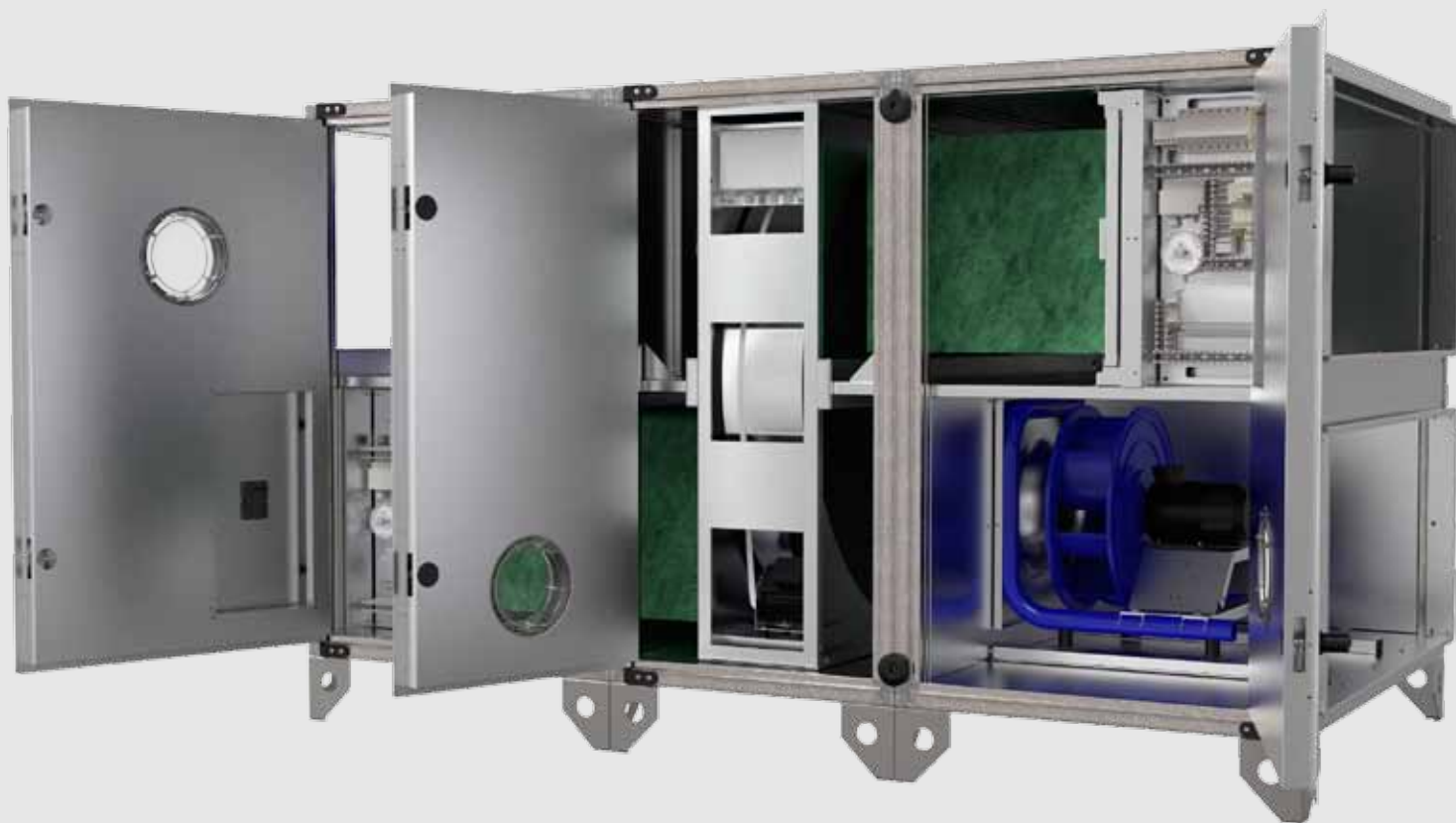


ANNUAL REPORT
2012/13



Simple Effective Reliable

Systemair has operations
in 44 countries

44

The Group has 19 factories

19



Systemair is a leading ventilation company with operations in 44 countries. We manufacture and market high-quality ventilation products. Our product range spans a broad range of energy-efficient fans, air handling units, air distribution products, chillers, air curtains and heating products. Our products are robust and easy to choose, install and use.

Our strengths

Trust- Reliability, is our most important watchword.

Our customers can trust that they will receive the right products, with the correct performance, and delivered on time.

High quality at the best possible price

Systemair is a well-known brand in the ventilation industry. We offer the market what it wants: consistently high-quality products at the best possible price.

Growth is part of our culture

We will continue to grow organically and by acquisitions. Credibility and ongoing product development create the framework for stable growth.

Facts

Sales for the 2012/13 financial year totalled SEK 4.55 billion.

Established in 1974 by Chief Executive Officer Gerald Engström and others.

The Company has its registered office and headquarters in Skinnskatteberg, Sweden.

Operations in 44 countries in Europe, North and South America, the Middle East, Asia and South Africa.

The Group is made up of 55 operating companies with a total of 3,600 employees.

19 factories with warehouse and production facilities extending over more than 200,000 m².

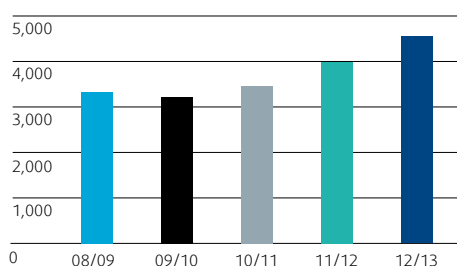
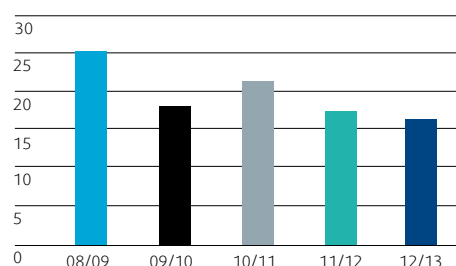
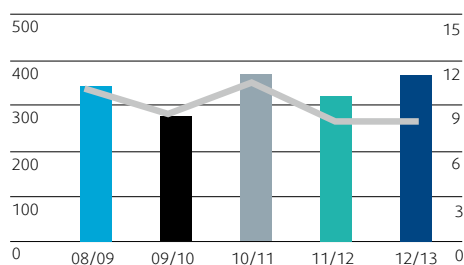
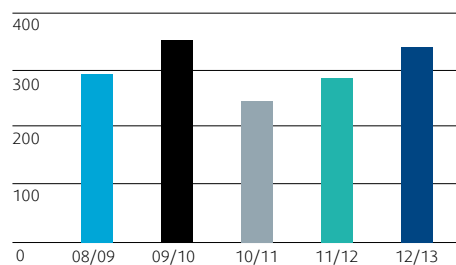
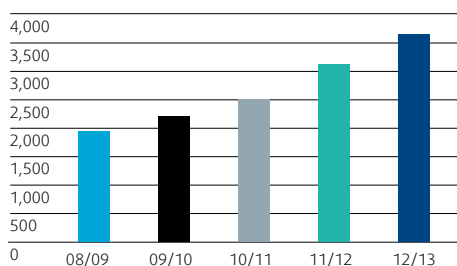
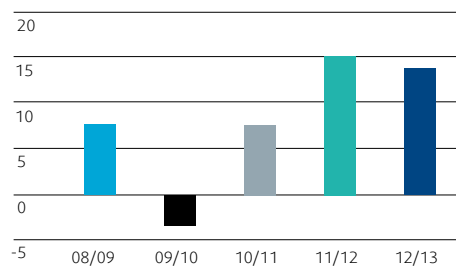
Systemair shares have been quoted on NASDAQ OMX Stockholm (Mid Cap List) since October 2007.

2012/2013 in Brief

- In April 2013, Pär Johansson was appointed as new Managing Director of the Parent Company, Systemair AB. Gerald Engström remains as Chief Executive Officer of the Group and member of the Board of Directors.
- In March 2013, Systemair acquired Holland Heating, a leading manufacturer of air handling units in the Netherlands.
- In March 2013, we participated in the ISH trade fair in Frankfurt, Germany, with a display of exclusively new products on a major exhibition stand.
- In February 2013, Systemair established a sales company in Croatia.
- In January 2013, work started on relocation to a new, 12,000 m² factory complex in Istanbul, Turkey, complete with state-of-the-art, high-efficient production lines.
- In December 2012, Systemair established a sales company in Peru.
- In September 2012, construction of a new development centre in Windischbuch, Germany, began.
- In August 2012, Systemair acquired Ratos' shareholding in Lindab, bringing Systemair's stake to 11.6 percent of the shares outstanding.
- In August 2012, work started on construction of a development centre, production facilities and offices 8,000 m² in India.
- In August 2012, Systemair acquired 70 percent of the shares in Turkish company HSK. HSK is Turkey's leading manufacturer of air handling units. In December 2012, Systemair acquired a further 20% of the shares in the company.
- In June 2012, Change'Air, Canada, was acquired. The company is one of the North American market's leading producers of air handling units for classrooms.

After the close of the period:

- In May 2013, Systemair completed the acquisition of Menerga GmbH, Germany, a leading European producer of air handling units for swimming pool halls and comfort ventilation with extra high efficiency.
- In May 2013, Systemair entered an agreement to acquire Reftec AS, a supplier of commercial cooling and heat pumps for the Norwegian market.

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****Growth in sales, %****Key Ratios**

	2012/13	2011/12	2010/11	2009/10	2008/09
Net sales, SEK m.	4,551.0	3,996.9	3,467.3	3,218.6	3,333.1
Growth, %	13.9	15.3	7.7	-3.4	7.8
Operating profit, SEK m.	365.2	319.8	367.0	274.7	341.0
Operating margin, %	8.0	8.0	10.6	8.5	10.2
Profit margin, %	7.3	7.4	9.8	7.6	9.0
Return on capital employed, %	13.8	14.7	18.0	15.2	21.3
Earnings per share, SEK	4.6	4.1	5.3	3.7	4.5
Equity per share, SEK	30.3	26.9	24.4	22.2	19.7
Equity/assets ratio, %	40.7	45.1	48.6	49.0	43.3
Dividend per share, SEK	1.50*	1.25	1.75	1.25	0.75
Number of employees at year-end	3,649	3,127	2,506	2,208	1,945

*Dividend to be recommended by the Board at the AGM on 29 August 2013 in Skinnskatteberg, Sweden.

Organic growth for 13th successive quarter

Growth amounted to 14% over the year, 5% of which was organic. We are satisfied with our sales growth, but had expected a somewhat higher profit figure. The less satisfactory result was attributable above all to the new acquisitions and weakness in several of our markets. A strong Swedish krona and a severe winter also impacted adversely on the business.

The market

Our sales in the Nordic region were on the same level as in the preceding year. Sales in Norway rose by 3%, while the Swedish market declined by the same amount.

The West European market was uneven, with reasonable growth in the north but a considerably weaker trend in the south. Our businesses in Italy, Spain and Portugal have experienced a tough year.

In Eastern Europe, we performed strongly in Russia and the Baltic States. In North America, the Canadian market was buoyant, but the going was harder in the USA. An upturn emerged towards the end of the period.

Sales in Other markets showed very sharp growth of 63% over the year. Systemair's acquisition of Turkish air handling unit manufacturer HSK accounted for a major share of the increase. Adjusted for the impact of exchange rates and acquisitions, sales advanced 22% in the region. The biggest markets are Turkey, India and the United Arab Emirates.

Product development

More than 160 engineers are busy developing new and better products. Over the past year, we launched an unusually high number of new products, with the emphasis on energy-efficiency. We have expanded our product range and concentrated solely on new products at the major ISH trade fair held in Frankfurt, Germany, in March 2013. Most of our new products incorporate energy-efficient EC motors, which offer both higher efficiency and loss-free speed regulation. The new motors enable simple control of variable airflows and thus substantial energy savings.

Our efforts on integrating cooling and ventilation continue to move in the right direction.

The Systemair business model of keeping a majority of our products in stock for prompt delivery is continuing to deliver excellent results. Today, the market consists largely of renovation projects and minor works where prompt delivery is a decisive

factor in clinching an order. Our business model also offers us the advantage of being able to produce in higher-volume series, which creates the scope for lower production costs.

Sound acquisitions creating a base for continued growth

During the year, we acquired the Canadian manufacturer Change'Air, which makes air handling units for classrooms. The company holds a strong position in that niche in North America. We are also delighted to have succeeded in acquiring HSK, a market-leading producer of air handling units in Turkey. The acquisition was completed in two stages, 70% in August and a further 20% in December 2012. In March 2013, we acquired Holland Heating from Carrier B.V. Holland Heating is a leading manufacturer of air handling units in the Netherlands. It also holds a strong position and is a strong brand in Belgium, France and the United Kingdom. The acquisition also includes an agreement to continue with deliveries to Carrier.

Acquisitions after the end of the financial year

In early May 2013, we acquired Menerga GmbH of Mülheim an der Ruhr, just outside Düsseldorf. Menerga is a well-known manufacturer of air handling units for swimming pool halls and comfort ventilation with extra high efficiency. The company has an excellent reputation for high-technology, innovative products. The company's sales in 2012 totalled EUR 56 million. In May 2013, we also acquired Reftec, a supplier of chillers and heat pumps based in Trondheim, Norway, with net sales of NOK 34 million. The company will valuably complement Systemair in selling to major projects including chillers and heat pumps.

Investment

Over the year, we completed major investments at our facility in India. We constructed a new 8,000 m² industrial building while at the same time renovating the existing building for offices, product

Sales in Other markets showed very sharp growth of 63% over the year.

63%



Facts

Gerald Engström
CEO

In 2005, Gerald Engström was named Entrepreneur of the Year in Sweden. In 2011, he was honoured by the award of H.M. the King's Medal, 12th size with the ribbon of the Order of the Seraphim, for outstanding contributions to Swedish business.

exhibition and a development centre for air distribution products. Occupancy was taken up in stages during spring 2013 and three former operations have now been merged in modern premises.

We also invested extensively in modern production equipment at our recently-acquired subsidiary Systemair-HSK. We are leasing a new 12,000 m² industrial property situated between our two existing production facilities. During the spring, we moved operations into the new premises and all machinery installations are now in place. Commissioning is under way and production efficiency is gradually being increased.

Future and potential still strong

In the 2012/13 financial year, we carried out major investments and made good business acquisitions during the year and at the start of our new financial year. Up to now, the results from our investments have boosted sales only to a minor extent.

We look forward to the new year with confidence and anticipate a considerable rise in sales through the acquisitions made and organic growth in a number of markets.

»Our business model of keeping a majority of our products in stock for prompt delivery is continuing to deliver excellent results.

Gerald Engström
CEO

1

Our three core values
#1 QUALITY

To us, quality means offering reliable products. In addition, quality must permeate through to every part of the business, from product development and manufacture to logistics and customer support. Our aim is to be the first choice for our customers, and we have therefore developed a broad, well-balanced product portfolio of standardised quality products.



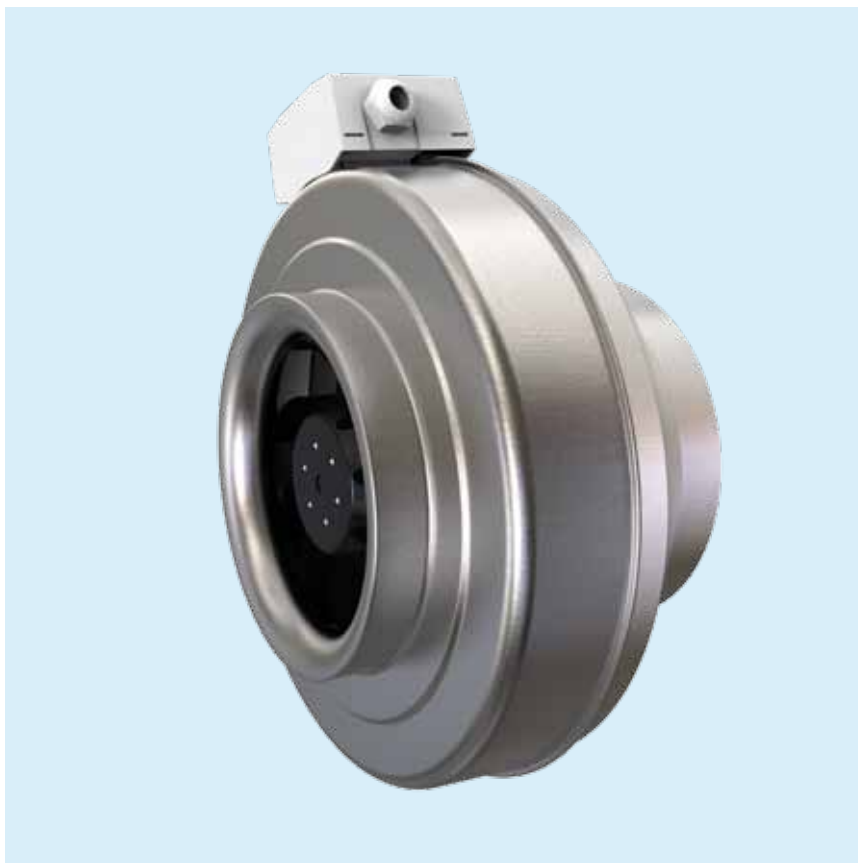
systemair

Our vision is to be a world leader

MISSION STATEMENT

With our business concept and an offensive strategy, we will take a clear position at the top.

Our mission is to develop, manufacture and market high-quality ventilation products. With our customers in focus, we aim to be the most reliable company for quality, availability and delivery reliability. We aim to also keep customer relationships with Systemair simple.



OVERARCHING GOAL

Systemair's overarching goal is to become one of the leading players in the global ventilation industry and the most reliable one 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 exploit benefits of scale within production, product development, logistics and sales.



Our financial strength enables us to enter a new market through acquisition or establishment. A local presence in priority markets is fundamental to our ability to achieve our goal. We also intend to expand our operations in priority markets in Western Europe and Eastern Europe & the CIS.

STRATEGY

- Innovative product development and a broad product range focusing on energy-efficient ventilation products.
- High product availability and fast delivery via efficient production, logistics and IT systems.
- Development and expansion of Systemair's own sales organisation.
- We will be the most reliable company for quality, availability and delivery reliability. Through this, our aim is to create good relationships with ventilation contractors, distributors and consultants, and to become the first choice for our customers.
- A highly diversified customer base and wide geographical coverage reduce our vulnerability to fluctuations in the economy.
- We have an early presence in growth markets.
- An offensive strategy for acquisitions and establishments to assure continued growth.



Objective

Objectives

Growth

To achieve average annual growth of at least 12% in sales over a business cycle.

12%

Profitability

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

10%

Financial position

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

30%

Dividend policy

Based on Systemair's ambitions for growth, the dividend target is approximately 30% of the Company's profit after tax.

30%

Description

The objective is to be achieved through both organic growth and acquisitions. Sales growth during the past ten years has averaged 9% per year. Organic growth is to be achieved through product development and increased market shares. New geographic markets will be entered through acquisitions or new business establishments.

The operating margin has averaged 9.4% during the past ten years and 9.1% over the past five years. The Company considers that the conditions for achieving this objective are favourable, given its current structure and product programme.

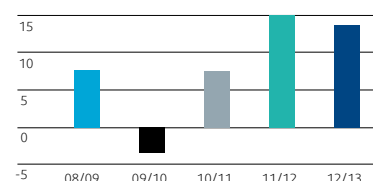
The Group's financial position is strong; its equity/assets ratio on 30 April 2013 was 40.7%. The Company continually analyses opportunities for strategic acquisitions and our financial position allows scope for acquisitions and investments.

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 gradual build-up of production capacity. At the same time, shareholders are to receive a reasonable share of the Company's annual earnings.

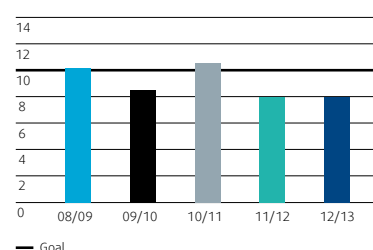
Achievement

Net sales for the financial year rose by 13.9% to SEK 4,551 million (3,997) million.

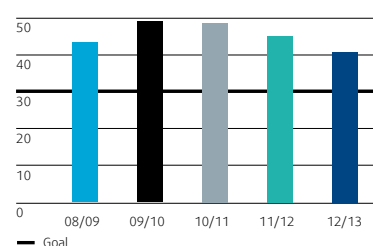
Growth in sales, %



Operating margin, %



Equity/assets ratio, %

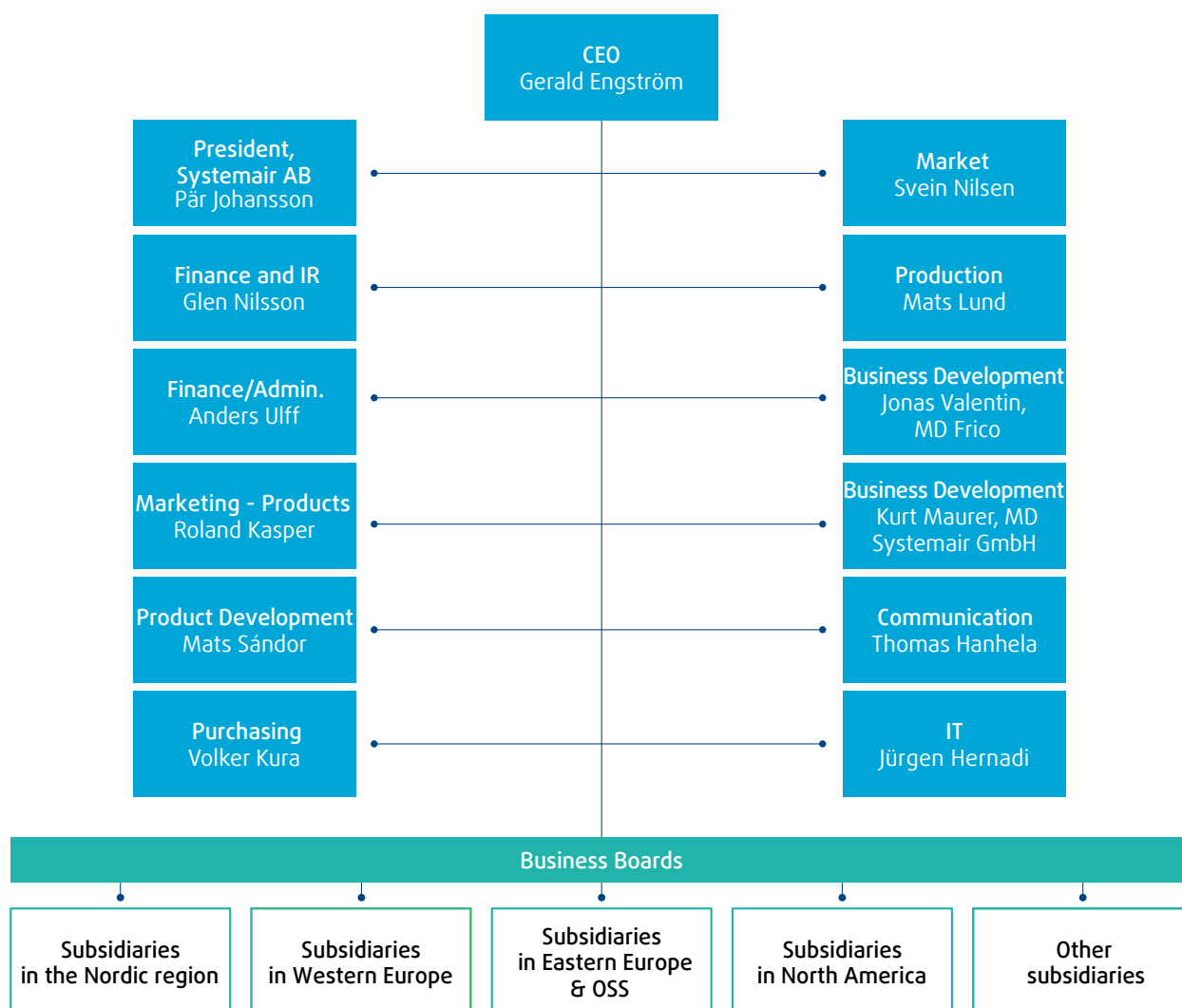


The Board of Directors has proposed a dividend of SEK 1.50 (1.25) per share, corresponding to 32.3% of profit after tax.

Organisation

Owned sales companies offer effective control and direct communication with the market. Through our local companies, we have good knowledge of the requirements and trends in various markets and can respond quickly to change. To ensure smooth information transfer between subsidiaries and head

office, we have Business Boards. These are informal boards made up of the local managing director plus one or two senior individuals representing the Group. We also have Centres of Excellence, which serve as centres for knowledge transfer between product managers and sales staff.







2

Our three core values
#2 AVAILABILITY

To ensure availability, we have chosen to produce a substantial proportion of our product range for stock. Instead of starting to produce when we receive an order, we can deliver right away from a local or central warehouse. The strategy of producing for stock, rather than in response to customer orders, also translates into higher productivity and secure control over the entire flow of goods.

Offensive acquisition strategy

» Systemair is expanding through a combination of organic growth and acquisitions.

Systemair's overall objective is to become one of the leading players in the global ventilation industry. An offensive and consistent acquisition and establishment strategy is fundamental to our ability to achieve our goal.

Systemair is expanding through a combination of organic growth and acquisitions. A number of areas are analysed in each acquired company: corporate culture and fundamental values; customers and suppliers; organisation; and costs and margins.

A shared corporate culture and fundamental values are essential to successful integration of the new company. We allocate major resources to this process. For example, Group management conducts the review with the personnel of the company acquired. This may take place, for example, in the form of seminars and Group-wide activities lasting several days at Systemair headquarters.

If practicable, all members of personnel are invited to Skinnskatteberg. We see this as an effective means of quickly establishing contacts at different levels of the company. During each of these visits

– whether they involve management only or all employees – we review our values, or "tablets of stone" as we call them. They describe how each and every employee at Systemair shall, can and may act in his or her work (see page 42).

The integration is further reinforced through Systemair Academy, our in-house training programme that offers basic and advanced courses in ventilation technology, products, finance, IT and sales.



Acquisitions in 2012/13

Holland Heating

In March 2013, Systemair acquired Holland Heating, a leading manufacturer of air handling units in the Netherlands. Holland Heating, established in 1955, has production facilities and headquarters in Waalwijk. The company has been owned by Carrier since 1997. As a result of the acquisition, Systemair becomes the market leader in air handling units in the Netherlands.

Shareholding in Lindab

In August 2012, Systemair acquired a major shareholding in Lindab, making Systemair currently the largest shareholder in Lindab, with a total of 11.6% of the share capital.

Change'Air

In June 2012, Change'Air, Canada, was acquired. The company is one of the North American market's leading manufacturers of air handling units for classrooms. The company, which has 86 employees, has its headquarters and production facility in Ontario, Canada. The acquisition has provided Systemair with access to 59 sales agents in 71 cities, and a total of approximately 300 sales engineers in North America. The latter cover 42 states in the USA and six provinces in Canada.

HSK

In August 2012, Systemair acquired 70 percent of the shares in Turkish company HSK. In December 2012, Systemair acquired a further 20% of the shares in the company. HSK is Turkey's leading manufacturer of air handling units. We see great potential for developing sales in Turkey and neighbouring countries such as Azerbaijan, Georgia, Turkmenistan, Dubai and Iraq. After acquisition, the name of the company was changed to Systemair-HSK.

Acquisitions after the financial year-end

Menerga GmbH

Menerga GmbH, Germany, is a leading European producer of air handling units for swimming pool halls and comfort ventilation with extra high efficiency. Established in 1981, Menerga has its headquarters and production facilities in Mülheim an der Ruhr, just outside Düsseldorf.

Reftec AS

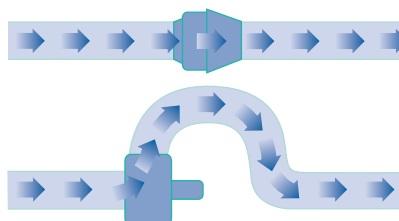
In May, Systemair entered an agreement to acquire Reftec AS, a supplier of commercial cooling and heat pumps for the Norwegian market. Reftec, founded in 2007, has its headquarters in Trondheim and a sales office in Oslo. It has 14 employees.

History

» Systemair was awarded the Swedish Trade Council's Export Prize in 2007/08.

1970s and 1980s

The circular duct fan



Former design

1974 The Company was founded as LHG Kanalfäkt, and production began in Skinnkatteberg. More than 50% of production was exported to Norway.

1976 First sales subsidiary, LHG Kanavapuhallin, Finland.

1985 German fan motor manufacturers Ziehl-Abegg and ebm-papst were initially suppliers and became partners through their Swedish subsidiary Ziehl-ebm. Today ebm-papst AB is the second largest shareholder in Systemair.

1986 Gerald Engström took over as President.

1987 Acquisition of 50% of the shares in RB Kanalfäkt, USA; the remaining 50% was acquired in 2001/2002.

1989 Sales company acquired in Denmark.

1989/91 Norwegian company Jolin Produkter A/S was acquired in stages.

1990s

1992 Acquisition of then OTC-listed Frico AB, a specialist in air curtains and fan heaters.

1995 Environment Air, Canada, manufacturer of residential air handling units, acquired.

1996 Acquisition of factory in Bouctouche, Canada, a production facility for the North American market.

1997 Own representative office in Moscow, Russia.

Acquisition of SCIE Systemair, previously sales agent in France. The name was later adopted as the name for the Group.

1998/99 Acquisition of Europair, Södertälje, manufacturer of air terminal devices. LTI Lüftungstechnik, Windischbuch, Germany, now the second largest production unit and central warehouse. LTI's sales companies in the UK, Poland and Singapore became the first subsidiaries to be renamed Systemair.

1999/00 Acquisition of the sales company APF Group, Estonia, with subsidiary in Latvia.

Establishment of representative office in Shanghai, China.

2000s

2000/01 New distribution centre in Skinnkatteberg.

Acquisition of Danvent, Denmark, which produces air handling units, and 75% of the shares in UAB Alitas, Lithuania.

Sales subsidiary in Turkey under the Systemair name.

2001/02 Systemair adopted as the common name for the entire Group.

Acquisition of VEAB Heat Tech, Hässleholm, Auranor Aggregatör of Eidsvoll, Norway, and sales company Bivent, Austria.

Sales companies founded in Hong Kong, Hungary and Ireland.

2002/03 Acquisition of sales company Meijidijk Ventilatietechniek of the Netherlands, Klockargården in Skinnkatteberg, 26,000 m² of buildings and 30 ha of land.

2003/04 Acquisition of Fans & Spares, UK, Gelu, a German manufacturer of air curtains, Antlia, a distributor in Switzerland; establishment of a new sales company in Belgium.

2004/2005 Sales companies in Romania and South Africa established. Start-up of production facility in Ukmergė, Lithuania.

2005/06 Acquisition of Marvent, Slovenia, Multiventilacao, a sales company in Portugal; establishment of sales companies in the United Arab Emirates, Spain and India.

Gerald Engström, President, Systemair, named Entrepreneur of the Year in Sweden.

2006/07 Acquisition of Altexa, Austria and Imos, Slovakia, as well as the assets of Matthews & Yates, United Kingdom.

2007/08 Acquisition of Koolclima, Spain, Climaproduct, Italy and establishment of Systemair Software, India.

Systemair awarded the Swedish Trade Council's Export Prize.

Systemair listed on the NASDAQ OMX Stockholm Exchange.

2008/09 Acquisition of Megcool Industries, Malaysia, and the assets of Emerson Ventilation Products, United States.

2009/10 Acquisition of Energo Plus, Slovenia, W.C. Wood, Air Humidifier Dept, Canada, and Ravistar, India.

2010/11 Acquisition of Polish sales company Foko, Czech sales company VKV, Dutch ventilation company Rucon and companies in the Aaldering Group engaged in the production and sales of air curtains in Germany and the Netherlands. In January, minority stakes in Systemair AS, Estonia, and IMOS-Systemair, Slovakia, were acquired.

Establishment of sales company in Chile.

2011/12 Acquisition of sales companies DT Termo, Serbia and Montenegro and Frivent, Germany. Acquisition of the Russian sales company Ventrade.

Acquisition of Airwell, Italy, manufacturer of chillers, and IAPL, India, manufacturer of air handling units and Kryotherm, Sweden.

Own representative office opened in Moscow, Russia.

1997

Systemair is strengthening its position in Turkey. The acquisition of HSK, a manufacturer of air handling units, will strengthen the Company's position in the Turkish market. At the same time, Systemair is establishing an excellent platform for the CIS market, setting its sights above all on the countries around the Black Sea.

With a population of just over 75 million and its geo-strategic location between Europe and Asia, Turkey has figured in Systemair's sphere of interest – in the form of a sales subsidiary and warehouse – since 2000. Through the acquisition of HSK (70% in August 2012 and a further 20% in December), Systemair is now laying down a serious marker that it intends to expand further in the Turkish market and the CIS sphere, with its sights set on the countries around the Black Sea.

Turkey has been a centre for East-West trade for centuries. Turks are

recognised as excellent at business and the legacy of the mighty Ottoman Empire is that Turks have a cultural and economic influence in several important neighbouring countries, not least in those of the CIS countries with a large Muslim population and many traditional ties to Turkey.

HSK, which was formerly a family-owned business, has systematically built up a strong position in the Turkish market and today is a market leader in air handling units. A cost-efficient organisation along with technological expertise in, for example, control

Systemair is strengthening its position in Turkey

»The acquisition of HSK, a leading operator in the air-conditioning sector, will strengthen the Company's grip on the Turkish market.

systems and flat packaging have been instrumental in building HSK's leading position in the sector. In pace with the company's successes, it has expanded its operations both within Turkey's borders and outside. Systemair-HSK is represented in the major cities of Ankara, Istanbul, Izmir and Adana. Istanbul is also the base for manufacturing and just in time for summer 2013, a brand-new 12,000 m², state-of-the-art production facility was inaugurated, some parts of which are world-unique. Outside Turkey, Systemair-HSK has sales offices in Azerbaijan, Georgia, Iraq and the United Arab Emirates.

Systemair also enjoys a good reputation, built up over a period of 13 years. Just as in other markets, the key to Systemair's business is reliability.

The very ability to operate via a local presence, with fast, reliable delivery capacity – either from the company's own warehouse or from centralised warehouses in Skinnskatteberg or Germany – and high quality in every link of the chain, have made Systemair a respected and highly regarded name in the sector.

Via the acquisition, Systemair-HSK will market itself in Turkey via co-branding and will benefit from HSK's strong position in the market. The most important product range will continue to be air handling units supplemented with fire safety and garage ventilation. The most important clients are developers – contractors – with total responsibility for projects such as new airports, new hospitals or new office complexes.



View of the production facility just outside Istanbul, midway between the two former facilities.

The market is expanding while at the same time awareness of energy-efficient solutions is steadily increasing. A decisive factor is to keep "top-of-mind" among the developers, not least because the developers are also highly successful in Turkey's neighbouring countries, where Turkish construction companies operate on a major scale.

The biggest challenge in all acquisitions is to change the corporate culture and introduce the Systemair

philosophy in every part of the business. Turkey is no exception. One basic principle is to keep things simple and do them properly from the start. This represents in turn a prerequisite for operating the business more efficiently resulting in better profitability, with higher volumes and benefits of scale in the Group.

Through the acquisition, Systemair holds a strong position in the Turkish market and neighbouring countries.



Our three core values

#3 DELIVERY RELIABILITY

Delivery reliability means the ability to deliver, without delay, the products and solutions that the customer needs. The standard range is delivered directly from stock. Ventilation systems are installed late in the construction process, and the installation contractor often needs the products at short notice. Against that background, we have built up an efficient production and logistics organisation in which the local and central warehouses are integrated with each other via a shared ERP system.

3



Growth in several markets

Systemair is taking a firmer grip on the European market and further consolidating its position. Despite tough competition and a weak economy, the Group has succeeded in maintaining a good margin in its most important markets. In Western Europe, the French and German markets are expanding while the Nordic region continues to show stable development. The markets in southern European have been adversely affected by the financial crisis. Russia is the biggest market, with new branches being established every year.

Percentage of Systemair sales
in Eastern Europe & CIS

25%

Increase in sales
in Eastern Europe & CIS

20%



» Systemair's formula for success is consistent focus on standardised, high-quality products which are simple to choose, install and maintain.

Systemair's policy is set in stone: no market shares through price wars. On the contrary, the Company is consistently strengthening its position using high delivery capacity, quality and availability as its competitive weapons. The strategy is holding up well – despite the emergence of local competitors offering lower prices as an enticement. The Group's reliability is proving its strength in the long run and is a quality that customers have learnt to value highly. Systemair's formula for success – a consistent focus on standardised, high-quality products which are simple to choose, install and maintain – offers clear advantages in the competition with both multinational suppliers and local competitors.

Western Europe

In Western Europe, we are expanding in France, while the neighbouring UK and the Netherlands markets have been hit harder by the economic recession. Germany is still performing strongly, as are Switzerland and Austria.

Southern European countries such as Italy, Spain and Portugal are grappling with economic recession, which is also being reflected in the propensity to invest in the important construction sector. Systemair has succeeded in maintaining its market shares in these areas, although volumes have declined in the past financial year.

Nordic region and Eastern Europe

The Nordic market continues to show stable growth, led by Norway.

A glance at the Eastern Europe market indicates that the otherwise strong Polish market, too, is suffering from grim economic times. Hungary, the Czech Republic and Slovakia are relatively small, but stable markets.

Systemair's products are developed with the focus on energy efficiency. As a result, our products fit well with demands throughout the EU area, without any need for modifications by Systemair for compliance with national regulations.

In the various sub-markets, Systemair is, of course, dependent on the business cycle in the construction industry. One important factor in Systemair's stable position is a well-diversified customer base with a good mix of newbuild projects and renovation projects for existing buildings. That makes Systemair less vulnerable to fluctuations in the general economy. Combined with cost-efficient logistics systems reaching 44 countries over four continents, this creates a solid base for the Group.

Europe and the CIS remain priority markets. Russia (see separate article on pages 26-27) is Systemair's biggest market and is expanding at a rate of around two new branches every year. At the same time, Systemair is continuing to build on its global strategy. Turkey, India and Southeast Asia are among markets showing steadily-rising growth.

North America

In North America, we identify an increasingly stable market for our subsidiary Fantech. At the same time, our new acquisition Change'Air is providing new impulses and market contacts in North America and Canada. The Canadian market has been treading water since year-end.

To summarise, the situation in the ventilation segment is favourable to Systemair. The new product sector of chillers is growing in parallel, and valuably complements Systemair's overall offering. Steadily rising demands for low-energy houses and increased demand for "passive houses", are favouring Systemair's standardised product range of air handling units with high energy recovery and low-energy fans.

It is not only in Europe that environmental awareness and demands for efficient, low-energy systems that also minimise the risk of damp and mould damage are high on the agenda. This is very much a global trend. With a presence on four continents and, in all, 44 countries, Systemair can deliver the solutions to its customers' needs.

Market areas

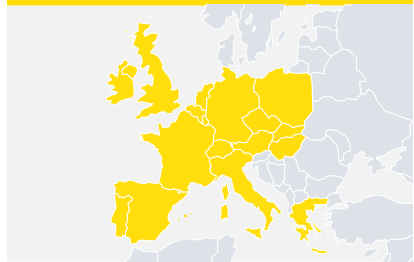
Our broad and diverse customer base offers considerable stability and reduces our exposure to fluctuations in individual economies.



Nordic region



Western Europe

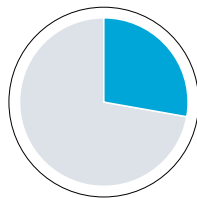


Market description

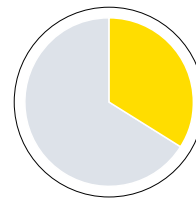
Sales in the Nordic region during the year were on the same level as in the preceding year. The Norwegian market is the biggest in the region and the second biggest overall, with sales of SEK 536 million.

In Western Europe, sales were up 7%. Companies acquired contributed 11% of the total. The biggest market in the region is Germany. The Spanish, Portuguese and Italian markets remain depressed, with negative growth during the year.

Percentage of Systemair sales



25%



32%

Focus

- To sell more products from our extensive product portfolio to every customer.
- To start marketing chillers.
- To develop project sales.
- To develop sales of fire dampers.

- The factory in Spain has been converted for manufacture of units identical to those made at our factory in Denmark. To use the factory to serve Southern Europe and North Africa.
- To develop sales of chillers in all markets.
- To develop sales of fire dampers.



Sluseholmen, a former industrial district in Copenhagen, Denmark, has been transformed into a high-status residential area reminiscent of Amsterdam. Systemair delivered air handling units, cooker hoods, roof fans and accessories in the area.



Montabaur Castle is a four-star conference hotel in Germany with a unique atmosphere. Systemair supplied air handling units and fans for the castle.

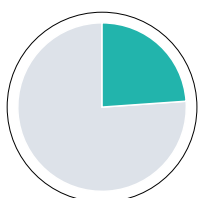
In 2012/13, Systemair increased sales by 14%.

14%

Eastern Europe and CIS



The market in Eastern Europe & CIS rose by 20% during the year. Robust growth is evident in Russia and the Baltic States. Major markets for Systemair in the region are Russia, Poland, the Czech Republic and Slovenia.



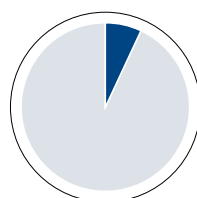
25%

- To increase the proportion of own products sold in the Russian market.
- To start selling chillers in other East European markets.
- To extend the scope of our product range.

North America



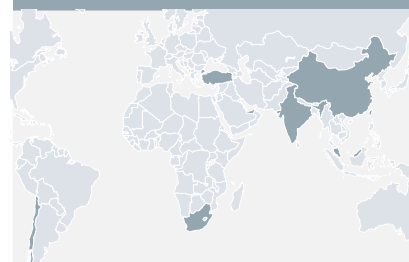
Sales in the North American market were 30% higher than in the preceding year. The increase was largely attributable to the acquisition of Change'Air, Canada. The North American market performed strongly towards year-end.



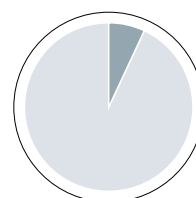
8%

- To develop sales of Systemair products for the commercial market, by extending collaboration with Change'Air's distributors.
- To build up production of air handling units in North America.
- To further coordinate production between USA and Canada.

Other markets



Sales in Other markets rose 63% during the year, largely as a result of the acquisition of HSK in Turkey. Major markets for Systemair in the region are Turkey, India and the United Arab Emirates.



10%

- To utilise the production capacity at our new factories in Turkey and Italy.
- To upscale our operation in the markets north of Turkey.
- To increase the proportion of project sales in the Middle East.



The Černý Most Centre, Czech Republic, an extended, totally renovated shopping centre, is the most modern in the country. Systemair supplied air distribution products, fire safety and air curtains.



Mt. St. Alphonsus Spiritual Retreat Center, Hyde Park, New York, has recently been renovated and converted into a high school. Its ventilation systems were replaced by environment-friendly, energy-efficient air handling units from Fantech.



Dubai Mall is one of the biggest shopping centres in the world. Systemair delivered more than 1,800 jet fans to ventilate the centre's huge multi-storey car park, accommodating approximately 16,000 cars.

MARKET AREAS

Strengths and competitive advantages

- An early presence in growth markets has proved to be an excellent platform for continued growth.
- High product availability and prompt delivery via an efficient production, logistics and IT organisation.
- Focused product development and a broad, standardised product range. We allocate major resources to the development of energy-efficient, user-friendly ventilation products.
- We have a structured acquisition process and solid experience of integrating businesses.
- A highly diversified customer base reduces our vulnerability to fluctuations in the business cycle and lower demand from individual customers.
- Good relationships with leading suppliers have played an important role in the Group's growth and product development, confirming the perception of Systemair as a leading supplier of high-quality ventilation products.

Customers

The Group's customers are primarily ventilation contractors and distributors of ventilation and electrical products. Ventilation consultants are a key target group indirectly, as they specify which products are to be installed. In infrastructure projects, customers are mainly large construction firms. Systemair has an extensive customer base with customers of different sizes in a number of markets. We sell to more than 100 countries worldwide. Our ten biggest customers together account for just 7% of sales. This broad, geographically diverse customer base offers considerable stability and reduces our exposure to fluctuations in individual economies.

Trends

Health issues will become a higher priority, driving up the need for ventilation systems. More and more houses which are being built – above all in Europe and North America – are low-energy or passive houses, which are built airtight, with strict demands for effective ventilation and low energy consumption. Calls for low energy consumption are fuelling the

need for demand-led ventilation and building management systems, which govern ventilation and energy use. We also anticipate more comprehensive regulations on safety ventilation.



Competitors

Company	Product areas								Presence in our ten biggest markets in Europe											
	Fans	Central units	Residential units	Compact units	Chillers	Air terminal devices	Air curtains	Fire Safety	SE	NO	DK	UK	DE	PL	FR	ES	RU	NL		
Systemair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fläkt Woods, CH	✓	✓	✓	✓	✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	–	✓	–	–	–
Flexit, NO	(✓)	–	✓	✓	–	✓	–	–	✓	✓	–	–	–	–	–	–	–	–	–	–
Swegon, SE	–	✓	✓	✓	✓	✓	–	(✓)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Exhausto, DK	✓	✓	✓	✓	–	–	–	–	✓	✓	✓	✓	✓	–	–	–	–	–	–	–
Östberg, SE	✓	✓	✓	✓	–	–	–	–	✓	✓	✓	–	✓	–	–	–	✓	–	–	–
Trox, DE	✓	✓	–	✓	–	✓	–	✓	–	✓	–	✓	✓	✓	✓	✓	–	✓	–	–
VTS, PL	–	✓	–	✓	–	–	–	(✓)	–	–	–	–	–	✓	–	–	✓	–	–	–
Nuaire, UK	✓	✓	✓	✓	–	–	–	✓	–	–	–	✓	–	–	–	–	–	–	–	–
Vent-Axia, UK	✓	–	✓	✓	–	–	–	✓	–	–	–	✓	–	–	–	–	–	–	–	–
GEA, DE	✓	✓	–	✓	✓	–	–	–	✓	–	✓	–	✓	✓	✓	–	–	✓	–	–
Nicotra-Gebhardt, DE	✓	–	–	–	–	–	–	✓	✓	–	–	–	✓	–	✓	–	–	–	✓	–
Rosenberg, DE	✓	✓	–	✓	–	–	✓	✓	–	–	–	–	✓	✓	✓	–	–	✓	–	–
S&P, ES	✓	–	✓	✓	–	–	✓	✓	–	–	–	✓	✓	✓	✓	✓	–	–	✓	–
Wolf, DE	–	✓	(✓)	✓	(✓)	–	–	–	✓	–	–	✓	✓	✓	✓	–	–	–	–	–
CIAT, FR	–	✓	–	✓	✓	–	–	–	–	–	–	✓	–	✓	✓	✓	–	–	–	–
Aldes, FR	✓	–	✓	–	–	✓	–	✓	–	–	–	–	–	–	✓	✓	–	–	✓	–
Novenco, DK	✓	✓	–	–	–	–	–	✓	–	✓	✓	–	–	–	–	–	–	–	✓	–
Zehnder Group, CH	–	–	✓	✓	(✓)	(✓)	–	–	–	–	✓	✓	✓	✓	✓	–	–	–	✓	–

Strong brands offering unique solutions

The Group's brand strategy is based on consolidating operations globally under the Systemair hat. Businesses with strong brands already established in specific areas continue to operate under their particular brand.

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



Frico is the 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 comfortable indoor climate. Frico offers a comprehensive solution consisting of products for heating and energy saving.



VEAB Heat Tech AB, Hässleholm, Sweden, specialises in developing, manufacturing and marketing heating products for ventilation systems, movable and stationary fan heaters and dehumidifier systems. The product range includes both electric and water heaters, as well as cooling coils for residential, industrial and commercial premises etc. It also includes hygiene-certified cooling coils for hospitals, food halls and catering establishments.



Fantech develops, designs and markets solutions in North America. Products are sold to resellers in the United States and Canada by the Group's own sales staff and agents. The Systemair brand has been established as a new sales channel in North America, alongside Fantech. Fantech concentrates its operations largely on the residential sector, while Systemair focuses on commercial projects where the demand for energy-efficient systems is strong.



Holland Heating is a leading manufacturer of air handling units in the Netherlands. Its products are marketed primarily in the Netherlands, but also in neighbouring European countries. Holland Heating was established back in 1955. The company supplies systems to, for example, hospitals, sports arenas, airports and offshore platforms. Its product range also includes specially designed equipment for large cruise liners.



Menerga is a leading European producer of air handling units for swimming pool halls and comfort ventilation with extra high efficiency. Menerga, established in 1980, markets its products throughout Europe. The company's biggest market is Germany. Its state-of-the-art, high-quality products are used, for example, in swimming pool halls, museums, shopping centres, airports and the process industry.



The Russian market – Systemair’s single biggest – continues to expand. Systematic cultivation of contacts with ventilation installers combined with strongly placed distributors and a local presence create a strong advantage for Systemair. At the same time, the Company is communicating its key value of reliability – Trust – which is to permeate through the entire organisation in this mega-country of 142 million inhabitants, 50 or more languages and nine time zones.

The Russian market continues to grow

Systemair can look back on a strong year, with both increased market shares and higher sales. The 2011 acquisition of former joint venture partner and customer Ventrade, with 12 branches across the country, has delivered highly satisfactory results. Systemair is constantly developing its product range with the focus on increasing the proportion of its own-manufactured products. Products are stocked in an 8,000 m² warehouse in Moscow and distributed to the company’s branches, as well as to construction sites across

Russia. Systemair does not currently conduct any production in Russia. Instead, it relies on an efficient logistics system from the Group’s factories in Europe.

The Russian economy has roller-coastered over a couple of decades, but in recent years has stabilised and a growing economy has emerged. Russia’s government is driving development of the infrastructure in the form of roads, schools, hospitals, airports and commercial buildings. To Systemair, this opens up major business opportunities,

Pulkovo Airport, approximately 15 km south of Saint Petersburg, Russia. Systemair delivered air handling units and fan coils for the new terminal.

as the Company can offer a broad range of products to satisfy most needs.

Systemair has since 1997 been represented in Moscow, a city of more than 13 million inhabitants, and slowly but surely has built up a strong reputation. The Company is seen as a trustworthy, reliable supplier of products that keep their promises. With that background, it has become an easy decision to operate solely under the Systemair brand in recent years. At the same time, the message is being communicated that reliability – Trust – is Systemair's most important quality. By avoiding price wars and instead bringing values such as delivery reliability, availability and quality to the fore, Systemair has been successful in the tough competition.

In-house, management is hard at work rolling out the Systemair philosophy. This is based on doing things right from the start, doing them simply and focusing on standardised own-manufactured products that are simple to install and maintain. At the same time, the aim is to roll out the Swedish management philosophy, which encourages the involvement of employees in a learning process. This is a pretty challenging task in any hierarchically structured country where the pendulum has swung hard towards more materialistic and bonus-oriented values.

The highest priority is marketing, and it is important not to lose focus. Contacts with installers and consultants are cultivated on an ongoing basis via

customer seminars and sales visits. These are key people who play a decisive role in establishing trust and relationships – both in day-to-day business and in complex major projects.

The structure of the industry is not as highly developed as in the West. Systemair may be dealing with companies that turn out to act in different roles, and this may create a certain degree of confusion to the Westerner. Systemair is convinced that, with time, excess will be trimmed from the value chain and unproductive intermediaries will be cast aside. By maintaining a straightforward and clear position right from the start, Systemair has clearly set out the ethical rules that apply – whatever the field of play, market or part of the world.

Russia may be viewed more as a continent than a country, being home to different ethnic groups, religions and languages. So learning the different cultures will take time. This makes recruitment of key people hugely important – particularly those whose job will be to manage a branch that may be located hundreds of miles from head office. Systemair has set itself the goal of expanding the organisation by at least two branches a year. In May this year, we opened branches in Irkutsk, Vologda and Vladivostok.

Growth continues in the Russian economy and Systemair has every reason to anticipate further growth and increased market shares.

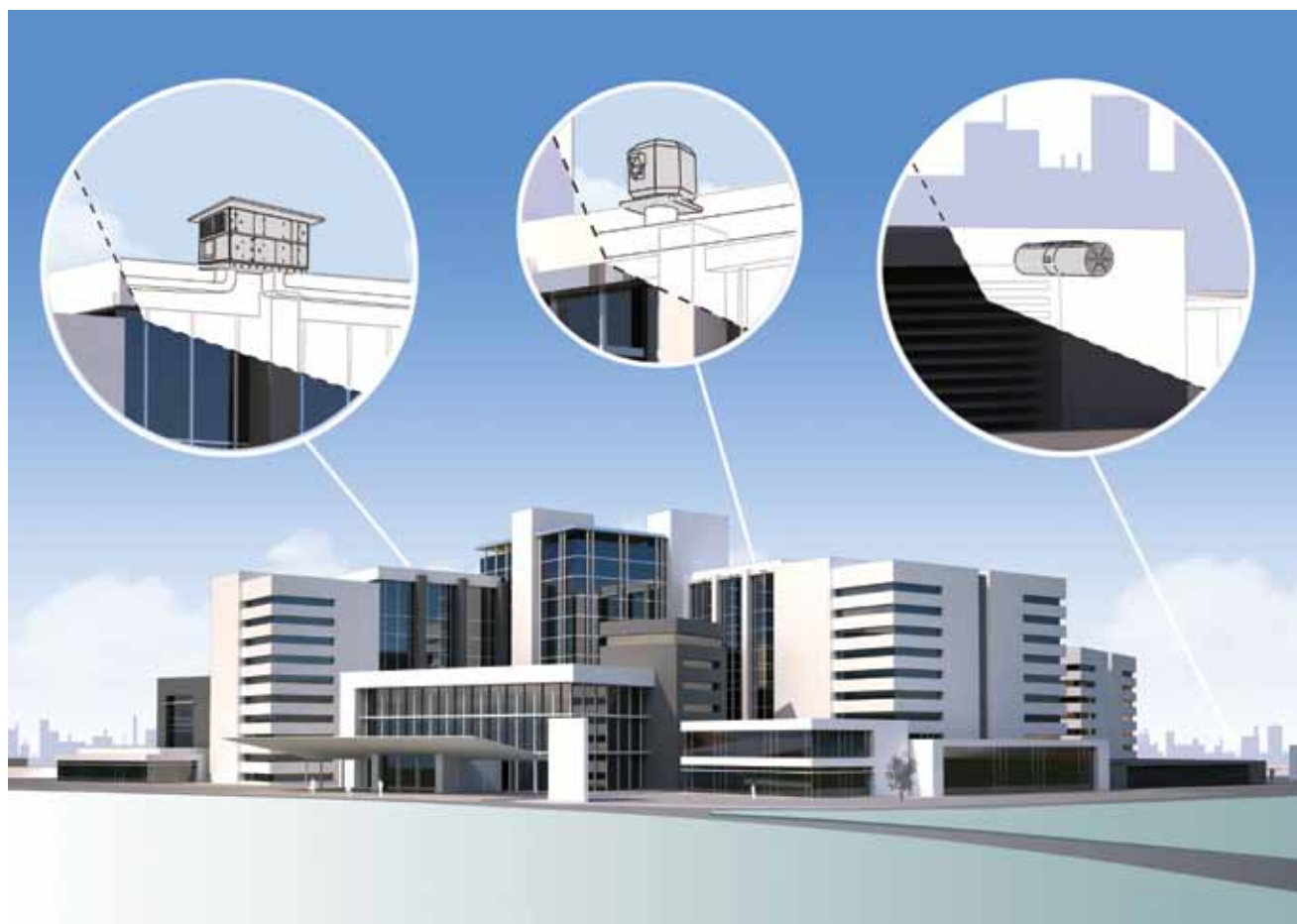
» Products are stocked in an 8,000 square metre warehouse in Moscow and distributed to the company's branches, as well as to construction sites across Russia.



Systematic development of customer contacts via customer visits, seminars and active participation in trade fairs is proving to be a winning concept in the Russian market.

An extensive portfolio of energy-efficient products

The focus of the product area is optimisation aimed at developing high-efficient products with low energy consumption. A series of new products is helping to reinforce Systemair's offering as a full-line supplier.



"To simplify" was our principal objective when Systemair entered the market in 1974 with the circular duct fan, a product that considerably simplified installation. "The straight way" soon became a concept for work in the Group and the basis of our values. Since then, it has developed into a business philosophy. The driving force is constantly to discover

new ways of making Systemair products even more attractive to our customers. Our product range has expanded at a rapid pace since 1974, when the circular duct fan first saw the light of day. Today, Systemair focuses on developing energy-efficient air handling units with energy recovery and EC-technology, which are simple to install and use.

Product overview

Fans and Accessories



Fans and accessories, one of Systemair's biggest product areas, include circular and rectangular duct fans, roof fans and box fans, as well as axial fans.

Air Handling Units



The Air Handling Unit product area covers a wide range, from small units for apartments and single-family homes, up to large, container-sized units designed for industry and commerce.

Chillers



The Chillers product area spans a wide range of liquid- and air-cooled chillers and heat pumps for comfort cooling.

Air Distribution Products



Air Distribution Products include supply and exhaust diffusers, iris dampers and grilles. The function of these devices is to supply and distribute fresh air to rooms, or to extract used air from rooms.

Air Curtains and Heating Products



Air curtains, fan heaters and radiant heaters are marketed under the Frico brand.

Fire Safety



Fire Safety includes products which have been tested and certified to withstand high temperatures for a long period.

Garage Ventilation



Garage Ventilation offers comprehensive system solutions for multi-storey car parks.

Tunnel Ventilation



Tunnel Ventilation includes fans and systems for ventilating all types of tunnels, for roads, railways and metro systems.

From product supplier to full-line supplier



Roland Kasper
Vice President Marketing - Products

Interview

From product supplier to full-line supplier. This role comes increasingly into focus to Systemair when it enters new markets with an enhanced product range. The new Chillers product area is opening up new business opportunities for the Group now that its total offering is being extended to comprise both heating and cooling systems. The total Systemair product offering has never been stronger than now. That's how Roland Kasper, Vice President Marketing - Products, summarises the Company's position on the product side.

Last year's acquisition of Systemair AC, Italy, forms the base for the Chillers & Heat Pumps product area, which represents an important piece of the jigsaw puzzle of full-line supplier of a range comprising both heat pumps and chiller systems. With a renewed product range, the Group is now equipped to take on the role of full-line supplier in earnest.

At the same time, Systemair has started to turn its attention to new business opportunities, including in the property market for residential ventilation outside Scandinavia. A gigantic market is opening up here – not least against the background of the EU directives on the energy performance of buildings, in which stricter requirements for energy-efficient systems for new and existing buildings are gradually being introduced. In addition to EU requirements, countries are defining different requirements for renovation and newbuilds.

Under Germany's new energy saving regulations, more than 300,000 apartments are to be renovated in the near future, with considerably stricter demands as to energy-efficient ventilation than previously. The trend in Austria, Switzerland, Italy, the Benelux countries and France is the same. This also applies to the countries of Eastern Europe, headed by Poland, the Czech Republic and Slovakia.

The competition is tough, but Systemair is trying to set itself apart here by offering added value via, for example, its in-house developed dimensioning software provided free of charge to ventilation contractors and property owners. Using the software, a scanned

plan of the property is generally enough to obtain the optimal solution.

Alongside its property operations, Systemair has taken a step into the marine sector through its acquisition of Holland Heating and its strong penetration of the market for ventilation systems for large ships.

Frico has launched the all-new PA series of air curtains, which are in a class of their own for performance and design.

Systemair has never had a product range as strong as it does now. At the same time, every individual product is subjected to a lifecycle analysis. Every single aspect of a product area is analysed in the quest for the optimal product mix. Allied to a very high degree of automation in the manufacturing process, this makes us less labour-intensive and relieves us of the need to hunt for low-pay countries for manufacturing. To put it another way, production at Skinnskatteberg in Sweden, for example, stands up strongly in comparison with options in China, for example.

Roland Kasper emphasises the importance of having product development close to the strategic market. Solutions have to be found in the place where the problems arise. This saves both time and money. Against that background, Systemair operates 11 technology centres spread throughout the world (see also the section on Product Development in this annual report) which provide very effective support. However, it is at least as important to retain the unique expertise of companies acquired, whether this lies in the market, technology or production.

Fans

Fans represent the product area in which Systemair started out in business. For that reason, we are delighted to be able to present a brand-new solution in an area that is so important to us, duct fans.

At the ISH trade fair in Frankfurt in March 2013, we officially launched our new PrioAir fan. With a range of brand-new solutions, this takes us a major step forward. Energy- and efficiency-wise, the product is unique, with performance characteristics that are equal or superior to those of today's product.

At the same time, ERP requirements have been a major driving force and we have adapted the product range, documentation and selection accordingly.

Our focus remains concentrated on optimisation to ensure higher efficiency.

Residential ventilation

We have launched a number of new units incorporating counter-flow heat exchangers and rotating heat exchangers. These will help us to take a major step into the European market, with the aim of gaining market shares where our range in the past was more limited. As well as supplying the units themselves, we have worked hard on adding value for installation contractors and end-customers, and have set up a separate business area to be able to focus on and meet customer needs.

Compact units

We have expanded our existing product ranges by adding reversible heat pump systems, which creates a new position for us, as well as new applications enabling us to offer heating or cooling as needed. With our larger models, we are continuing to work on bringing in user-friendlier selection software and more energy-efficient component solutions on the control and motor side.

Central units

Our Lithuanian venture, based on a product range adapted for Eastern Europe, has delivered good results. As a result, we are continuing to expand the range and offer more customer values. In Turkey, our acquisition of HSK has proved highly productive. The flexible concept of smart product and logistics solutions has been a success. In Spain, we have created a new unit that we have launched in the local and international markets. Furthermore, our acquisition in the Netherlands has enabled us to move into the marine sector with new applications. All these lines are backed by further developments in control systems with integrated webserver or cloud systems for monitoring and effective operational optimisation.

Air terminal devices – air distribution products

During the year, we mostly focused on market development and new product launches. With our broad product range and user-friendly product selection software, we have established a base from which to roll these products out to more markets and customers. At the same time, we have been investing in new machinery and tools to maintain quality and increase volumes.

Air curtains

A new generation of air curtains is currently in the process of being launched. The products are equipped with a unique control system which in combination with Thermozone technology helps to create the energy-efficient air curtains in the market. During development, our key values were user-friendliness, design and operating economy.

Chillers

Via Systemair AC, Italy, we acquired a strategic resource enabling us to provide a comprehensive package offering to property owners. Over the past year, we have worked hard on a new platform of products, adapted for two different geographical areas of application, with quite different demands on technology content. We can offer the whole system in all capacity ranges for integral and standalone systems covering most needs.

Fire Safety

Axial fans are used to extract fire gases and smoke from buildings in the event of fire. We focus to a large extent on standardisations, which are important in this type of ventilation.

We spend a great deal of time on certification of our products in different markets. Every country has its own regulations, as well as its own requirements for specific certification tests. Products are tested for function and durability at different temperatures and for different periods of time.

Garage and tunnel ventilation

Our factory in Germany has developed new, less space-consuming tunnel fans with aerodynamic characteristics that deliver improved energy efficiency. It has also developed a new range of garage fans. We offer comprehensive system solutions for garage ventilation.

In addition, we launched a software product, AXC Selection, as an aid in the choice of axial fans.

Our product developers are pushing boundaries forward

With more than 160 engineers in 15 countries and 11 technology centres on three continents, Systemair is at the forefront in leading product development in ventilation. Product developers at Systemair have a mission to fulfil – to improve the indoor climate for us all. Working from three fundamental principles – knowledge, tools and systematic process conceptualising – they are striving constantly to push boundaries forwards.



With people spending 90% of their time indoors, there is of course a major demand for capacity to ventilate not only more energy-efficiently but also with cleaner air.

The heart of all product development lies in the 11 technology centres across a total of 15 countries. The development centre in Skinnskatteberg, Sweden, is one of Europe's most modern facilities for measuring air flow, sound levels, pressure and energy consumption.

A centre is under construction in India, while the German centre is undergoing a major expansion enabling engineers and measuring equipment to be brought together under one roof.

Research and development is in progress 24 hours a day across the different time zones around the world. The capacity and efficiency of the products are carefully documented to provide product developers with a better basis for improvements. At the same time, the documentation is important to the customer, who can see in black and white that the products actually deliver what they promise.

The hub that links together 160 product developers around the world is a common technical platform, common database and the same project management routines and software. In addition, harmonisation and standardisation make it easier to share and acquire research results and newly generated knowledge.

The Group's watchword, to keep things simple and do them right from the start, is also very much to the fore in product development. By using a lean-based model that focuses on benefit to the customer, it is possible to eliminate unnecessary time drains that otherwise tend to drag out, delay and increase the cost of product development.

Systemair's engineers operate within the framework of Group Management's overall strategic planning for the particular product area. Impulses are also gathered from outside, in the form of customer viewpoints, but also from the world of academic research. Collaboration with universities and university colleges contributes valuable research findings.

» 160 engineers in 15 countries and 11 technology centres in three continents.

Facts

Eco-Design

Eco-design requires products to deliver a certain level of energy efficiency if they are to be used in the EU.

The Eco-Design Directive was adopted by the EU in 2005. The aim is to reduce the environmental impact of energy-consuming products and so help move towards more sustainable development. It is a framework directive that encompasses basically all energy-consuming products other than modes of transport. Air-conditioning, air curtain and fan products make up one of a total of 13 product categories to be scrutinised. Other categories include lighting, washing machines and dishwashers, electric motors, refrigerators, TV sets etc.

»The Eco-Design Directive was adopted by the EU in 2005.

Energy Declaration

EU energy declaration rules require a statement to be issued for buildings, showing how much energy is needed to heat the building, any air-conditioning and electric power needed to operate fans and lifts, for example. An energy declaration must be issued for all buildings with a "right of use", for example, buildings with owner-occupied or rented apartments.

To achieve these goals, regulations concerning both existing and new buildings are continually being tightened. In other words, it will become necessary to build more and more "climate-smartly". Climate-smart buildings are either energy-conserving buildings that mainly use renewable energy, or they are "passive houses" that dispense with traditional heating systems. These air-tight buildings place great demands on efficient ventilation to prevent mould and damp.

The work of the product developer

Important to have an influence in new regulations

Always to stay one step ahead, always to be driving development, never to rest on their laurels; these are the key values to product developers at Systemair. At the same time, this provides Systemair with credibility and legitimacy, which makes decision-takers listen – before they take their decisions.

Product development is very much determined by the political agenda, in that the industry is affected in the short and the long term by new regulations and laws. To Systemair, it is of course not an option merely to follow developments. We have to be part of shaping the trend. Thanks to a wide geographical spread over four continents, Systemair can monitor current trends at close quarters and follow developments when new standards are introduced at national level.

The European market is important to Systemair from several angles. How this market develops will in all likelihood both influence, and set standards in, non-European markets. The EU has been engaged for a year or two in wide-ranging work on new directives that will affect the EU Member States in a highly tangible way. The directives fall under the collective working titles of Eco-Design and Energy Declaration (see fact boxes).

To Systemair, it is important to have an influence in the work of standardisation for its products but also over the overall formulation of the directives themselves.

The Eco-Design and Energy Declaration Directives are important tools in terms of the EU's objective of achieving a 20% reduction in energy consumption by 2020. There are several distance-markers along on this journey. Last year, directives were introduced concerning components in products, while in 2016 a directive will come into force on how efficient fans must be. We can confirm that the EU's requirements for more efficient energy consumption accord closely

with Systemair's business concept of offering energy-efficient, quality products meeting the demands of tomorrow. But that does not mean that we can rest on our laurels. We will need to meet with EU representatives of the EU and other important decision-makers in order to have an influence over how future laws and regulations are formulated. It will also be necessary to work with other stakeholders where national and international standards are established. Important organisations include SIS (Swedish Standards Institute), CEN (European Committee for Standardization) and ISO (International Standards Organization).

Eurovent, another important European organisation, is responsible for certifying products for the ventilation industry etc. Eurovent's certification process is to check that performance characteristics accord with those that the manufacturer communicates to the customer.



Asia is becoming an increasingly hot region to Systemair. The gigantic Indian market is expanding, while Southeast Asia, led by Malaysia, is assuming ever-growing importance. In India, Systemair has become one of the biggest players in the ventilation industry. With a newly constructed production facility and a broad product range, Systemair is equipped to take a slice of this growing market, now that the Indian government is prioritising the infrastructure in the world's second most populous country.

One of the major players in India

In not quite 13 years, Systemair has risen to become a key player in this huge country – seven times the size of Sweden – with its population of just over 1.2 billion. Systemair is a well-established and respected operator in the premium segment. Unlike other markets, domestic production is a condition of success – especially in view of the import duties that are added to the cost of all imports.

With our two acquisitions in recent years, Systemair has a workforce of 380 employees and two production units in

Greater Noida, in the north of India, and Hyderabad in the south. The Group's nine sales offices and 35 sales engineers enable Systemair to cover the most important urban regions and to service the particular local markets.

The decision to merge three production units into one in Greater Noida has proved to be effective, and one that will sharply increase production efficiency. Part of fan production, previously based in Malaysia, has relocated to this modern facility and will meet the demand in India.

The building, covering a total of 10,000 m² (including laboratory and offices) has been built to meet the tough US Green Building LEED standards for lean-energy construction, and has its own water treatment plant and wastewater system.

The site also incorporates a new development centre, which will handle measurements from all aspects of Systemair's production system for air distribution products. The laboratory will also undergo certification in accordance with the USA AMCA (Air Movement and Control Association International) Standard, which will serve as a guarantee of the highest possible quality.

Despite a strong focus on the merger of the production units, Systemair has grown over the past year. The inward flow of new customers is satisfactory and several major orders have been secured, despite tough competition.

Thanks to its presence in Malaysia, Systemair has also been able to support Indian customers who have set up outside the country. One recent example is Biocon, a medical technology company that has established a new business in Malaysia. Thanks to intensive collaboration between Systemair's operations in India, Malaysia and Singapore, the company succeeded in meeting its customers' exacting demands. This has encouraged Systemair to further review its opportunities for exporting to other countries in the region, including Dubai, Oman and the rest of Asia.

The market outlook is good, with a growing middle class and steadily rising demand for infrastructure upgrades, in the form of metro systems, power stations, airports, hospitals, schools and residential building. The market for ventilation products is expanding.

Demand for innovative, energy efficient products is rising in pace with growing awareness of the need to conserve energy. The Indian market is very much exposed to price competition, but there is room for high-quality, energy-efficient products that deliver what they promise – even if the pace of change is not as fast as in Western Europe, for example. At the same time, the ventilation industry as a whole in India is undergoing major changes. Local manufacturers, whose only weapon is

price, will of course remain, but they will find it more difficult as international players with cost-efficient production and a broad range of quality products come to the market.

Despite the global economic slowdown, India reported GDP growth of 6.9% in the preceding year. The Indian economy is expected to grow robustly over the next five years. The government has announced that it wants to invest USD 1 trillion (equivalent to just over SEK 6,000 billion) in developing the country's infrastructure. The biggest challenge to the government, however, is the high rate of inflation in, above all, fuel and food. High interest rates on borrowing from the banks are also impacting negatively on the propensity to invest.

Systemair has a strong starting position, with a comprehensive product range in fans, air handling units and air terminal devices. This product range fits well with the government's plans for infrastructure.

Systemair also has a strong and competent local management team that has succeeded in stabilising the company and has turned a loss into a positive result.

Systemair is active in several other markets. In addition to operating in Malaysia and Singapore, the Company also has businesses in Taiwan, Vietnam, the Philippines, Indonesia and Thailand. Systemair's distribution strategy is based on using the production unit in India and Malaysia to supply neighbouring markets with products.

With two acquisitions, Systemair has a total of 380 employees in India

380

Interior of our new, modern production facility in Greater Noida, New Delhi.

Modern and efficient production

Manufacturing is conducted in 19 production facilities in Europe, North America and Asia. These are sound investments, plants with the latest technology, which we continuously update and augment to maintain the high quality of machinery and equipment.



Production Facilities

We have chosen to own the majority of our production facilities, a policy that delivers lower costs and better profitability over time. The facilities that we lease are indicated below.

Facility	Country	Area	Number of employees	Production	Activities 2012/13
Skinnskatteberg	Sweden	50,000 m ²	459	Fans and accessories, compact units, air curtains and heating products.	
Hässleholm, VEAB	Sweden	10,000 m ²	91	Heating products for air handling units, mobile and fixed fan heaters, plus dehumidifiers.	
Eidsvoll	Norway	5,800 m ²	30 (115)	Air handling units	
Århus	Denmark	15,600 m ²	142	Large air handling units – "central units".	
Windischbuch	Germany	19,700 m ²	220	Extensive range of axial and roof fans, plus tunnel and garage ventilation.	
Ukmergė	Lithuania	15,000 m ²	165	Residential units and large air handling units.	
Maribor	Slovenia	3,600 m ²	69	High-temperature fans for smoke extract ventilation.	
Bratislava	Slovakia	6,000 m ²	166	Air distribution products; fire dampers	
Madrid (leased)	Spain	6,000 m ²	51	Large air handling units and box fans for markets in southern Europe, the Middle East and North Africa.	
Bouctouche	Canada	13,000 m ²	147	Air handling units for residential use in North America, plus dehumidifiers.	
Lenexa, Kansas	USA	16,000 m ²	90	Duct, axial and roof fans chiefly for the North American market. Distribution centre for the USA market.	
Kuala Lumpur (leased)	Malaysia	4,000 m ²	61	Duct and axial fans.	• New property measuring 10,000 m ² , occupancy to be taken up in September 2013.
Hyderabad (leased)	India	3,200 m ²	80	Air distribution products.	
Greater Noida, New Delhi	India	10,000 m ²	250	Production of duct, axial and box fans, air handling units and air distribution products.	
Langenfeld (leased)	Germany	4,300 m ²	26	Air curtains.	
Milan (leased)	Italy	19,400 m ²	165	Production of a wide range of liquid- and air-cooled chillers and heat pumps for comfort cooling.	
Istanbul (leased)	Turkey	12,000 m ²	150	Production of a wide range of air handling units and fan coils.	• New multi-coil facility, stamping and nibbling presses, plus edging presses.
Waalwijk	The Netherlands	7,800 m ²	141	Production of air handling units.	• Acquired in March 2013.
Mülheim an der Ruhr, Düsseldorf	Germany	19,000 m ²	400	Production of air handling units for swimming pool halls and comfort ventilation with extra high efficiency.	• Acquired in May 2013.

Better availability through controlling the flow of goods

Availability is key to our competitiveness. This means maintaining our control over the flow of goods between our production units, central and local warehouses and our customers.

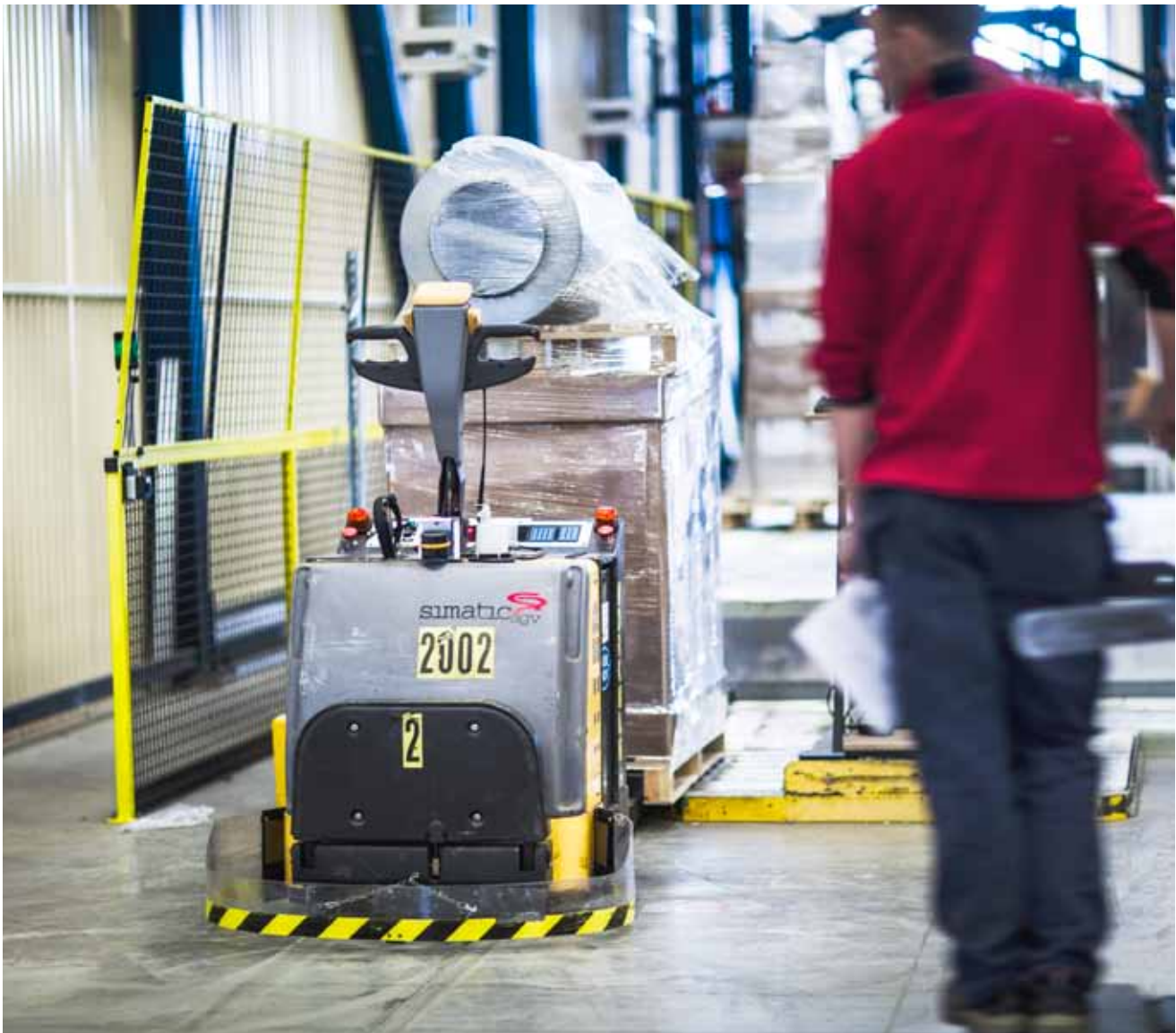
A substantial proportion of our product range is available from stock and can be delivered within 24 hours from a local warehouse in Europe or within 72 hours from one of our three centralised warehouses.

Efficient organisation

The Group has built up an efficient production and logistics organisation. Both local and centralised warehouses are integrated with each other via a common

ERP system. Our factories specialise in different product areas and we produce for stock. This means that we can manufacture in larger production runs, offering higher efficiency.

When a subsidiary sells an article that the company stocks itself, the stock is topped up automatically as it nears depletion. If the item is not an stock article, it will be sent with the next dispatch from one of our central warehouses.



E-commerce – quick and easy to use

Doing business with Systemair should be simple, fast and problem-free. With e-commerce, it becomes even simpler. In spring 2013, a brand-new e-commerce service was launched for Systemair customers in Sweden. It's a totally win-win situation. Customers place their orders when it suits them. At the same time, Systemair can free up resources for more complex operations.

A smart, simple registration and login process enables users to get started in very quick time.

Customers can now decide on what they want and place orders when it suits them, and we can use resources in quite a different way than before. Instead of dealing with incoming orders, we can focus more on growth, identify new customers and free up resources for more complex operations, providing customers with even better service throughout their journey.

The e-commerce site is built on the same platform as the website, meaning that customers are in familiar surroundings. The site makes it easy to find, navigate around and see what is in stock, and finalising the order is a simple process. The logic is clear: the simpler you make it for the customer, and the more accessible you make products, information and prices, the more business you will get.

The first market to be served will be Sweden. This will be followed by other European markets such as Germany, Norway, Finland, Switzerland, the Netherlands, Belgium and the United Kingdom.

Globally, e-commerce is expanding at a rapid pace. With reliable payment systems

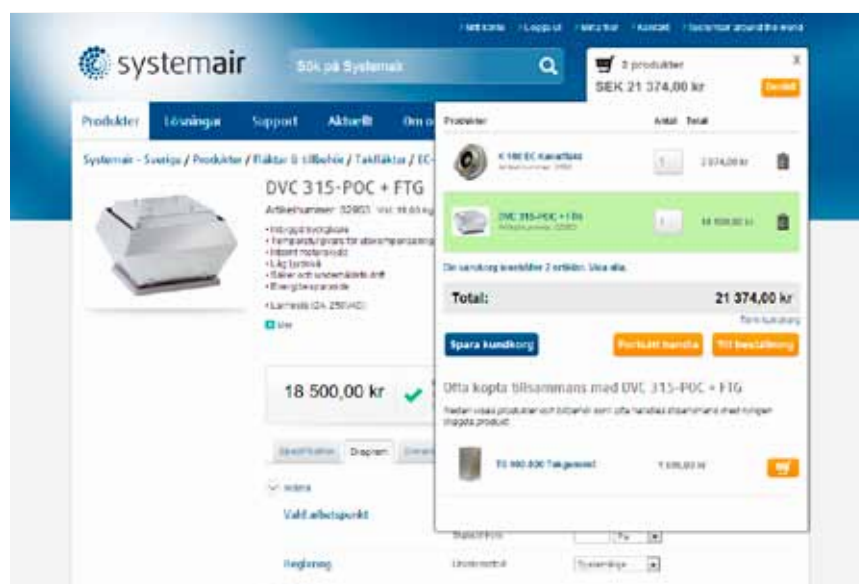
and secure websites, private individuals and businesses have increasingly grown to trust this form of commerce. More and more customers expect us to be able to offer a facility for doing business 24 hours a day. Systemair has invested greatly in assuring a stable system that will always be available for business when the customer needs it.

The more unique values you weave into a system, the more difficult it is to copy. Systemair is unique because we offer a wide range of standardised products, we control all production and we operate a common ERP system and stock worldwide. With values such as these built into the system, we are hard to beat.

To Systemair, e-commerce is an important sales channel for selling direct to the customer. Customers can directly choose products on the basis of price, performance and availability, depending on what they value most highly for their particular project. The breadth of our product range makes upselling considerably easier.

Our e-commerce site also supports other strategies. The market has access to our range of standardised products directly from stock, creating benefits of scale in production and logistics.

» To Systemair, e-commerce is an important sales channel for selling direct to the customer.



By logging in to "My Account", the customer sees a clear summary of all orders placed manually and via the Internet. The customer can keep track of the current order status, whether the product ordered is registered, packed or in transit. The shop is open 24 hours a day, 365 days a year.

Skills decisive in the competition for customers



As a leading player in the ventilation sector, it goes without saying that Systemair should always be one step ahead, be on the front foot and find new ways forward with smarter, more efficient solutions. This is why we focus on developing the skills of our personnel, while ensuring that Systemair's values are constantly refreshed.

We are especially proud of our focus on our internal trainee programme (see separate article on page 43). This has created a good deal of goodwill within the organisation, but also externally in the ventilation sector – because we as a Company have chosen to develop our own employees.

Skills development is not reserved for any particular professional group at Systemair; it runs through every part of the organisation. We offer courses both under our own auspices and via external training resources. Systemair Academy is tasked with arranging training for the Group's employees. This provides a forum where all our personnel can meet and get to know each other and the Company. At the same time, Systemair Academy communicates our corporate culture, including its values, and our "Trust" concept, which represents reliability and helps create a "sense of us". We have co-opted leading research experts to provide basic and advanced training in ventilation theory, products and sales techniques. Further training is also given annually to financial control personnel at the Group's subsidiaries. In addition to special courses based on professional duties, Systemair runs a basic ventilation course that is open to all members of personnel in the Group.

Updating knowledge

A critical aspect of training sales personnel is ensuring that they have solid knowledge of Systemair's products. Familiarity with the Company's standard product range (also known as BPR, the Basic Product Range) may seem an obvious requirement, but this very expertise has proved decisive in the competition for customers. As more and more products are launched, sales personnel must at the same time regularly update their knowledge to be able to understand their customers' needs better, and ultimately to be able to offer the right solution. This is evidently very clear at subsidiaries with expertise in project sales. The success of these companies gives them an increasingly important role as a sounding board for customers – whether the point of contact is a ventilation consultant or installation contractor.

The hub of the training programme is Systemair Academy, which is based in various parts of the Group. For example, the Systemair Academy for fans is located at Skinnskatteberg in Sweden, for tunnel ventilation in Germany and for chillers in

Italy. At Systemair Academy, members of personnel are drilled in developing their expertise, depending on their professional role. Another aspect of training focuses on enabling them to work in a more systematic way. The program is conducted in various modules, each concluding with tests and an examination.

"Centre of Excellence" is the collective term for the different knowledge centres built up in production facilities with special areas of expertise, for example in cooling, ventilation, air curtains etc. At these centres, technicians and specialists benefit from opportunities to acquire more in-depth knowledge of a particular field, in parallel with product development and research.

Selling the Straight Way

To sharpen performance at all the subsidiaries, a special programme was launched in autumn 2011: "Systemair Selling the Straight Way – Train the Trainer". The programme is aimed at MDs of the subsidiaries, who participate with a sales manager or a highly experienced sales operative. The idea is that the local MD or sales manager in turn will train the sales staff in their domestic market. To become a genuinely successful salesperson, knowledge is not enough on its own. The individual also needs to be able to interpret and understand the customer's needs to create and keep good customer relationships. The successful salesperson should be able to navigate the customer safety through the process and at the same time hone his or her technique in the negotiation process.

Feedback

In all cases, the programme is led by Systemair's own business developers who obtain examples for exercises from their everyday work (experience-based learning). The programme constantly delivers feedback to our company, our values and our strengths.

The key value is, of course, reliability – Trust – we keep our promises and make promises that we can keep. Our most important competitive advantage is reliability, i.e. delivery reliability, follow-up, a global presence and continuous customer service.

To the customer, it is just as important to be able to rely on the supplier and to know that choosing Systemair means buying with security.

GROUP

3,127

No. of employees,
1 May 2012

3,649

No. of employees
at year-end 2013

PARENT COMPANY 2012/2013

45 years

Average age,
white-collar
employees

2.17

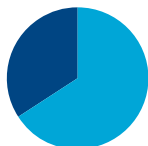
Sickness absence -
short-term (%)

42 years

Average age,
blue-collar
employees

1.31

Sickness absence -
long-term (%)



● Men 66%

● Women 34%

Gender distribution, employees



Employee Interview

Evgeny Gorelkov

Product Manager
Skinnskatteberg, Sweden

When I was young, I learned Swedish purely as a hobby. But if anyone had told me that I'd find the language useful, start working for a Swedish company and even move to Sweden, I probably would have laughed.

Coming from Moscow, a city of 13 million inhabitants to little Skinnskatteberg required real adjustment. But I'm happy at the company and with my work.

I'm a 33-year old Russian who has always worked in the industry. I took a degree in Ventilation, Gas and Heating at Kharkov University and started out on a career as a ventilation and heating consultant.

After four years, I took a job at Systemair's representative office in

Moscow. My responsibility was for the ventilation range for the Russian market and the neighbouring countries of the CIS. There was quite a lot of travelling.

After all, we have expanded substantially in recent years. But to me the representative office in Moscow has always felt like a small part of Sweden. Around me I had Swedish colleagues from whom I received daily influences from Swedish culture, and a good insight into and understanding of the Swedish management style.

When I was asked whether I could consider accepting the role of product manager for air handling units, based in Skinnskatteberg, I saw it as a natural stage of my personal development. I've now worked in Sweden since 1 February this year. While it feels a little strange to have left a pulsating metropolis, both I and my wife appreciate the calm, relaxed lifestyle here.



Employee Interview

Hossein Mohrsazha

Export Manager
Systemair Dubai

From war-torn Iran to the mining community of Svappavaara, in the far north of Sweden. This was my first contact with Europe and Sweden as a five-year old child refugee.

From my birthplace, Teheran, to Svappavaara, Gävle, Chalmers University of Technology and Frico in Gothenburg, my journey has now continued to Dubai.

My interest in technology grew from an early age. I was privileged to take a brand-new course programme at upper secondary school in Gävle, where we moved to after a few years, which I think of as my home town. It was a combination of technology and natural sciences which, in turn, spurred me on to continue my studies at Chalmers University, specialising in Automation and Mechatronics.

From Chalmers, it's not a big step to Gothenburg-based Frico. After graduating, I got a job there as a support engineer. Eventually, I was offered a job as export salesman and that was how my contact was made with Dubai.

As Export Manager for Systemair Middle East, there is of course a good deal of business travel. I am responsible for a total of 17 countries, including Iran and Iraq, plus countries in North Africa, so there is quite a lot to do. At the same time, it's important not to forget existing customers, who also need attention.

I and my wife Nina, whose roots are also in Iran, married just before we left. Life is so much simpler here if you're married.

What's on offer in Dubai is tremendous, I really don't miss anything. OK – pick and mix sweets are a joke. As a Gävle boy, I more or less grew up with Ahlgrens Bilar sweets, so sometimes this is tough.



Systemair's corporate culture

Systemair has a corporate culture in which guiding principles and monthly profit reporting govern and lead the organisation. Systemair's organisation is horizontal, pragmatic, direct and efficient. To reinforce its principles in a positive way, Systemair has collected and set down in writing the values the organisation itself has chosen as governing. These values consist of seven key principles.

→ We make the work of the ventilation installation contractor easier

This expresses the central vision and involves working consistently to simplify and be direct.

→ We make it simple – the straight way

This motto has long been the basic philosophy at Systemair. To always question whether decisions and activities take the most straight way, to ensure that the simplest and most economical solution is chosen. The simplest is often the best, and Systemair has a solid tradition of achieving such solutions. Everyone is responsible on a personal level for ensuring that work responsibilities and day-to-day tasks can be carried out simply and well. To keep on track and prioritise has, for many, proved to play an important role in simplifying daily routines. "Simple and robust" also characterises all aspects of product development. Our products are intended to be and are easy to choose, install, maintain and use.

→ We can be relied on

To take collective responsibility for keeping our promises is a high priority in the Systemair organisation. The organisation's expertise lies in the knowledge of both potential and limitations of our products. Through practical action, including rapid response times and relevant and accurate feedback, Systemair builds confidence in its brands.

→ We do not sit and wait

Systemair's basic strategy is to go on the offensive. The objective is to work proactively by seeking new opportunities, using the information available to take decisions and then quickly acting on them. Growth is a part of Systemair's corporate

culture; it enables us to sustain a high tempo and to continuously focus on what is actually important. This makes the organisation pragmatic and dynamic. Taking the initiative and responsibility is prioritised in day-to-day activities, and everyone is encouraged to seek information and help when it is needed.

→ We grow stronger through change

Systemair dares to go its own way – it is an organisation that has learnt from major changes, is taking on larger and larger tasks and does not regard change as a problem but as a part of everyday life. Major upheavals and rapid growth have also taught the organisation that some decisions can turn out to be wrong and need to be changed. In such cases, it is vital that ego does not take over. The way we do it at Systemair is not to "pull rank".

→ We say what we mean

At Systemair, it is both a right and a duty to speak up when you do not agree, see a problem or mistake or see the need for a change. Open dialogue is crucial to clear communication between the parties concerned, where solutions are the priority and personal attacks are avoided. Good efforts are rewarded in day-to-day activities, and everyone sticks by the decisions made.

→ We believe in our concept

Systemair has a product range on which everyone agrees, and which is marketed. It is vital that the Group capitalises on the economies of scale present in an extensive sales network and that everyone agrees about which products to include in the standard range. The fundamental criterion for all transactions at Systemair is that they should contribute to the Company's profitability.

For many years, the ventilation sector has struggled with recruitment problems, above all on the sales and marketing side. At the same time, fewer and fewer people are choosing to study in the construction and technology sector. The trainee programme may be one way to solve the problem. But rather than setting up a traditional-style trainee programme for external applicants, Systemair decided to take the opposite approach, seeking only in-house candidates. In the autumn, six eager candidates who took the chance to swap their regular workplace for the classroom will graduate from the programme.

» Systemair not only wants to, but also can, get maximum value from its own employees, their expertise and their desire to take their career to another level.

Training



Participants in the trainee programme (left to right): Anna Söderling, Marie Persson, Johan Ringström, Emelie Andersson, David Eriksson and Ulrika Karlsson

Trainee programme with in-house candidates

Pär Johansson, today Managing Director of Systemair AB and formerly head of marketing and sales development, had had enough of the decline in the industry, with people moving from company to company and new recruitment practically non-existent. Instead of trying to attract external candidates – the normal process when you are starting up a trainee programme – he chose a totally different direction, advertising internally for candidates who were prepared to take their career up a level. A unique approach that truly aims to get maximum value from Systemair's in-house expertise. At the same time, the Company avoids recruiting "doubtful bets" without any links at all to Systemair.

The initiative brought a great response and in the end Systemair chose six candidates for inclusion in the programme. No restrictions in the form of gender, suitable age, educational qualifications or past experience applied. The most important criterion was quite simply, the individual's willingness to learn and to put the knowledge acquired into practice. Another key parameter was an ability to communicate and make a good impression – a not entirely insignificant quality in a sales-based profession.

The trainee programme began in September 2012 and ends a year from then. The programme concept was developed in-house – largely to underpin the Systemair way of thinking and

selling. The six trainees, four women and two men in the 25-40-year age bracket, were then schooled for 65-70 training days in subjects such as ventilation technology, financial management, support and sales. The programme also incorporated five periods of work experience during which the candidates got to accompany sales personnel out in the field to meet customers. After the programme, the trainees were able to reflect and give feedback on why people act in a certain way, which in turn provided useful experience to the salespeople through new angles on how the sales process can be made even more efficient. It was, in other words, a win-win situation for all parties involved.

The examination, scheduled for the autumn, will be followed by an assessment of the trainee programme. The Company will then decide whether to continue the programme in Sweden or extend it to other countries with larger-scale operations, such as Germany and the USA. It is clear, however, that the initiative was extremely well received by employees and unions alike.

At the same time, it sends a clear signal, in and outside the organisation, that Systemair not only wants to, but also can, get maximum value from its own employees, their expertise and their desire to take their career to another level.

Sustainability - a natural part of our business

Corporate culture

Business ethics lead

Systemair has a corporate culture in which the organisation operates according to guiding principles. These are complemented by a set of business ethics determining how we should behave in the market.

Systemair's products and services shall be marketed and sold in a manner that is justifiable on commercial as well as ethical grounds, i.e. based on factors such as quality, price, delivery reliability and high-level service. Systemair shall at all times comply with each country's laws.

Systemair's employees are not permitted to demand, offer or accept bribes or other illegal benefits to retain a customer or close a business deal.

Systemair's suppliers shall be evaluated and selected on the basis of their ability to deliver on correct commercial terms and on their ability to live up to Systemair's code of conduct. We do not accept products from suppliers who use child labour directly or indirectly through their subcontractors.

Social responsibility

Responsibility to the community

Social responsibility has long been a part of Systemair's corporate culture, and we are aware of the role our Company plays in society. Regardless of where in the world we are doing business, good relationships with external partners are decisive to long-term success.

We strive to understand each society and culture in which we live and work, to become involved in local community activities that promote development in the community and benefit local business. Sporting and cultural activities for children and young people are a high priority. We do not sponsor political or religious organisations.

Systemair always complies with the laws and regulations in effect in the countries where we are active.

Systemair's business concept is to develop, manufacture and market high-quality ventilation products. Focusing on our customers, we aim to be seen as the most trustworthy company where quality, availability and delivery reliability are concerned. We strive at all times to develop high-quality, long lasting products that help to reduce energy consumption. In that way, we play a part in making long-term sustainable, environment-friendly and profitable development possible for our customers and society at the same time.

Continual improvements in our own work environment help to promote well-being at work and commitment.

By engaging in society via activities that contribute to development of the locality and favour the local business community, we are exercising active social responsibility.

More systematic

High-quality, long lasting and low energy consumption products reduce impact on the environment over time. Against that background, our development resources are focused on creating high-efficiency, low-energy consumption products.

We have a process-based ERP system, and quality consciousness is built into our mission and our values. ISO certification is one part of a more systematic approach to work. ISO consists in large part of routines that establish order and rationality. Nine of Systemair's production facilities have ISO 9001 certification. Our aim is for all production facilities to be ISO 9001 certified within the near future. One important aspect of certification is continual work on improvements, whether for products or production methods. Ideas and suggestions may be received both from customers and the Company's personnel. Under the general heading of "Constant Improvement", which basically is a device for monitoring and improving operations, systematic work on improvement takes

place at every facility. Simple suggestions may be implemented immediately by the department itself, while more complex proposals requiring both time and resources are referred to a steering committee that assigns priority among the suggestions.

Always tested

The efficiency and fitness for purpose of the products are carefully documented in order to provide customers with the most comprehensive information possible for their decision on choosing the most climate-smart and most energy-efficient options. Also, every single product is always tested before delivery, and with our own AMCA (Air Movement and Control Association) accredited test laboratory we can guarantee that all catalogue data is accurate.

The focus is 100% on the various processes at the facilities and how through improvements we can play our part in delivering added value to customers, in the form of more energy-efficient, lower-energy consumption products that contribute to a better environment and long-term sustainable development.

Common language

The hub that links all processes and all product development together is a common technical platform and common ERP system in a language that everyone understands – whether based in New Delhi, India, Kansas, USA, or Skinnskatteberg, Sweden.



Green ventilation

At Systemair, we are totally serious about taking responsibility. Our contribution to modern environmental conservation is efficient use of energy. The "Green Ventilation" symbol is evidence that our intelligent technology is in harmony with the environment and that our products are designed for the future. It means that we can offer our customers a combination of sustainability and economy, and that the benefit may be obtained using simple, streamlined installations.

Production

Environmental efforts

Systemair develops energy-efficient products that create a good indoor environment. Our production has no environmental impact on air or water. In addition, we are not subject to compulsory environmental licensing, only to a duty of notification. Nevertheless, environmental issues and efforts are a high-priority area. We are continuously improving our products, methods and procedures to minimise the impact on the environment. Our products are recyclable and our components environment-friendly. Our production plants in Sweden, Germany and Slovakia have earned ISO 14001 environmental certification.

Buildings

At Systemair, it is a matter of honour to maintain high standards in the buildings we own or lease. The buildings that we commission ourselves are of a high standard from the start. They are well-insulated and incorporate energy-efficient ventilation systems. With the buildings that we acquire, our first action is often to fit the roof with fresh insulation. This increases comfort, reduces energy consumption and is a profitable investment. Most of the buildings we have acquired have now been renovated to a good "Systemair standard".

Logistics flows

We have consolidated our production into our main plants and have merged or closed smaller production plants. This will result in higher capacity utilisation in existing plants and more efficient logistics. In turn, this will reduce our environmental impact.

Green IT

Systemair works systematically on Green IT. This means developing strategies and guidelines for energy-efficient solutions to minimise negative environmental impact. We ensure optimal use of hardware and infrastructure by using energy-efficient server farms and making more effective use of all existing data capacity through what is known as virtualisation.

Working at Systemair

Work environment

Systemair contributes to development that is sustainable and profitable in the long-term through continuous improvements in the work environment, the external environment and energy consumption. New technology, product development and new findings are evaluated taking the work environment, environmental conservation and energy optimisation into account.

We use modern technology, including videoconferencing, which cuts down on travel and at the same time improves communication between our facilities.

Our employees are to have a stimulating and healthy work environment that prevents accidents and stimulates them to work efficiently

towards goals, taking responsibility for their tasks and developing their skills.

No employee may be discriminated against in terms of employment or job tasks because of age, ethnicity, nationality, sex, religion or disability.

All employees will be treated with respect, and no employee will be subject to degrading or insulting treatment.

Systemair employees decide personally whether to join a labour union in accordance with the legislation in effect in the country where they work. Violence or the threat of violence in the workplace, harassment, bullying and similar offences against employees are not tolerated.

Systemair's employees must not distribute, possess, use or work under the influence of drugs at any of Systemair's workplaces.

Case Study

Lake water heat pumps

A smart investment in renewable energy that not only cuts costs but also spares the environment. The investment comprises six lake water heat pumps in Lake Övre Vättern, next to the main facility in Skinnskatteberg, Sweden.

The message from the latest bill for oil was clear: 160 cubic metres of oil annually has been reduced to three; the rest has been replaced by renewable energy.

Lake Övre Vättern functions as a huge storage facility that is heated by the sun during the warm parts of the year. The stored heat is extracted via a total of 12 kilometers of hose laid on the lake bed. The hose absorbs heat energy from the lake water and conveys it to the six heat pumps. The pumps raise the temperature and then transfer the heat to our internal heating systems. The traditional oil-fired boilers remain in place as back-up, but renewable energy is now delivered instead – cutting costs and sparing the environment – to Systemair's major facility.

The facts speak a clear message: energy consumption for heating the production and office premises was

reduced by all of 70% in the past season. At the same time, carbon dioxide emissions from heating fell from 383 tons to 33.

The investment in the heating system totalled SEK 3 million. It is estimated that the cost will be recovered within just three years.

The investment is in line with our environmental policy on efficient, sustainable processes and supports our work for a better environment.



Anders Westling, Head of Maintenance, Skinnskatteberg, Sweden

Strong performance during the year by the Systemair share

The stock market fluctuated during Systemair's financial year, but gathered pace late in the period. The year was dominated by the economic and political problems in above all the EU area.

Systemair's shares have been listed on the Mid Cap list of NASDAQ OMX Nordic Exchange 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 market capitalisation on 30 April 2013 was just over SEK 5.4 billion. The share's trading symbol is SYSR.

Strong rise in share price

At the end of the 2012/13 financial year, the closing share price was SEK 104.75, up 22.5% on the price at the beginning of the financial year. In the same period, the OMX Stockholm Index rose 13.4%. This indicates that the Systemair share performed very strongly in the market.

At financial year-end, Systemair's market capitalisation was SEK 5.45 (4.45) billion, a rise of SEK 1 billion. The number of Systemair shares traded on Nasdaq OMX Stockholm totalled 5,138,280 (4,657,561), corresponding to a turnover rate of 10% (9) during the financial year.

Share capital and voting rights

The share capital amounts to SEK 52.0 million, represented by 52,000,000 shares, each with the same voting right. The quotient value is SEK 1.00 per share.

The warranty programme issued by the Company at its IPO in 2007 expired in

September 2011. Given the unfavourable trend of the price, no warrants were subscribed for. Systemair has not offered any new option programme. At the financial year-end, no convertible loans or warrants were outstanding that could result in dilution of the share capital.

Shareholders

No changes took place during the year in the holdings of the two main shareholders, Färna Invest AB and ebm-papst AB, with 42.3% and 21.27%, respectively.

Other major shareholders include Nordea Fonder, with a holding of 6.20% (4.44), Alecta Pensionsförsäkring 4.81 (4.29) and Lannebo Fonder 3.39 (6.21).

The number of shareholders at the end of the accounting period, 30 April 2013, was 3,209 (3,519).

Dividend policy and dividend

For financial year 2012/13, the Board of Directors proposes that the Annual General Meeting distribute to shareholders SEK 1.50 (1.25) per share, a total of SEK 78 million.

This dividend corresponds to 32.3% of consolidated profit after full tax and is in line with the Company's dividend policy.

Shareholder information

Management participates actively in meetings with analysts, investors, other shareholders and the media. This is crucial for raising interest in the Systemair share and giving both current and new shareholders ample opportunity to value the Group as fairly as possible.

Press releases are published immediately when an event of significant importance to the business occurs. Systemair's press releases have been archived on the Company's website since its IPO in 2007.

Year-end reports are also published as press releases and have been archived on the website since 2007. Interim reports and annual accounts are published on the website and have been archived there since 2005. Financial data since 2007 is also available via the website. Similarly, per share data since 2007 can be accessed via the website.

Analysts

Analysts who continuously tracked the Systemair share over the financial year:

Handelsbanken Capital Markets

Marcela Kozak, +46-8-701 51 18

Nordea Markets

Andreas Brock, +46-8-534 917 68

Swedbank Markets

Mats Liss, +46-8-585 900 65

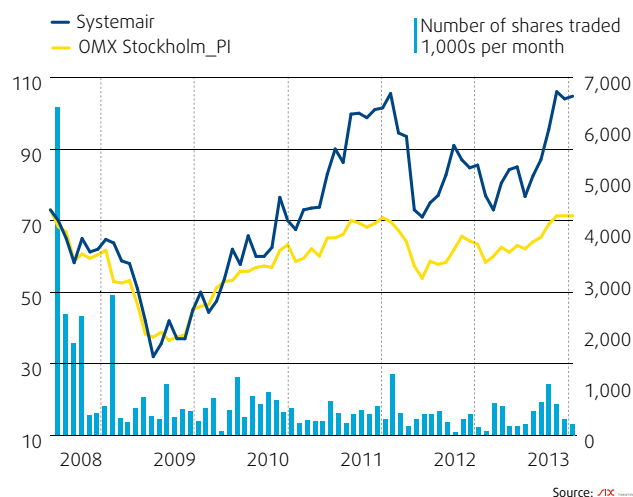
Redeye

Henrik Alveskog, +46-8-545 013 45

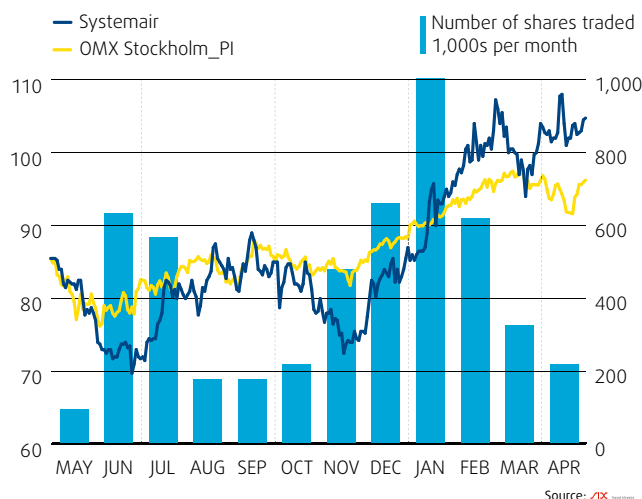
Erik Penser Bank

Olof Larshammar, +46-8-463 80 27

Share price, performance over six years



Share price, performance over 12 months



Shareholder structure

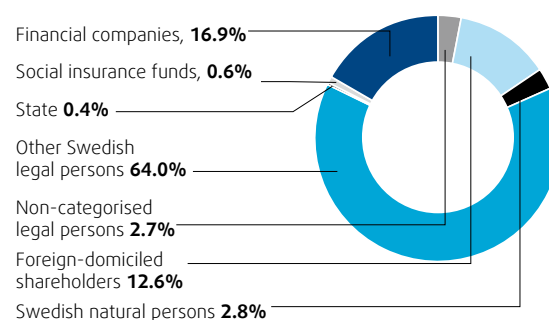
Size of holding	No. of shareholders	No. of shares	% of total shares held	Market value (SEK 1,000s)
1-500	2,498	433,781	0.83%	45,439
501-1,000	389	312,754	0.60%	32,761
1,001-5,000	216	496,750	0.96%	52,035
5,001-10,000	30	233,374	0.45%	24,446
10,001-15,000	8	105,291	0.20%	11,029
15,001-20,000	5	94,679	0.18%	9,918
20,001-	63	50,323,371	96.78%	5,271,373
Total	3,209	52,000,000	100.00%	5,447,001

Ten biggest shareholders

Shareholders grouped according to Euroclear	Percentage	No. of shares
Färna Invest AB ¹	42.30%	21,997,752
ebm-papst AB	21.27%	11,059,770
Nordea Investment Funds	6.24%	3,246,155
Alecta Pensionsförsäkring	4.81%	2,500,000
Lannebo Fonder	3.39%	1,761,123
Handelsbanken Fonder	3.38%	1,759,164
Odin Fonder	2.48%	1,287,109
SEB Investment Management	2.31%	1,198,976
Fondita Nordic Micro Cap	1.57%	818,000
Fidelity Funds	0.83%	433,604
	88.58%	46,061,653
Other	11.42%	5,938,347
Total	100.00%	52,000,000

¹ Private company wholly owned by CEO Gerald Engström

Shareholder categories



Share data

	2012/13	2011/12	2010/11	2009/10	2008/09
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)	4.63	4.14	5.29	3.66	4.53
Cash flow per share (SEK)	6.61	5.58	4.79	6.86	5.71
Equity per share (SEK)	30.31	26.90	24.39	22.46	20.00
Share price, end of accounting period	104.75	85.50	101.50	70.00	45.00
High during the year (SEK)	108.00	110.00	109.00	77.75	67.00
Low during the year (SEK)	69.75	65.25	59.00	43.00	27.40
Dividend per share (SEK)	1.50*	1.25	1.75	1.25	0.75
After tax P/E	23.07	20.65	19.20	19.13	9.90
Direct yield (%)	1.43	1.50	1.72	1.79	1.70
Payout ratio (%)	32.37	30.20	33.10	33.90	16.40
Trading volume	5,138,280	4,657,561	4,655,718	7,228,918	7,950,838
Turnover rate (%)	10.00	9.00	9.00	13.90	15.30

*Dividend to be recommended by the Board at the AGM on 29 August 2013 in Skinnskatteberg.

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

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Directors' Report

DESCRIPTION OF THE BUSINESS AND FINANCIAL INFORMATION

General

The Board of Directors and Chief Executive Officer of Systemair AB (Publ), corporate identity number 556160-4108, hereby present the Company's annual accounts and consolidated accounts for the 2012/13 financial year, the Company's 40th year of operations. Systemair AB (publ) has its registered office and head office in Skinnskatteberg, Sweden.

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

Systemair offers a standardised range of ventilation products, including fans, air distribution products, air handling units and chillers, with the emphasis on simplifying the task of ventilation contractors.

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

Fantech is a brand that is used in North America. Products include duct fans and other ventilation products, as well as heat recovery units for single-family homes. The acquisition of Emerson Ventilation Products in May 2008 added axial fans and ceiling fans for commercial buildings to the product range.

VEAB markets heating products such as duct heaters, fan heaters and dehumidifiers.

Holland Heating is a well-established brand in the European market for high-quality air handling units.

The **Menerga** brand comprises air handling units for swimming pool halls and comfort ventilation with extra high efficiency. The brand was acquired via a takeover completed in May 2013.

With production facilities in 15 countries (Sweden, Norway, Denmark, Lithuania, the Netherlands, Germany, Slovakia, Slovenia, Italy, Spain, Turkey, Canada, the USA, India and Malaysia) and a total of more than 200,000 m² of floor space for production and storage, Systemair is a significant international player in its product areas.

Systemair's products are marketed in 44 countries via owned sales companies,

as well as via agents and distributors in a further approximately 60 countries. The Group's customers are primarily ventilation contractors and distributors of ventilation and electrical products.

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. The number of shareholders is approximately 3,200.

Group

Sales and profit

Consolidated sales totalled SEK 4,551 million (3,997), 13.9% more than in the preceding financial year. Organic growth amounted to 5.1%. Companies acquired contributed 12.2%, SEK 487.0 million. The impact of exchange rates on translation of foreign subsidiaries was to reduce the value of sales by -3.4%.

Sales – Geographic breakdown

Sales in the Nordic region during the year were on the same level as in the preceding year. Acquisitions did not materially affect sales. The Norwegian market is the biggest in the region and the second largest overall, with sales of SEK 536 million. Sales in Norway grew by 3% over the year. Sales in the Swedish market declined by 3%. In Denmark, sales fell by 1% but our Danish factory nevertheless had a record year, thanks to buoyant export sales.

In Western Europe, sales were up 7%. Companies acquired contributed SEK 149 million, or 11% of the total. Adjusted for both acquisitions and the impact of exchange rates, sales were on the same level as in the preceding year, indicating that changes in exchange rates – notably the euro – had an adverse impact of 4%. The biggest market in the region is Germany. Other major markets for Systemair are France, the United Kingdom, the Netherlands and Italy. The Spanish, Portuguese and Italian markets remain depressed and showed negative growth during the year.

	2012/13			2011/12		
	May-Apr	% of total	change	May-Apr	% of total	
Nordic region	1,130.2	25%	0%	1,126.1	28%	
Western Europe	1,436.0	32%	7%	1,346.3	34%	
Eastern Europe & CIS	1,144.7	25%	20%	951.2	24%	
North America	365.5	8%	30%	282.1	7%	
Other markets	474.6	10%	63%	291.2	7%	
Total	4,551.0	100%	14%	3,996.9	100%	

The market in Eastern Europe & CIS rose by 20% over the year. Sales in the region totalled SEK 1,145 million (951). Adjusted for foreign exchange effects and acquisitions, sales in Eastern Europe & CIS rose 12% during the year. Robust growth is in evidence in Russia and the Baltic States. Major markets for Systemair in the region are Russia, Poland, the Czech Republic and Slovenia. Strong growth is expected to continue in Russia, with the opening of three new regional offices.

Sales in the North American market were 30% higher than in the preceding year. Sales totalled SEK 366 million (282), an increase that was largely attributable to the acquisition of Change Air, Canada. Adjusted for foreign exchange effects and acquisitions, sales rose by 4%. Growth in demand in the North American market was strong in the latter part of the year.

Sales in other markets rose 63% during the year, largely as a result of the acquisition of the Turkish company HSK. The acquisitions boosted sales by 45%. Adjusted for the impact of exchange rates and acquisitions, sales advanced 22%. Major markets for Systemair in the region are Turkey, India and the United Arab Emirates.

Profit

Operating profit for the financial year from May 2012 to April 2013 totalled SEK 365.2 million (319.8). In the preceding year, operating profit was charged with non-recurring items of SEK -39.6 million, see Note 29. The non-recurring items consisted of amortisation of goodwill in the amount of SEK -18.7 million, relating to the Spanish subsidiary Systemair HVAC, as well as measures totalling SEK -20.9 million to reduce the cost burden in new company acquisitions. The operating margin was 8.0% (8.0).

Selling expenses for the full year were charged with SEK 20.2 million (10.8) for anticipated bad debts and impairment losses on trade receivables. Company acquisitions added SEK 91.2 million (107.5) to selling and administration expenses for the year. Acquisition-related costs during the year totalled SEK 7.4 million (4.4).

Financial income totalled SEK 1.2 million (2.7), including SEK 1.2 million (2.5) in interest income. Financial expenses for the year totalled SEK -35.8 million (-25.9), SEK 30.7 million (-24.7) of which consisted of interest expense. The rise in interest expense is a result of increased borrowing during the year to fund company acquisitions and the purchase of the shares outstanding in Lindab.

The tax expense for the year amounts to SEK -89.6 million (-81.1), corresponding to a tax charge of 27.1% (27.4).

Investment

The Group's investment during the year totalled SEK 692.5 million (265.4), including the financial investment of SEK 406.6 million in shares in Lindab. The value of the Group's shareholding in Lindab on the balance sheet date was SEK 464.4 million. Gross investments, excluding divestments, in new construction and machinery totalled SEK 123.9 million (85.8). Major investments comprise a new factory building with offices in Greater Noida, India, a new development centre and expanded warehousing capacity in Germany, production equipment for a new factory in Turkey and completion of capacity and replacement investments in the factories in Denmark, Sweden and Lithuania. The total paid for acquisitions and previously withheld purchase price in the financial year was SEK 164.4 million (184.2). Depreciation and amortisation of non-current assets totalled SEK 116.6 million (100.2) for the year.

Business combinations

In March 2013, Systemair acquired Holland Heating, a leading manufacturer of air handling units in the Netherlands. Holland Heating, established in 1955, has production facilities and headquarters in Waalwijk. The company, owned by Carrier since 1977, reported sales of EUR 32.5 million in 2012. The agreement also stipulates continued deliveries of air handling units to the Carrier Group in Europe. As a result of the acquisition, Systemair becomes market leader in air handling units in the Netherlands.

On 20 August 2012, Systemair acquired Ratos' holding of shares in Lindab. The holding represented 11.2% of the share capital and comprised 8,849,157 shares. At the same time, Systemair acquired a further 300,000 shares in the market and consequently is the largest shareholder in Lindab, with in all 11.6% of the share capital.

In June 2012, Systemair acquired Change Air, Canada. The company is one of the North American market's leading producers of air handling units for classrooms. In 2011, Change Air had sales equivalent to SEK 84 million and an operating profit of SEK 11.9 million. The company, which has 86 employees, has its headquarters and a production facility in Ontario, Canada. The acquisition has provided Systemair with

access to 59 sales agents in 71 cities, and a total of approximately 300 sales engineers in North America. The latter cover 42 states in the USA and six provinces in Canada.

In August 2012, Systemair acquired 70% of the shares in the Turkish company HSK, with an option to acquire the remaining 30. In December 2012, Systemair acquired a further 20% of the shares in the company. HSK is Turkey's leading manufacturer of air handling units, with sales of SEK 160 million in 2011. After the acquisition, a new industrial property measuring just over 12,000 m² was leased, into which two former production facilities have relocated and major investments have been made in modern sheet metal forming equipment. The investments provide us with the region's most up-to-date production facility for air handling units. We also see great potential for developing sales in Turkey and neighbouring countries such as Azerbaijan, Georgia, Turkmenistan, Dubai and Iraq, plus market synergies with our Italian chiller factory. After acquisition, the name of the company was changed to Systemair HSK. HSK has been consolidated into Systemair since the beginning of August 2012.

If Holland Heating, Change Air and HSK had been consolidated as of 1 May 2012, net sales for the period May 2012 through April 2013 would have totalled approximately SEK 4,833 million. Operating profit for that period would have been approximately SEK 356 million.

Personnel

The average number of employees in the Group was 3,394 (2,839). At the end of the period, Systemair had 3,649 employees (3,127), 522 more than a year earlier. New employees were recruited chiefly in Russia (38), Malaysia (22), Slovakia (16), Germany (15) and Sweden (11). Through acquisitions, 404 employees joined the Group, including 177 at Systemair HSK, Turkey, 141 at Holland Heating and 86 at Change Air, Canada.

In April, Pär Johansson was appointed Managing Director of the Parent Company, Systemair AB, with responsibility for Systemair's Swedish operations. Gerald Engström remains in his role as CEO of the Group and member of the Board of Directors.

Cash flow and financial position

Cash flow from operating activities before changes in working capital during the period totalled SEK 408.2 million (337.5); the increase was chiefly attributable to an improved operating profit. As a result of lower trade accounts payable and higher trade accounts receivable, tied-up capital was affected by SEK -64.3 million (-47.6). The cash flow from financing operations totalled SEK 364.5 million (-11.1) net, as a result of higher borrowing. Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 1,310.3 million (866.8). Net indebtedness at year-end was SEK 1,238.1 million (785.0).

The consolidated equity/assets ratio was 40.7% (45.1) at financial year-end. The target adopted by the Board for the equity/assets ratio, 30% or more, was comfortably attained.

Transactions in foreign currencies

Systemair has established subsidiaries that operate in 44 countries, with our own production in 15 of these. Systemair products are sold in 100 or so countries around the world. Systemair AB has granted long-term loans to its subsidiaries. The value of these loans, translated into Swedish kronor, was SEK 64.5 million (391.3) on the balance sheet date.

Treasury operations for the Group, in the form of risk and foreign exchange management, as well as borrowing, are conducted centrally by the Parent Company in Skinnskatteberg. The Group's financial policy serves as the framework not only for financial risk management but also for financial activities in general. Payments and settlement flows are managed via centralised Group account systems.

The AAA Soliditet AB credit-rating agency maintained its AAA rating for Systemair, AB for the 18th year in a row.

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 consist of foreign exchange risk, borrowing and interest rate risk, credit risk and liquidity risk, among others. The material risks and uncertainty affecting Systemair are described in more detail in Note 2.

Financial review

In the past five years, growth in Group sales has averaged 8%. The annual operating margin (EBIT) has averaged 9% over the same period. The Group has targeted an equity/assets ratio of at least 30%. The average equity/assets ratio for the past five years has been 45%. Of total Group sales, 92% (91) 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 most markets, Systemair is still a relatively small player, and we see excellent opportunities – with our broad product portfolio and ample capacity to deliver – for the Company to win greater market shares. In September 2011, an interim report within the EU Directive on Eco-Design was delivered. The report advocates exhaust and supply air ventilation with energy recovery as the best solution for energy-efficient buildings. One focus of production development at Systemair is to create exactly that – energy-efficient ventilation products with a long service life. We also see major future potential in developing the combination of ventilation and cooling in our products.

During the year, we continued to step up the pace in developing our products and cultivating our markets, which will strengthen the Group in the long run. We look forward to the coming year and will continue our work on integrating acquired businesses in order to achieve anticipated synergies and higher profitability.

Seasonal factors

Systemair's business operations are influenced by seasonal variations associated with 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 records its strongest sales.

Financial targets

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

Sales growth	12%
Over a business cycle, both organic and acquired	
EBIT	>10%
Over a business cycle	
Equity/assets ratio	>30%
Dividend	
Approximately 30% of profit after tax	

Proposed guidelines on remuneration to senior executives

It is proposed that the Board of Directors' guidelines on remuneration to senior executives, for the period starting from the 2013 Annual General Meeting, should be as follows. These guidelines are identical to those that have applied since the preceding AGM.

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 include variable salary and benefits such as a company car. In addition to the above, special incentive programmes approved

Five-year review	2012/13	2011/12	2010/11	2009/10	2008/09
Net sales	4,551	3,997	3,467	3,219	3,333
EBIT	365	320	367	275	341
Operating margin	8.0%	8.0%	10.6%	8.5%	10.2%
Equity/assets ratio	41%	45%	49%	49%	43%
Return on capital employed	14%	15%	18%	15%	21%
Average number of employees	3,394	2,839	2,430	2,013	1,925

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, normally two months' salary. As a rule, pensions shall be paid through defined contribution plans. The pension contributions shall be based on market conditions in 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

Systemair has chosen a strategy in which one mainstay is product development, and the Company strives to remain at the cutting edge in technology and product design. One focus is the development of energy-efficient ventilation products with a long service life.

Product development is conducted primarily at the large manufacturing units. In 2012/13, the product development organisation excluding Menerga GmbH employed around 140 people; about 20 of these work at the largest development unit, in Skinnskatteberg. Product development costs totalled approximately SEK 114 million in 2012/13 and SEK 68 million in 2011/12. The Group has ten development centres equipped to test ventilation products using standardised measurement procedures. The laboratories are located in Sweden, Germany, Canada, Slovakia, Italy, the Netherlands, Turkey and the USA. The laboratory in Skinnskatteberg is among the most modern in Europe for testing ventilation products.

Quality system

Systemair AB has been ISO 9001 certified since 1993. In addition to Systemair AB, the subsidiaries Systemair GmbH in Germany, Systemair Ltd in Canada, VEAB Heat Tech in Hässleholm, Sweden, Systemair HVAC in Spain, Systemair in Slovenia, Imos-Systemair in Slovakia, Systemair in Malaysia, Systemair AC in Italy, Holland Heating in the Netherlands, Systemair in India and Systemair in Denmark also have ISO certification. Work on certification is also under way at Systemair in Lithuania and is expected to be complete in the autumn this year.

Environmental management system

Systemair attaches great importance to strict compliance with the requirements of environmental law. 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 facilities in Sweden and in Germany have 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.

The Parent Company is engaged in activities subject to environmental registration. They are Category C activities, which means that the Municipality of Skinnskatteberg is responsible for the environmental inspection.

Parent Company

The Parent Company develops, manufactures and sells ventilation and heating products in Skinnskatteberg. The Group's largest development centre and Group Management functions are also based there.

During the financial year, sales totalled SEK 947 million (939) and profit after net financial items SEK 35 million (45).

The proportion of sales and purchases in EUR remains high. Sales by the Parent Company to subsidiaries in Europe are mainly transacted in EUR. As a result, the gross margin declined by around 1 percentage point over the year.

Exports accounted for 63% (63) of sales from Skinnskatteberg.

Exports represent a significant share of sales by Systemair AB to its subsidiary Frico AB. Adjusted for the re-exports from Frico AB, 72% (73) of all sales from Skinnskatteberg were exported.

Investments in buildings, technical facilities, machinery, equipment and construction in progress amounted to approximately SEK 6.6 million (16.3). These include investments in a modern lake water heating system for the factory at Skinnskatteberg and in production machinery.

The cash flow from operating activities in the Parent Company totalled SEK 310.3 million (75.2). The increase was largely attributable to a fall in current receivables.

The balance sheet shows a strong equity/assets ratio of 33% (36).

Significant events after financial year-end

In May, Systemair completed the acquisition of Menerga GmbH, Germany, a leading European producer of air handling units for swimming pool halls and comfort ventilation with extra high efficiency. Established in 1981, Menerga has its headquarters and production facilities in Mülheim an der Ruhr, just outside Düsseldorf. Sales in 2012 totalled EUR 56.7 million, 53 percent in Germany. The company currently employs approximately 400 people. The purchase consideration is provisionally calculated at SEK 111 million, including transaction costs.

In May, Systemair entered an agreement to acquire Reftec AS, a supplier of commercial cooling and heat pumps on the Norwegian market. Reftec, founded in 2007, has its headquarters in Trondheim and a sales office in Oslo. It has 14 employees. The company recorded sales of NOK 34 million in 2012 and sales growth of more than 30 percent. The acquisition is subject to approval by Norway's competition authority. The company was formerly a reseller of Systemair products in the Norwegian market.

PROPOSED DISTRIBUTION OF UNAPPROPRIATED PROFITS

Available for distribution by the Annual General Meeting:

Share premium reserve	SEK 35,206,751
Fair value reserve	SEK 47,984,247
Retained earnings	SEK 585,390,608
Profit for the year	SEK 161,854,738
	SEK 830,436,344

The Board proposes that the AGM to be held on August 2013 approves a dividend of SEK 1.50 (1.25) per share, giving a total distribution of SEK 78.0 (65.0) million, and that the remaining profits be carried forward. The proposed dividend corresponds to 32% (30) of net consolidated profit. The number of shares entitled to a dividend is 52,000,000.

Corporate governance report

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

Application of the Swedish Code of Corporate Governance ("the Code")

In the market for shares in Swedish companies whose shares are quoted for trading in a regulated market, implementation of the Code is generally accepted practice. Systemair applies the Code with the following exceptions:

The AGM has appointed a nominating committee consisting of representatives of the three largest shareholders. The chairman of the nominating committee is the Company's majority shareholder, Gerald Engström, who owns 42.3% of the share capital and votes in Systemair via his wholly owned company Färna Invest AB. Engström is also a member of the Board of Directors and is the Chief Executive Officer. The second largest shareholder, ebm-papst AB, owns 21.3% of the capital and votes and is represented on the nominating committee

by Gerhard Sturm.

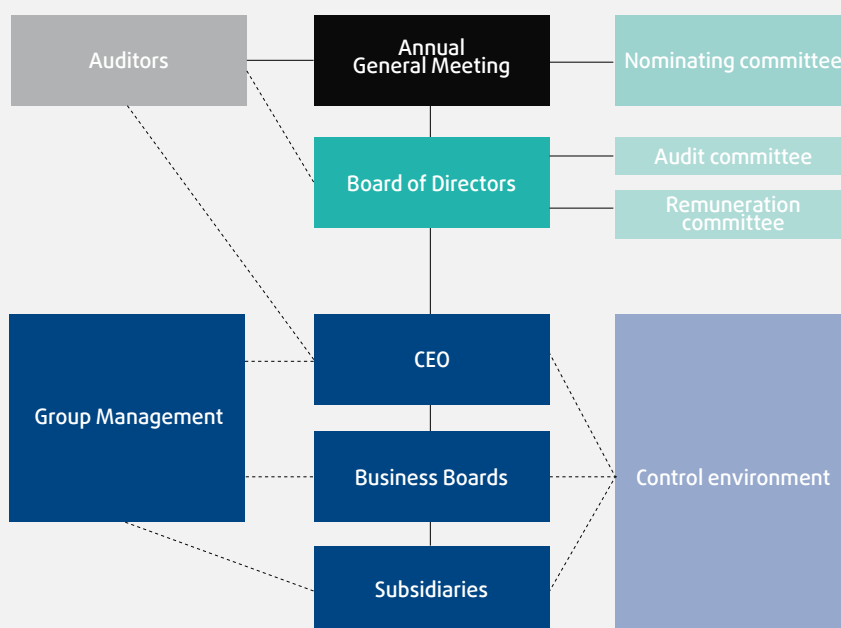
The Code states for example that the majority of the members of the nominating committee must be independent of the Company and company management. Furthermore, the chairman of the nominating committee must not be a director of the company.

The majority of the members of Systemair's nominating committee are, however, not independent, which represents a deviation from the Code. The Company's view 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 (corp. id. no. 556160-4108) has its registered office in Skinnskatteberg in Västmanland County. Its shares have been

How Systemair is governed



Facts

2012 Annual General Meeting

The Annual General Meeting held in Skinnskatteberg on 29 August 2012 was attended by 63 shareholders, representing 85.8% of the number of shares and votes in the Company. Lars Hansson, Systemair's Chairman, was appointed to chair the meeting. Lars Hansson informed the AGM of the work of the Board and reported on the guidelines for remuneration to senior executives, and on the work of the nominating committee and audit committee. In addition, Gerald Engström, then President and CEO, held a speech about Systemair's business during financial year 2011/12. Thomas Forslund, auditor in charge, presented sections of the audit report.

Resolutions approved at the AGM:

- To discharge the Board of Directors and the Chief Executive Officer from liability for the past financial year
- To re-elect Elisabeth Westberg, Lars Hansson, Gerald Engström, Jürgen Zilling, Göran Robertsson and Hannu Paitula to the Board of Directors
- To re-elect Lars Hansson as Chairman of the Board.
- That a Board fee of SEK 400,000 be paid to the Chairman and SEK 200,000 to each director not employed by the Company. That a fee of SEK 25,000 be paid to each employee representative.
- That a fee of SEK 50,000 be paid to the chairman of the audit committee and SEK 25,000 be paid to the other members of the audit committee.
- That a dividend of SEK 1.25 per share be paid
- That the nominating committee consist of representatives of the three biggest shareholders, based on details of the shareholders as per 31 January 2013, together with the Chairman of the Board
- That during the period until the 2013 AGM the Board be authorised to approve the issue of new shares equal to no more than 10% of the number of shares in the Company.

The minutes from the 2012 AGM are available on the Company's website at www.systemair.com, Investor & Media.

quoted on Mid Cap list of the OMX Nordic Exchange in Stockholm since 12 October 2007. The Company's trading symbol is SYSR. At the end of the accounting period, Systemair AB had 3,209 shareholders. The largest individual shareholder is Färna Invest AB, which owns 42.3% of the capital and votes, and is 100%-controlled by Gerald Engström, Chief Executive Officer and member of the Board of Directors. Other major shareholders are ebm-papst AB, Järfälla, Sweden, wholly owned subsidiary of ebm-papst GmbH, Mulfingen, Germany, with 21.3% of the capital and votes, and Nordea Fonder, with 6.2%. All shares have a quotient value of SEK 1. At the end of the accounting period, 30 April 2013, 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 46.

Articles of Association

Systemair is a public limited liability company, whose business it is inter alia 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 Board of Directors and the CEO 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: www.systemair.com, Investor & Media

Annual General Meeting

The Annual General Meeting (AGM) is Systemair's ultimate governing body. The AGM shall be held within six months from the end of the financial year. Notice of the meeting is given on the Systemair website and confirmed via an announcement in Dagens Industri.

All shareholders who are entered in the share register five weekdays before the AGM and who have notified the Company no later than 3.00 p.m. on the day specified in the notice for the AGM that they will attend, are entitled to attend and to vote in accordance with their total shareholdings. Any shareholder unable to attend can be represented by a representative.

Composition of the nominating committee for the 2013 AGM

Member	Representative of	Contact (e-mail)
Gerald Engström, Chairman of the nominating committee	Färna Invest AB, Chief Executive Officer, Systemair	gerald.engstrom@systemair.se
Gerhard Sturm	ebmpapst AB	gerhard.sturm@de.ebmpapst.com
Björn Henriksson	Nordea Fonder	bjorn.henriksson@nordea.com
Lars Hansson	Chairman of the Board	lars.hansson@systemair.se

Board members - attendance and dependence/independence

	Board of Directors	Audit committee	Remuneration committee	Year elected	Dep./Indep. Company	Dep./Indep. Shareholder
Number of meetings	9	4	1			
Lars Hansson, Chairman	9	4	1	2006	Indep.	Indep.
Gerald Engström	9	-	-	1974	Dep.	Dep.
Elisabeth Westberg	9	4	1	2006	Indep.	Indep.
Jürgen Zilling	9	-	-	2008	Indep.	Indep.
Göran Robertsson	9	4	1	2006	Indep.	Indep.
Hannu Paitula	9	-	-	2011	Indep.	Indep.
Kevin Rowland ¹	9	-	-	2002	-	-
Åke Henningsson ¹	9	-	-	2010	-	-

¹Employee representative

The AGM deals with several key matters of business, such as the dividend, any amendments to the Articles of Association, election of auditor, discharge of the Board from liability, remuneration to the Board and auditor, as well as decisions on the composition of the Board until the next AGM.

Nominating committee

The 2012 AGM resolved that the nominating committee shall consist of representatives from three of the biggest shareholders. It was resolved that the record date for determining the three largest shareholders should be 31 January 2013. 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 and proposals for fees to the Chairman of the Board and other Board members, for remuneration committee work and for auditors' fees. These proposals shall be presented at the AGM.

In 2012, the nominating committee held two meetings. No remuneration was paid for work on the nominating committee.

The nominating committee's proposals to the 2013 AGM are stated in the Notice of AGM published on the Systemair website, www.systemair.se. Shareholders wishing to submit proposals to the nominating committee may do so via e-mail to any of the members of the committee.

Board of Directors

Board structure

Systemair's Board of Directors is made up of six directors, elected at the AGM, namely Lars Hansson (Chairman), Gerald Engström (Systemair CEO), Elisabeth Westberg, Göran Robertsson, Jürgen Zilling and Hannu Paitula. The employees have two representatives, Kevin Rowland, Unionen, and Åke Henningsson, IF Metall. Further details of the members of the Board of Directors are presented on page 59 of this annual report.

Glen Nilsson, CFO, serves as Board Secretary.

As the table on the previous page shows, all members of the Board elected by the AGM, except for Gerald Engström, are independent of the Company. Senior executives participate in Board meetings in a reporting capacity, as the need arises.

Work of the Board of Directors

During the 2012/13 financial year, the Board held eight 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.

Work of the Board of Directors during the year



The Company's auditor attended proceedings dealing with the year-end report and presented his report, at which point the Board had opportunity to ask questions. All resolutions approved by the Board were unanimous and are recorded in the minutes of the meeting.

The work of the Board is governed by written rules of procedure, approved annually, that regulate the work of the Board and the allocation of work within it, including committee work, the procedure for decision-making within the Board and rules of procedure for Board meetings.

Each month, the Board receives the Company's reporting package on results and financial position, consolidated at Group level and for all subsidiaries. The CEO also maintains ongoing contact with the Chairman of the Board.

During the year, the Board of Directors assessed his work, and all directors participated in the assessment and provided observations. The Chairman of the Board is responsible for this evaluation.

During the year, the Board discussed and adopted a financial policy, an insider policy, an IT policy, a communication policy and a code of conduct. Each policy is presented on the Company's website, www.systemair.com.

Attendance of Board members and remuneration

As the table indicates, all Board members attended all meetings. Information on

remuneration to the Board is provided in Note 9.

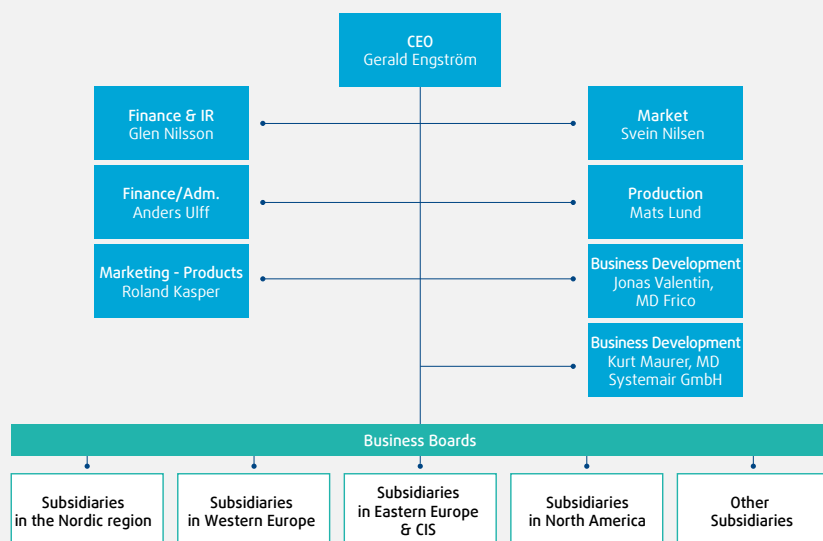
Remuneration committee

The Board has appointed a remuneration committee comprising Lars Hansson (chairman), Elisabeth Westberg and Göran Robertsson. The committee's tasks are:

- to prepare proposals on behalf of the Board regarding remuneration in the form of fixed and variable salary, pension, severance payment and any other types of remuneration for 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 to senior executives, as well as current structures and levels of remuneration.

The members of the committee are appointed annually by the Board at the first regular Board meeting; the committee shall consist of three members. No member may participate in issues related to his or her own remuneration. The Chairman of the Board shall chair the committee. The committee held one minuted meeting, which was attended by all members.

Organisation



Audit committee

During the financial year, the Board had an audit committee comprising Board members Elisabeth Westberg (chairman), Lars Hansson and Göran Robertsson.

- The committee's tasks include:
- supervising the Company's internal control, risk management and internal audits
 - keeping informed about the external audit
 - reviewing and monitoring the impartiality and independence of the auditor
 - assisting in the preparation of proposals for the selection of auditors.
 - supervising financial reporting
 - discussing valuation issues such as impairment testing of goodwill.

The committee held four minuted meetings in which the Company's CFO, Vice President of Administration and auditor took part. These meetings addressed issues such as the risk assessment of internal control and risk management with respect to financial reporting. Reports were submitted from internal audits performed. Minutes were kept of the meetings and were presented at the subsequent Board meeting.

Managing Director and Chief Executive Officer

In April 2013, Pär Johansson was appointed as new Managing Director of the Parent Company, Systemair AB. Pär Johansson formerly served as marketing manager in Sweden, with overall responsibility

for sales, customer service and technical support. Gerald Engström, who until April 2013 served as both President and Chief Executive Officer, remains as Chief Executive Officer for the Group and Board member. Pär Johansson will assume operational responsibility at the Parent Company, Systemair AB, based in Skinnskatteberg, and for the Swedish business. As Chief Executive Officer, Gerald Engström will manage day-to-day administration and control of the Group's operations and Group Management will report to him.

Group Management

Group Management consists of: Svein Nilssen, VP Sales and Marketing; Glen Nilsson, CFO; Mats Lund, VP Production; Roland Kasper, VP Products; Anders Ulff, VP Administration; Jonas Valentin, MD of Frico AB; and Kurt Maurer, MD of Systemair GmbH, Germany. As Chief Executive Officer, Gerald Engström oversees the work of Group Management.

Group Management holds regular meetings during the year to review the results of the Group and of individual subsidiaries, as well as the market and business situation, and to take decisions on strategic and operational matters within frameworks established by the Board. One of these yearly meetings is more extensive, involving more detailed discussion and planning for operations and the formulation of targets at the Group and subsidiary levels. Systemair's organisation is characterised by a simple, straightforward

style of communication, so ongoing informal contacts among Company executives is also a key part of the management culture. Group Management is supported by functions for Group financing, Group accounting, business development, product development, production, purchasing, communication and IT.

Business Boards governance at subsidiaries

The Systemair Group consists of in all 64 companies. The Parent Company is Systemair AB (corp. id. no. 556160-4108), which directly owns all subsidiaries. No other legal sub-structures exist. All subsidiaries are 100%-owned, apart from Turkish subsidiary Systemair-HSK, which is 90%-owned.

Operations at the subsidiaries are controlled via Business Boards, which might 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 in various organisational issues. Business Boards meet two to four times each year. Each subsidiary also has a formal board of directors, if required by law in the country concerned.

Senior executive remuneration

Guidelines

The 2012 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 include variable salary and benefits such as 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 can normally amount to 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 shall be based on the fixed salary. The Board is entitled to depart from these guidelines if justified in any particular case.

Information on remuneration to the President, CEO and other senior executives is presented in Note 9.

Notice of termination and severance payments

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

Pensions

The Chairman of the Board and members of the Board have no entitlement to pension benefits arising from their Board duties. As Chief Executive Officer, Gerald Engström is covered by defined-contribution pension insurance; other senior executives are covered by the ITP Pension Plan. The pensionable age for all senior executives is 65 years. Pension costs for senior executives totalled SEK 3.0 million in 2012/13.

Auditor and auditing

The 2012 AGM resolved to appoint Ernst & Young AB, with Thomas Forslund, Authorised Public Accountant, as auditor in charge until the end of the 2013 AGM. Thomas Forslund has served as senior auditor since 2006 and will therefore resign from this position at the 2013 AGM. A proposal for new auditor will be made in the Notice of the 2013 AGM.

The external audit is performed in accordance with generally accepted accounting principles 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 the companies and that sets guidelines for the auditors' work in each subsidiary. In addition to audit engagements, the audit firm has performed certain consulting assignments during the year, primarily consisting of advice on tax and accounting issues. The auditors have

submitted oral and written reports to the audit committee and the Board on the audit engagement as well as on the audit of the Company's internal control.

Systemair's mid-year report during the 2012/13 financial year was audited by the Company's auditor.

Information on remuneration to the auditors is provided in Note 5.

Internal control of financial reporting

Report of the Board of Directors on internal control for financial year 2012/13

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

The audit committee exercises the important function of preparing the work of the Board in assuring the quality of financial reporting. Such preparation covers issues of internal control and compliance with regulations, scrutiny of reported values and estimates and other issues that could influence the quality of the financial disclosures. Internal control is based on the structure 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 Board work lays the foundations for 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 a number of basic documents to create and maintain a smoothly functioning control environment of importance 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 within the Board of Directors. Its task is to ensure that policies adopted on financial reporting and internal control are observed and developed. The committee also maintains day-to-day relationships with the Company's auditor.

Risk assessment

Systemair's Board of Directors is responsible for ensuring that material financial risks and risks of errors in financial reporting are identified and managed.

As regards financial reporting, the primary risk is deemed to be that errors 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 disclosures and budgets provide crucial support. In addition, risk assessments are performed on an ongoing basis during strategic planning, budgeting, forecasting and acquisition activities.

Control activities

Essential instructions and guidelines for financial reporting are prepared and updated continuously by the Parent Company's centralised controller organisation and are easily accessible 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, enabling any deviations or errors to be detected quickly and corrected.

At the end of the accounting period, the Group comprised around 60 subsidiaries owned directly by the Parent Company Systemair AB. The subsidiaries are legal entities with their own comprehensive income statements and balance sheets. Each individual subsidiary reports monthly to the Parent Company, at which consolidation takes place.

Central controllers are directly responsible for following up for a number of companies that they monitor and analyse continuously. Outcomes are reviewed against plans and targets on an ongoing basis with representatives from the subsidiaries, Business Boards and Group Management.

For the majority of its subsidiaries, the Group has a common, fully integrated ERP system that provides a highly efficient tool for management, internal control and follow-up. Major decisions such as acquisitions, investments and significant agreements are subject to explicit decision-making procedures and processes.

In addition, every unit is also visited regularly by representatives of Business Boards and Group Management for continuous evaluation of internal control and financial reporting.

Information and communication

The President and CFO are jointly responsible for the accuracy and good quality of all information published externally, such as for example quarterly reports, press releases, company presentations etc. 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 audit committee and Board.

Each month, the Board receives a reporting package that includes the complete final accounts for each 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 with outcomes for preceding years.

The Board's set of procedures regulates which reports and information of a financial nature will be presented on an ongoing basis and at 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. To ensure that external information is accurate and comprehensive, the Board of Directors has therefore adopted a Communication Policy.

Follow-up

Systemair is characterised by simplicity in its legal and operational structures and by smoothly functioning and well-established management and control systems. The Board's audit and remuneration committees, together with Group Management, follow up on 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 report, the Board reviews the financial information. Each month, Group Management and Business Board members 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 the audit committee and also report directly to the Board of Directors.

During the year, the controller organisation conducted a number of internal audits of subsidiaries, aided by the Company's auditors. This work adheres to a standardised model, in which for example various significant issues associated with internal guidelines and policies are reviewed.

Procedures associated with internal audits are being developed continuously, and an annual plan for audit activities is in place, implemented by the audit committee.

Internal audit

Systemair has a simple operational structure that provides effective means for internal control. Compliance with the management and internal control systems developed by the Company is regularly monitored by the Group's controllers. In addition, Business Boards and Group Management also follow up compliance on a regular basis. Further control and supervision are exercised by the audit committee and the external auditors.

Day-to-day dialogue between the Company and the external auditors, as well as the checks by the above-mentioned parties are considered at present to be adequate in ensuring that an acceptable level of internal control is maintained. 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 the issue will be re-examined in the 2013/14 financial year.

Board of Directors



GERALD ENGSTRÖM

Chief Executive Officer, Director

Director of Lindab AB, Chairman of Bluefish Pharmaceuticals AB

Education: Upper secondary school qualification in Engineering, Business Studies at Stockholm University

Formerly: CEO, Ziehl-ebm AB etc.

Holding: 21,997,752 shares (shares owned by Färna Invest)

Born: 1948

Year elected: 1974

Independent: No



JÜRGEN ZILLING

Director

Sales Manager, Ziehl-Abegg, Kuenzelsau 1967-1980. VP Sales & Marketing ebm, Muldingen 1980-2002

Holding: 10,500 shares

Born: 1938

Year elected: 2008

Independent: Yes



KEVIN ROWLAND

Employee Representative

Education: B. A. History, La Salle Univ., Philadelphia, USA; Personnel Management, Org. Development, University of Gothenburg

Present position: Operations Manager/IT

Holding: 500 shares

Born: 1954

Year elected: 2002



LARS HANSSON

Chairman of the Board

Chairman of S-Group Holding AB, Director of Starkraft AB

Education: M.Sc. Engineering

Holding: 50,000 shares

Born: 1942

Year elected: 2006

Independent: Yes



ELISABETH WESTBERG

Director

Director of Jämtkraft AB, Scandem AB and AB Fr Ramström

Education: B. A.

Formerly: Vice President Handelsbanken Capital Markets etc.

Holding: 21,357 shares

Born: 1948

Year elected: 2006

Independent: Yes



ÅKE HENNINGSSON

Employee Representative

Present position: Industrial electrician

Holding: -

Born: 1957

Year elected: 2010



GÖRAN ROBERTSSON

Director

Chairman, Eurovent Certification Company

Education: B.Sc. Engineering and leadership programme at Stockholm School of Economics IFL Executive Education

Formerly: CEO of Stifab Farex AB etc.

Holding: 15,000 shares

Born: 1943

Year elected: 2006

Independent: Yes



HANNU PAITULA

Director

Chairman of WinGroup AG, Switzerland; Director, Oras Ltd, Finland, Kährs Holding AB, Sweden, and Karelia-Upofloor Oy, Finland.

Education: Engineer

Holding: -

Born: 1948

Year elected: 2011

Independent: Yes

Group Management



GERALD ENGSTRÖM

Chief Executive Officer, Director

Director of Lindab AB, Chairman of Bluefish Pharmaceuticals AB

Education: Upper secondary school qualification in Engineering, Business Studies at Stockholm University

Formerly: CEO, Ziehl-ebm AB etc.

Holding: 21,997,752 shares (owned by Färna Invest)

Born: 1948

In current position since: 1986



SVEIN NILSEN

Vice President Sales and Marketing

Education: B. Sc. Engineering with Heating, Ventilation & Sanitation, Norwegian University of Science and Technology (NTNU)

Formerly: CEO, Pyrox Jolin, Trondheim, Norway (acquired 1988)

Holding: 100,000 shares

Born: 1947

In current position since: 2000



GLEN NILSSON

Chief Financial Officer

Education: MSc, Business Administration, Uppsala University

Formerly: CFO, Transwede Airways AB;

Head of Admin., ICA Detaljhandel AB

Holding: 27,667 shares

Born: 1952

In current position since: 1999



MATS LUND

Vice President Production

Education: Computer Programming and IT studies

Formerly: Head of IT Purchasing and Logistics, Systemair; computer programmer, ASEA.

Holding: 103,000 shares

Born: 1957

In current position since: 2003



ROLAND KASPER

Vice President Marketing - Products

Education: Energy and Heating Technology Engineering Diploma, University of Applied Sciences Giessen-Friedberg, Germany

Formerly: Product Manager, FläktWoods Group and ABB Ventilation Products GmbH

Holding: 1,000 shares

Born: 1969

In current position since: 2011



KURT MAURER

MD Systemair GmbH, Germany

Education: Heilbronn University

Formerly: Technical Director, Lti Lüftungstechnik; Product Dvpt, Rosenberg; Product Dvpt, Ebm-papst

Holding: 70,925 shares

Born: 1959

In current position since: 1998



ANDERS ULFF

Vice President, Finance and Administration

Education: M.Sc. Business Administration, Uppsala University

Formerly: Auditor and consultant, Ernst & Young; CFO, Systemair

Holding: 60,600 shares

Born: 1967

In current position since: 2009



JONAS VALENTIN

MD, Frico AB

Education: M.Sc. Engineering, Chalmers University of Technology

Formerly: Product and Key Account Manager Frico AB; Project Man., Volvo and Saab

Holding: 85,000 shares

Born: 1958

In current position since: 2001

Consolidated Income Statement

SEK m., 1 May–30 April	Note	2012/13	2011/12
Net sales	3	4,551.0	3,996.9
Cost of goods sold	4	-2,923.6	-2,505.2
Gross profit		1,627.4	1,491.7
Other operating income	7	61.5	55.9
Selling expenses	4	-1,041.4	-961.6
Administration expenses	4, 5	-226.1	-208.0
Other operating expenses	8	-56.2	-58.2
Operating profit	4, 6, 9, 10	365.2	319.8
Financial income	11	1.2	2.7
Financial expenses	12	-35.8	-25.9
Profit after financial items		330.6	296.6
Tax	13	-89.6	-81.1
Profit for the year		241.0	215.5
Attributable to:			
Parent Company shareholders		241.0	215.4
Shareholdings without controlling influence		0.0	0.1
Earnings per share ¹	36	4.63	4.14
Average no. of shares during period ¹		52,000,000	52,000,000

¹At present, Systemair does not have any option programme in operation and so no dilution effect is to be taken into account.

Consolidated Statement of Comprehensive Income

SEK m., 1 May–30 April	2012/13	2011/12
Profit for the period	241.0	215.5
Other comprehensive income		
Translation differences, foreign operations	-56.1	10.5
Hedging of net assets in foreign operations, gross before tax	-0.8	-5.6
Tax on hedging of net assets in foreign operations	0.2	1.5
Change in fair value of securities held for sale	57.7	-
Disposal of securities held for sale	-	-
Other comprehensive income, net after tax	1.0	6.4
Total comprehensive income for the period	242.0	221.9
Attributable to:		
Parent Company shareholders	242.0	221.9
Shareholdings without controlling influence	0.0	0.0

Consolidated Balance Sheet

SEK m., 30 April	Note	30/04/2013	30/04/2012
ASSETS			
Non-current assets			
<i>Intangible assets</i>	3, 14		
Goodwill		457.7	367.3
Brands, customer relationships etc.		163.6	118.1
Other intangible assets		8.1	8.1
		629.4	493.5
<i>Property, plant and equipment</i>	3, 14		
Buildings and land		530.3	553.5
Plant and machinery		134.3	154.0
Equipment and tools		82.8	74.5
Construction in progress		66.0	10.0
		813.4	792.0
<i>Financial and other assets</i>			
Other securities held as non-current assets	15	464.7	0.4
Deferred tax assets	13	78.4	99.3
Other non-current receivables	16	7.8	7.3
		550.9	107.0
Total non-current assets		1,993.7	1,392.5
Current assets			
<i>Inventory</i>	18		
Raw materials and consumables		310.9	282.5
Products in progress		39.5	32.5
Finished products		439.6	452.3
		790.0	767.3
<i>Current receivables</i>			
Accounts receivable – trade	19	875.7	764.5
Other receivables		60.6	33.9
Prepaid expenses and accrued income	17	49.1	43.4
Miscellaneous short-term deposits		7.2	6.6
		992.6	848.4
<i>Cash and bank balances</i>		98.4	91.6
Total current assets		1,881.0	1,707.3
TOTAL ASSETS		3,874.7	3,099.8

Consolidated Balance Sheet

SEK m., 30 April	Note	30/04/2013	30/04/2012
EQUITY AND LIABILITIES			
Equity			
<i>Share capital</i>	20	52.0	52.0
Additional paid-in capital		2.2	2.2
Other reserves		-29.6	-30.6
Profit brought forward, incl. profit for the year		1,551.4	1,375.4
Equity attributable to Parent Company shareholders		1,576.0	1,399.0
Shareholdings without controlling influence		0.0	0.1
Total equity		1,576.0	1,399.1
Non-current liabilities			
Non-current liabilities, interest-bearing	21	586.3	185.4
Provisions for pensions	25	29.6	15.3
Provisions for deferred tax liabilities	13	75.5	80.6
Other provisions		49.4	36.3
Total non-current liabilities		740.8	317.6
Current liabilities			
Current liabilities, interest-bearing	21	724.0	681.4
Trade payables		410.4	354.5
Income tax liability		61.0	54.0
Other liabilities		160.1	116.0
Accrued expenses and deferred income	22	202.4	177.2
Total current liabilities		1,557.9	1,383.1
Total liabilities		2,298.7	1,700.7
TOTAL EQUITY AND LIABILITIES		3,874.7	3,099.8
Pledged assets	32	263.4	347.2
Contingent liabilities	33	80.4	30.0

Changes in Equity – Group

SEK million	Attributable to shareholders in Parent Company						Share- holdings without controlling influence	Total equity
	Share capital	Additional paid-in capital	Hedging reserve	Translation reserve	Fair value reserve	Profit brought forward, incl. profit for the year		
Equity, 30 April 2011	52.0	2.2	4.6	-41.6	0.0	1,250.9	0.1	1,268.2
Dividends						-91.0		-91.0
Profit for the year						215.5	0.0	215.5
Other comprehensive income			-4.1	10.5				6.4
Equity, 30 April 2012	52.0	2.2	0.5	-31.1	0.0	1,375.4	0.1	1,399.1
Dividends						-65.0		-65.0
Profit for the year						241.0	-0.1	240.9
Other comprehensive income			-0.6	-56.1	57.7			1.0
Equity, 30 April 2013	52.0	2.2	-0.1	-87.2	57.7	1,551.4	0.0	1,576.0

Consolidated Cash Flow Statement

SEK m., 1 May–30 April	Note	2012/13	2011/12
Operating activities			
Operating profit		365.2	319.8
Interest received		1.2	2.5
Interest paid		-28.7	-25.3
Adjustment for non-cash items etc.	34	147.4	98.0
Income tax paid		-76.9	-57.5
Cash flow from operating activities before changes in working capital		408.2	337.5
Changes in working capital			
Inventory		-3.0	-26.8
Current receivables		-57.5	54.7
Trade payables		-17.7	-96.3
Current liabilities		13.9	20.8
Cash flow from operating activities		343.9	289.9
Investing activities			
Acquisition of subsidiaries	30	-164.4	-172.5
Acquisition of lossmaking companies		-	-11.7
Acquisition of intangible assets		-2.0	-5.1
Acquisition of property, plant and equipment		-123.9	-85.8
Disposal of property, plant and equipment		4.4	9.4
Acquisition of financial assets		-406.6	-
Sale of financial assets		-	0.3
Cash flow from investing activities		-692.5	-265.4
Financing activities			
Borrowings		618.0	221.0
Amortisation of loans		-188.5	-141.1
Dividend to shareholders		-65.0	-91.0
Cash flow from financing activities		364.5	-11.1
Increase/Decrease in cash and cash equivalents		15.9	13.4
Cash and cash equivalents at start of year		91.6	76.8
Exchange rate difference in cash and cash equivalents		-9.1	1.4
Cash and cash equivalents at year-end		98.4	91.6

Parent Company Income Statement

SEK m., 1 May–30 April	Note	2012/13	2011/12
Net sales	3	946.8	939.2
Cost of goods sold		-716.9	-701.5
Gross profit		229.9	237.7
Other operating income	7	47.7	31.8
Selling expenses		-165.3	-158.8
Administration expenses	5, 6	-62.3	-59.9
Other operating expenses	8	-15.5	-5.6
Operating profit	9, 10	34.5	45.2
Profit/loss from participations in Group companies	26	176.0	141.1
Other interest income and similar profit/loss items	11	18.9	28.4
Interest expense and similar profit/loss items	12	-46.7	-36.5
Profit after financial items		182.7	178.2
Appropriations	23	-20.7	-51.6
Pre-tax profit		162.0	126.6
Tax on profit for the year	13	-0.1	1.7
Profit for the year		161.9	128.3

Parent Company Statement of Comprehensive Income

	2012/13	2011/12
Profit for the period	161.9	128.3
Other comprehensive income		
Translation effects of long-term loans to subsidiaries with no settlement planned	-7.6	6.5
Tax effect from translation of long-term loans to subsidiaries	2.0	-1.7
Result of business combination	-0.1	-
Change in fair value of securities held for sale	57.7	-
Other comprehensive income, net after tax	52.0	4.8
Total comprehensive income for the period	213.9	133.1

Parent Company Balance Sheet

SEK m., 30 April	Note	30/04/2013	30/04/2012
ASSETS			
Non-current assets			
<i>Intangible assets</i>	14		
Licences and other intangible assets		4.8	5.6
		4.8	5.6
<i>Property, plant and equipment</i>	14		
Buildings and land		79.4	49.4
Plant and machinery		34.1	41.7
Equipment and tools		13.5	8.7
Construction in progress		2.9	6.9
		129.9	106.7
<i>Financial assets</i>			
Participations in Group companies	27	1,471.9	1,030.1
Receivables from Group companies	31	64.5	391.3
Other securities held as non-current assets	15	464.3	-
Deferred tax assets	13	0.2	-
Other non-current receivables	16	3.8	3.8
		2,004.7	1,425.2
Total non-current assets		2,139.4	1,537.5
Current assets			
<i>Inventory</i>			
Raw materials and consumables		52.2	48.1
Products in progress		4.5	4.5
Finished products		71.1	69.8
		127.8	122.4
<i>Current receivables</i>			
Accounts receivable – trade	19	55.4	49.1
Receivables from Group companies		490.9	536.9
Taxes recoverable		10.9	-
Other receivables		1.2	2.4
Prepaid expenses and accrued income	17	13.4	12.5
		571.8	600.9
<i>Cash and bank balances</i>		-	-
Total current assets		699.6	723.3
TOTAL ASSETS		2,839.0	2,260.8

Parent Company Balance Sheet

SEK m., 30 April	Note	30/04/2013	30/04/2012
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	20	52.0	52.0
Statutory reserve		10.0	10.0
		62.0	62.0
<i>Non-restricted equity</i>			
Share premium reserve		35.2	35.2
Fair value reserve		47.9	-4.1
Profit brought forward		585.4	522.1
Profit for the year		161.9	128.3
		830.4	681.5
Total equity		892.4	743.5
Untaxed reserves	24	63.3	92.7
Provisions		2.8	1.4
Non-current liabilities			
Liabilities to credit institutions	21	446.3	68.7
Deferred tax liability	13	0.2	0.1
Liabilities to Group companies		296.8	502.5
		743.3	571.3
Current liabilities			
Bank overdraft facilities	21	547.2	555.1
Liabilities to credit institutions	21	117.4	82.1
Trade payables		57.9	71.7
Income tax liability		-	1.8
Liabilities to Group companies		353.5	79.8
Other liabilities		12.3	15.9
Accrued expenses and deferred income	22	48.9	45.5
		1,137.2	851.9
Total equity and liabilities		2,839.0	2,260.8
Pledged assets	32	550.1	225.1
Contingent liabilities	33	247.8	151.5

Changes in Equity – Parent Company

SEK million	Share capital	Statutory reserve	Unrestricted equity			Total equity
			Share premium reserve	Fair value reserve	Profit brought forward, incl. profit for the year	
Equity, 30 April 2011	52.0	10.0	35.2	-8.9	613.1	701.4
Dividend					-91.0	-91.0
Profit for the year					128.3	128.3
Other comprehensive income				4.8		4.8
Equity, 30 April 2012	52.0	10.0	35.2	-4.1	650.4	743.5
Dividend					-65.0	-65.0
Profit for the year					161.9	161.9
Other comprehensive income				52.1	-0.1	52.0
Equity, 30 April 2013	52.0	10.0	35.2	48.0	747.2	892.4

Parent Company Cash Flow Statement

SEK m., 1 May–30 April	Note	2012/13	2011/12
Operating activities			
Operating profit		34.5	45.2
Interest received		18.8	28.4
Interest paid		-30.4	-26.5
Adjustment for non-cash items etc.	34	18.3	14.7
Income tax paid		-16.5	14.3
Cash flow from operating activities before changes in working capital		24.7	76.1
Changes in working capital			
Inventory		-5.4	5.4
Current receivables		320.9	13.6
Trade payables		-29.0	-20.0
Current liabilities		-0.9	0.1
Cash flow from operating activities		310.4	75.2
Investing activities			
Acquisition of property, plant and equipment, net		-6.6	-16.3
Acquisitions/capital injections in subsidiaries		-153.0	-374.3
Dividends on shares in subsidiaries		176.0	207.3
Group contributions paid		-50.2	-57.0
Investments in intangible assets		-1.8	-5.1
Acquisition of financial assets		-406.6	-
Cash flow from investing activities		-442.2	-245.4
Financing activities			
Dividend to shareholders		-65.0	-91.0
Borrowings		494.0	364.1
Amortisation of loans		-297.1	-102.9
Cash flow from financing activities		131.9	170.2
Increase/Decrease in cash and cash equivalents		0.0	0.0
Cash and cash equivalents at start of year		-	-
Cash and cash equivalents at year-end		-	-

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Notes

NOTE 1 Accounting and valuation policies

Systemair AB's consolidated accounts for the year ended 30 April 2013 were approved by the Board of Directors and the President on 5 July 2013 for publication and will be submitted for adoption to the 2013 Annual General Meeting. The Parent Company is a Swedish limited liability company with its registered office in Skinnkatteberg, Sweden.

Basis of preparation

Systemair's consolidated accounts are based on historical cost, with the exception of Financial derivative instruments and Financial assets available for sale. The latter 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.

Amended and new accounting policies for the year

In 2012/13, no new standards entered into force that affected the Group to any major extent.

Future amendments to accounting policies

Systemair has not elected for early adoption of any new standards, amendments of standards or interpretations that enter into force with effect from 1 May 2013 or later. The Company has not started applying the following new standards and amendments.

IAS 1. Presentation of Items of Other Comprehensive Income – amendment (Approved by the EU in June 2012)

IAS 1 is to be applied for financial years beginning on or after 1 July 2012. Under this amendment, transactions accounted for within other comprehensive income are to be classified differently. Items that are to be reclassified to profit or loss are to be accounted for separately from those that are not reclassified to profit or loss. The proposed amendment does not alter the actual content of other comprehensive income, only the way it is presented.

IFRS 9 Financial Instruments: Recognition and Measurement (not yet approved by the EU and no timetable for approval is currently in place.)

This standard is part of a comprehensive overhaul of the current standard, IAS 39. The standard represents a reduction of the number of valuation categories for financial assets, and requires the main categories for reporting of financial assets and liabilities to be reported at cost (amortised cost) and fair value through profit or loss. Certain investments in equity instruments may be recognised at fair value on the balance sheet with any change in value being recognised directly in other comprehensive income, and not transferred to profit or loss for the period, on disposal. Furthermore, new rules have been introduced on how changes in a company's own credit spread are to be presented when liabilities are recognised at fair value.

The standard will be supplemented by rules on impairment losses and hedge accounting.

IFRS 10 Consolidated Financial Statements: this standard replaces IAS 27 and SIC-12 Consolidation – Special Purpose Entities, and describes a model for judging whether a controlling interest exists or not. A company or investment shall be included in consolidated financial statements if a controlling interest exists, based on a concept of control. The standard entered into force on 1 January 2013, but companies in the EU are allowed to defer application of the standard until a financial year starting after 1 January 2014, and Systemair will opt for this alternative. The standard is not deemed to affect Systemair's financial statements to any material extent.

IFRS 12 Disclosure of Interests in Other Entities – lays down new disclosure requirements for all types of holding in other companies, irrespective of whether the holding is consolidated or not. The standard entered into force on 1 January 2013, but companies in the EU are allowed to defer application of the standard until a financial year starting after 1 January 2014, and Systemair will opt for this alternative.

IAS 19 Employee Benefits – Amendments

IAS 19 is to be applied for financial years beginning on or after 1 July 2013.

The amendments introduce major changes in accounting for defined-benefit pension plans. For example, the option of deferring actuarial gains and losses in the "corridor" approach is eliminated; these are to be recognised immediately within other comprehensive income. Any items relating to the earning of defined-benefit pension, as well as gains and losses arising on settlement of a pension liability are to be recognised via the income statement, together with the financial net of the defined-benefit plan. Sensitivity analyses are to be drawn up to reflect reasonably anticipated changes in all assumptions made during calculation of the pension liability. Systemair will implement the amendments to IAS 19 as of the financial year starting on 1 May 2013. In 2012/13, the amendments would have increased the pension liability by approximately SEK 7.7 million net and would have reduced equity by around SEK 5.6 million (after deduction of a deferred tax liability).

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 financial reports 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 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 financial statements 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% of shares entitled to vote but it may be obtained by other means, such as an agreement.

Subsidiaries acquired are reported in the consolidated accounts based on acquisition accounting. The same applies to businesses acquired directly. Using this method, 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. If the historical cost exceeds the fair value of the net assets of the company acquired, the difference is recognised as 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.

The non-controlling interest is that share of profits and net assets in a partly owned company that accrues to other owners. The 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 but which is not a joint venture. A significant influence normally exists if the shareholding represents 20%–50% of the votes. Holdings in associated companies are recognised based on the equity method. In this 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, as described above. In the Consolidated Income Statement, the Group's share of associated companies' stated 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 recognised directly in equity. 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 in foreign currency are valued at transaction date exchange rates. 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 that are 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 claims 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 any future divestment of the

foreign operation. Effective 1 November 2008, the Group chose to recognise the assets in Koolclima-Systemair in Spain and in Imos in Slovakia net after hedging with loans in EUR. Hedging reduces the effects of foreign exchange rate fluctuations in the income statement and, in the past financial year, resulted in a foreign exchange loss of SEK -0.6 million (-4.1), recognised directly in equity net after tax. At the same time, several loans to subsidiaries were reclassified as net investments in foreign operations. During the year, foreign exchange losses of SEK -5.6 million (4.8) were recognised directly in equity, net after tax.

Net sales

Net sales are recognised at the fair value of the consideration received or the consideration 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 consist predominantly of sales of ventilation and heating products and, to a minor extent, service such as installation, service and design.

Segment reporting

Systemair's top executive decision-makers govern and manage the Company's operations in the form of legal corporations. The number of legal corporations within Systemair is about 60 and so the Group, as required by the FRS 8 standard, has the same number of segments. Because the presentation of 60 segments would entail excessively detailed information, the standard proposes aggregating these at a suitable level if there are similar economic characteristics and the segments resemble one another. Systemair cannot see how such an aggregation, into 10 segments or less, could be done so that the information was meaningful. Systemair has therefore chosen to aggregate all segments into a main segment designated Ventilation.

Property, plant, equipment and intangible assets with a limited useful life

Property, plant, equipment 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.

Brands, customer relationships etc.	5-10 years
Buildings	25-50 years
Plant and machinery	3-7 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; the project must be considered technically feasible; 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. As of the balance sheet date, there were no development projects judged to meet the above criteria.

Impairment of assets

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.

In the case of goodwill and other intangible assets with an indeterminate useful life, as well as intangible assets not yet ready for use, the recoverable amount is calculated annually.

If essentially independent cash flows cannot be determined for a particular asset, the impairment test assets shall be grouped in cash-generating units, that is, at the lowest level where essentially independent cash flows can be identified. 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 the higher of an asset's net realisable value or value in use. The value in use is the present value of future cash flows discounted at a rate based on the risk-free interest rate adjusted to reflect 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 following recognition of the impairment loss.

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 and net realisable value for raw materials and purchased finished products, and at production cost for goods produced. Net realisable value is the estimated selling price in normal circumstances, less the costs required to conduct the sale. Historical cost is based on the current purchase price. Deductions for obsolescence are made as required. Deliveries between Group companies are priced in line with the market. Inter-company 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 determined by the intention behind the acquisition of each particular asset. The classification is determined at the time of acquisition. A financial asset is taken off the balance sheet when the contractual rights to the cash flow cease.

Financial assets measured at fair value through 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 associated with the Group's deliveries of goods and services and are measured at historical cost. They are recognised in the amount expected to be received, less doubtful receivables based on individual assessment. Within the Group, the general rule is that 50% provision should be made for receivables 180-360 days overdue, and 100% for those more than 360 days overdue. However, credit insurance and the like are to be taken into account. Loan receivables and trade accounts receivable are anticipated to be of short duration and thus are measured at their nominal amounts, undiscounted.

Investments held to maturity

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

Financial assets available for sale

Investments available for sale 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 non-current assets if management does not intend to dispose of the assets within 12 months from the balance sheet date. Financial assets available for sale 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 other comprehensive income. When instruments that are classified as assets available for sale are divested or impaired, the accumulated adjustments to fair value are recognised in the income statement.

Financial liabilities

Financial liabilities measured at fair value through the income statement

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

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 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, adjusted for unrecognised actuarial gains and losses.

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. Any difference is recognised as a liability/asset taking into account actuarial gains and losses, as accrued. The estimation of future payments is based on actuarial assumptions including assumptions as to life expectancy, future salary increases, personnel turnover and factors relevant to the selection of discount rate.

Any changes to or deviations from the actuarial assumptions normally lead to actuarial gains or losses.

Actuarial gains or losses are not recognised as long as the accumulated gains or losses are less than 10% of the highest present value of the obligations. If the accumulated gain or loss exceeds the said limit, the excess gain or loss will be recognised in the income statement, distributed over the expected average remaining periods of service of the employees participating in the plans.

If the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of unrecognised actuarial losses and unrecognised costs of service from previous periods, and the present value of future refunds from the plan or future reduced contributions to the plan.

Share-based remuneration

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

Leases

At Systemair, leases are generally only used to a limited extent, and as a rule solely in connection with company cars and rental agreements. Leasing 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 all current leasing contracts as operating leases.

Borrowing costs

Borrowing costs are charged to income in the period to which they relate. 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 directly in equity when the underlying transaction is recognised directly 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, i.e. is calculated for all temporary differences between the taxable values of assets and liabilities and their carrying amounts, identified at the balance sheet date. Deferred tax assets are also recognised in the balance sheet for unused loss carry-forwards.

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 are reduced to the extent that it is

no longer probable that sufficient taxable profit will be available to allow all or part 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. Deferred 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.

Statement of cash flows

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 of 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 three types of government subsidy: government grants, loans that may be cancelled and grants relating to assets.

The Parent Company received an employment grant from the Swedish Labour Market Board totalling SEK 0.1 million (0.2). The employment grant was offset against salaries disbursed in the functions affected.

In Lithuania, Systemair received government grants for investments in machinery. The grants totalled SEK 0.3 million. The amount was offset against the tax expense this year and against the investment expense last year.

In Canada, Systemair received government loans amounting to SEK 0.2 million for product development. Investment grants of SEK 0.4 million were also received for investments in machinery.

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 recognised amounts 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. If an impairment is not to arise, goodwill must absorb a reduction in the assumed rate of growth or a rise of two percentage points in the assumed discount rate. For more detailed information on impairment testing of goodwill, see Note 14.

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 the accompanying note.

Deferred tax assets

Systemair benefits from loss carry-forwards that have arisen mainly through the acquisition of companies that made losses on previous operations but have also arisen 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 over the next three years 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 activities involve risks that may to varying extent adversely affect the Group. Such risks may be divided into operating risks, including the market risk in the cyclical construction industry and any change in the competition situation, and financial risks, notably currency exposure. Both operating and financial risks may in the short and long term affect Systemair's ability to achieve the goals established in the Company's business plan. Systemair continuously updates the Group's risk

situation via a documented and systematic process at Board level that identifies, assesses, monitors and reports on risks. Priority is focused on the risks that are judged to represent potentially the most negative effect, on the basis of the probability that such will materialise and of conceivable impact on the business.

The table below illustrates how changes in certain factors hypothetically affect Systemair's 2012/2013 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 below. In addition, it is likely that actual changes will affect several items. Thus, caution is called for when interpreting the sensitivity analysis since changes in various items may have a counteractive effect.

Sensitivity analysis: Effects on operating profit in 2012/13

SEK million	Operating profit
±5% in selling prices	±228
±5% in material costs	±112
±5% in selling and administration expenses	±63
±5% in the SEK/EUR exchange rate	±17
±5% in the SEK/USD exchange rate	0

The table shows that a change of ±5% in the SEK/EUR exchange rate would have an impact of approximately SEK 17 million (24) on operating profit for 2012/13. This effect is largely offset by the net effects of exchange gains and losses on borrowing denominated in EUR.

Operating 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 these 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 operations, earnings and financial position may be adversely affected. The ventilation sector still consists largely of a number of minor, relatively local players. In the event that a rapid international consolidation takes place in the ventilation sector and Systemair is not part of this process, there is a risk of exclusion. Systemair has addressed this 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 the renovation, conversion and extension ("RCE") sector. The construction industry normally follows a cyclical pattern, above all in new construction, while RCE projects often moderate 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

Ziehl-Abegg and ebmpapst, two German manufacturers of fan motors, are major suppliers to Systemair. Some of Systemair's products have been developed in association with these suppliers, so to some extent Systemair depends on the ability of these manufacturers to continue supplying motors to the Company. Thus, delivery problems at either of these suppliers 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 any disruptions in deliveries of steel. Historically, it has been possible to spread price increases among the various operators, but there is no guarantee that this will continue. If future price increases cannot be distributed among the operators 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 and Fantech. The Group's other less established brands are VEAB, Matthew & Yates and Holland Heating. Systemair assesses the brand

situation on an ongoing basis and registers each brand in the countries in which 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, the production and distribution of Systemair's products could be disrupted or suspended for some time. An extensive and prolonged shutdown could have a huge impact on the Company's ability to produce or distribute the products affected. Systemair has contracted insurance against property damage and stoppages for the amounts that the Company deems sufficient; however, there is no guarantee that the overall loss to 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 completed a considerable number of business combinations. The companies acquired have been integrated into Systemair's other operations. Many of the companies acquired had operational and financial problems, which required substantial input by Systemair, not least in the form of management resources. Systemair maintains an ambition to expand through acquisition, 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 time-consuming 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 its 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 and network faults. 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. Systemair therefore 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 a product the Company has sold may not live up to its specifications, which may result in compensation claims against the Company. Furthermore, 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

Via subsidiaries or representative offices, Systemair conducts its own operations in 44 countries, some of which are rapidly developing and transforming into market economies. As a result, the Company is exposed to risks associated with international business operations, such as trade policy decisions in the form of the introduction or extension of excise duties in the Company's markets, which could significantly disrupt the Company's business. 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 that conditions in the Russian market could change quickly and that Systemair's assets in the country could become

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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 its 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 as well as at 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 major 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.

In 2012/13, Group companies in Sweden invoiced 39% (39) of their business in SEK, 51% (51) in EUR, 5% (5) in NOK and 5% (5) in other currencies.

Each year, an estimate is made of the future net inflow of EUR, 50% 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.

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 equity. 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.

At the balance sheet date, the value of net foreign assets totalled SEK 982 million (854). Major net assets consist of SEK 439 million (394) in EUR, SEK 107 million (101) in NOK, SEK 105 million (102) in LTL, SEK 75 million (65) in DKK, SEK 69 million (56) in CAD and SEK 65 million (66) in INR.

The impact of foreign exchange on equity is recognised as a translation difference and amounted to SEK -56.1 million (10.5).

Borrowing and interest rate risk

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

Interest rate risk is the risk that changes in current interest rates will adversely affect the Group. Systemair, a net borrower, reports net indebtedness at year-end totalling SEK 1,238.1 million (785.0), i.e. the Group was adversely affected by rising interest rates. Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 1,310.3 million (866.8). According to Systemair's Financial Policy, the fixed-interest period for 2012/13 is to be 3-12 months. A change of $\pm 1\%$ in the interest rate on borrowing would have an impact of about SEK 13 million on the Group's net financial items for 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 its 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 subject to a new credit appraisal. 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, 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.

Share price risk

On the balance sheet date Systemair had Other securities held as non-current assets, consisting of shares in Lindab listed on the OMX Nordic Exchange. The

shares are designated as a financial asset available for sale. The shares were measured at fair value, any adjustments being recognised in other comprehensive income, and are therefore exposed to share price risk. If the value of the Lindab shares were to fall by 10%, this would affect other comprehensive income in the amount of SEK 46 million. Any sale of the shares would affect consolidated profit in the same amount.

NOTE 3 Information on geographical regions

The Group's operations are geographically divided mainly into the Nordic region, Western Europe (excluding the Nordic region), Eastern Europe and CIS, North 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, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Netherlands, Portugal, 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, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkmenistan, Ukraine and Uzbekistan.

North America consists of the United States and Canada.

Other markets includes Afghanistan, Angola, Australia, Bahrain, Bangladesh, Barbados, Bolivia, Botswana, Brazil, Brunei, Chile, China, Costa Rica, Egypt, Ethiopia, Guatemala, India, Indonesia, Iran, Iraq, Israel, Ivory Coast, Japan, Jordan, Kenya, Kuwait, Lebanon, Libya, Malaysia, Mauritius, Mexico, Mongolia, Morocco, Mozambique, Namibia, New Zealand, Nigeria, Oman, Pakistan, Peru, the Philippines, Puerto Rico, Qatar, Saudi Arabia, Singapore, South Africa, South Korea, Sri Lanka, Surinam, Syria, Taiwan, Thailand, Tunisia, Turkey, Uganda, the United Arab Emirates, Uruguay, Vietnam, Zambia and Zimbabwe.

Sales income is allocated to 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's biggest customer accounts for 1.9% of the Group's total sales. Systemair thus has limited exposure to individual customers.

Geographical breakdown Group	Net sales		Non-current assets*	
	2012/13	2011/12	2012/13	2011/12
Norway	536.0	518.8	50.9	52.3
Sweden	362.7	373.1	196.8	217.9
Denmark	154.9	156.6	75.0	82.7
Rest of Nordic region	76.7	77.6	1.4	1.3
Total Nordic region	1,130.3	1,126.1	324.1	354.2
Germany	313.7	295.6	143.6	138.6
France	296.7	216.5	4.5	4.6
United Kingdom	216.8	206.2	19.1	21.0
Netherlands	193.1	190.4	131.8	79.3
Italy	143.9	115.5	74.6	84.4
Rest of Western Europe	271.7	322.1	47.8	50.4
Total Western Europe	1,435.9	1,346.3	421.4	378.3
Russia	688.6	514.0	94.4	104.2
Rest of Eastern Europe and CIS	456.1	437.2	195.7	199.6
Total Eastern Europe and CIS	1,144.7	951.2	290.1	303.8
USA	243.4	200.9	84.5	90.5
Rest of North America	122.1	81.2	67.8	28.2
Total North America	365.5	282.1	152.3	118.7
Other markets	474.6	291.2	254.9	130.5
	4,551.0	3,996.9	1,442.8	1,285.5

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

Of sales by the Parent Company, sales to other Group companies accounted for SEK 585.7 million (569.6), and sales to related companies (ebmpapst AB) SEK 2.9 million (2.4).

By geographical market	Parent Company	
	2012/13	2011/12
Net sales		
Nordic region	429.4	424.9
Western Europe	201.3	201.1
Eastern Europe and CIS	301.5	298.5
North America	6.6	5.9
Other markets	8.0	8.8
	946.8	939.2

NOTE 4 Classification according to type of cost

	Cost of goods sold	Selling expenses	Administration expenses	Total
2012/13				
Material costs	-2,239.4	-	-	-2,239.4
Personnel expenses	-454.2	-521.6	-139.6	-1,115.4
Depreciation/Amortisation costs	-61.7	-41.1	-9.7	-112.5
Other expenses	-168.3	-478.7	-76.8	-723.8
	-2,923.6	-1,041.4	-226.1	-4,191.1
2011/12				
Material costs	-1,930.6	-	-	-1,930.6
Personnel expenses	-385.8	-480.7	-125.9	-992.4
Depreciation/Amortisation costs	-52.4	-33.1	-9.1	-94.6
Other expenses	-136.4	-447.8	-73.0	-657.2
	-2,505.2	-961.6	-208.0	-3,674.8

Product development costs totalled approximately SEK 114 million in 2012/13 and SEK 68 million in 2011/12, the major share consisting of personnel costs in the cost of goods sold category.

NOTE 5 Auditor's fees

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Auditing				
-Ernst & Young	-3.9	-3.1	-0.8	-0.7
-Other	-2.1	-2.1	-	-
	-6.0	-5.2	-0.8	-0.7
Other auditing services outside scope of audit assignment:				
-Ernst & Young	-0.5	-0.6	-	-0.3
-Other	-2.2	-0.5	-	-
	-2.7	-1.1	-	-0.3

NOTE 6 Leases

Leasing costs recognised	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Operating leases	38.1	35.5	4.8	6.0

Operating leases consist mainly of leases for office properties and company cars for employees.

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

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Operating leases – nominal value				
Payable within 1 year	31.6	31.6	3.8	7.3
Payable in 2-5 years	76.2	57.7	4.6	2.0
Payable after 5 years	6.1	39.0	-	-
	113.9	128.3	8.4	9.3

The Group has no financial lease.

NOTE 7 Other operating income

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Exchange gains in operations	28.9	27.3	10.0	10.9
Intra-Group income	-	-	25.8	14.8
Gain on sale of property, plant and equipment	2.6	6.7	-	5.5
Other miscellaneous income	30.0	21.9	11.9	0.6
	61.5	55.9	47.7	31.8

NOTE 8 Other operating expenses

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Exchange rate losses in operations	-37.6	-17.0	-5.5	-0.6
Intra-Group expenses	-	-	-8.7	-4.9
Amortisation of goodwill	-	-18.7	-	-
Loss on sale of property, plant and equipment	-0.9	-0.4	-	-
Other miscellaneous expenses	-17.7	-22.1	-1.3	-0.1
	-56.2	-58.2	-15.5	-5.6

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NOTE 9 Employees and staff costs

	2012/13		2011/12	
	Average number of employees	Of whom, men	Average number of employees	Of whom, men
Parent Company	421	280	399	255
Subsidiaries in:				
Nordic region	433	357	414	345
Sweden	142	110	141	111
Denmark	151	137	141	129
Finland	14	10	11	8
Norway	126	100	121	97
Western Europe	781	598	635	481
Belgium	6	4	5	3
United Kingdom	86	69	90	66
Greece	5	3	5	3
France	43	35	41	32
Netherlands	76	67	54	45
Ireland	5	4	5	4
Italy	201	145	93	65
Portugal	28	17	28	17
Switzerland	13	10	13	11
Spain	46	40	47	41
Germany	255	193	238	182
Austria	17	11	16	12
Eastern Europe and CIS	776	501	700	442
Bulgaria	5	3	6	3
Estonia	13	8	13	8
Croatia	2	2		
Latvia	8	7	6	6
Lithuania	153	90	139	79
Poland	37	31	34	28
Romania	6	5	6	5
Russia	251	143	206	112
Serbia	8	5	8	4
Slovakia	187	123	183	118
Slovenia	70	60	69	57
Czech Republic	23	16	23	16
Ukraine	9	5	3	2
Hungary	4	3	4	4
North America	269	189	247	159
Canada	171	113	157	89
USA	98	76	90	70
Rest of World	715	648	444	410
Australia	1	1	2	1
Chile	5	4	3	2
United Arab Emirates	12	10	14	12
India	379	374	290	287
China	4	3	4	3
Malaysia	99	79	88	75
Singapore	10	6	9	6
South Africa	10	7	10	7
Taiwan	2	2	2	2
Turkey	190	159	22	15
Qatar	3	3		
	3,395	2,573	2,839	2,092

	Group		Parent Company	
Percentage of women on boards and in management	2012/13	2011/12	2012/13	2011/12
Board, excluding employee representatives	-	-	17%	17%
Group Management	-	-	-	11%
Company management	7%	5%	-	-

	Salaries and remuneration		Social security expenses	
	2012/13	2011/12	2012/13	2011/12
Salaries, other remuneration and social security expenses				
Board and CEO				
Parent Company	3.9	3.8	1.6	1.6
Subsidiaries in the Nordic region	8.4	8.5	2.9	2.6
Western Europe	15.2	13.3	3.3	2.9
Eastern Europe and CIS	8.4	7.9	1.8	1.5
North America	2.4	2.3	0.4	0.3
Rest of World	8.8	6.8	0.3	0.9
Total, Board and CEO	47.1	42.6	10.3	9.8

Senior executive remuneration recognised during the year	Basic salary/ Fee	Variable pay	Other benefits	Pension cost	Total
2012/13					
Lars Hansson – Chairman	0.4	-	-	-	0.4
Elisabeth Westberg	0.3	-	-	-	0.3
Göran Robertsson	0.2	-	-	-	0.2
Jürgen Zilling	0.2	-	-	-	0.2
Hannu Paitula	0.2	-	-	-	0.2
Gerald Engström, President and CEO	2.4	0.2	-	0.4	3.0
Other senior executives*	9.5	0.5	0.6	2.6	13.2
Total	13.2	0.7	0.6	3.0	17.5

2011/12					
Lars Hansson – Chairman	0.4	-	-	-	0.4
Elisabeth Westberg	0.3	-	-	-	0.3
Göran Robertsson	0.2	-	-	-	0.2
Jürgen Zilling	0.2	-	-	-	0.2
Hannu Paitula	0.2	-	-	-	0.2
Gerald Engström, President and CEO	2.4	0.2	-	0.4	3.0
Other senior executives*	9.7	0.4	0.7	2.7	13.5
Total	13.4	0.6	0.7	3.1	17.8

*During 2012/13, Group Management consisted of seven persons in addition to the CEO.

In April, it was announced that Pär Johansson had been appointed Managing Director of Systemair AB with responsibility for Systemair's Swedish operations. Pär Johansson took up his new position on 1 May 2013 with a basic salary of SEK 1.2 million.

In 2012/13, the Board fees were SEK 400 thousand (400) for the Chairman of the Board and SEK 200 thousand (200) for other directors. In addition to regular fees, separate fees may be paid for particular tasks. The fee paid to the chairman of the audit committee in 2012/13 was SEK 50 thousand (50) for the chairman and SEK 25 thousand (25) for other members.

Salaries, other remuneration and social security expenses	Salaries and remuneration		Social security expenses	
	2012/13	2011/12	2012/13	2011/12
Other employees				
Parent Company	153.5	149.3	61.6	57.5
Subsidiaries in the Nordic region	195.7	191.6	37.8	37.8
Western Europe	246.1	202.7	64.9	51.8
Eastern Europe and CIS	101.2	87.9	26.0	23.7
North America	84.9	60.9	13.5	10.2
Rest of World	45.6	24.7	6.0	4.1
Total, other employees	827.0	717.1	209.8	185.1

Of social security expenses in the Parent Company, pension expenses accounted for SEK 14.1 million (11.7), including SEK 0.4 million (0.4) for the Board and CEO. In other Group companies, pension expenses totalled SEK 19.3 million (17.3), including SEK 1.8 million (1.7) for boards and CEOs.

Remuneration policy

The Chairman and members of the Board receive remuneration in accordance with resolution of the Annual General Meeting. Fees totalling SEK 25 thousand (25) are paid to employee representatives each year.

Remuneration to the President is determined by the Board based on a proposal from the compensation committee, consisting of Lars Hansson, Elisabeth Westberg and Göran Robertsson. Remuneration to other senior executives is determined by the Chief Executive Officer in consultation with the compensation committee.

In addition to the President Gerald Engström (up to and including 30 April 2013), the other senior executives are Mats Lund, VP Production; Svein Nilsen, VP Sales and Marketing; Glen Nilsson, CFO; Anders Ulf, VP Finance and Administration; Kurt Maurer, MD of Systemair in Germany; Jonas Valentin, MD of Frico AB; and Roland Kasper, VP Marketing - Products. Taina Veittikoski, former VP Purchasing, left her employment at Systemair on 30 March 2012.

Remuneration to the President and other senior executives consists of the basic salary, variable pay, car benefit and pension. For the President and other senior executives, variable pay may amount to between one and two extra monthly salary payments. Variable pay normally is based on any improvement 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.

Pensions

The pensionable age for the President and other senior executives is 65 years. For the former President, defined-contribution pension insurance premiums totalling SEK 0.4 million (0.4) were paid. Pension benefits for the President-elect and other senior executives are paid within the scope of the contractual ITP plan and alternative ITP schemes.

Severance pay

For the Managing Director, Pär Johansson and 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 President or 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 10 Amortisation of intangible non-current assets and depreciation of property, plant and equipment

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Brands, customer relationships etc.	19.2	13.1	1.5	1.0
Other intangible assets	3.5	1.7	1.1	1.0
Buildings and land improvements	25.1	23.7	6.0	4.5
Plant and machinery	39.2	36.0	11.2	10.9
Equipment and tools	29.6	25.7	4.3	3.7
	116.6	100.2	24.1	21.1
Straight-line depreciation/ amortisation, by function				
Cost of goods sold	61.7	52.4	15.8	13.9
Selling expenses	41.1	33.1	5.1	4.4
Administration expenses	9.7	9.1	3.2	2.8
Other operating expenses	4.1	5.6	-	-
	116.6	100.2	24.1	21.1

NOTE 11 Financial income

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Interest income, external	1.2	2.5	0.2	0.7
Interest income, related companies	-	-	18.7	27.7
Other financial income	-	0.2	-	-
	1.2	2.7	18.9	28.4

NOTE 12 Financial expenses

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Interest expenses, external	-30.7	-24.7	-23.3	-18.1
Interest expenses, related companies	-	-	-8.3	-8.7
Net exchange rate changes in financial instruments	-	-0.3	-4.3	-6.5
Other financial expenses	-5.1	-0.9	-10.8	-3.2
	-35.8	-25.9	-46.7	-36.5

NOTES

NOTE 13 Tax on profit for the year

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Current tax	-117.3	-107.7	-0.2	-0.8
Deferred tax	27.7	26.6	0.1	2.5
	-89.6	-81.1	-0.1	1.7

The Group's tax expense represents 27.1% (27.4) of consolidated pre-tax profit.

In November 2012, Sweden's Riksdagen (Parliament) voted to cut corporation tax from 26.3% to 22.0 % with effect from 1 January 2013. This reduced Systemair's deferred tax liabilities and receivables attributable to Swedish units on 30 April 2013. The change increased the net value of the Group's deferred taxes in a total amount of SEK 3.6 million.

At the financial year-end, the Systemair Group had deferred tax receivables totalling SEK 31.0 million (22.1) that were not included in the calculation of deferred tax assets. Deferred tax receivables 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.

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Pre-tax profit	330.6	296.6	162.0	128.3
Tax at current tax rate for Parent Company	-87.0	-78.1	-42.6	-33.3
Effect of foreign tax rates	5.1	0.3	-	-
Non-deductible expenses	-8.1	-8.6	-3.4	-18.7
Tax-exempt income	0.3	1.6	-	-
Net tax effect of non-capitalised loss carry-forwards	1.5	-2.9	-	-
Adjusted assessment of future utilisation of loss carry-forwards	-	-13.7	-	-
Deferred income tax recoverable, attributable to loss carry-forwards not capitalised at acquisition	-	24.4	-	-
Dividends from subsidiaries	-	-	46.3	54.5
Adjustment for previous years' taxes	-1.0	-1.2	-0.2	-0.4
Change in tax rate	3.6	-	0.0	-
Miscellaneous	-4.0	-2.9	-0.2	-0.4
	-89.6	-81.1	-0.1	1.7

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Deferred tax receivables				
Property, plant and equipment	0.4	-	-	-
Inventory	12.6	15.1	-	-
Current receivables	5.5	2.6	0.2	-
Pension provisions	6.3	3.9	-	-
Loss carry-forwards	45.0	69.9	-	-
Miscellaneous	8.6	7.8	-	-
	78.4	99.3	0.2	-
Deferred tax liabilities				
Intangible assets	42.9	30.2	-	-
Property, plant and equipment	14.5	22.2	-	-
Inventory	0.5	0.8	-	-
Untaxed reserves	14.2	25.8	-	-
Miscellaneous	3.4	1.6	0.2	0.1
	75.5	80.6	0.2	0.1

NOTE 14 Intangible non-current assets and property, plant and equipment

Group 2012/13	Goodwill	Brands, customer relationships etc.	Other intangible assets	Buildings and land	Plant and machinery	Equipment and tools	Construction in progress
Accumulated historical cost							
At start of year	385.8	142.3	12.7	790.6	501.2	280.4	10.0
Acquired in business combinations	106.7	69.1	3.8	41.2	18.1	24.7	-
Acquisitions for the year	-	2.0	-	5.9	15.6	31.2	71.2
Sales/Disposals	-	-	-	-5.4	-5.9	-14.7	-
Re-classification	-	-	-	2.0	3.5	9.6	-15.1
Translation difference	-17.1	-7.4	-0.3	-21.8	-11.9	-8.8	-0.1
	475.4	206.0	16.2	812.5	520.6	322.4	66.0
Accumulated depreciation/amortisation							
At start of year	-	-24.2	-4.6	-231.4	-346.7	-205.9	-
Depreciation/Amortisation acquired in business combinations	-	-0.6	-0.1	-25.3	-15.0	-20.2	-
Sales/Disposals	-	-	-	0.1	5.2	12.7	-
Re-classification	-	-	-	-	2.7	-2.7	-
Translation difference	-	1.6	0.1	4.9	7.3	6.1	-
Depreciation/Amortisation for the year	-	-19.2	-3.5	-25.1	-39.2	-29.6	-
	-	-42.4	-8.1	-276.8	-385.7	-239.6	-
Accumulated impairment							
At start of year	-18.5	-	-	-5.6	-0.5	-	-
Translation difference	0.8	-	-	0.2	-0.1	-	-
Impairment for the year	-	-	-	-	-	-	-
	-17.7	-	-	-5.4	-0.6	-	-
Carrying amount	457.7	163.6	8.1	530.3	134.3	82.8	66.0
Group 2011/12	Goodwill	Brands, customer relationships etc.	Other intangible assets	Buildings and land	Plant and machinery	Equipment and tools	Construction in progress
Accumulated historical cost							
At start of year	263.5	77.8	5.5	709.1	418.2	258.7	37.7
Acquired in business combinations	120.0	61.8	5.8	31.6	29.7	6.1	1.5
Acquisitions for the year	-	3.7	1.4	18.9	5.3	22.3	39.3
Sales/Disposals	-	-	-	-	-4.5	-13.9	-0.8
Re-classification	-	-	-	18.5	46.5	4.2	-69.2
Translation difference	2.3	-1.0	-	12.4	6.0	3.0	1.5
	385.8	142.3	12.7	790.5	501.2	280.4	10.0
Accumulated depreciation/amortisation							
At start of year	-	-11.4	-2.9	-205.4	-308.5	-192.0	-
Depreciation/Amortisation acquired in business combinations	-	-	-	-1.8	-0.2	-0.7	-
Sales/Disposals	-	-	-	1.1	3.5	11.6	-
Re-classification	-	-	-	-	-2.4	2.4	-
Translation difference	-	0.3	-	-1.6	-3.1	-1.5	-
Depreciation/Amortisation for the year	-	-13.1	-1.7	-23.7	-36.0	-25.7	-
	-	-24.2	-4.6	-231.4	-346.7	-205.9	-
Accumulated impairment							
At start of year	-	-	-	-5.5	-0.5	-	-
Translation difference	0.2	-	-	-0.1	-	-	-
Impairment for the year	-18.7	-	-	-	-	-	-
	-18.5	-	-	-5.6	-0.5	-	-
Carrying amount	367.3	118.1	8.1	553.5	154.0	74.5	10.0

NOTES

Impairment testing of goodwill

Goodwill has been allocated to cash-generating units, legal entities, and has been tested for impairment. The recoverable value for cash-generating units has been determined based on the value-in-use of the units, which consists of the present value of the expected future cash flows. The discount rate before tax varies among the various cash-generating units between 10.0 and 14.0% (10.0). Future cash flows are estimated using an assessment of the anticipated rate of growth and changes in margins based on the budget for the following year, management's long-term expectations for the business and the historical trend. The long-term rate of growth is assumed to be 2%. Given the sensitivity included in all calculations, the goodwill value will continue to be maintained even if the discount rate were to rise by one percentage point or if long-term growth were to fall by one percentage point. The year's test applied to goodwill does not indicate any impairment.

The goodwill amortisation for the preceding year, SEK 18.7 million, related to the Spanish subsidiary, Systemair HVAC and reflects the depressed market situation in that country and forecasts of poorer cash flows for the future.

The allocation of goodwill to cash-generating units for the ten largest individual goodwill items is shown below.

Cash-generating unit	Country	Group	
		2012/13	2011/12
Systemair HSK	Turkey	66.7	-
Systemair LLC	Russia	63.7	69.0
Systemair India Pvt. Ltd	India	53.0	55.6
Rucon Systemair Beheer B.V.	Netherlands	32.8	32.9
Systemair S.p.A.	Italy	25.3	26.2
Change Air	Canada	20.3	-
Systemair AC	Italy	20.1	20.9
Holland Heating	Netherlands	18.9	-
Tekador GmbH	Germany	16.3	16.9
Fantech Inc.	USA	15.7	16.1
Other	-	124.9	129.7
		457.7	367.3

Parent Company 2012/13	Licences etc.	Buildings and land	Plant and machinery	Equip- ment and tools	Con- struction in progress
Accumulated historical cost					
At start of year	9.5	120.2	187.5	57.1	6.9
Acquisitions for the year	1.8	-	0.3	2.0	4.3
Transfer via business combination	-	43.4	0.7	2.2	-
Re-classification	-	-	3.1	5.2	-8.3
	11.3	163.6	191.6	66.5	2.9
Accumulated depreciation/ amortisation					
At start of year	-3.9	-70.8	-145.8	-48.4	-
Transfer via business combination	-	-7.4	-0.5	-0.3	-
Depreciation/Amortisation for the year	-2.6	-6.0	-11.2	-4.3	-
	-6.5	-84.2	-157.5	-53.0	-
Carrying amount	4.8	79.4	34.1	13.5	2.9

Parent Company 2011/12	Licences etc.	Buildings and land	Plant and machinery	Equip- ment and tools	Con- struction in progress
Accumulated historical cost					
At start of year	4.4	122.0	160.4	52.5	16.8
Acquisitions for the year	5.1	0.0	0.8	1.0	20.6
Sales/Disposals	-	-1.8	-0.6	-	-
Re-classification	-	-	26.9	3.6	-30.5
	9.5	120.2	187.5	57.1	6.9
Accumulated depreciation/ amortisation					
At start of year	-1.9	-67.5	-135.5	-44.7	-
Sales/Disposals	-	1.2	0.6	-	-
Depreciation/Amortisation for the year	-2.0	-4.5	-10.9	-3.7	-
	-3.9	-70.8	-145.8	-48.4	-
Carrying amount	5.6	49.4	41.7	8.7	6.9

NOTE 15 Other securities held as non-current assets

The major share of this balance sheet item in 2012/13 consists of shares in Lindab listed on the OMX Nordic Exchange. The shares are designated as a financial asset available for sale. The shares are measured at fair value, any adjustments being recognised in other comprehensive income.

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Opening balance	0.4	0.4	-	-
Acquisitions	406.6	-	406.6	-
Revaluation	57.7	-	57.7	-
	464.7	0.4	464.3	-

NOTE 16 Other non-current receivables

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Opening balance	7.3	9.7	3.8	6.3
Additional receivables	1.6	0.8	-	-
Receivables settled	-0.7	-3.0	-	-2.5
Reclassifications	-0.2	-0.3	-	-
Translation difference	-0.2	0.1	-	-
Closing balance	7.8	7.3	3.8	3.8

NOTE 17 Prepaid expenses and accrued income

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Prepaid rent	10.3	9.2	1.7	1.5
Prepaid insurance premiums	8.8	7.2	0.3	-
Miscellaneous	30.0	27.0	11.4	11.0
	49.1	43.4	13.4	12.5

"Miscellaneous" covers standard items such as service agreements, licence expenses and limit fees.

NOTE 18 Inventory

Inventory in the Group is recognised at historical cost less deductions for obsolescence. The direct cost of materials during the year totalled SEK 2,239.4 million (1,930.6).

NOTE 19 Accounts receivable – trade

Age breakdown of trade accounts receivable	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Not yet due	657.2	569.3	53.1	46.7
<90 days	126.7	114.7	2.0	1.9
90-180	34.8	46.0	0.2	0.4
181-360	57.0	34.5	0.1	0.1
>360	-	-	-	-
Total	875.7	764.5	55.4	49.1

Provisions for impairment of trade accounts receivable in the Group totalled 5.4% (5.9) of total trade accounts receivable.

Customer credit risk is managed by the individual subsidiaries, which operate a credit policy in accordance with a centralised standard format. Outstanding customer receivables are monitored and accounted for on a regular basis at each company and at Group level. Systemair is exposed to individual customers to a limited extent, as the Group's biggest customer accounts for 1.9% of the Group's sales.

Provision for impairment of trade accounts receivable	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Opening balance	47.7	51.0	0.2	0.1
Provision for anticipated losses	15.8	11.1	0.6	0.2
Reversal of amount unused	-1.6	-4.1	-	-
Confirmed losses	-12.9	-10.3	-0.1	-0.1
Provisions acquired	3.4	0.2	-	-
Exchange rate effects	-2.1	-0.2	-	-
Closing balance	50.3	47.7	0.7	0.2

NOTE 20 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 2013		1	-	52.0	-	-	52,000,000

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

At 30 April 2013, the registered share capital totalled SEK 52,000,000, represented by 52,000,000 shares, each carrying an entitlement to one vote, and of one and the same class. All the shares are fully paid up.

The Board proposes to the 2013 AGM that a dividend of SEK 1.50 (1.25) per share be paid, a total of SEK 78.0 million (65.0).

Capital management

The Board of Systemair has adopted a target for the Company's equity/assets ratio of no less than 30% and a target for dividend of approximately 30% of profit after tax.

NOTES

List of shareholders

Systemair's 10 largest shareholders according to Euroclear at 30 April 2013.

Owner	No. of shares	% of capital and votes
Färna Invest AB ¹	21,997,752	42.30%
ebm-papst AB	11,059,770	21.27%
Nordea Investment Funds	3,246,155	6.24%
Alecta Pensionsförsäkring	2,500,000	4.81%
Lannebo Fonder	1,761,123	3.39%
Handelsbanken Fonder	1,759,164	3.38%
Odin Fonder	1,287,109	2.48%
SEB Investment Management	1,198,976	2.31%
Fondita Nordic Micro Cap	818,000	1.57%
Fidelity Funds	433,604	0.83%
Other	5,938,347	11.42%
Total	52,000,000	100%

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

NOTE 21 Borrowing and financial instruments

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Non-current liabilities				
Bank loans of one to five years	554.7	142.8	446.3	68.7
Bank loans longer than five years	31.6	42.6	-	-
	586.3	185.4	446.3	68.7
Current liabilities				
Bank overdraft facilities	569.1	565.0	547.2	555.1
Current portion of bank loans	154.9	116.4	117.4	82.1
	724.0	681.4	664.6	637.2
Total borrowing	1,310.3	866.8	1,110.9	705.9
Distribution among banks				
Nordea Bank AB	663.7	464.4	537.9	363.2
Svenska Handelsbanken AB	608.9	365.6	570.9	339.0
Other banks	37.7	36.8	2.1	3.7
	1,310.3	866.8	1,110.9	705.9

	2012/13		2011/12	
	Loan amount	Weighted interest rate	Loan amount	Weighted interest rate
Long-term loans				
Group	586.3	2.76%	185.4	2.95%
Parent Company	446.3	2.99%	68.7	3.33%
Short-term loans				
Group	724.0	2.59%	681.4	2.52%
Parent Company	664.6	1.93%	637.2	2.08%

External credit facilities granted for bank overdrafts totalled SEK 831.2 million (722.0) for the Group and SEK 755.0 million (660.0) for the Parent Company. Unutilised bank overdraft facilities for the Group SEK 236.7 million (157.0).

The Group's financing agreements with Nordea Bank AB and Svenska Handelsbanken AB include financial covenants. 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. On 30 April 2013, the Group met all the current terms and conditions of its covenants.

Maturity structure

Maturity structure of future agreed interest payments based on current interest rates and loan amortisations.

	2013/14	2014/15	2015/16	2016/17	2017/18	later
Interest on loans	15.5	9.0	6.2	4.1	1.9	2.1
Interest and operating credit	13.0					
Total interest expense	28.5					
Amortisations						
Loans	154.9	171.3	126.7	119.2	75.5	93.8
Operating credit	569.1					
Total	752.5	180.3	132.9	123.3	77.4	95.9

Classification and categorisation of financial assets and liabilities in the Group

A financial instrument is defined as any contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. The existence of financial instruments, other than those arising in operating activities, is relatively limited at Systemair.

Currency derivatives are recognised at fair value via the income statement, based on input data corresponding to level 2 in IFRS 7. Available-for-sale financial assets consist of shares in Lindab and are recognised at fair value based on input data in accordance with level 1 in IFRS 7. The carrying amounts of interest-bearing assets and liabilities on the balance sheet may deviate from their fair values, for example because of changes in market interest rates. Systemair's lines of credit carry variable interest rates, or in certain cases fixed rates for a short period, so their approximate market values essentially are equal to fair value. For financial instruments such as trade accounts receivable and payable and other non-interest-bearing financial assets and liabilities, which are stated at amortised cost less any impairment losses, the fair value is assessed as the same as the carrying amount.

	SHB		Nordea		Other		Total	
Loans, by currency	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
EUR	141.3	206.1	60.0	305.6	17.7	17.5	219.0	529.2
SEK	451.8	142.7	525.3	118.3	-	-	977.1	261.0
USD	-	1.1	71.5	60.2	0.3	0.2	71.8	61.5
NOK	-	-	-65.7	-52.6	-	-	-65.7	-52.6
DKK	-	-	22.0	-	6.5	-	28.5	-
Other currencies	15.8	15.7	50.6	32.9	13.2	19.1	79.6	67.7
Total	608.9	365.6	663.7	464.4	37.7	36.8	1,310.3	866.8

2012/13

Assets	Derivatives	Loan receivables and Accounts receivable – trade	Financial assets available for sale	Total financial assets	Non-financial assets	Total
Intangible assets	-	-	-	-	629.4	629.4
Property, plant and equipment	-	-	-	-	813.4	813.4
Financial investments	-	-	464.7	464.7	-	464.7
Non-current receivables	-	-	-	-	7.8	7.8
Deferred tax receivables	-	-	-	-	78.4	78.4
Inventory	-	-	-	-	790.0	790.0
Other receivables	0.8	874.9	-	875.7	116.9	992.6
Cash and cash equivalents	-	98.4	-	98.4	-	98.4
Total assets	0.8	973.3	464.7	1,438.8	2,435.9	3,874.7

Equity and liabilities	Derivatives	Financial liabilities	Total financial liabilities	Non-financial liabilities	Total
Equity	-	-	-	1,576.0	1,576.0
Provisions for pensions	-	-	-	29.6	29.6
Deferred tax liabilities	-	-	-	75.5	75.5
Provisions	-	-	-	49.4	49.4
Interest-bearing liabilities	-	1,310.3	1,310.3	-	1,310.3
Other liabilities	-	471.4	471.4	362.5	833.9
Total equity and liabilities	-	1,781.7	1,781.7	2,093.0	3,874.7

2011/12

Assets	Derivatives	Loan receivables and Accounts receivable – trade	Financial assets available for sale	Total financial assets	Non-financial assets	Total
Intangible assets	-	-	-	-	493.5	493.5
Property, plant and equipment	-	-	-	-	792.0	792.0
Financial investments	-	-	0.4	0.4	-	0.4
Non-current receivables	-	-	-	-	7.3	7.3
Deferred tax receivables	-	-	-	-	99.3	99.3
Inventory	-	-	-	-	767.3	767.3
Other receivables	0.5	764.0	-	764.5	83.9	848.4
Cash and cash equivalents	-	91.6	-	91.6	-	91.6
Total assets	0.5	855.6	0.4	856.5	2,243.3	3,099.8

Equity and liabilities	Derivatives	Financial liabilities	Total financial liabilities	Non-financial liabilities	Total
Equity	-	-	-	1,399.1	1,399.1
Provisions for pensions	-	-	-	15.3	15.3
Deferred tax liabilities	-	-	-	80.6	80.6
Provisions	-	-	-	36.3	36.3
Interest-bearing liabilities	-	866.8	866.8	-	866.8
Other liabilities	-	408.5	408.5	293.2	701.7
Total equity and liabilities	-	1,275.3	1,275.3	1,824.5	3,099.8

On the balance sheet date, the Group had a number of outstanding EUR currency derivatives. The market value of the contracts is SEK 0.8 million (0.5). The total hedged value was EUR 16.0 million (10.0).

Currency derivatives – hedged values	Group EUR m.
Maturity	
< 1 year	10.9
May 2012–July 2014	2.4
Aug. 2014–Oct. 2014	1.5
Nov. 2014–Jan. 2015	1.2
Total outstanding	16.0

NOTES

In its Finance Policy, Systemair states that 50% of the anticipated EUR inflows over a maximum of 18 months may be hedged. This means that the Company will sell EUR over this period of time. At the end of the financial year, the forward contracts were reported only in the Parent Company. The forward contracts are stated at fair value. Hedge accounting is not used. Changes in value are recognised via the income statement.

Selling currency on forward contracts involves a binding contract that establishes a redemption price (rate) in advance, on a specific date.

NOTE 22 Accrued expenses and deferred income

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Salary and holiday pay liability	96.7	85.3	29.6	28.8
Employer's social security contribution liability	26.0	25.5	13.0	12.4
Commission payments and bonuses	13.7	13.9	2.3	2.0
Miscellaneous	66.0	52.5	4.0	2.3
	202.4	177.2	48.9	45.5

NOTE 23 Appropriations, other

	Parent Company	
	2012/13	2011/12
Group contributions paid	-50.2	-57.0
Reversal of tax allocation reserve	27.6	8.5
Difference between depreciation and amortisation charged and according to plan	1.9	-3.1
	-20.7	-51.6

NOTE 24 Untaxed reserves

	Parent Company	
	2012/13	2011/12
Difference between depreciation and amortisation charged and according to plan	24.5	26.4
Tax allocation reserve, provision for tax 2008		27.5
Tax allocation reserve, provision for tax 2009	22.8	22.8
Tax allocation reserve, provision for tax 2010	0.6	0.6
Tax allocation reserve, provision for tax 2011	15.4	15.4
	63.3	92.7

NOTE 25 Provisions for pensions

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 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, adjusted for unrecognised actuarial gains and losses.

Defined-benefit plans are operated primarily in Norway. The majority of pension obligations in the Group's Swedish operations consist of a defined-benefit pension plan to which several employers subscribe. The plan is insured with Alecta, a mutual insurance company. Insufficient information is available to present an account of the Group's proportional share of its defined-benefit obligation and of the plan assets and costs associated with the plan. As a result, the plan is presented as a defined-contribution plan, and consequently premiums paid are recognised as an expense.

The pension obligation is calculated annually with the aid of independent actuaries using the Projected Unit Credit Method. The calculation makes use of actuarial assumptions. These assumptions include anticipated salary and pension increases

and anticipated returns on plan assets. Changes in actuarial assumptions and outcomes that deviate from assumptions give rise to actuarial gains and losses.

For salaried employees in Sweden, Systemair subscribes to the ITP Plan through insurance with Alecta. Statement UFR 3 from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council recommends that ITP pensions managed by Alecta be recognised as defined-contribution plans, as per section 30 of IAS 19. The year's premiums for pension insurance policies with Alecta totalled SEK 4.1 million (3.3). Surpluses at Alecta under the plan may be distributed among the policyholders and/or the insured. At the end of 2012, Alecta's surplus in the form of the collective consolidation level was calculated at 129% (113). The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance commitments measured by Alecta's actuarial assumptions, which do not accord with IAS 19.

Systemair will implement the amended rules in IAS 19 as of the financial year starting on 1 May 2013. In 2012/13, the amendments would have increased the pension liability by approximately SEK 7.7 million net and would have reduced equity by around SEK 5.6 million (after deduction of a deferred tax liability).

Defined-benefit pension plans	2012/13	2011/12
Present value of obligations	92.5	88.9
Fair value of plan assets	-59.0	-55.5
Present value of net obligations	33.5	33.4
Unrecognised actuarial gains and losses	-5.2	-21.5
Net liability before payroll tax	28.3	11.9
Payroll tax liability	1.3	3.4
Net liability as per the balance sheet	29.6	15.3

Defined-benefit pension plans	2012/13	2011/12
Changes in defined-benefit plan obligation		
Defined-benefit plan obligation, 1 May	88.9	70.9
Benefits paid	-2.8	-2.1
Cost of service in current period, plus interest expense	9.6	8.2
Actuarial gain or loss	-14.1	7.3
Business combinations	-	-
Pension plans taken over	14.6	3.0
Exchange rate differences	-3.7	1.6
Defined-benefit plan obligation, 30 April	92.5	88.9
Changes in plan assets		
Fair value of plan assets, 1 May	55.5	45.9
Receipts	7.1	5.9
Benefits paid	-2.6	-1.9
Anticipated return	2.3	2.8
Difference between anticipated and actual return (actuarial gain or loss)	-1.0	-1.2
Plan assets taken over	-	2.8
Exchange rate differences	-2.3	1.2
Fair value of plan assets, 30 April	59.0	55.5

Cost recognised in income statement	2012/13	2011/12
Cost of service in current period	6.9	6.3
Payroll tax	0.9	0.7
Interest expenses relating to obligation	3.4	2.8
Anticipated return on plan assets	-2.3	-2.5
Net cost recognised in income statement	8.9	7.3

Actuarial assumptions, %	2012/13	2011/12
Discount rate	4.00	2.60
Anticipated return on plan assets	4.00	4.10
Anticipated rate of increase in salaries	3.50	3.50
Anticipated rate of inflation	3.00	1.10

NOTE 26 Profit/loss from participations in Group companies

	Parent Company	
	2012/13	2011/12
Impairments	-	-66.2
Dividends from subsidiaries	176.0	207.3
	176.0	141.1

NOTE 27 Participations in Group companies

Subsidiary	Corp. id. no.	Reg'd office	% equity	No. of shares	Carrying amount
Animac AB	556311-3926	Motala, Sweden	100	2,500	2.7
Frico Engineering AB	556362-9137	Skinnskatteberg, Sweden	100	1,000	0.1
Frico AB	556573-3812	Partille, Sweden	100	50,000	288.5
Kanalfläkt Industrial Service AB	556063-2530	Skinnskatteberg, Sweden	100	5,000	1.2
VEAB Heat Tech AB	556138-3166	Hässleholm, Sweden	100	3,000	65.6
Matthews & Yates Australia Pty. Ltd.		Australia	100	-	0.0
Systemair NV		Belgium	100	-	3.1
Systemair EOOD		Bulgaria	100	-	0.1
Systemair SpA		Chile	100	-	0.1
Welmo Trading Ltd		Cyprus	100	1,000	94.3
Systemair a/s		Denmark	100	10,101	35.1
Systemair Middle East FZE		Dubai, United Arab Emirates	100	-	2.1
Systemair Trading LLC		Dubai, United Arab Emirates	100	-	0.0
Systemair Fans & Spares Ltd		United Kingdom	100	1,000,000	19.9
Villavent Ltd		United Kingdom	100	349,999	2.0
Systemair AS		Estonia	100	3,128	17.3
Systemair Oy		Finland	100	20	0.3
Systemair SAS		France	100	9,994	6.5
Systemair Hellas		Greece	100	15,000	8.7
L.S.A. Handelsonderneming B.V.		Netherlands	100	40	11.0
Holland Heating		Netherlands	100	180	50.8
Rucon Systemair Beheer B.V.		Netherlands	100	-	69.6
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 AC		Italy	100	-	55.4
Systemair S.p.A.		Italy	100	2,754	55.2
Systemair Ltd		Canada	100	44,600	29.6
Systemair Shanghai Co. Ltd		China	100	-	1.3
Systemair SIA		Latvia	100	2,500	1.1
Systemair UAB		Lithuania	100	500	10.9
Systemair Sdn Bhd		Malaysia	100	500,000	20.6
Systemair AS		Norway	100	82,000	21.4
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	4.1
Systemair ZAO		Russia	100	865	0.5
Systemair d.o.o. Belgrade		Serbia	100	-	7.2
Systemair Suisse AG		Switzerland	100	250	31.9
Systemair (SEA) PTE Ltd.		Singapore	100	1,000,000	6.2
IMOS-Systemair spol. s.r.o.		Slovakia	100	-	68.2
(cont. on next page)		sub-total			1,181.6

NOTES

Subsidiary	Corp. id. no.	Reg'd office	% equity	No. of shares	Carrying amount
Cont. from preceding page				carried forward	1,181.6
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	2.4
Systemair SA		Czech Republic	100	-	21.5
Systemair Co. Ltd		Taiwan	100	-	0.2
Systemair HSK		Turkey	90	2,150	77.6
Systemair Hav. Ekip. San.ve Tic. Ltd Sti.		Turkey	100	649	1.5
Systemair GmbH		Germany	100	-	10.4
LGB GmbH		Germany	100	-	38.9
Tekadoor GmbH		Germany	100	-	30.3
Systemair TOV		Ukraine	100	-	0.4
Systemair Rt		Hungary	100	2,000	4.5
Fantech Inc.		USA	100	500	32.1
Systemair GmbH		Austria	100	-	0.9
					1,471.9

Subsidiaries indirectly held by Parent Company

Indirectly held	Parent Company	Reg'd office	% equity
Change Air	Systemair Ltd	Canada	100
Frico SAS	Frico AB	France	100
Frico BV	Frico AB	Netherlands	100
Frico AS	Frico AB	Norway	100
Frico GmbH AT	Frico AB	Austria	100
Kanalfäkt Management Services AB	Kanalfäkt Industrial Service AB	Skinnskatteberg, Sweden	100
Kanalfäkt Vent AB	Kanalfäkt Industrial Service AB	Skinnskatteberg, Sweden	100
Repant Production AB	Kanalfäkt Industrial Service AB	Skinnskatteberg, Sweden	100
Tekadoor Lufttechnische Geräte GmbH	Tekadoor GmbH	Austria	50
Systemair LLC	Welmo Trading Ltd	Russia	100

Change in Group companies	Parent Company	
	2012/13	2011/12
At start of year	1,030.1	779.8
Acquisitions during the year	128.8	213.0
New share issues during the year	313.0	37.3
	1,471.9	1,030.1

NOTE 28 Integration of wholly owned subsidiary

The wholly owned subsidiary Klockargårdens Företagsby AB, corp. id. no. 556632-5774, was merged with the Parent Company, Systemair AB, in 2012/13. The merger took place on 18 March 2013. Klockargården's business consisted of management and rental of the office and production property at Skinnskatteberg, which was exclusively rented by Systemair on the date of merger. Klockargården's net sales and operating profit on the date of the merger totalled SEK 6.0 million and SEK 1.2 million, respectively. Summarised balance sheet for Klockargården on 18 March 2013 (SEK million):

Non-current assets	36.5
Current receivables	0.1
Total assets	36.6
Equity	0.5
Current liabilities	36.1
Total liabilities and equity	36.6

NOTE 29 Non-recurring items

Note	2012/13				2011/12			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
					1			
Cost of goods sold	-	-	-	-	-5.6	-	-	-
Other operating income	-	-	-	-	-	-	-	-
Selling expenses	-	-	-	-	-10.0	-	-	-
Administration expenses	-	-	-	-	-5.3	-	-	-
Other operating expenses	-	-	-	-	-18.7	-	-	-
Total non-recurring items	-	-	-	-	39.6	-	-	-
Operating profit, incl. non-recurring items	36.0	89.8	140.9	98.5	5.6	97.2	130.2	86.8
Operating profit, excl. non-recurring items	36.0	89.8	140.9	98.5	45.2	97.2	130.2	86.8

Note 1 - Amortisation of goodwill, SEK -18.7 million, in Spain, on line "Other operating expenses". The remaining portion consists of measures above all in Italy to reduce the future burden of costs.

NOTE 30 Changes in Group structure – business combinations

Companies acquired

In March, Systemair acquired Holland Heating, a leading manufacturer of air handling units in the Netherlands. Holland Heating, established in 1955, has production facilities and headquarters in Waalwijk. The company, owned by Carrier B.V. since 1997, reported sales of EUR 32.5 million in 2012. The agreement also stipulates continued deliveries of air handling units to the Carrier Group in Europe. As a result of the acquisition, Systemair becomes market leader in air handling units in the Netherlands.

On 20 August 2012, Systemair acquired Ratos' holding of shares in Lindab. The holding represented 11.2% of the share capital and comprised 8,849,157 shares. At the same time, Systemair acquired a further 300,000 shares in the market and is currently the largest shareholder in Lindab, with a total of 11.6% of the share capital.

In June, Systemair acquired Change Air, Canada. The company is one of the North American market's leading producer of air handling units for classrooms. In 2011, Change Air had sales equivalent to SEK 84 million and an operating profit of SEK 11.9 million. The company, which has 86 employees, has its headquarters and a production facility in Ontario, Canada. The acquisition has provided Systemair with access to 59 sales agents in 71 cities, and a total of approximately 300 sales engineers in North America. The latter cover 42 states in the USA and six provinces in Canada.

In August 2012, Systemair acquired 70% of the shares in the Turkish company HSK, with an option to acquire the remaining 30%. In December 2012, Systemair acquired a further 20% of the shares in the company. HSK is Turkey's leading manufacturer of air handling units, with sales of SEK 160 million in 2011. Following the acquisition, a new industrial property measuring just over 12,000 m² was leased, into which two former production facilities have relocated and where major investments have been made in modern sheet metal forming equipment. The investments provide us with the region's most up-to-date production facility for air handling units. We also see great potential for developing sales in Turkey and neighbouring countries such as Azerbaijan, Georgia, Turkmenistan, Dubai and Iraq, plus market synergies with our Italian refrigeration equipment factory. After acquisition, the name of the company was changed to Systemair HSK. HSK has been consolidated into Systemair since the beginning of August 2012.

If Holland Heating, Change Air and HSK had been consolidated as of 1 May 2012, net sales for the period May 2012 through April 2013 would have totalled approximately SEK 4,833 million. Operating profit for that period would have been approximately SEK 356 million.

The price paid to acquire 100 percent of the shares in HSK, Holland Heating and Change Air was provisionally made up as follows:

Total historical cost, less costs of acquisition SEK 196.5 million

Assets acquired

Fair value of assets acquired, net SEK 88.5 million

Goodwill SEK 108.0 million

Assets and liabilities acquired	HSK	Holland Heating	Change Air	Total
Goodwill	67.7	19.0	21.3	108.0
Brands and customer relationships	30.1	22.5	20.9	73.5
Buildings and land	-	15.3	-	15.3
Machinery and equipment	3.5	1.1	3.5	8.1
Deferred tax assets	-	-	0.8	0.8
Inventory	16.4	16.9	14.5	47.8
Other current assets	52.1	50.5	17.9	120.5
Cash and cash equivalents	2.5	3.4	-	5.9
Non-interest-bearing liabilities (incl. deferred tax liability)	-5.3	-5.0	-5.2	-15.5
Interest-bearing liabilities	-18.9	-	-15.0	-33.9
Other operating liabilities	-52.6	-74.0	-7.4	-134.0
	95.5	49.7	51.3	196.5

Impact of acquisitions on cash flow

Purchase consideration	-196.5
Purchase consideration not paid	42.5
Cash and cash equivalents in companies purchased	5.9
Purchase consideration paid for prior years' acquisitions	-12.9
Transaction costs, acquisition of subsidiaries	-3.4
Change in consolidated cash and cash equivalents after acquisition	-164.4

Brands and customer relationships have been stated at the net present value of future cash flows. The useful life of these assets has been estimated at 5-10 years.

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

No significant changes had been made to the provisional acquisition analyses in the preceding year.

Companies divested

No companies were divested during the year.

NOTE 31 Receivables from Group companies

	Parent Company	
	2012/13	2011/12
At start of year	391.3	331.0
Loans	0.1	88.7
Repayments	-78.6	-5.8
Reclassifications	-240.3	-26.2
Foreign exchange adjustments	-8.0	3.6
	64.5	391.3

NOTE 32 Pledged assets

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Assets pledged to credit institutions for own liabilities				
Chattel mortgages	100.4	180.8	97.4	97.4
Real estate mortgages	163.0	166.4	30.0	30.0
Other collateral pledged	-	-	422.7	97.7
	263.4	347.2	550.1	225.1
Pledged assets, per bank				
Nordea Bank AB	127.0	127.3	286.7	186.7
Svenska Handelsbanken AB	16.0	125.4	238.0	13.0
Other banks	120.4	94.5	25.4	25.4
	263.4	347.2	550.1	225.1

NOTE 33 Contingent liabilities

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Guarantees on behalf of subsidiaries	-	-	201.3	142.9
Guarantees and other contingent liabilities	80.4	30.0	46.5	8.6
	80.4	30.0	247.8	151.5

NOTES

NOTE 34 Supplementary information regarding the cash flow statement

Group	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Adjustment for non-cash items etc.				
Depreciation/Amortisation	116.6	100.2	24.1	21.1
Impairment of assets	-	18.7	-	-
Changes in provisions	11.9	3.2	1.4	0.1
Exchange gains and losses	1.8	-2.2	-7.2	2.0
Provisions for pensions	14.9	-1.6	-	-
Gain/Loss on divestment of non-current assets	-1.3	-6.0	-	-8.5
Other items	3.5	-14.3	-	-
	147.4	98.0	18.3	14.7

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 financial 2012/13 include the Parent Company and its subsidiaries, jointly referred to as the "Group".

NOTE 36 Earnings per share

Group	2012/13	2011/12
Basic earnings per share (SEK)	4.63	4.14
Diluted earnings per share (SEK)	4.63	4.14
Profit for the year attributable to Parent Company shareholders	241.0	215.4
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

On the occasion of its stockmarket flotation in October 2007, Systemair issued a total of 223,500 warrants to certain employees of the Group. Because the subscription price relative to the market price of Systemair shares was unfavourable on the occasions set for redemption, no subscription rights were exercised. The option programme expired in September 2011. No new option programme has been offered.

NOTE 37 Related party transactions

During the year, Systemair AB (publ.) sold products for SEK 2.8 million (2.4) to ebmpapst AB. Product purchases from ebmpapst AB totalled SEK 1.1 million (0.7). During the year, products purchased by the Group from ebmpapst AB's parent company in Germany, ebmpapst GmbH, totalled SEK 168.9 million (171.8). Systemair AB (publ.) purchased hotel and conference services for SEK 4.0 (4.2) million from WG Hotell drift AB, which is owned by Gerald and Wenche Engström. Parent Company purchases from other Group companies totalled SEK 143.4 million (155.7). Parent Company sales to Group companies are shown in Note 3.

NOTE 38 Significant events after financial year-end

In May, Systemair completed the acquisition of Menerga GmbH, Germany, a leading European producer of air handling units for swimming pool halls and comfort ventilation with extra high efficiency. Established in 1981, Menerga has its headquarters and production facilities in Mülheim an der Ruhr, just outside Düsseldorf. Sales in 2012 totalled EUR 56.7 million, 53 percent in Germany. The company currently employs approximately 400 people. The purchase consideration is provisionally calculated at SEK 111 million, including transaction costs.

In May, Systemair entered an agreement to acquire Reftec AS, a supplier of commercial cooling and heat pumps to the Norwegian market. Reftec, founded in 2007, has its headquarters in Trondheim and a sales office in Oslo. It has 14 employees. The company recorded sales of NOK 34 million in 2012 and sales growth of more than 30 percent. The acquisition is subject to approval by Norway's competition authority. The company was formerly a reseller of Systemair products in the Norwegian market.

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, and generally accepted accounting principles, and give a true and fair view of the Group's and Company's financial position and results, 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 2013



Lars Hansson
Chairman of the Board



Gerald Engström
Director



Hannu Paitula
Director



Göran Robertsson
Director



Elisabeth Westberg
Director




Jürgen Zilling
Director



Åke Henningsson
Employee Representative



Kevin Rowland
Employee Representative



Pär Johansson
Managing Director

Our Audit Report concerning this Annual Report was submitted on 5 July 2013.

Ernst & Young AB



Thomas Forslund
Authorised Public Accountant

Auditors' Report

To the annual meeting of the shareholders of Systemair AB (publ) corp. id. no. 556160-4108

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

We have conducted an audit of the annual accounts and the consolidated accounts for Systemair AB (publ) for the financial year 1 May 2012–30 April 2013, except for the corporate governance report on pages 53–60. The annual report and the consolidated accounts are included on pages 61–91 of the printed version of this document.

Responsibilities of the Board of Directors and the President with regard to the annual report and the consolidated accounts

The Board of Directors and the President are responsible for preparing an annual report that provides a true and fair view in accordance with the Swedish Annual Accounts Act and consolidated accounts that provide a true and fair view in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act, as well as for the internal control that the Board of Directors and President deem to be necessary in order to prepare an annual report and consolidated accounts that are free of material misstatement, whether caused by irregularity or error.

Responsibilities of the auditor

Our responsibility is to express our opinion on the annual report and consolidated accounts on the basis of our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden. Those standards require that we observe the requirements of professional ethics and that we plan and perform the audit to obtain reasonable assurance that the annual report and the consolidated accounts are free from material misstatement.

An audit includes obtaining, by variety of measures, accounting evidence supporting the amounts and disclosures in the annual report and consolidated accounts. The auditor decides which actions should be taken, for example by determining the risks of material misstatements in the annual report and the consolidated accounts, whether caused by irregularity or error. In determining risks in this way, the auditor considers which aspects of internal control are relevant to how the company prepares the annual report and the consolidated accounts to provide a true and fair view, in order to devise audit measures that are fit-for-purpose with regard to the circumstances, but not in order to state an opinion as to the efficacy of the company's internal control. An audit also includes an assessment of the suitability of the accounting policies applied and of the reasonableness of the estimates by the Board of Directors and the President in the accounts, as well as an assessment of the overall presentation of the annual report and the consolidated accounts.

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

Opinions

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 2013 and of its financial results and cash flows for the year in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the Group's financial position on 30 April 2013 and of its financial results and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. Our opinions do not include the corporate governance report on pages 53–60. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the consolidated income statement and consolidated balance sheet and the parent company income statement and parent company balance sheet.

REPORT ON OTHER REQUIREMENTS UNDER LEGISLATION AND OTHER REGULATIONS

In addition to our audit of the annual report and the consolidated accounts, we have also reviewed the proposed treatment of the company's profit or loss and the administration by the Board and the President of the affairs of Systemair AB (publ) for the financial year 1 May 2012–30 April 2013. We have also performed a statutory review of the corporate governance report.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposed treatment of the company's profit or loss, and the Board and the President are responsible for administration under the Swedish Annual Accounts Act and for ensuring that the corporate governance report on pages 53–60 has been prepared in accordance with the Swedish Annual Accounts Act.

Responsibilities of the auditor

Our responsibility is to express an opinion with a reasonable degree of assurance as to the proposed treatment of the company's profit or loss and of the administration based on our review. We conducted our audit in accordance with generally accepted auditing practice in Sweden.

As a basis for our opinion on the Board's proposed treatment of 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 treatment is consistent with the Swedish Annual Accounts Act.

As a basis for our opinion concerning discharge from liability we examined, in addition to our audit of the annual accounts, significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

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

Furthermore, we have read the corporate governance report and on the basis of this reading and our knowledge of the company consider that we have sufficient grounds for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual general meeting of shareholders that the profit be treated in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 5 July 2013
Ernst & Young AB



Thomas Forslund
Authorised Public Accountant

Key Ratios for the Group

		2012/13 May-Apr	2011/12 May-Apr	2010/11 May-Apr
Net sales	SEK million	4,551.0	3,996.9	3,467.3
Growth	%	13.9	15.3	7.7
Operating profit	SEK million	365.2	319.8	367.0
Operating margin	%	8.0	8.0	10.6
Profit after net financial items	SEK million	330.6	296.6	338.5
Profit margin	%	7.3	7.4	9.8
Return on capital employed	%	13.8	14.7	18.0
Equity/assets ratio	%	40.7	45.1	48.6
Per share ratios				
Basic earnings per share	SEK	4.63	4.14	5.25
Diluted earnings per share	SEK	4.63	4.14	5.25
Basic equity per share	SEK	30.31	26.90	24.39
Diluted equity per share	SEK	30.31	26.90	24.39
No. of shares at end of period	no.	52,000,000	52,000,000	52,000,000

DEFINITIONS OF KEY RATIOS

Capital employed

Total assets less non-interest-bearing liabilities.

Earnings per share

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

EBIT

Earnings before financial items and tax.

Equity/assets ratio

Equity, including non-controlling interests, divided by total assets.

Equity per share

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

Growth

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

Interest coverage ratio

Profit after financial items plus financial expenses, divided by financial expenses.

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.

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.

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.

Sales per employee

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

The companies of the Systemair Group

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SUBSIDIARIES

Belgium
Systemair NV

Bulgaria
Systemair EOOD

Chile
Systemair SpA

Denmark
Systemair a/s

Dubai, United Arab Emirates
Systemair Middle East FZE
Systemair Trading LLC

United Kingdom
Systemair Fans & Spares Ltd

Estonia
Systemair AS

Finland
Systemair Oy

France
Systemair SAS
Frico SAS

Greece
Systemair Hellas

Netherlands
Rucon Systemair Beheer B.V.
L.S.A. Handelsonderneming B.V.

Hong Kong
Systemair Hong Kong Ltd.

India
Systemair India Pvt. Ltd

Ireland
Systemair Ltd

Italy
Systemair AC
Systemair S.p.A.

Canada
Systemair Ltd

China
Systemair Shanghai Co. Ltd

Croatia
Systemair d.o.o.

Latvia
Systemair SIA

Lithuania
Systemair UAB

Malaysia
Systemair Sdn Bhd

Norway
Systemair AS
Frico AS

Poland
Systemair SA

Portugal
Systemair SA

Qatar
Systemair Middle East LLC.

Romania
Systemair Rt

Russia
Systemair LLC

Switzerland
Systemair Suisse AG

Serbia
Systemair d.o.o. Belgrade

Singapore
Systemair (SEA) PTE Ltd.

Slovakia
IMOS-Systemair spol. s.r.o.
Systemair AS

Slovenia
Systemair d.o.o.

Spain
Systemair HVAC S.L.U.

Sweden
Frico Engineering AB

South Africa
Systemair (Pty) Ltd

Taiwan
Systemair Co. Ltd

Czech Republic
Systemair SA

Turkey
Systemair Hav. Ekip. San.ve Tic. Ltd Sti.
Systemair – HSK

Germany
Systemair GmbH
LGB GmbH
Tekadoor GmbH

Ukraine
Systemair TOV

Hungary
Systemair Rt

Austria
Systemair GmbH

SUBSIDIARIES WITH OWN BRAND:

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VEAB Heat Tech AB, Hässleholm
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CONTACT DETAILS:

Contact information and address details for our companies worldwide are available on Systemair's website at www.systemair.com.

Annual General Meeting

Systemair will hold its Annual General Meeting (AGM) at 3.00 p.m. on 29 August 2013 in the Lecture Hall at Systemair Expo, Skinnskatteberg, Sweden

A factory tour and product presentation will take place before the meeting. Those wishing to take part should assemble at 1.00 p.m. at Systemair Expo, Skinnskatteberg.

Shareholders who wish to participate in the AGM must be entered in the share register maintained by Euroclear Sweden AB on Friday, 23 August 2013 and must notify the Company of their intention to attend by no later than 3.00 p.m. on Friday, 23 August 2013.

Notification should preferably be made by e-mail to agm@systemair.se, or by phone on +46-(0)222-440 00, by fax to +46-(0)222-440 99, or by post to Systemair AB, Receptionen, SE-739 30 Skinnskatteberg, Sweden. Notification shall include details of name, personal or corporate identity number, address, telephone number, any advisors (no more than two) and the number of shares held. It should also be observed that any participation in the factory tour must be notified at the same time. Shareholders represented by a proxy are required to issue a dated power of attorney for his/her proxy. The period of validity of the power of attorney may be no more than five years from the date of issue. A power of attorney form is available on the Company's website www.systemair.com and may also be requested from the address above.

Any person representing a legal entity must present a registration certificate or equivalent document confirming that person's right to sign on behalf of the entity. Powers of attorney, registration certificates and other authorisation documents must be available at the AGM and should, in order to facilitate admission to the AGM, be received by the Company by no later than Friday, 23 August 2013. Any power of attorney must be presented in its original form.

To be entitled to participate in the AGM, any shareholder who has had his/her shares registered in the name of a nominee must have the nominee temporarily re-register the shares in the shareholder's name so that the shareholder is entered in the share register no later than on the record date, Friday, 23 August 2013. Any such registration may be temporary. This means that the shareholder must inform his/her nominee in good time before 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 www.systemair.com.

Calendar

29 August 2013	Q1 Interim Report (May-July 2013/14)
28 November 2013	Q2 Interim Report (August-October 2013/14)
6 March 2014	Q3 Interim Report (November-January 2013/14)
10 June 2014	Q4 Interim Report (February-April 2013/14)
28 August 2014	Annual General Meeting and simultaneous publication of Q1 Interim Report 2014/15

QUESTIONS

Any questions regarding the content of the Company's financial information should be directed to: CFO Glen Nilsson, Telephone +46 (0)222 440 03



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