

# Systemair AB (publ) INTERIM REPORT Q1 1 May – 31 July 2016

## First quarter, May – July 2016

- Net sales increased by 5.3 percent to SEK 1,646 million (1,563).
- Organic growth was 7.4 percent (4.0).
- Operating profit (EBIT) totalled SEK 133 million (117).
- The operating margin was 8.1 percent (7.5).
- Profit after financial items totalled SEK 135 million (111).
- Profit after tax amounted to SEK 100 million (81).
- Earnings per share totalled SEK 1.91 (1.55).
- Cash flow from operating activities amounted to SEK 114 million (49).

Net sales Q1

**SEK 1,646 m**

EBIT Q1

**SEK 133 m**

## Significant events during the period under review

- Work has begun on the restructuring programme. The cost of the programme will amount to in all approximately SEK 45 million, with estimated annual cost savings of SEK 45 million and full impact realised within about two years.

	2016/17 May-Jul 3 mths	2015/16 May-Jul 3 mths	2015/16 May-Apr 12 mths
Net sales, SEK m.	1,645.9	1,563.1	6,112.5
Growth, %	5.3	12.1	3.9
Operating profit, SEK m.	133.0	117.5	344.1
Operating margin, %	8.1	7.5	5.6
Profit after tax, SEK million	99.5	80.7	207.2
Earnings per share, SEK	1.91	1.55	3.98
Operating cash flow per share, SEK	2.19	0.94	3.25

## Strong growth and improved profit

In the first quarter, organic growth topped over 7 percent, while profit improved, compared with a year earlier. Work on the restructuring programme, launched at the end of the previous quarter, has begun. The annual cost saving from the programme as a whole is calculated at SEK 45 million, with full impact emerging inside two years. At the same time, actions to increase profit are under way in production, purchasing, sales and logistics. The goal is clear: Systemair will return to an operating margin of more than 10 percent, while maintaining growth.

### 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. The USA and Middle East showed strong growth. In Eastern Europe, growth remained weak, above all as a result of developments in the Russian market.

### Restructuring programme

The restructuring programme has begun in the parts of the Group and negotiations have started with the trade unions. The programme is focused on the air conditioning segment, acquired in recent years, and selected loss-making units in various countries. The programme consists of capacity adjustments and review of product ranges. The cost of the programme will amount to in all approximately SEK 45 million, with estimated annual cost savings of SEK 45 million and full impact realised within two years. The cost in the first quarter was just SEK 1 million, due to that negotiations with the trade unions are ongoing.

### Acquisitions

Quite recently, we concluded the acquisition of the Czech company 2VV, a leading manufacturer of industrial and residential air handling units, as well as air curtains. The acquisition gives us a strong position in the region and opportunities for product and manufacturing synergies within our units in Europe.



### Investments

Our largest current investment is in a new factory in Turkey that will give us a larger production facility to a lower cost. Despite the unsettled political situation in Turkey, we nevertheless regard the investment as strategically important. In Skinnskatteberg a major investment in machinery, intended to improve productivity in sheet metal forming, is in progress.

### Outlook

We are continuing to receive large and exciting orders, especially from the Middle East region. 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 political situation gives rise to concern in several markets. We will probably have to get used to fluctuating rates of growth and sharp ups and downs in the market. In particular, we are closely monitoring developments in Turkey and the UK.

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 first quarter of 2016/17 totalled SEK 1,645.9 million (1,563.1), up 5.3 percent from the same period last year.

Adjusted for both foreign exchange effects and acquisitions, net sales grew 7.4 percent. Growth in acquired operations was 1.0 percent, while foreign exchange effects reduced sales by 3.1 percent during the period.

## Geographic breakdown of Q1 sales

### Nordic Region

During the first quarter, sales in the Nordic region were 1 percent higher than in the same period last year. The Danish and Finnish markets performed strongly during the quarter. In Norwegian kroner, the Norwegian market also showed good growth. Adjusted for foreign exchange effects and acquisitions, sales rose by 4 percent.

### Western Europe

Sales in the West European market grew 8 percent during the quarter, compared with the corresponding period in the preceding year. Foreign exchange effects and acquisitions had marginal impact on sales. The market in Western Europe remains fragmented. Several markets in the region performed well during the period,

including Germany, the UK and Italy, while sales in France and the Netherlands declined.

### Eastern Europe and CIS

Sales in Eastern Europe and the CIS fell 19 percent during the quarter. Adjusted for the effects of foreign exchange and acquisitions, sales declined 14 percent. In Russia, decreased by 38 percent during the period, stated in Swedish kronor; of which the rouble accounted for 13 percent of the decline. During the period, the Russian market accounted for 5 percent of Systemair's total sales, compared with 8 percent in the previous year.

### North and South America

Sales in the North and South America region during the quarter were 14 percent higher than in the same period in the preceding year. The American market grew strongly during the quarter, with one major project in particular – for classroom air handling units – being behind the increase. Adjusted for foreign exchange effects and acquisitions, sales rose by 13 percent.

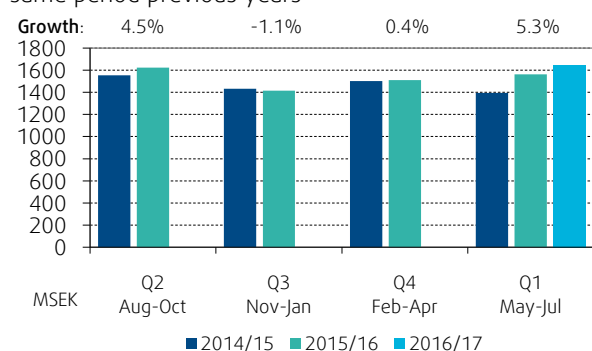
### Other markets

Sales in Other markets rose by 34 percent compared with the same period in the preceding year. Adjusted for foreign exchange effects and acquisitions, sales rose by 41 percent. Sales in the region around Turkey and the United Arab Emirates above all increased sharply during the quarter.

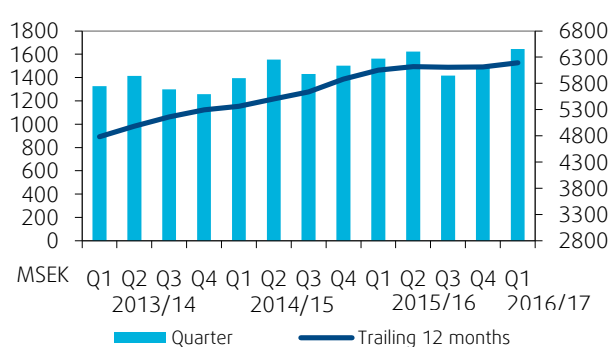
	2016/17 May-Jul 3 mths	2015/16 May-Jul 3 mths	Sales - change	Of which, organic
Nordic Region	328.5	325.5	1%	4%
Western Europe	675.8	626.6	8%	8%
Eastern Europe & CIS	226.6	280.0	-19%	-14%
North and South America	168.6	147.8	14%	13%
Other markets	246.4	183.2	34%	41%
<b>Total</b>	<b>1,645.9</b>	<b>1,563.1</b>	<b>5%</b>	<b>7%</b>

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

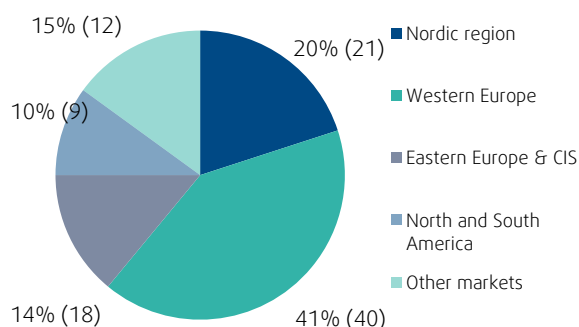
Net sales per quarter compared with same period previous years



Net sales



## Sales by market, 3 months 2016/17 (2015/16)



## Results for the first quarter

The gross profit for the first quarter amounted to SEK 573.2 million (536.2), an increase of 6.9 percent over the same period in the preceding year. The gross margin rose to 34.8 percent (34.3).

Operating profit for the first quarter amounted to SEK 133.0 million (117.5), an increase of 13.3 percent over the same period last year. The operating margin was 8.1 percent (7.5).

Selling and administration expenses for the quarter totalled SEK 425.2 million (414.1), a rise of SEK 11.1 million. Costs arising from company acquisitions accounted for SEK 10.3 million of costs in the quarter. As a result, selling and administration expenses for comparable units rose by SEK 0.8 million.

Selling expenses were charged with SEK 2.9 million (3.3) for anticipated and confirmed impairment losses on trade receivables. No acquisition-related costs were charged to profit for the quarter (-). Restructuring costs relating to the SEK 45 million programme launched in the preceding quarter totalled SEK 1 million in the period.

Net financial items for the first quarter totalled SEK 2.3 million (-6.0). The effects of foreign exchange on long-term receivables, loans and bank balances was SEK

8.2 million (-1.2) net. Interest expense for the quarter totalled SEK -5.9 million (-5.8).

## Tax expense

Estimated tax for the quarter totalled SEK -35.8 million (-30.8), corresponding to an effective tax rate of 26.4 percent based on profit after net financial items.

## Investments, depreciation and amortisation

Investments for the quarter, excluding divestments, totalled SEK 27.7 million (44.8), including SEK 24.7 million (35.1) 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 0.3 million (1.4) for the quarter. Depreciation of non-current assets amounted to SEK 44.0 million (44.0).

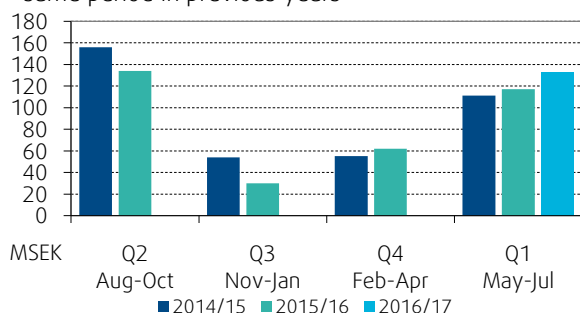
## Personnel

The average number of employees in the Group was 4,603 (4,432). At the end of the period, Systemair had 4,834 employees (4,622), 212 more than one year previous. New employees were recruited chiefly at Systemair in Turkey (50), Germany (46) and Sweden (25). Personnel cutbacks were made at Menerga in Germany (-44), Russia (-28) and India (-14). Companies acquired have added 128 employees, of which 78 at Traydus in Brazil, 15 at Menerga in Poland, 12 at Menerga in Belgium, 16 at Alitis in Belarus and 7 at Kolektor in Slovenia.

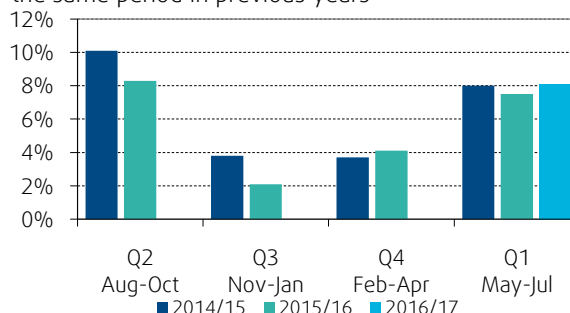
## Cash flow and financial position

Cash flow from operating activities before changes in working capital totalled SEK 150.1 million (130.2) for the quarter. Changes in working capital, mainly consisting of an increase in trade receivables, had negative impact of SEK -36.0 million (-81.5) on cash flow. The cash flow

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



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



from financing operations totalled SEK -37.6 million (28.6) net. At the end of the period, the Group's net indebtedness was SEK 1,345.3 million (1,295.9). The consolidated equity/assets ratio was 45.0 percent (44.9) at the end of the period.

### Events after the close of the period

In August 2016, Systemair acquired the Czech corporate group 2VV, a leading manufacturer of air handling units for industrial and residential use and air curtains for commercial applications. The company, which has 189 employees, is based in Pardubice, 120 km east of Prague. The acquisition opens up opportunities for Systemair to benefit from product and manufacturing synergies in Europe. In 2015, the company reported sales of around EUR 18 million. The former owners will continue to work within the business.

### 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 23.9 million. Operating profit was negative, at SEK -30.6 million. The company had 43 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 4,800 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 1.00 p.m. on 25 August 2016.

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

Skinnskatteberg, 25 August 2016  
Systemair AB (publ)

Board of Directors

## Calendar

### Interim report Q1 2016/17

1.00 p.m., 25 August 2016

### Interim report Q2 2016/17

8.00 a.m., 24 November 2016

### 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

### Chairman of the Board Gerald Engström

Telephone: +46 (0)222-440 01, +46 (0)705 19 00 01

E-mail: 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

### Systemair AB (publ)

Co. Reg. No. 556160-4108

SE-739 30 Skinnskatteberg, Sweden

Tel. +46 (0)222-440 00

info@systemair.se

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

## Systemair receives major order for Cruise Line Ships

Systemair has received an order for production of air handling units, of a value of approx. EUR 6 million, from MAC Hamburg for two new ships. Systemair in the Netherlands will deliver 88 air handling units made of stainless steel with special components and integrated controls for each ship.



## Summary income statement

	Group				Parent Company	
	2016/17 May-Jul 3 mths	2015/16 May-Jul 3 mths	2015/16 Aug-Jul trailing 12	2015/16 May-Apr 12 mths	2016/17 May-Jul 3 mths	2015/16 May-Jul 3 mths
SEK m.						
Net sales	1,645.9	1,563.1	6,195.3	6,112.5	23.9	23.2
Cost of goods sold	-1,072.7	-1,026.9	-4,056.2	-4,010.4	-	-
<b>Gross profit</b>	<b>573.2</b>	<b>536.2</b>	<b>2,139.1</b>	<b>2,102.1</b>	<b>23.9</b>	<b>23.2</b>
Other operating income	21.4	18.1	69.8	80.3	1.4	0.4
Selling expenses	-342.9	-334.7	-1,407.9	-1,399.8	-9.9	-14.4
Administration expenses	-82.3	-79.4	-340.0	-337.1	-21.8	-14.8
Other operating expenses	-36.4	-22.7	-101.3	-101.4	-24.2	-7.7
<b>Operating profit</b>	<b>133.0</b>	<b>117.5</b>	<b>359.7</b>	<b>344.1</b>	<b>-30.6</b>	<b>-13.3</b>
Net financial items	2.3	-6.0	-28.6	-36.8	217.4	555.6
<b>Profit after financial items</b>	<b>135.3</b>	<b>111.5</b>	<b>331.1</b>	<b>307.3</b>	<b>186.8</b>	<b>542.3</b>
Appropriations	-	-	-	-	-1.9	16.0
Tax on profit for the period	-35.8	-30.8	-105.2	-100.1	6.1	-2.4
<b>Profit for the period<sup>1</sup></b>	<b>99.5</b>	<b>80.7</b>	<b>225.9</b>	<b>207.2</b>	<b>191.0</b>	<b>555.9</b>
Earnings per share, SEK <sup>2</sup>	1.91	1.55	4.35	3.98	-	-

## Statement of comprehensive income

<b>Profit for the period</b>	99.5	80.7	225.9	207.2	191.0	555.9
<b>Other comprehensive income</b>						
<i>Items that have been, or may later be, transferred to profit for the year:</i>						
Translation difference	72.9	0.9	-13.7	-85.9	0.9	-0.1
Impact of tax	-0.2	-0.1	0.3	0.5	-0.2	0.0
<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>72.7</b>	<b>0.8</b>	<b>-5.2</b>	<b>-77.2</b>	<b>0.7</b>	<b>-0.1</b>
<b>Total comprehensive income for the period<sup>1</sup></b>	<b>172.2</b>	<b>81.5</b>	<b>220.7</b>	<b>130.0</b>	<b>191.7</b>	<b>555.8</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	
	31/07/2016	31/07/2015	30/04/2016	31/07/2016	31/07/2015
<b>ASSETS</b>					
Goodwill	645.7	619.7	621.8	0.4	0.5
Other intangible assets	188.4	221.8	189.3	3.7	3.9
Property, plant and equipment	1,306.5	1,291.6	1,273.6	11.1	3.4
Financial and other non-current assets	174.7	179.1	180.5	2,178.7	2,073.3
<b>Total non-current assets</b>	<b>2,315.3</b>	<b>2,312.2</b>	<b>2,265.2</b>	<b>2,193.9</b>	<b>2,081.1</b>
Inventory	1,132.8	1,030.4	1,105.1	-	-
Current receivables	1,387.1	1,256.8	1,255.2	1,327.7	1,247.5
Cash and cash equivalents	236.6	214.6	176.9	-	-
<b>Total current assets</b>	<b>2,756.5</b>	<b>2,501.8</b>	<b>2,537.2</b>	<b>1,327.7</b>	<b>1,247.5</b>
<b>TOTAL ASSETS</b>	<b>5,071.8</b>	<b>4,814.0</b>	<b>4,802.4</b>	<b>3,521.6</b>	<b>3,328.6</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>2,280.4</b>	<b>2,163.7</b>	<b>2,108.2</b>	<b>2,041.2</b>	<b>1,982.2</b>
Untaxed reserves	-	-	-	7.6	22.3
Non-current liabilities, non-interest-bearing	222.0	242.1	238.7	-	-
Non-current liabilities, interest-bearing	268.3	280.6	196.7	312.7	287.1
<b>Total non-current liabilities</b>	<b>490.3</b>	<b>522.7</b>	<b>435.4</b>	<b>312.7</b>	<b>287.1</b>
Current liabilities, interest-bearing	1,258.1	1,154.5	1,309.0	1,104.5	990.0
Current liabilities, non-interest-bearing	1,043.0	973.1	949.8	55.6	47.0
<b>Total current liabilities</b>	<b>2,301.1</b>	<b>2,127.6</b>	<b>2,258.8</b>	<b>1,160.1</b>	<b>1,037.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,071.8</b>	<b>4,814.0</b>	<b>4,802.4</b>	<b>3,521.6</b>	<b>3,328.6</b>



## Summary consolidated cash flow statement

	2016/17 May-Jul 3 mths	2015/16 May-Jul 3 mths	2015/16 May-Apr 12 mths
SEK m.			
Operating profit	133.0	117.5	344.1
Adjustment for non-cash items	46.3	39.5	143.8
Financial items	-5.6	-4.7	-18.9
Income tax paid	-23.6	-22.1	-138.8
<b>Cash flow from operating activities before changes in working capital</b>	<b>150.1</b>	<b>130.2</b>	<b>330.2</b>
Changes in working capital	-36.0	-81.5	-161.3
<b>Cash flow from operating activities</b>	<b>114.1</b>	<b>48.7</b>	<b>168.9</b>
Cash flow from investing activities	-26.2	-43.8	-212.1
Cash flow from financing activities	-37.6	28.6	53.5
<b>Cash flow for the period</b>	<b>50.3</b>	<b>33.5</b>	<b>10.3</b>
Cash and cash equivalents at start of period	176.9	187.8	187.8
Translation differences, cash and cash equivalents	9.4	-6.7	-21.2
<b>Cash and cash equivalents at close of period</b>	<b>236.6</b>	<b>214.6</b>	<b>176.9</b>

## Statement of Changes in Equity – Group

SEK m.	2016/17 May-Jul		2015/16 May-Jul		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
Amount at beginning of year	2,108.2	2,108.2	2,082.2	2,082.2	2,082.2	2,082.2
Dividend	-	-	-	-	-104.0	-104.0
Comprehensive income	172.2	172.2	81.5	81.5	130.0	130.0
<b>Amount at end of period</b>	<b>2,280.4</b>	<b>2,280.4</b>	<b>2,163.7</b>	<b>2,163.7</b>	<b>2,108.2</b>	<b>2,108.2</b>

## Group segment reporting

SEK m.	2016/17 May-Jul 3 mths	2015/16 May-Jul 3 mths
Europe		
Net sales, external	1,293.8	1,265.2
Net sales, intra-Group	50.4	39.3
Operating profit	133.5	108.6
Operating margin, %	10.3	8.6
Assets	2,453.2	2,343.1
Investments	16.7	32.0
Depreciation/Amortisation	37.4	38.1
Rest of World		
Net sales, external	352.1	297.9
Net sales, intra-Group	5.3	7.2
Operating profit	30.1	22.2
Operating margin, %	8.5	7.5
Assets	801.9	723.0
Investments	4.4	10.4
Depreciation/Amortisation	5.7	5.2
Group-wide		
Net sales, intra-Group	23.9	23.2
Operating profit	-30.6	-13.3
Assets	3,527.3	3,334.2
Investments	5.1	1.4
Depreciation/Amortisation	0.9	0.7
Eliminations		
Net sales, intra-Group	-79.6	-69.7
Assets	-1,710.6	-1,586.3
Total		
Net sales, external	1,645.9	1,563.1
Operating profit	133.0	117.5
Operating margin, %	8.1	7.5
Assets	5,071.8	4,814.0
Investments	26.2	43.8
Depreciation/Amortisation	44.0	44.0

## Key ratios for the Group

		2016/17 May-Jul 3 mths	2015/16 May-Jul 3 mths	2015/16 May-Apr 12 mths
Net sales	SEK m.	1,645.9	1,563.1	6,112.5
Growth	%	5.3	12.1	3.9
Operating profit	SEK m.	133.0	117.5	344.1
Operating margin	%	8.1	7.5	5.6
Profit after net fin. items	SEK m.	135.3	111.5	307.3
Profit margin	%	8.2	7.1	5.0
Return on capital employed	%	10.1	12.4	10.2
Return on equity	%	10.6	13.0	9.8
Equity/assets ratio	%	45.0	44.9	43.9
Investments	SEK m.	26.2	43.8	212.1
Depreciation/Amortisation	SEK m.	44.0	44.0	178.2
<b>Per share ratios</b>				
Earnings per share	SEK	1.91	1.55	3.98
Equity per share	SEK	43.85	41.61	40.54
Operating cash flow per share	SEK	2.19	0.94	3.25
No. of shares at end of period	No.	52,000,000	52,000,000	52,000,000

## Quarterly key ratios – Group

		2016/17		2015/16		2014/15				
		May-Jul	Feb-Apr	Nov-Jan	Aug-Oct	May-Jul	Feb-Apr	Nov-Jan	Aug-Oct	May-Jul
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	SEK m.	1,645.9	1,508.7	1,416.3	1,624.4	1,563.1	1,502.4	1,431.6	1,554.5	1,393.8
Growth	%	5.3	0.4	-1.1	4.5	12.1	19.4	10.3	9.9	5.2
Gross margin	%	34.8	34.1	33.7	35.4	34.3	33.5	33.6	36.6	33.8
Operating profit	SEK m.	133.0	62.2	30.1	134.3	117.5	55.1	54.1	156.3	111.4
Operating margin	%	8.1	4.1	2.1	7.3	7.5	3.7	3.8	10.1	8.0
Return on capital employed	%	10.1	10.2	9.3	10.5	12.4	12.5	19.8	18.9	18.1
Return on equity	%	10.6	9.8	9.9	11.4	13.0	15.1	27.4	27.2	26.8
Equity/assets ratio	%	45.0	43.9	43.6	42.8	44.9	44.4	46.4	44.1	48.3
Basic equity per share	SEK	43.85	40.54	39.74	40.40	41.61	40.04	39.64	38.66	39.37
Basic earnings per share	SEK	1.91	0.53	0.25	1.65	1.55	0.56	0.84	2.24	2.31
Cash flow from operating activities per share	SEK	2.19	-0.77	0.74	2.34	0.94	-0.25	1.49	1.71	1.69

## General accounting policies and 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 policies 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 total effect on cash flow from payment of a formerly withheld additional purchase consideration for prior years' acquisitions amounted to SEK 0.3 million. No acquisitions took place during the interim report period.

Transaction costs in the acquisition of subsidiaries totalled SEK 0 million.

### 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

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. In all, 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.

## 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.

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## 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.