Our objective in terms of our audit of the administration, and therefore our statement of opinion regarding discharge from liability, is to obtain accounting evidence to be able to judge with a reasonable degree of assurance whether any Board member or the Chief Executive Officer has in any respect:

- taken any action or committed any omission that may result in the company becoming liable for compensation
- in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

Our objective in terms of our audit of the proposal regarding appropriation of the company's profit or loss, and therefore our statement in this respect, is to judge with a reasonable degree of assurance, whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit conducted in accordance with generally accepted accounting practice in Sweden will always detect actions or omissions that may result in the company becoming liable for compensation, or that a proposal for appropriation of the company's profit or loss is compatible with the Swedish Companies Act.

As part of an audit in accordance with generally accepted accounting practice in Sweden, we use professional judgement and exercise a professionally sceptical approach throughout the audit process. Our examination of the administration and the proposal for appropriation of the company's profit or loss is based primarily on our audit of the accounts. Any additional examinations carried out are based on our professional judgement, with an assessment of risk and materiality. This means that we focus our examination of such actions, areas and conditions that are significant to the business and where deviations and violations would have particular importance in terms of the company's situation. We examine and test decisions taken, supporting

Auditor's Report (cont.)

documentation, actions taken and other conditions that are relevant to our statement of opinion as to discharge from liability. As a basis for our opinion on the Board's proposed arrangements for the company's profit or loss, we have examined the Board's reasoned statement, as well as documents, on a test basis, in support of this statement, in order to be able to determine whether the proposed arrangements are consistent with the Swedish Annual Accounts Act.

Auditor's review of Corporate Governance Report
The Board is responsible for the Corporate Governance Report on pages 38–47 and for ensuring that it is compiled in accordance with the Swedish Annual Accounts Act.

Our audit was conducted in accordance with FAR's Statement RevU 16 Auditor's review of Corporate Governance Report. This means that our review of the Corporate Governance Report has a different approach and is of a significantly lesser scope than an audit according to the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides an adequate basis for our statements.

A corporate governance report has been drawn up. The disclosures required pursuant to section 6, subsection 6, paragraph 2 of the Swedish Annual Accounts Act and section 7, subsection 31, paragraph 2 of the same act, are consistent with the other parts of the consolidated accounts and accord with the provisions of the Swedish Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, were appointed as Systemair AB's auditors at the company's annual general meeting, held on 24 august 2017, and have served as the company's auditors since the 2005/2006 financial year. Systemair became a company of public interest in the 2007/2008 financial year.

Stockholm, 20 July 2018
Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Auditor's statement regarding the statutory sustainability report

TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SYSTEMAIR AB (PUBL) ORG. REG. NO. 556160-4108

Assignment and allocation of responsibilities
The Board of Directors is responsible for the sustainability report regarding the financial year 1 May 2017–30 April 2018 on pages 10–18 and 28–35 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Emphasis and scope of the review
Our review was conducted in accordance with Recommendation RevR 12, Auditor's Report on the Statutory Sustainability Report, issued by FAR. This means that our review of the sustainability report has a different approach and is of a significantly lesser scope than an audit according to the International Standards on Auditing and generally accepted auditing practice in Sweden. We believe that our examination gives us sufficient grounds for our opinion.

Statement
A statutory sustainability report has been drawn up.

Stockholm, 20 July 2018
Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

KEY RATIOS AND DEFINITIONS

Key ratios for the Group		2017/18 May–Apr	2016/17 May–Apr	2015/16 May–Apr
Net sales	SEK m.	7,301.2	6,863.6	6,112.5
Growth	%	6.4	12.3	3.9
Operating profit	SEK m.	349.6	439.0	344.1
Operating margin	%	4.8	6.4	5.6
Profit after net fin. items SEK m.	SEK m.	333.2	410.2	307.3
Profit margin	%	4.6	6.0	5.0
Return on capital employed	%	9.1	12.0	10.2
Equity/assets ratio	%	42.5	44.6	43.9
Per share ratios				
Earnings per share	SEK	4.43	5.66	3.98
Equity per share	SEK	50.39	45.79	40.54
No. of shares at end of period	No.	52,000,000	52,000,000	52,000,000

Alternative performance measures
In its interim report, Systemair presents key ratios 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 key ratios in the same way, these are not always comparable. As a result, they should not be regarded as substitutes for key ratios as defined in IFRS. A number of definitions appear below, the majority of which are alternative performance measures.

Definitions of key ratios
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, excluding non-controlling interests, divided by the number of shares at the end of the period.

Net debt
Net interest-bearing liabilities (including provisions for pensions) less the total of interest-bearing receivables, current investments and cash and cash equivalents

Net debt/equity ratio
Net debt divided by equity at year-end.

Interest coverage ratio
Profit after financial items plus financial expenses, divided by financial expenses.

Sales per employee
Net sales for the period, divided by the average number of employees.

Glossary
The Ecodesign Directive – Energy Related Products
The Ecodesign Directive lays down minimum requirements for energy performance in products and outlaws the most energy- and resource-intensive products in the EU market.

Eurovent and AMCA
Organisations that certify products in the ventilation industry in the markets in Europe, the Middle East, Asia and North America, on the basis of impartial third-party inspection.

Low-energy and passive houses
Low-energy or passive houses that are built airtight and are subject to strict demands for effective ventilation and low energy consumption.

Applications
Uses of products in different types of building. For example, single-family homes, apartment blocks, hospitals, industrial buildings and tunnels.

BMS (Building Management System)
In a building, the computerised system that controls and monitors functions such as those for the building's ventilation, lighting, electricity supply, fire safety and security.

ERP (Enterprise Resource Planning) system
An IT system that manages, for example, processes such as financial management, sales and service, logistics, distribution and production.

CRM (Customer Relations Management) system
An IT system that handles control, organisation and administration of customers and customer relations in a business.

ANNUAL GENERAL MEETING

Systemair will hold its Annual General Meeting (AGM) at 3.00 p.m. on Thursday 30 August 2018 in the Lecture Hall at Systemair Expo, Skinnskatteberg, Sweden.

A tour of our new Technology Centre and our production, located in the same building as Systemair Expo, will take place prior the AGM. Those wishing to take part should assemble at 1.00 p.m.at Systemair Expo, Näsvägen 3, Skinnskatteberg.

RIGHT TO ATTEND THE AGM AND NOTIFICATION OF INTENTION TO TAKE PART

Shareholders wishing to participate in the AGM must be entered in the share register maintained by Euroclear Sweden AB on the record date Friday, 24 August 2018 and must notify the Company of their intention to participate no later than 3.00 p.m.on Friday, 24 August 2018.

Application is best submitted via a form at group.systemair.com/registration, by telephone at +46 222 440 00 or by post to Systemair AB, Receptionen, SE-739 30 Skinnskatteberg, Sweden. Applications shall include details of name, civic registration number/corporate identity number, address, telephone number, any assistants (no more than two) and number of shares. It should also be observed that any wish to take part in the factory tour should be notified at the same time. Shareholders represented by a proxy must issue a dated power of attorney for the proxy. The maximum period of validity for the power of attorney shall be five years from the date of issue. A power of attorney form is available on the Company's website, group.systemair.com/registration or may be ordered by contacting reception.

Anyone representing a legal entity must present a registration certificate, or the equivalent, confirming the person's authority to sign for the organisation. Powers of attorney, registration certificates and other authorisation documents must be available at the AGM and should, in order to facilitate admission to the meeting, be received by the Company no later than on Friday, 24 August 2018. The original copy of the power of attorney document must be shown.

To be entitled to participate in the AGM, a shareholder who has had his/her shares registered in the name of a nominee must arrange for the nominee to re-register the shares in the shareholder's name so that the shareholder is entered in the share register on the record date, Friday, 24 August 2018. Any such re-registration may be temporary. This means that the shareholder must inform his/her nominee in good time prior to the said date.

COMPLETE NOTICE

A complete notice of the Annual General Meeting, as well as financial and other information, is available on the Systemair website group.systemair.com.

CALENDAR

30 August 2018	Q1 Interim report (May–July 2018/19)
5 December 2018	Q2 Interim report (August–October 2018/19)
13 March 2019	Q3 Interim Report (November–January 2018/19)
11 June 2019	Q4 Interim Report (February–April 2018/19)
29 August 2019	Annual General Meeting, simultaneous publication of Q1 Interim Report 2019/20

GRI INDEX

This is Systemair's Sustainability Report, which complies with GRI G4, Core level. The sustainability report also includes the statutory sustainability report in accordance with the requirements of the Swedish Annual Accounts Act. The scope of the sustainability report and the statutory sustainability report is shown in the table below. The report has the same scope as in previous years. No data from previous years have been adjusted in this year's report.

The sustainability report has not been examined by our auditors. On page 89, it is indicated that our auditors have observed that we have drawn up a statutory sustainability report.

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