

# Systemair AB (publ)

## Interim Report Q2

### 1 May – 31 October 2016

Net sales Q2

**SEK 1,769 m**

EBIT Q2

**SEK 153 m**

#### Second quarter August-October 2016

- Net sales increased by 8.9 percent to SEK 1,769 million (1,624).
- Organic growth was 4.8 percent (3.6).
- Operating profit (EBIT) totalled SEK 153 million (134).
- The operating margin was 8.7 percent (8.3).
- Profit after financial items totalled SEK 156 million (119).
- Profit after tax amounted to SEK 115 million (86).
- Earnings per share totalled SEK 2.22 (1.65).
- Cash flow from operating activities amounted to SEK 167 million (122).

#### First half-year, May-October 2016

- Net sales increased by 7.1 percent to SEK 3,415 million (3,188).
- Organic growth was 6.1 percent (3.8).
- Operating profit (EBIT) totalled SEK 286 million (252).
- The operating margin was 8.4 percent (7.9).
- Profit after financial items totalled SEK 292 million (230).
- Profit after tax amounted to SEK 215 million (166).
- Earnings per share totalled SEK 4.13 (3.20).
- Cash flow from operating activities amounted to SEK 281 million (171).

#### Significant events during the period under review

- Restructuring programme under way in the business area for air conditioning.
- In August, Systemair acquired the Czech corporate group 2VV. The company is a leader in the development and manufacturing of industrial and residential air handling units and air curtains for commercial applications in the region.
- In September, Systemair acquired TTL Tür + Torluftschleier Lufttechnische Geräte GmbH, a high-end manufacturer of air curtains for commercial applications.

	2016/17 Aug-Oct 3 mths	2015/16 Aug-Oct 3 mths	2016/17 May-Oct 6 mths	2015/16 May-Oct 6 mths
Net sales, SEK m.	1,769.2	1,624.4	3,415.1	3,187.5
Growth, %	8.9	4.5	7.1	8.1
Operating profit, SEK m	153.2	134.3	286.2	251.7
Operating margin, %	8.7	8.3	8.4	7.9
Profit after tax, SEK m	115.2	85.7	214.8	166.5
Earnings per share, SEK	2.22	1.65	4.13	3.20
Operating cash flow per share, SEK	3.22	2.34	5.41	3.28

## Upward trend continues

In the second quarter, organic growth was recorded at 4,8 percent, while profit again improved compared with a year earlier. The restructuring programme, launched in June, is under way and the effects are starting to show through. The annual cost saving from the programme as a whole is calculated at SEK 45 million, with full impact emerging inside two years. Adjusted operating profit for the quarter amounted to SEK 162.4 million and operating margin was 9.2 percent (8.3) .

### The market

The second quarter is normally our strongest period of the year. The market as a whole moved in a positive direction in the quarter. The Nordic market remains buoyant, as do several markets in Western Europe. The USA continued to perform strongly, partly under the influence of a stronger USD. For the first time in a good while Region Eastern Europe reported stabilized sales. Most notably, the decline in Russia has been slowed. In the Other markets region, a very slight decline was evident as a result of lower orders in the Middle East compared to the previous year when a large order was delivered.

### Restructuring programme

The restructuring programme is under way in the parts of the Group concerned. The programme is focused on the business area for air conditioning, acquired in recent years, and some loss-making units in various countries. The programme consists of capacity adjustments and review of product ranges. The cost of the programme will rise to in all approximately SEK 45 million, with estimated annual cost savings of SEK 45 million and full impact within two years. The cost thus far totals SEK 11 million, of which SEK 9 million arose in the second quarter.

### Acquisitions

In August, we acquired the Czech group 2VV, a leading maker of industrial and residential air handling units, as well as air curtains. The acquisition creates opportunities for product and manufacturing synergies in our European units. Integration of the company is going ahead on schedule. Also, our acquisition of German air curtain maker TTL has gone ahead in line with expectations.



### Investments

Our investment in a new factory in Turkey will provide us with a larger production facility at lower cost.

In Skinnskatteberg in Sweden, a major investment in machinery, intended to improve productivity in sheet metal forming is also nearing completion.

### Outlook

Growth is buoyant in several of our markets, although we would have liked to see stronger growth in parts of Western Europe and recovery in Russia. The actions we have planned to increase profit are in full swing.

One of Systemair's strengths is our global presence. On that basis, we can utilise our resources and our market presence to identify and develop the applications and opportunities that emerge. We will also continue to make acquisitions and invest in production equipment, product development and marketing in order to maintain our growth.

Roland Kasper  
President and CEO

## Sales and markets

Group sales for the second quarter of the 2016/17 financial year totalled SEK 1,769.2 million (1,624.4), an increase of 8.9 percent from the same period in the preceding year.

Adjusted for both foreign exchange effects and acquisitions, net sales grew 4.8 percent. Growth in acquired operations was 3.0 percent, while foreign exchange effects increased sales by 1.1 percent during the period.

## Geographic breakdown of Q2 sales

### Nordic region

During the second quarter, sales in the Nordic region were up 11 percent on the same period in the preceding year. The Danish, Norwegian and Finnish markets continue to perform strongly. Adjusted for foreign exchange effects, sales rose by 8 percent.

### Western Europe

Sales in the West European market grew 12 percent during the quarter, compared with the corresponding period in the preceding year. Adjusted for foreign exchange effects and acquisitions, sales rose by 7 percent. Several markets in the region performed well during the period, for example Spain, France, and Italy.

### Eastern Europe and the CIS

Sales in Eastern Europe and the CIS increased 2 percent during the quarter. Adjusted for the effects of foreign exchange and acquisitions, sales declined 3 percent. In Russia, sales decreased by 6 percent during the period, stated in Swedish kronor. The Russian market accounted for 5 percent of Systemair's total sales in the first half-year, compared with 7 percent in the previous year.

### North and South America

Sales in the North and South America region during the quarter were 21 percent higher than in the same period in the preceding year. The American market grew strongly during the quarter, and it is especially major projects in air handling units for classrooms that contribute to the increase. Adjusted for foreign exchange effects and acquisitions, sales rose by 16 percent.

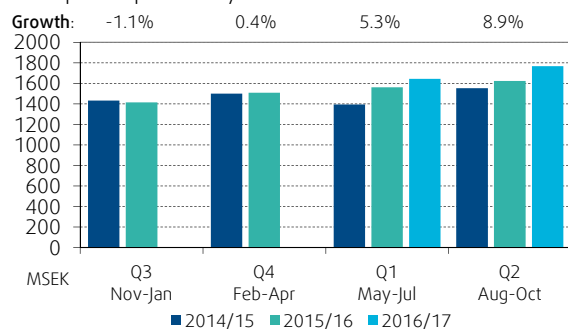
### Other markets

Sales in Other markets declined 1 percent during the quarter compared with the same period in the preceding year. Adjusted for the effects of foreign exchange and acquisitions, sales declined 2 percent. The Turkish market performed well during the quarter, while sales decreased in China, Dubai, Qatar and India. In the Middle East, above all, single projects may have considerable impact on a particular quarter.

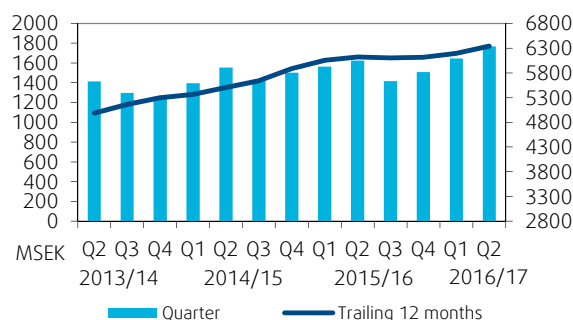
	2016/17 Aug-Oct 3 mths	2015/16 Aug-Oct 3 mths	Sales – change	Of which organic	2016/17 May-Oct 6 mths	2015/16 May-Oct 6 mths	Sales – change	Of which, organic
Nordic region	440.8	397.0	11%	8%	769.2	722.5	6%	6%
Western Europe	694.2	622.1	12%	7%	1,369.9	1,248.7	10%	7%
Eastern Europe & the CIS	256.1	251.0	2%	-3%	482.7	531.0	-9%	-9%
North and South America	148.3	122.8	21%	16%	317.0	270.5	17%	14%
Other markets	229.8	231.5	-1%	-2%	476.3	414.8	15%	17%
<b>Total</b>	<b>1,769.2</b>	<b>1,624.4</b>	<b>9%</b>	<b>5%</b>	<b>3,415.1</b>	<b>3,187.5</b>	<b>7%</b>	<b>6%</b>

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

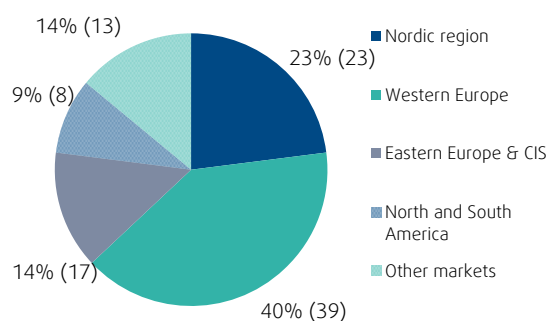
Net sales per quarter compared with same period previous years



Net sales



## Sales by market, 6 months 2016/17 (2015/16)



## Profit in the second quarter

The gross profit for the second quarter was SEK 623.4 million (574.3), an increase of 8.6 percent over the same period in the preceding year. The gross margin decreased to 35.2 percent (35.4). On a full-year basis, the gross margin improved from 34.8 percent to 35.0 percent.

The operating profit for the second quarter totalled SEK 153.2 million (134.3), up 14.1 percent on the same period in the preceding year. The Company's operating margin was 8.7 percent (8.3). Adjusted for the restructuring programme operating profit for the quarter amounted SEK 162.4 million and operating margin was 9.2 percent.

Selling and administration expenses for the quarter totalled SEK 459.3 million (431.3), a rise of SEK 28.0 million. Costs arising from company acquisitions accounted for SEK 11.9 million of costs in the quarter. As a result, selling and administration expenses for comparable units rose by SEK 16.1 million, or 3.5 percent.

Selling expenses were charged with SEK 4.4 million (3.7) for anticipated and confirmed impairment losses on trade receivables. During the quarter, costs related to acquisitions totalled SEK 0.1 million. Restructuring costs

relating to the SEK 45 million programme launched in the 2015/16 financial year totalled SEK 9.2 million in the period.

Net financial items ended the second quarter at SEK +3.2 million (-15.6). The effects of foreign exchange on long-term receivables, loans and bank balances was SEK +8.9 million (-10.4) net. Interest expenses for the quarter totalled SEK -5.2 million (-5.5).

## Tax expense

Estimated tax for the quarter totalled SEK -41.2 million (-33.0), corresponding to an effective tax rate of 26.3 percent based on profit after net financial items.

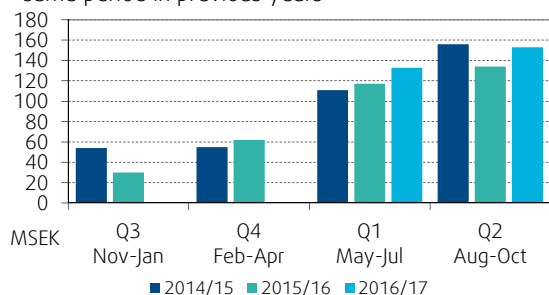
## Acquisitions and new operations

In August, Systemair acquired the Czech corporate group ZVV, a leading developer and manufacturer of industrial and residential air handling units. The company also manufacture air curtains for commercial applications in the region. The company, which has 189 employees, is based in Pardubice, 120 km east of Prague. In 2015, the company reported sales of around EUR 18 million.

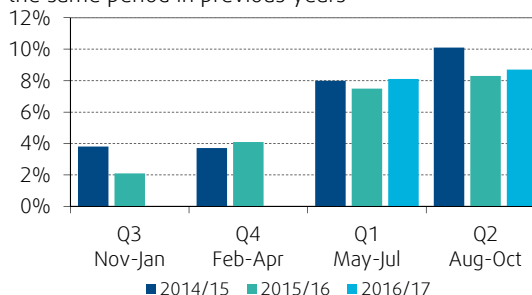
In September, Systemair acquired the assets of TTL Tür + Torluftschleier Lufttechnische Geräte GmbH, a German manufacturer of high-quality air curtains for commercial applications. TTL, based in Winterbach, west of Stuttgart, reports sales of around EUR 4 million. In addition to the company's assets, Systemair also took over 24 employees and TTL's 4,000 m<sup>2</sup> leased factory and office building.

If the companies acquired had been consolidated as of 1 May 2016, net sales for the period May through October 2016 would have totalled approximately SEK 3,490.0 million. The operating profit for that period would have totalled approximately SEK 290.1 million. Note 1 in this report contains an acquisition analysis and the effects of the acquisitions on the Group's cash and cash equivalents.

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



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



## Investments, depreciation and amortisation

Investments for the quarter, excluding divestments, totalled SEK 140.1 million (84.1), including SEK 25.3 million (52.7) in new construction and machinery. Investments consisted primarily of capacity and replacement investments at a number of factories. Acquisitions and formerly withheld additional purchase considerations totalled SEK 113.6 million (32.7) for the quarter. Depreciation of non-current assets amounted to SEK 45.8 million (44.6).

## Personnel

The average number of employees in the Group was 4,707 (4,559). At the end of the period, Systemair had 5,049 employees (4,699), 350 more than one year previous. New employees were recruited chiefly at Systemair in Turkey (59), Germany (33), Sweden (26) and Canada (25). Personnel cutbacks were made at Menerga in Germany (-21), Russia (-35) and India (-38). Through company acquisitions, 223 employees joined the Group, including 13 at Menerga, Poland, 189 at ZVV, Czech Republic and 21 at TTL, Germany.

## Cash flow and financial position

Cash flow from operating activities before changes in working capital totalled SEK 166.6 million (135.4) for the quarter. Changes in working capital had a positive impact of SEK 0.8 million (-13.6) on cash flow. Cash flow from financing operations totalled SEK -55.5 million (-3.3) net. At the end of the period, the Group's net indebtedness was SEK 1,476.3 million (1,345.7). The consolidated equity/assets ratio was 43.8 percent (42.8) at the end of the period.

## Events after the close of the period

No significant events have occurred since the end of the period.

## Material risks and uncertainty

Systemair is exposed to operational and financial risks in its business. Operational risks include the international nature of the operations, tough competition and the sensitivity of the construction industry to the business cycle. The financial risks that Systemair has identified in its business consist of foreign exchange risk, borrowing and interest rate risk, as well as credit risk and liquidity risk. The material risks and uncertainties affecting Systemair are described in more detail in the company's 2015/16 Annual Report. No significant change occurred in the risk situation during the period.

## Related party transactions

Systemair's significant transactions with related parties concern ebmpapst AB and ebmpapst Mulfingen GmbH & Co. KG. Transactions with related parties are described in detail in Note 36 to the accounts in the Annual Report for the 2015/16 financial year. During the period, no change worthy of mention occurred in the scale of these transactions.

## Parent Company

Parent Company net sales for the financial year totalled SEK 47.2 million (45.1). Operating profit was negative, at SEK -58.7 million (-25.3). The company had 44 (41) employees. The core business of the Parent Company is that of intra-Group services.

## Systemair in Brief

Systemair is a leading ventilation company with operations in 49 countries in Europe, North America, South America, the Middle East, Asia and Africa. The company had sales of approximately SEK 6.1 billion in the 2015/16 financial year and approximately 5,000 employees. Systemair has reported an operating profit every year since 1974, when the company was founded. During the past 15 years, the Company's growth rate has averaged about 12 percent.

Systemair has well-established operations in growth markets. The group's products are marketed under the Systemair, Frico, VEAB, Fantech, Menerga and Holland Heating brands. Systemair shares have been quoted on the Mid Cap List of the Nasdaq OMX Nordic Exchange in Stockholm since October 2007. The Group comprises about 70 companies.

## About Systemair

The Company established operations in 1974 with a product concept, the circular duct fan, a design that considerably simplified the process of installation. We adopted the motto "the direct route", which has been developed from a product concept into a business philosophy. Our product range has expanded strongly to extend over a broad range of fans, air handling units, products for air distribution, air conditioning, air curtains and heating products.

## Mission statement

Operating from the core values of simplicity and reliability, our business concept is to develop, manufacture and market high-quality ventilation products. On the basis of our business concept and with our customers in focus, our aim is to be seen as a

company to rely on, with the emphasis on delivery reliability, availability and quality.

## Business model

Availability is an important parameter in terms of our competitiveness, and we ensure effective control of our flow of goods, with owned production units, centralised warehouse facilities and an efficient ERP system. With modern production plants and our own sales companies around the world, we reach out directly to our customers.

The business model supports stability and development, and today we are a leading producer and supplier of ventilation products with our own production and own sales companies.

## Strategies

The following strategies create major strengths and competitive advantages that help us to achieve our goals.

- Innovative product development and a broad product range focusing on energy-efficient air handling products.
- High product availability and fast delivery via an efficient production, logistics and IT organisation.
- Development and expansion of Systemair's own sales organisation.
- Good relationships with ventilation contractors, distributors and consultants.
- A highly diversified customer base reduces our vulnerability to fluctuations in the economy.
- Early presence in growth markets.
- Strategy of acquisition and establishment to expand market shares.

## Miscellaneous

The information in this Interim Report is information that Systemair is required to disclose in accordance with the Swedish Securities Markets Act (lagen om värdepappersmarknaden) and/or the Swedish Financial Instruments Trading Act (lagen om handel med finansiella instrument). This information is to be submitted for publication at 8.00 a.m. on 24 November 2016.

The undersigned affirm that this six-month report provides a true and fair survey of the Parent Company's and the Group's operations, financial position and profits, as well as describing the material risks and uncertainty facing the Parent Company and the companies included in the Group.

Skinnskatteberg, 23 November 2016

Systemair AB (publ)

Roland Kasper  
*Chief Executive Officer*

Gerald Engström  
*Chairman of the Board*

Carina Andersson  
*Board member*

Svein Nilsen  
*Board member*

Per-Erik Sandlund  
*Board member*

Patrik Nolåker  
*Board member*

Åke Henningsson  
*Employee Representative*

Ricky Sten  
*Employee Representative*

## Calendar

### Interim report Q3 2016/17

8.00 a.m., 23 February 2017

### Year-end report Q4 2016/17

8.00 a.m., 8 June 2017

### Interim report Q1 2017/18

1.00 p.m., 24 August 2017

## Contact

### President and CEO Roland Kasper

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

E-mail: [roland.kasper@systemair.se](mailto:roland.kasper@systemair.se)

### Chairman of the Board Gerald Engström

Telephone: +46 (0)705-19 00 01

E-mail: [gerald.engstrom@systemair.se](mailto:gerald.engstrom@systemair.se)

### CFO Anders Ulff

Tel. +46 (0)222-440 09, +46 (0)70 577 40 09

E-mail: [anders.ulff@systemair.se](mailto:anders.ulff@systemair.se)

### Systemair AB (publ)

Co. Reg. No. 556160-4108

SE-739 30 Skinnskatteberg, Sweden

Tel. +46 (0)222-44 000

[info@systemair.se](mailto:info@systemair.se)

[www.systemair.com](http://www.systemair.com)

---

## Systemair receives large order to university clinic

Systemair has received an order for ventilation units, with a value of EUR 1.2 million, from the University Clinic of Navarra. With a total area of 45,000 m<sup>2</sup> it is one of the most significant health care projects in Spain. Systemair in Spain will deliver 86 DV devices between November 2016 and January 2017.



## Auditor's Review Report

### Introduction

We have reviewed the condensed interim financial information (interim report) for Systemair AB (Publ) as per 31 October 2016 and the six-month reporting period ending on that date. The preparation and fair presentation of the interim report in accordance with IAS 34 and the Annual Accounts Act are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express our opinion of this interim report based on our review.

### Emphasis and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements: ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The emphasis and scope of a review differ considerably from that of an audit in accordance with International Standards on Auditing Standards (ISA) and other generally accepted auditing practices in Sweden.

The procedures performed in a review do not enable us to obtain a level of assurance to become aware of all significant matters that could have been identified in an audit. As our opinion is based on a review, the level of assurance is not as high as that of an opinion expressed based on an audit.

### Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim report was not, in all material respects, prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act, and, for the Parent Company, in accordance with the Swedish Annual Accounts Act.

Stockholm, 23 November 2016  
Ernst & Young AB

Åsa Lundvall  
Authorised Public Accountant



## Summary income statement

	Group						Parent Company	
	2016/17 Aug-Oct 3 mths	2015/16 Aug-Oct 3 mths	2016/17 May-Oct 6 mths	2015/16 May-Oct 6 mths	2016/17 Nov-Oct trl 12	2015/16 May-Apr 12 mths	2016/17 May-Oct 6 mths	2015/16 May-Oct 6 mths
SEK m								
Net sales	1,769.2	1,624.4	3,415.1	3,187.5	6,340.1	6,112.5	47.2	45.1
Cost of goods sold	-1,145.8	-1,050.1	-2,218.4	-2,077.0	-4,151.8	-4,010.4	-	-
<b>Gross profit</b>	<b>623.4</b>	<b>574.3</b>	<b>1,196.7</b>	<b>1,110.5</b>	<b>2,188.3</b>	<b>2,102.1</b>	<b>47.2</b>	<b>45.1</b>
Other operating income	24.7	20.8	46.1	38.9	87.5	80.3	2.4	0.4
Selling expenses	-372.6	-348.4	-715.4	-683.1	-1,432.1	-1,399.8	-20.0	-28.1
Administration expenses	-86.7	-82.9	-169.0	-162.3	-343.8	-337.1	-41.5	-30.1
Other operating expenses	-35.6	-29.5	-72.2	-52.3	-121.3	-101.4	-46.8	-12.6
<b>Operating profit</b>	<b>153.2</b>	<b>134.3</b>	<b>286.2</b>	<b>251.7</b>	<b>378.6</b>	<b>344.1</b>	<b>-58.7</b>	<b>-25.3</b>
Net financial items	3.2	-15.6	5.5	-21.5	-9.7	-36.8	289.8	526.1
<b>Profit after financial items</b>	<b>156.4</b>	<b>118.7</b>	<b>291.7</b>	<b>230.2</b>	<b>368.9</b>	<b>307.3</b>	<b>231.1</b>	<b>500.8</b>
Appropriations	-	-	-	-	-	-	-3.3	25.5
Tax on profit for the period	-41.2	-33.0	-76.9	-63.7	-113.4	-100.1	8.6	-2.0
<b>Profit for the period <sup>1</sup></b>	<b>115.2</b>	<b>85.7</b>	<b>214.8</b>	<b>166.5</b>	<b>255.5</b>	<b>207.2</b>	<b>236.4</b>	<b>524.3</b>
Earnings per share, SEK <sup>2</sup>	2.22	1.65	4.13	3.20	4.91	3.98	-	-

## Statement of comprehensive income

<b>Profit for the period</b>	115.2	85.7	214.8	166.5	255.5	207.2	236.4	524.3
<b>Other comprehensive income</b>								
<i>Items that have been, or may later be, transferred to profit for the year:</i>								
Translation differences	66.9	-44.6	139.6	-43.9	97.7	-85.9	1.8	-1.5
Impact of tax	-0.2	0.3	-0.4	0.3	-0.2	0.5	-0.4	0.3
<i>Items that cannot be transferred to profit for the year:</i>								
Revaluation of defined-benefit pensions, net after tax	-	-	-	-	8.2	8.2	-	-
<b>Other comprehensive income</b>	<b>66.7</b>	<b>-44.3</b>	<b>139.2</b>	<b>-43.6</b>	<b>105.7</b>	<b>-77.2</b>	<b>1.4</b>	<b>-1.2</b>
<b>Total comprehensive income for the period<sup>1</sup></b>	<b>181.9</b>	<b>41.4</b>	<b>354.0</b>	<b>122.9</b>	<b>361.2</b>	<b>130.0</b>	<b>237.8</b>	<b>523.1</b>

1) Attributable in entirety to Parent Company shareholders.

2) No dilution effect arises since the options programme in operation has been arranged by Färna Invest.

## Summary balance sheet

SEK m	Group			Parent Company	
	31/10/2016	31/10/2015	30/04/2016	31/10/2016	31/10/2015
<b>ASSETS</b>					
Goodwill	723.6	642.2	621.8	0.3	0.5
Other intangible assets	192.7	205.4	189.3	3.1	3.2
Property, plant and equipment	1,395.2	1,294.1	1,273.6	14.0	5.0
Financial and other assets	199.8	175.2	180.5	2,350.4	2,120.3
<b>Total non-current assets</b>	<b>2,511.3</b>	<b>2,316.9</b>	<b>2,265.2</b>	<b>2,367.8</b>	<b>2,129.0</b>
Inventory	1,150.1	1,030.5	1,105.1	-	-
Current receivables	1,499.8	1,323.5	1,255.2	1,211.2	1,151.3
Cash and cash equivalents	229.3	242.3	176.9	-	-
<b>Total current assets</b>	<b>2,879.2</b>	<b>2,596.3</b>	<b>2,537.2</b>	<b>1,211.2</b>	<b>1,151.3</b>
<b>TOTAL ASSETS</b>	<b>5,390.5</b>	<b>4,913.2</b>	<b>4,802.4</b>	<b>3,579.0</b>	<b>3,280.3</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>2,358.2</b>	<b>2,101.1</b>	<b>2,108.2</b>	<b>1,983.4</b>	<b>1,845.5</b>
Untaxed reserves	-	-	-	5.5	12.9
Non-current liabilities, non-interest-bearing	242.0	252.6	238.7	-	-
Non-current liabilities, interest-bearing	416.3	251.9	196.7	460.4	282.1
<b>Total non-current liabilities</b>	<b>658.3</b>	<b>504.5</b>	<b>435.4</b>	<b>460.4</b>	<b>282.1</b>
Current liabilities, interest-bearing	1,231.7	1,262.8	1,309.0	1,073.2	1,094.8
Current liabilities, non-interest-bearing	1,142.3	1,044.8	949.8	56.5	45.0
<b>Total current liabilities</b>	<b>2,374.0</b>	<b>2,307.6</b>	<b>2,258.8</b>	<b>1,129.7</b>	<b>1,139.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,390.5</b>	<b>4,913.2</b>	<b>4,802.4</b>	<b>3,579.0</b>	<b>3,280.3</b>

## Summary consolidated cash flow statement

SEK m	2016/17	2015/16	2016/17	2015/16	2015/16
	Aug-Oct 3 mths	Aug-Oct 3 mths	May-Oct 6 mths	May-Oct 6 mths	May-Apr 12 mths
Operating profit	153.2	134.3	286.2	251.7	344.1
Adjustment for non-cash items	66.3	30.0	112.6	69.5	143.8
Financial items	-5.8	-5.1	-11.3	-9.7	-18.9
Income tax paid	-47.1	-23.8	-70.8	-45.9	-138.8
<b>Cash flow from operating activities before changes in working capital</b>	<b>166.6</b>	<b>135.4</b>	<b>316.7</b>	<b>265.6</b>	<b>330.2</b>
Changes in working capital	0.8	-13.6	-35.2	-95.1	-161.3
<b>Cash flow from operating activities</b>	<b>167.4</b>	<b>121.8</b>	<b>281.5</b>	<b>170.5</b>	<b>168.9</b>
Cash flow from investing activities	-132.5	-82.2	-158.7	-126.0	-212.1
Cash flow from financing activities	-55.5	-3.3	-93.1	25.3	53.5
<b>Cash flow for the period</b>	<b>-20.6</b>	<b>36.3</b>	<b>29.7</b>	<b>69.8</b>	<b>10.3</b>
Cash and cash equivalents at start of period	236.6	214.6	176.9	187.8	187.8
Translation differences, cash and cash equivalents	13.3	-8.6	22.7	-15.3	-21.2
<b>Cash and cash equivalents at close of period</b>	<b>229.3</b>	<b>242.3</b>	<b>229.3</b>	<b>242.3</b>	<b>176.9</b>

## Statement of changes in equity – Group

SEK m	2016/17 May-Oct		2015/16 May-Oct		2015/16 May-Apr	
	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity
<b>Amount at beginning of year</b>	<b>2,108.2</b>	<b>2,108.2</b>	<b>2,082.2</b>	<b>2,082.2</b>	<b>2,082.2</b>	<b>2,082.2</b>
Dividend	-104.0	-104.0	-104.0	-104.0	-104.0	-104.0
Comprehensive income	354.0	354.0	122.9	122.9	130.0	130.0
<b>Amount at end of period</b>	<b>2,358.2</b>	<b>2,358.2</b>	<b>2,101.1</b>	<b>2,101.1</b>	<b>2,108.2</b>	<b>2,108.2</b>

## Key ratios for the Group

		2016/17	2015/16	2016/17	2015/16	2015/16
		Aug-Oct	Aug-Oct	May-Oct	May-Oct	May-Apr
		3 mths	3 mths	6 mths	6 mths	12 mths
Net sales	SEK m	1,769.2	1,624.4	3,415.1	3,187.5	6,112.5
Growth	%	8.9	4.5	7.1	8.1	3.9
Operating profit	SEK m	153.2	134.3	286.2	251.7	344.1
Operating margin	%	8.7	8.3	8.4	7.9	5.6
Profit after net fin. items	SEK m	156.4	118.7	291.7	230.2	307.3
Profit margin	%	8.8	7.3	8.5	7.2	5.0
Return on capital employed	%	10.5	10.5	10.5	10.5	10.2
Return on equity	%	11.6	11.4	11.6	11.4	9.8
Equity/assets ratio	%	43.8	42.8	43.8	42.8	43.9
Investments	SEK m	132.5	82.2	158.7	126.0	212.1
Depreciation/Amortisation	SEK m	45.8	44.6	89.9	88.6	178.2
<b>Per share ratios</b>						
Earnings per share	SEK	2.22	1.65	4.13	3.20	3.98
Equity per share	SEK	45.35	40.40	45.35	40.40	40.54
Operating cash flow per share	SEK	3.22	2.34	5.41	3.28	3.25
No. of shares at end of period	No.	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000

## Quarterly key ratios – Group

		2016/17			2015/16			2014/15		
		Aug-Oct	May-Jul	Feb-Apr	Nov-Jan	Aug-Oct	May-Jul	Feb-Apr	Nov-Jan	Aug-Oct
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	SEK m	1,769.2	1,645.9	1,508.7	1,416.3	1,624.4	1,563.1	1,502.4	1,431.6	1,554.5
Growth	%	8.9	5.3	0.4	-1.1	4.5	12.1	19.4	10.3	9.9
Gross margin	%	35.2	34.8	34.1	33.7	35.4	34.3	33.5	33.6	36.6
Operating profit	SEK m	153.2	133.0	62.2	30.1	134.3	117.5	55.1	54.1	156.3
Operating margin	%	8.7	8.1	4.1	2.1	8.3	7.5	3.7	3.8	10.1
Return on capital employed	%	10.5	10.1	10.2	9.3	10.5	12.4	12.5	19.8	18.9
Return on equity	%	11.6	10.6	9.8	9.9	11.4	13.0	15.1	27.4	27.2
Equity/assets ratio	%	43.8	45.0	43.9	43.6	42.8	44.9	44.4	46.4	44.1
Basic equity per share	SEK	45.35	43.85	40.54	39.74	40.40	41.61	40.04	39.64	38.66
Basic earnings per share	SEK	2.22	1.91	0.53	0.25	1.65	1.55	0.56	0.84	2.24
Cash flow from operating activities per share	SEK	3.22	2.19	-0.77	0.74	2.34	0.94	-0.25	1.49	1.71

## General accounting policies and principles

Systemair applies International Financial Reporting Standards (IFRS), as adopted by EU. This interim report was prepared for the group in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and RFR 2. The accounting principles and methods of calculation applied for the group and Parent Company accord with those used in preparing the most recent Annual Report.

## Note 1 – Acquisition analysis

The purchase consideration for the shares in the ZVV Group of the Czech Republic and for the assets of TTL of Germany may preliminary be divided as follows:

Total historical cost, less transaction costs                      SEK 123.4 million

Identifiable net assets	Total
Goodwill	50.9
Brands and customer relationships	7.4
Buildings and land	22.5
Machinery and equipment	40.4
Financial and other current assets	1.6
Inventory	33.4
Current receivables	23.3
Other current assets	9.1
Cash and cash equivalents	2.6
Non-interest-bearing liabilities (incl. deferred tax liability)	-1.9
Interest-bearing liabilities	-31.8
Other operating liabilities	-34.1
	<b>123.4</b>

Transaction costs in the acquisition of subsidiaries totalled SEK 0.1 million.

The total effect on cash flow from the acquisitions, including payment of a formerly withheld purchase consideration for prior years' acquisitions, amounted to SEK -113.9 million. A non-interest-bearing non-current liability relating to the estimated withheld purchase consideration for the above-mentioned acquisitions totals SEK 7.0 million.

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

The goodwill upon acquisition is attributable to the strong market position of the companies acquired, synergies expected to arise after the acquisition and the company's estimated future earning capacity.

## Note 2 – Financial instruments

Systemair's financial instruments consist of derivatives, trade receivables, cash and cash equivalents, available-for-sale financial assets, trade payables, accrued supplier costs and interest-bearing liabilities. Liabilities to credit institutions carry variable interest rates or, in certain cases, fixed rates for a short period. Derivatives are measured at fair value via the income statement on the basis of input data corresponding to level 2 as defined in IFRS 13. Available-for-sale financial assets are measured at fair value on the basis of input data corresponding to level 1 as defined in IFRS 13. Other financial assets and liabilities are short-term. For that reason, the fair values of all financial instruments are considered to equate approximately to the carrying amounts. Systemair has not recognised any financial assets and liabilities net.

### Note 3 – Segment reporting

From the start of the 2016/17 financial year, Systemair is aggregating on the basis of the geographical segments Europe and Rest of the World. The market segment Europe accounts for the major share of Systemair's business. Overall, the Europe segment consists of a large number of markets. The legal entities within Europe work with each other in manufacturing and sales. The Company also judges that in every material respect similar economic conditions exist in the region, and so the legal entities within the region have been merged. Systemair further considers that accounting for the merged segments Europe and Rest of World presents a clearer picture. The Parent Company is accounted for via a separate segment, Group-wide. The subsidiaries are to be merged on the basis of their legal domicile, and consolidation will take place according to the same principles as for the Group as a whole.

SEK m	2016/17 Aug-Oct 3 mths	2015/16 Aug-Oct 3 mths	2016/17 May-Oct 6 mths	2015/16 May-Oct 6 mths
<b>Europe</b>				
Net sales, external	1,436.7	1,355.9	2,730.5	2,621.1
Net sales, intra-Group	36.0	39.1	86.4	78.4
Operating profit	164.3	138.0	297.8	246.6
Operating margin, %	11.4	10.2	10.9	9.4
Assets	2,655.5	2,458.7	2,655.5	2,458.7
Investments	13.0	38.5	29.7	70.5
Depreciation/Amortisation	39.2	38.6	76.6	76.7
<b>Rest of World</b>				
Net sales, external	332.5	268.5	684.6	566.4
Net sales, intra-Group	3.1	6.2	8.4	13.4
Operating profit	16.8	8.1	46.9	30.3
Operating margin, %	5.1	3.0	6.9	5.3
Assets	855.4	677.5	855.4	677.5
Investments	2.5	11.0	6.9	21.4
Depreciation/Amortisation	5.7	5.1	11.4	10.3
<b>Group-wide</b>				
Net sales, intra-Group	23.3	21.9	47.2	45.1
Operating profit	-27.9	-11.8	-58.5	-25.2
Assets	3,584.8	3,285.8	3,584.8	3,285.8
Investments	117.0	32.7	122.1	34.1
Depreciation/Amortisation	0.9	0.9	1.9	1.6
<b>Eliminations</b>				
Net sales, intra-Group	-15.1	-22.0	-94.7	-91.7
Assets	-1,705.2	-1,508.8	-1,705.2	-1,508.8
<b>Total</b>				
Net sales, external	1,769.2	1,624.4	3,415.1	3,187.5
Operating profit	153.2	134.3	286.2	251.7
Operating margin, %	8.7	8.3	8.4	7.9
Assets	5,390.5	4,913.2	5,390.5	4,913.2
Investments	132.5	82.2	158.7	126.0
Depreciation/Amortisation	45.8	44.6	89.9	88.6

## Alternative performance measures

In its interim report, Systemair presents key ratios that supplement the financial ratios defined in IFRS; these are known as alternative performance measures (APMs). The Company is of the view that these APMs provide valuable information to investors and the Company's management, in that they enable evaluation of the Company's performance, trends, capacity to pay down debt and invest in new business opportunities, and that they reflect the Group's acquisition-intensive business model.

Because not all companies calculate financial key ratios in the same way, these are not always comparable. As a result, they should not be regarded as substitutes for key ratios as defined in IFRS. A number of definitions appear below, the majority of which are alternative performance measures.

---

## Definitions of key ratios

### Operating profit (EBIT)

Earnings before financial items and tax.

### Growth

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

### Organic growth

Change in sales by comparable units, adjusted for acquisitions and foreign currency effects.

### Operating margin

Operating profit divided by net sales.

### Profit margin

Profit after financial items divided by net sales.

### Return on capital employed

Profit after financial income, for the trailing 12 months (TTM), divided by average capital employed.

### Capital employed

Total assets less non-interest-bearing liabilities.

### Return on equity

Profit after tax before non-controlling interest, for the trailing 12 months (TTM), divided by average equity excluding non-controlling interest.

### Number of employees

The number of employees at the end of the accounting period. New employees, appointments terminated, part-time employees and paid overtime are converted into full-time equivalents.

### Earnings per share

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

### Operating cash flow per share

Cash flow from operating activities for the period, divided by the average number of shares during the period.

### Equity/assets ratio

Adjusted equity divided by total assets.

### Equity per share

Equity divided by the number of shares at the end of the period.

## Glossary

### The Ecodesign Directive – Energy Related Products

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

### Eurovent and AMCA

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

### Low-energy and passive houses

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

### Applications

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

### BMS (Building Management System)

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

### ERP (Enterprise Resource Planning) system

An IT system that manages, for example, processes such as financial management, sales and service, logistics, distribution and production.

### CRM (Customer Relations Management) system

An IT system that handles control, organisation and administration of customers and customer relations in a business.