

Systemair AB (publ) Interim Report Q1 1 May – 31 July 2017

Net sales Q1

SEK 1,837 m

EBIT Q1

SEK 133 m

First quarter, May-July 2017

- Net sales increased by 11.6 percent to SEK 1,837 million (1,646).
- Organic growth was 4.2 percent (7.4).
- Operating profit (EBIT) totalled SEK 133 million (133).
- The operating margin was 7.2 percent (8.1).
- Profit after tax amounted to SEK 76 million (100).
- Earnings per share totalled SEK 1.45 (1.91).
- Cash flow from operating activities amounted to SEK 74 million (114).

Significant events during the period under review

- In June, the South African company Viking Air Conditioning, a market leading manufacturer of air handling units with integrated cooling, was acquired.
- In June, Menerga received a major order of approximately EUR 15 million to supply the German company Linde AG, Munich, Germany. The order consists of 226 specially designed air conditioning units for a process ventilation system subject to high explosion safety requirements.

	2017/18 May-Jul 3 mths	2016/17 May-Jul 3 mths	2016/17 May-Apr 12 mths
Net sales, SEK m.	1,837.2	1,645.9	6,863.6
Growth, %	11.6	5.3	12.3
Operating profit, SEK m.	132.9	133.0	439.0
Operating margin, %	7.2	8.1	6.4
Profit after tax, SEK m.	75.6	99.5	294.2
Earnings per share, SEK	1.45	1.91	5.66
Operating cash flow per share, SEK	1.42	2.19	8.93

Continued strong growth

In the first quarter, growth totalled 11.6 percent, 4.2 percent organic. Several regions reported strong growth, notably Eastern Europe, led by Russia, and the Nordic region. The gross margin of 33.0 percent was lower than anticipated. In Sweden, France and Denmark, certain production disruptions occurred in connection with new machinery being commissioned and large numbers of new recruitments. The product mix also affected the gross margin negatively. The process of constructing a platform for more profitable growth going forward continues, in the form of profit-enhancing measures in production, purchasing, sales and logistics.



The market

The market as a whole performed positively in the first quarter. The Nordic market remains buoyant, as do several markets in Western Europe. We are very pleased to have secured a major order for specially designed air handling units for delivery to Linde AG, Germany. The order is valued at around EUR 15 million. Delivery is scheduled for the second to the fourth quarter. In Eastern Europe, organic growth was 14 percent. Russia in particular came back strongly during the quarter. In the region Other markets, sales were lower than in the same quarter last year. This was partly because last year we made substantial deliveries to a major project in the region, while at the same time India introduced a new tax system that delayed a large proportion of deliveries in the market. North America continues to develop according to plan, and an important milestone has been achieved when we secured our first major order in garage ventilation in the USA.

Acquisitions

During the quarter, we concluded our acquisition of the South African company Viking, a local market leader in air handling and ventilation units with integrated cooling. The company is also engaged in some exporting activities to neighbouring countries in the region. The acquisition provides us with a stronger market position in South Africa and rounds out our product range for the local market.

Investments

Construction of the new factory in Turkey is proceeding according to plan. The factory will give us a bigger, lower-cost production facility. Despite the unsettled political situation in Turkey, still we view the investment as strategically important. At Skinnskatteberg, the investment in our new technology centre, which will bring together our product development resources in Sweden, is heading towards completion. New measurement facilities in the laboratory will enable quicker knowledge transfer and shorter development times for our products.

Outlook

Growth remains buoyant in several of our markets, although we would have hoped for stronger growth in parts of Western Europe and South America.

Part of Systemair's strength lies in our global presence and our limited dependence on individual markets and customers. Through several acquisitions in recent years, we have added new products to our range, where we identify major potential to reach out to new markets via our sales companies. We will continue to make acquisitions and invest in production equipment, product development and marketing in order to maintain our growth. A number of measures are still ongoing in production, purchasing, sales and logistics and to improve profitability.

Roland Kasper
President and CEO

Sales and markets

Group sales for the first quarter of the 2017/18 financial year totalled SEK 1,837.2 million (1,645.9), up 11.6 percent from the same period last year.

Adjusted for both foreign exchange effects and acquisitions, net sales grew 4.2 percent. Growth in acquired operations was 4.9 percent, while foreign exchange effects increased sales by 2.5 percent during the period.

Geographic breakdown of Q1 sales

Nordic region

During the first quarter, sales in the Nordic region rose 17 percent from the same period the preceding year. All markets showed growth during the quarter. Adjusted for foreign exchange effects and acquisitions, sales rose by 12 percent.

Western Europe

Sales in the West European market grew 11 percent during the quarter, compared with the corresponding period in the preceding year. Adjusted for exchange rate effects and acquisitions, sales were unchanged. Several markets in the region performed well during the period, including the Portugal, Spain and France, while sales declined in the UK and Germany, adjusted for acquisitions.

Eastern Europe and CIS

Sales in Eastern Europe and the CIS increased by 29 percent during the quarter. Adjusted for foreign exchange effects and acquisitions, sales rose by 14 percent. Sales in Russia continue to develop satisfactorily and have now risen for three consecutive quarters. Over the quarter, the Russian market accounted for 6 percent of Systemair's total sales, compared with 5 percent in the previous year.

North and South America

Sales in the North and South America region during the quarter were 7 percent higher than in the same period last year. The Canadian market in particular performed well during the quarter. Adjusted for foreign exchange effects and acquisitions, sales rose by 4 percent.

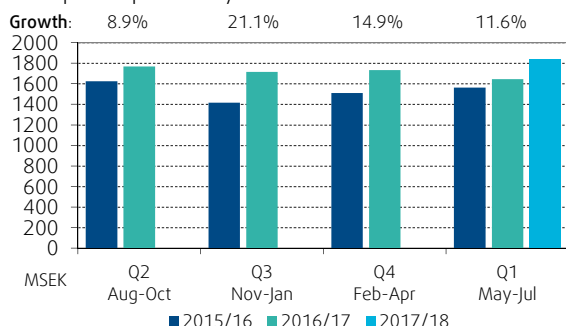
Other markets

Sales in Other markets declined 6 percent during the quarter compared to the same period the preceding year. Adjusted for the effects of foreign exchange and acquisitions, sales declined 4 percent. In India, sales were slowed by the introduction of a new tax system. The sales figures for the preceding year also included a major project delivery in the Middle East.

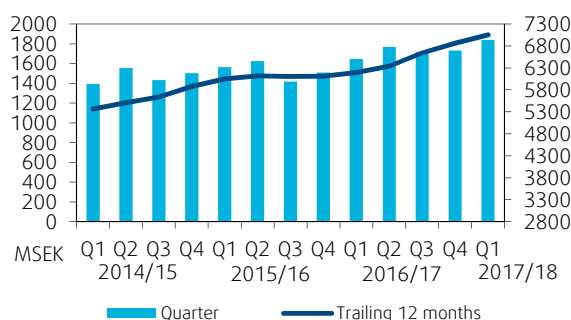
	2017/18 May-Jul 3 mths	2016/17 May-Jul 3 mths	Sales – change	Of which, organic
Nordic region	383.1	328.5	17%	12%
Western Europe	749.5	675.8	11%	0%
Eastern Europe & the CIS	291.2	226.6	29%	14%
North and South America	181.1	168.6	7%	4%
Other markets	232.3	246.4	-6%	-4%
Total	1,837.2	1,645.9	12%	4%

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

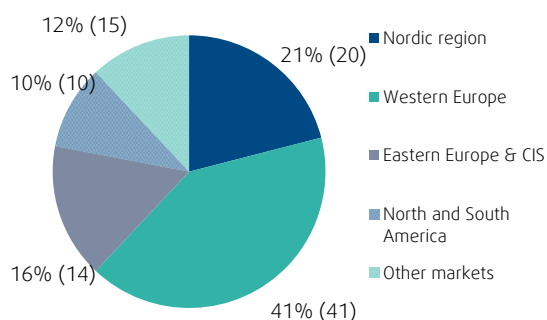
Net sales per quarter compared with same period previous years



Net sales



Sales by market 3 months 2017/18 (2016/17)



Results for the first quarter

The gross profit for the first quarter amounted to SEK 607.0 million (573.2), an increase of 5.9 percent over the same period in the preceding year. However, the gross margin declined to 33.0 percent (34.8). The lower gross margin was attributable in the main to production disruptions arising from investments in bigger machinery, new recruitment and changes in the product mix.

Operating profit for the first quarter totalled SEK 132.9 million (133.0), down 0.1 percent from the same period in the preceding year. The operating margin was 7.2 percent (8.1).

Selling and administration expenses for the quarter totalled SEK 469.1 million (425.2), a rise of SEK 43.9 million or 10.3 percent. Costs arising from company acquisitions accounted for SEK 21.6 million of costs in the quarter. As a result, selling and administration expenses for comparable units rose by SEK 22.3 million.

Selling expenses were charged with SEK 2.4 million (2.9) for anticipated and confirmed impairment losses on trade receivables. During the quarter, costs related to acquisitions totalled SEK 0.2 million (-).

Net financial items for the first quarter totalled SEK -26.9 million (2.3). The effects of foreign exchange on long-term receivables, loans and bank balances were

calculated at SEK -20.6 million (8.2) net. The primary factor underlying the change was a weakening of the US dollar and the Turkish lira. Interest expense for the quarter totalled SEK -7.8 million (-5.9).

Tax expense

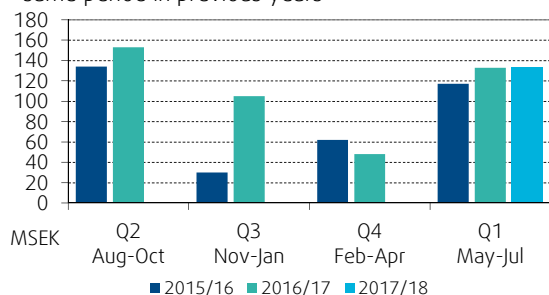
Estimated tax for the quarter amounted to SEK -30.4 million (-35.8), corresponding to an effective tax rate of 28.7 percent based on profit after net financial items.

Acquisitions and new operations

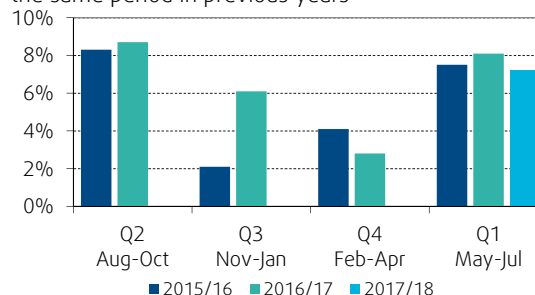
In May 2017, Systemair AB completed the acquisition of Frivent Luft- & Wärmetechnik GmbH, Austria, a manufacturer of high-quality air handling units. Frivent is based in St. Johann, in Tyrol, Austria. The company sells products for commercial and industrial use to a value of around EUR 7 million per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

In June 2017, the South African subsidiary Systemair (Pty) Ltd acquired the assets of the South African company Viking Air Conditioning, a market-leading manufacturer of air handling units with integrated cooling. Viking is based in Spartan, Johannesburg, South Africa. The company produces and sells customised air handling units with integrated cooling for commercial use. Sales are valued at around SEK 40 million annually in South Africa and neighbouring countries. Viking has been selling high-quality air handling units with and without integrated cooling for more than 25 years. The products are stocked by the leading supermarket chains, as well as other sellers, in the region. The company has 45 employees and operates from leased premises of 3,000 m². Viking was consolidated as of 1 June. If the company had been consolidated with effect from the start of the financial year, this would not have had any material impact on the Group's sales and operating profit.

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



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



Note 1 in this report contains an acquisition analysis and an account of the effects of the acquisitions on the Group's cash and cash equivalents.

Investments, depreciation and amortisation

Investments for the quarter, excluding divestments, totalled SEK 170.6 million (27.7), including SEK 115.3 million (24.7) in new construction and machinery. The investments consisted in large part of investments in the factories in Turkey, Sweden, Slovenia and France. Acquisitions and formerly withheld additional purchase considerations totalled SEK 44.1 million (0.3) for the quarter. Depreciation of non-current assets amounted to SEK 48.8 million (44.0).

Personnel

The average number of employees in the Group was 4,915 (4,603). At the end of the period, Systemair had 5,434 employees (4,834), 600 more than one year previous. New employees were recruited chiefly at Systemair in Sweden (42), India (37), Lithuania (36), Canada (36), Menerga Germany (35), Malaysia (24) and Denmark (19). Personnel cutbacks were made in China (-28). Acquired companies added 302 employees to the Group, of whom 189 at 2VV in the Czech Republic, 24 at TTL in Germany, 44 at Frivent in Austria and 45 at Viking in South Africa.

Cash flow and financial position

Cash flow from operating activities, before changes in working capital during the quarter, totalled SEK 111.5 million (150.1). Changes in working capital, mainly consisting of an increase in trade receivables, had negative impact of SEK -37.7 million (-36.0) on cash flow. The cash flow from financing operations totalled SEK +129.4 million (-37.6) net. At the end of the period, the Group's net indebtedness was SEK 1,471.2 million (1,345.3). The consolidated equity/assets ratio was 44.0 percent (45.0) 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 2016/17 Annual Report. No significant change occurred in the risk situation during the period.

Related party transactions

Systemair's significant transactions with related parties concern ebmpapst AB and ebmpapst Mulfingen GmbH & Co. KG. Transactions with related parties are described in detail in Note 37 to the Accounts in the Annual Report for the 2016/17 financial year. During the period, no change worthy of mention occurred in the scale of these transactions.

Parent Company

The Parent Company's net sales for the financial year totalled SEK 27.3 million (23.9). Operating profit was SEK -14.1 million (-30.6). The company had 46 employees (43). The core business of the Parent Company is that of intra-Group services.

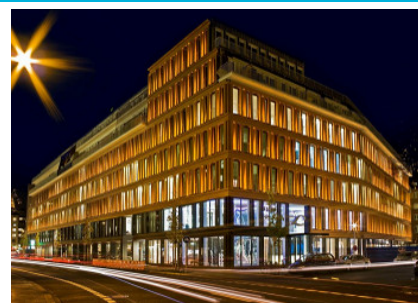
Systemair in brief

Systemair is a leading ventilation company with operations in 50 countries in Europe, North America, South America, the Middle East, Asia and Africa. The company had sales of approximately SEK 6.9 billion in the 2016/17 financial year and approximately 5,200 employees. Systemair has reported an operating profit every year since 1974, when the company was founded. During the past 10 years, the Company's growth rate has averaged about 10 percent.

Systemair has well-established operations in growth markets. The Group's products are marketed under the Systemair, Frico, Fantech and Menerga brands. Systemair shares have been quoted on the Mid Cap List

226 air handling units to the German company Linde AG, Munich

Systemair has received an order of a value of approx. EUR 15 million, to the German company Linde AG. The order consists of 226 air handling units designed to highest technical standards, explosion proof and will serve process ventilation installations together with 27 chillers and 23 dry coolers.



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 1.00 p.m. on 24 August 2017.

This interim report has not been reviewed by the Company’s auditor.

Skinnskatteberg, 24 August 2017
Systemair AB (publ)

Board of Directors

Calendar

Interim report Q2 2017/18

8.00 a.m., 7 December 2017

Interim report Q3 2017/18

8.00 a.m., 15 March 2018

Year-end report Q4 2017/18

8.00 a.m., 14 June 2018

Interim report Q1 2018/19

1.00 p.m., 30 August 2018

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Summary income statement

	Group				Parent Company	
	2017/18 May-Jul 3 mths	2016/17 May-Jul 3 mths	2016/17 Aug-Jul trailing 12	2016/17 May-Apr 12 mths	2017/18 May-Jul 3 mths	2016/17 May-Jul 3 mths
SEK m.						
Net sales	1,837.2	1,645.9	7,054.9	6,863.6	27.3	23.9
Cost of goods sold	-1,230.2	-1,072.7	-4,659.9	-4,502.4	-	-
Gross profit	607.0	573.2	2,395.0	2,361.2	27.3	23.9
Other operating income	28.8	21.4	127.0	119.6	0.3	1.4
Selling expenses	-386.4	-342.9	-1,591.6	-1,548.1	-12.9	-9.9
Administration expenses	-82.7	-82.3	-365.5	-365.1	-18.9	-21.8
Other operating expenses	-33.8	-36.4	-126.0	-128.6	-9.9	-24.2
Operating profit	132.9	133.0	438.9	439.0	-14.1	-30.6
Net financial items	-26.9	2.3	-58.0	-28.8	247.3	217.4
Profit after financial items	106.0	135.3	380.9	410.2	233.2	186.8
Appropriations	-	-	-	-	0.3	-1.9
Tax on profit for the period	-30.4	-35.8	-110.6	-116.0	1.2	6.1
Profit for the period¹	75.6	99.5	270.3	294.2	234.7	191.0
Earnings per share, SEK ²	1.45	1.91	5.20	5.66	-	-

Statement of comprehensive income

Profit for the period	75.6	99.5	270.3	294.2	234.7	191.0
Other comprehensive income						
<i>Items that have been, or may later be, transferred to profit for the year:</i>						
Translation differences	-53.9	72.9	-42.0	84.8	-0.8	0.9
Impact of tax	0.2	-0.2	-0.1	-0.5	0.2	-0.2
<i>Items that cannot be transferred to profit for the year:</i>						
Revaluation of defined-benefit pensions, net after tax	-	-	-1.4	-1.4	-	-
Other comprehensive income	-53.7	72.7	-43.5	82.9	-0.6	0.7
Total comprehensive income for the period¹	21.9	172.2	226.8	377.1	234.1	191.7

1) Profit for the period is attributable in its entirety to the Parent Company's 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	
	31/07/2017	31/07/2016	30/04/2017	31/07/2017	31/07/2016
ASSETS					
Goodwill	708.9	645.7	691.4	0.2	0.4
Other intangible assets	204.9	188.4	193.3	16.2	3.7
Property, plant and equipment	1,462.3	1,306.5	1,413.4	22.4	11.1
Financial and other assets	201.9	174.7	200.6	2,422.5	2,178.7
Total non-current assets	2,578.0	2,315.3	2,498.7	2,461.3	2,193.9
Inventory	1,138.9	1,132.8	1,170.4	-	-
Current receivables	1,473.8	1,387.1	1,450.3	1,315.3	1,327.7
Cash and cash equivalents	270.0	236.6	241.8	-	-
Total current assets	2,882.7	2,756.5	2,862.5	1,315.3	1,327.7
TOTAL ASSETS	5,460.7	5,071.8	5,361.2	3,776.6	3,521.6
EQUITY AND LIABILITIES					
Equity	2,403.2	2,280.4	2,381.3	2,176.6	2,041.2
Untaxed reserves	-	-	-	5.3	7.6
Non-current liabilities, non-interest-bearing	224.3	222.0	259.1	-	-
Non-current liabilities, interest-bearing	379.4	268.3	319.3	408.5	312.7
Total non-current liabilities	603.7	490.3	578.4	408.5	312.7
Current liabilities, interest-bearing	1,304.1	1,258.1	1,236.1	1,136.7	1,104.5
Current liabilities, non-interest bearing	1,149.7	1,043.0	1,165.4	49.5	55.6
Total current liabilities	2,453.8	2,301.1	2,401.5	1,186.2	1,160.1
TOTAL EQUITY AND LIABILITIES	5,460.7	5,071.8	5,361.2	3,776.6	3,521.6

Summary consolidated cash flow statement

SEK m.	2017/18 May-Jul 3 mths	2016/17 May-Jul 3 mths	2016/17 May-Apr 12 mths
Operating profit	132.9	133.0	439.0
Adjustment for non-cash items	16.0	46.3	158.4
Financial items	-5.7	-5.6	-22.4
Income tax paid	-31.7	-23.6	-128.7
Cash flow from operating activities before changes in working capital	111.5	150.1	446.3
Changes in working capital	-37.7	-36.0	18.2
Cash flow from operating activities	73.8	114.1	464.5
Cash flow from investing activities	-161.4	-26.2	-281.3
Cash flow from financing activities	129.4	-37.6	-134.5
Cash flow for the period	41.8	50.3	48.7
Cash and cash equivalents at start of period	241.8	176.9	176.9
Translation differences, cash and cash equivalents	-13.6	9.4	16.2
Cash and cash equivalents at close of period	270.0	236.6	241.8

Statement of Changes in Equity – Group

SEK m.	2017/18 May-Jul		2016/17 May-Jul		2016/17 May-Apr	
	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity
Amount at beginning of year	2,381.3	2,381.3	2,108.2	2,108.2	2,108.2	2,108.2
Dividend	-	-	-	-	-104.0	-104.0
Comprehensive income	21.9	21.9	172.2	172.2	377.1	377.1
Amount at end of period	2,403.2	2,403.2	2,280.4	2,280.4	2,381.3	2,381.3

Key ratios for the Group

		2017/18 May-Jul 3 mths	2016/17 May-Jul 3 mths	2016/17 May-Apr 12 mths
Net sales	SEK m.	1,837.2	1,645.9	6,863.6
Growth	%	11.6	5.3	12.3
Operating profit	SEK m.	132.9	133.0	439.0
Operating margin	%	7.2	8.1	6.4
Profit after net fin. items	SEK m.	106.0	135.3	410.2
Profit margin	%	5.8	8.2	6.0
Return on capital employed	%	10.8	10.1	12.0
Return on equity	%	11.4	10.6	12.6
Equity/assets ratio	%	44.0	45.0	44.6
Investments	SEK m.	161.4	26.2	281.3
Depreciation/Amortisation	SEK m.	48.8	44.0	186.7
Per share ratios				
Earnings per share	SEK	1.45	1.91	5.66
Equity per share	SEK	46.22	43.85	45.79
Operating cash flow per share	SEK	1.42	2.19	8.93
No. of shares at end of period	No.	52,000,000	52,000,000	52,000,000

Quarterly key ratios – Group

		2017/18				2016/17				2015/16			
		May-Jul	Feb-Apr	Nov-Jan	Aug-Oct	May-Jul	Feb-Apr	Nov-Jan	Aug-Oct	May-Jul	Feb-Apr	Nov-Jan	Aug-Oct
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	SEK m.	1,837.2	1,733.2	1,715.4	1,769.2	1,645.9	1,508.7	1,416.3	1,624.4	1,563.1			
Growth	%	11.6	14.9	21.1	8.9	5.3	0.4	-1.1	4.5	12.1			
Gross margin	%	33.0	33.8	33.7	35.2	34.8	34.1	33.7	35.4	34.3			
Operating profit	SEK m.	132.9	47.7	105.1	153.2	133.0	62.2	30.1	134.3	117.5			
Operating margin	%	7.2	2.8	6.1	8.7	8.1	4.1	2.1	7.3	7.5			
Return on capital employed	%	10.8	12.0	11.9	10.5	10.1	10.2	9.3	10.5	12.4			
Return on equity	%	11.4	12.6	12.9	11.6	10.6	9.8	9.9	11.4	13.0			
Equity/assets ratio	%	44.0	44.6	45.5	43.9	45.0	43.9	43.6	42.8	44.9			
Basic equity per share	SEK	46.22	45.79	44.46	45.35	43.85	40.54	39.74	40.40	41.61			
Basic earnings per share	SEK	1.45	0.55	0.98	2.22	1.91	0.53	0.25	1.65	1.55			
Cash flow from operating activities per share	SEK	1.42	-0.49	4.01	3.22	2.19	-0.77	0.74	2.34	0.94			

General accounting principles

Systemair applies International Financial Reporting Standards (IFRS). This interim report was prepared for the group in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and RFR 2. 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 price paid for the shares in Frivent, Austria, and for the assets of Viking, South Africa, may provisionally be calculated as follows:

Total historical cost, less transaction costs SEK 58.1 million

Identifiable net assets	Total
Goodwill	41.3
Brands and customer relationships	14.6
Machinery and equipment	6.9
Financial and other assets	5.0
Inventory	8.8
Current receivables	2.5
Other current assets	1.7
Cash and cash equivalents	5.6
Non-interest-bearing liabilities (incl. deferred tax liability)	-9.9
Interest-bearing liabilities	-12.3
Other operating liabilities	-6.1
	58.1

Transaction costs in the acquisition of subsidiaries totalled SEK 0.4 million.

The total effect on cash flow from the acquisitions, including payment of a formerly withheld additional purchase consideration for prior years' acquisitions, amounted to SEK -44.1 million. A non-interest-bearing non-current liability relating to withheld purchase considerations for the above-mentioned acquisitions totals SEK 8.8 million.

Brands and customer relationships have been stated at the net present value of future payment flows. The useful life of these assets has been estimated at 5-10 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 accounts receivable, cash and cash equivalents, available-for-sale financial assets, trade accounts payable, accrued supplier costs and interest-bearing liabilities. Liabilities to credit institutions carry variable interest rates or, in certain cases, fixed rates for a short period. Derivatives are measured at fair value via the income statement on the basis of input data corresponding to level 2 as defined in IFRS 13. Available-for-sale financial assets are measured at fair value on the basis of input data corresponding to level 1 as defined in IFRS 13. Other financial assets and liabilities are short-term. For that reason, the fair values of all financial instruments are considered to equate approximately to the carrying amounts. Systemair has not recognised any financial assets and liabilities net.

Note 3 - Segment reporting

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

SEK m.	2017/18 May-Jul 3 mths	2016/17 May-Jul 3 mths	2016/17 May-Apr 12 mths
Europe			
Net sales, external	1,445.3	1,293.8	5,472.3
Net sales, intra-Group	40.2	50.4	167.0
Operating profit	120.6	133.5	437.9
Operating margin, %	8.3	10.3	8.0
Assets	2,636.6	2,453.2	2,694.0
Investments	95.3	16.7	122.5
Depreciation/Amortisation	41.9	37.4	158.8
Rest of World			
Net sales, external	391.9	352.1	1,391.3
Net sales, intra-Group	3.3	5.3	12.5
Operating profit	26.2	30.1	91.1
Operating margin, %	6.7	8.5	6.5
Assets	843.2	801.9	873.8
Investments	6.4	4.4	14.3
Depreciation/Amortisation	5.6	5.7	23.8
Group-wide			
Net sales, intra-Group	27.3	23.9	96.1
Operating profit	-13.9	-30.6	-90.0
Assets	3,782.5	3,527.3	3,616.8
Investments	59.7	5.1	144.5
Depreciation/Amortisation	1.3	0.9	4.1
Eliminations			
Net sales, intra-Group	-70.8	-79.6	-275.6
Assets	-1,801.6	-1,710.6	-1,823.4
Total			
Net sales, external	1,837.2	1,645.9	6,863.6
Operating profit	132.9	133.0	439.0
Operating margin, %	7.2	8.1	6.4
Assets	5,460.7	5,071.8	5,361.2
Investments	161.4	26.2	281.3
Depreciation/Amortisation	48.8	44.0	186.7

Alternative performance measures

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

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

Definitions of key ratios

Operating profit (EBIT)

Earnings before financial items and tax.

Growth

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

Organic growth

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

Adjusted operating profit

Operating profit excluding restructuring costs.

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.