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THIS IS SYSTEMAIR

Systemair is a leading ventilation group with operations in 50 countries in Europe, North and South America, the Middle East, Asia and South Africa. We develop, manufacture and market high-quality ventilation products and systems. The Company was founded in 1974 on the initiative of Chairman of the Board Gerald Engström. Its shares have been listed on the Mid Cap List of Nasdaq Stockholm since October 2007. The Company has its registered office and headquarters in Skinnskatteberg, Sweden.

WHAT WE DO

Systemair offers a wide range of energy-efficient fans, air handling units, air distribution products, air conditioning products and air curtains for different types of premises. We also help our customers in combining these products into total solutions meeting their demands. Our products are robust and simple to choose, install and use.

The Group's products and solutions are marketed under the Systemair, Frico, Fantech and Menerga brands.

PRODUCTION AND TECHNOLOGY

The Group consists of 75 operating companies with 6,000 employees, who together work to ensure that Systemair is among the leading players in the global ventilation industry. We have 27 modern and well-invested production facilities in 19 countries. Systemair's product development organisation consists of 250 engineers and technicians with cutting-edge expertise across a range of technologies.

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

A LEADING VENTILATION COMPANY

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

OUR BRANDS

With Systemair being the main brand, acquired businesses with their very own brands continue to market their products under their respective brands.



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



Under our **Fantech** brand, we develop, design and market ventilation solutions in North America. These products are sold to resellers in the USA and Canada by the company's salespeople and agents. We use the Fantech brand for the residential market, while the Systemair brand targets commercial projects where there is major demand for energy-efficient solutions.



Under the **Frico** brand, Systemair offers turnkey solutions based on products for airborne heating and we are market-leading in air curtains and airborne heating in Europe. Frico is represented in 70 countries via subsidiaries or distributors. The brand represents an accumulation of 80 years of experience in developing products that deliver a pleasant indoor climate to customers.



Menerga is a market-leading brand in Europe for air handling units in the segment comprising swimming pools, precision ventilation and industrial applications. The company was established in 1980 and its products are marketed throughout Europe, with Germany being the largest market.

THE YEAR IN BRIEF

In 2018/19, we focused on realising the synergetic gains sought from earlier acquisitions. For example, we merged production units in Canada and Germany and relocated production from Austria to Slovenia. We also worked intensively on the measures we initiated earlier to increase our profitability and meet our targets. Net sales rose by 14 percent from the preceding year. Adjusted for exchange rate effects and acquisitions, the increase was 7.6 percent.

QUARTER 1

In the first quarter, growth was recorded at 9.6 percent, of which 5.4 percent was organic. Growth was particularly positive in the Western and Eastern Europe regions, but demand in the Nordic region was strong as well.

A 49.9 percent stake was acquired in Burda WTG, Germany. Burda sells and develops infrared heaters for outdoor use, and has sales of EUR 2.8 million.

QUARTER 2

During the second quarter, growth was recorded at 15.4 percent, of which 9.1 percent was organic. All regions reported good growth, especially North America and Asia.

The Canadian company Greentek was acquired. The company is a major manufacturer of home air handling units for the USA and Canadian market. The company has sales of around SEK 70 million. Systemair Configurator was launched. This is a 100-percent new product selector concept that has been developed on a future-proofed platform.

QUARTER 3

During the third quarter, growth was recorded at 13.8 percent, of which 6.2 percent was organic. Most regions reported strong growth, notably Eastern Europe, North America and several parts of Asia.

In November, Systemair acquired the Spanish company Koolair, a leading manufacturer of air distribution products for the Spanish market, with exports accounting for around 50 percent of sales. Sales total around EUR 32 million.

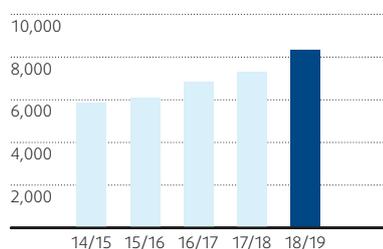
QUARTER 4

In the fourth quarter, growth was recorded at 17.3 percent, of which 9.3 percent was organic. Western Europe and North America, above all, showed good growth in the period.

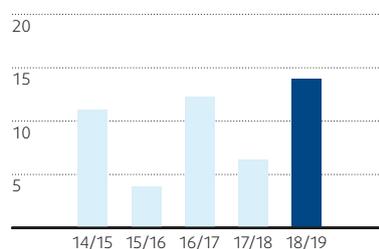
A partnership agreement in ventilation and cooling technology was signed with Panasonic.

»Systemair has reported organic growth in 37 of 38 quarters since Q1 2010«

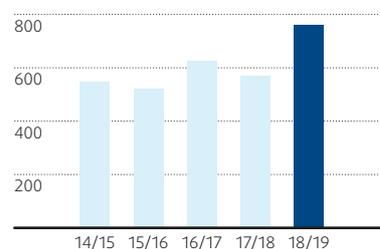
NET SALES, SEK M.



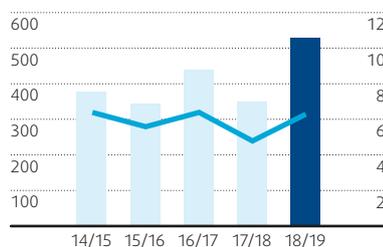
GROWTH AND SALES, %



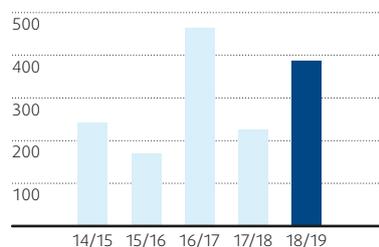
EBITDA, SEK M.



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



CASH FLOW FROM OPERATING ACTIVITIES, SEK M.



| Key Figures | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|--------------------------------------|--------------------|---------|---------|---------|---------|
| Net sales, SEK m. | 8,326.5 | 7,301.2 | 6,863.6 | 6,112.5 | 5,882.2 |
| Growth, % | 14.0 | 6.4 | 12.3 | 3.9 | 11.1 |
| Operating profit, SEK m. | 528.1 | 349.6 | 439.0 | 344.1 | 376.8 |
| Operating margin, % | 6.3 | 4.8 | 6.4 | 5.6 | 6.4 |
| Profit margin, % | 5.5 | 4.6 | 6.0 | 5.0 | 6.5 |
| Return on capital employed, % | 11.3 | 9.1 | 12.0 | 10.2 | 12.5 |
| Earnings per share, SEK | 6.2 | 4.4 | 5.7 | 4.0 | 6.0 |
| Equity per share, SEK | 54.6 | 50.4 | 45.8 | 40.5 | 40.0 |
| Equity/assets ratio, % | 41.7 | 42.5 | 44.6 | 43.9 | 44.4 |
| Dividend per share, SEK | 2.00 ¹⁾ | 2.00 | 2.00 | 2.00 | 2.00 |
| Number of employees at end of period | 6,016 | 5,465 | 5,222 | 4,855 | 4,584 |

¹⁾ The Board of Directors proposes a dividend of SEK 2.00 (2.00) per share, for approval by the Annual General Meeting to be held in Skinnkatteberg on 29 August 2019.

CEO'S STATEMENT

During 2018/19, Systemair enjoyed market conditions that remained positive and generated its historically highest financial results. As a result, Systemair has achieved organic growth in 37 of 38 quarters since 2010. At the same time, the industry trend towards more stringent demands for energy efficiency and air quality continues, which will create opportunities for Systemair in the future.

STRONG GROWTH IN SALES

Overall, market conditions and demand remained strong in most of our markets during the financial year. We recorded growth in sales in all regions where we are present. Net sales for the Group as a whole increased by 14 percent to SEK 8,326 million. We are particularly pleased with our organic growth, which was 7.6 percent. This has enabled Systemair to generate organic growth in 37 out of 38 quarters since 2010. We regard this as recognition of the level of activity we have maintained in our sales efforts, and of the strength of our product offering.

Operating profit for the year totalled SEK 528 million, representing an operating margin of 6.3 percent. During the year, we took a step towards our goal for the profitability of a 10 percent operating margin over a business cycle.

SUSTAINABILITY

Energy conservation has long been a central theme in product development at Systemair. We see that the issue is more and more coming into focus and that demands for energy efficiency are still rising. In Europe, this is being driven by EU directives that require both energy-smart products and energy-efficient buildings. The trend is a global one, and other regions in the world are being inspired by developments in Europe. It is in this area that Systemair can make the greatest difference from the viewpoint of sustainability. We are working continuously on reducing energy consumption in products and systems. The air handling units we sell in Europe in a year are helping to cut carbon dioxide emissions by an amount equivalent to the emissions from around 120,000 cars.¹⁾

¹⁾ See page 27 for details and calculation model.

DIGITAL TECHNOLOGY CREATING NEW OPPORTUNITIES

Digitisation is affecting our industry in many ways. The trend is towards solutions in which several products and systems are linked and communicate via intelligent control systems. This is broadening the opportunities for demand-controlled ventilation, to optimise energy consumption and improve operation, servicing and maintenance. We are investing in this trend to prepare for the future.

We use digital technology to deliver improvements for our customers. For example, we are developing tools enabling customers to visualise system solutions and simulate functionality in their systems, along with product selection programmes. Our product data are also available in a BIM (Building Information Modelling) database. This allows consultants who design ventilation systems to download dynamic 3D models, along with all associated technical data, into their working tools. The whole idea is to make it as simple as possible for them to choose the right products for their applications and to speed up their work process. I am convinced that our investments in these areas will take an increasingly important role, given the trend towards greater digitisation throughout the construction process.

EXCITING PARTNERSHIP WITH PANASONIC

In February, we embarked on an exciting partnership with Panasonic. In the first stage, Panasonic will launch a new series of very high-performance heat pump chillers for the European market. The products incorporate technical solutions from Systemair and are produced at our factory in France. We will also be involved in

MISSION STATEMENT

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

GOAL

Systemair's overall goal is to be one of the leading players in the global ventilation industry, and the most reliable partner in each local market.

STRATEGY

We seek to be the most reliable company for quality, availability and delivery reliability. This will enable us to create good relationships with contractors, distributors and consultants and to become our customers' first choice.

a wide-ranging development collaboration comprising both technology and functionality for chiller technology products. The aim is to create efficient, modern, environment-friendly heat pump chillers designed for European conditions. The partnership is strategically important to us. We will gain access to Panasonic's experience and technology and at the same time expand production volume in our factories.

STRATEGICALLY IMPORTANT ACQUISITIONS AND MERGED FACILITIES

Acquisitions remain an important part of our strategy to create growth and strengthen Systemair's market position. However, we tread carefully when making acquisitions. We must see a clear industrial logic and our acquisition candidates must be able to make a positive contribution to the business from day one.

In the past financial year, we acquired the Canadian company Greentek, which produces air handling units for the North American market. The acquisition strengthened our position in North America and we created further value through synergies by relocating the company's entire production to our own factory in Canada.

We also acquired Koolair, a Spanish manufacturer of air distribution products. At Koolair, a market leader in its domestic market, exports account for 50 percent of sales. Its major export markets are France, the UK and North Africa, markets where Systemair has not previously held a strong position with similar products.

We continuously assess any needs for capacity adjustments, such as restructuring measures, at all production facilities. Against that background, we merged production units in Canada and Germany during the year. Production at Frivent was relocated from Austria to Slovenia. These actions will contribute to better profitability going forward.

FACING THE FUTURE WITH CONFIDENCE

The trend in our industry is towards even tighter demands on energy consumption, and greater awareness of the importance of healthy indoor air. This has emerged in meetings with customers and other stakeholders. This gives us strength and confidence in facing the future, not least because these areas have been integral parts of our product development for many years. We will continue to invest in new technology and new products to secure our place as our customers' foremost partner in the work of meeting these important challenges of the future.

Roland Kasper
President and CEO



YOU CAN MEET SYSTEMAIR EVERYWHERE

Systemair helps create a healthy indoor climate in most areas where people spend time daily – at home, in the office, in the factory, at hospitals, at swimming pools, in multi-storey car parks and at airports, etc. We do this knowing that good air quality contributes to a better quality of life. We also do it in an increasingly energy-efficient way as our contribution to good energy conservation.

HOME

Filtered air in the home is important for us to feel well. Systemair offers complete systems for home ventilation. Our air handling units with balanced ventilation and heat recovery is ideal for homes and small offices. In our air handling units, humidity and temperature control comes as a standard.

INDUSTRIAL PREMISES

On industrial premises, large areas need to be ventilated and heated or cooled. Our air handling units extract impure air and ensure that work areas and production processes are correctly temperature-controlled. Our solutions help to create a healthy work environment establishing the conditions for better productivity.

DATA CENTRES

With ever-increasing storage capacity and more compact equipment, there is a growing need for cooling in data centres. We supply both air handling units and precision cooling, to provide energy- and cost-efficient cooling in data centres.

MARINE, OIL AND GAS

Good ventilation is crucial to both comfort and safety on ships. It could be ventilation and air conditioning on cruise liners, cargo hold ventilation on freighters or exhaust air ventilation from engine rooms. Quality requirements are high, as conditions are challenging. Our systems meet all requirements and are marine-certified.

MULTI-STOREY CAR PARKS

In multi-storey car parks, good ventilation is a safety issue. Our system of smoke extract fans meets strict requirements for carbon dioxide control and the evacuation of dangerous gases in the event of a fire. It can also deliver a reduction of up to 80 per cent in energy consumption in day-to-day operation.

OFFICE

Clean air and a pleasant temperature at the office make us feel and perform better. Systemair creates a good indoor climate and helps customers to reduce their energy consumption. Our air handling units are, of course, Eurovent-certified. We also offer smoke extract fans and exhaust fans, along with other system solutions to meet specific customer requirements.

PUBLIC AREAS

Public buildings, such as shopping centres and schools, need customised ventilation systems. With our extensive product range, we can create an optimal solution that contributes to a healthy indoor climate in public areas and helps to maintain the well-being of children at school all day.

HOSPITALS AND THE PHARMACEUTICALS INDUSTRY

Hospitals are demanding environments in terms of purity and temperature of the air. The right ventilation system, combined with our products and solutions, creates an optimal indoor climate. The purity requirements are satisfied via hygiene-certified units and high-efficiency filters.

TUNNELS

Effective ventilation is a safety issue both during the construction phase of tunnel projects and when tunnels are in operation. Systemair's tunnel fans ensure not only good air quality but also smoke evacuation. Our products meet all fire safety requirements and are simple to maintain.

SWIMMING POOLS

Demands on ventilation in swimming pool halls are high. The indoor climate must be comfortable for guests, while continuous dehumidification will protect the building from moisture damage over time. Our products offer reliable, fully-automated ventilation, dehumidification and heating as required – in the most economical way.

GLOBAL TRENDS AFFECTING THE MARKET

Trends including energy efficiency, urbanisation, greater economic prosperity, digitisation and sustainable development are powerful drivers in Systemair's business – today and tomorrow. In concrete terms, this means a growing demand for solutions to provide a healthy indoor climate with the least possible environmental impact.

ENERGY EFFICIENCY

There has long been a strong focus on reducing energy consumption in society, not least to help cut emissions of greenhouse gases and in that way limit climate changes. The trend is global but most obvious in Europe, where various EU directives set out energy conservation requirements, both for society at large and in specific areas. One standout example is the EU's Energy Efficiency Directive, which was adopted in 2012 and amended in late 2018. The directive sets a target of a 32.5 percent reduction in both primary energy and final energy consumption by 2030.

Systemair's products are subject to official directives, at both EU and national levels. Examples include the EU's Ecodesign Directive, which establishes energy performance requirements for a series of products, and the Energy Performance of Buildings Directive. Under the latter, EU Member States must develop long-term strategies to ensure that buildings in the EU are made more energy-efficient by 2050.

The trend towards stricter energy requirements favours Systemair, as it benefits companies that invest in developing high-quality, long-life and low energy consumption products. This creates competitive advantages and opportunities to gain new market shares. From a growth perspective, too, the trend is positive. Ever-tighter demands for energy efficiency in buildings are stimulating demand for energy-efficient ventilation in new-builds, while there is a need for ventilation systems in existing buildings to be replaced by new, more efficient systems.

Systemair is continuing to develop existing products, as well as new energy-efficient products to meet the increasingly strict demands for energy performance. Systemair is represented in most of the major industry and certification organisations, such as Eurovent, EVIA (the European Ventilation Industry Association) and AMCA (Air Movement and Control Association International). As a result, we are regularly updated on new requirements and we play an active part in driving the industry to advance in a positive direction, with increasingly efficient products.

URBANISATION

Urbanisation is a long-term global megatrend in which more than half of the world's population today live in cities – a proportion that is expected to rise to 68 percent by 2050¹⁾. The major share of this growth is expected to take place in Asia and Africa.

The fact that more and more people are living in cities is fuelling a demand for new buildings such as housing, offices, schools and hospitals. This is also creating a need for infrastructure projects such as airports and tunnels. Good ventilation and a healthy indoor climate are an important part of these projects, and this is creating increased demand for the products that we offer.

Systemair has its own sales companies in 50 countries, including in the fast-growing markets of Asia, and can supply energy-efficient ventilation products to clients' projects in every corner of the world.

DIGITISATION

Digitisation is one of the biggest drivers for change in the society of today. It affects every part of society and companies in every sector. Digitisation is paving the way for both new business models and new solutions. At the same time, it brings a need for adaptation to quickly changing expectations.

All modern ventilation installations incorporate electronic control and regulator systems. The ever-increasing number of software-based functions integrated into such systems will form an important component of the digital eco-systems for sharing of information created on the Internet. This will enable people to use their computer, tablets PC or smartphone for optimal functionality and simpler preventive maintenance of their ventilation installations. The benefits are many. For example, servicing and maintenance is simplified, enabling cost savings to be made. As requirements for the energy performance of buildings increase, intelligent functions will be needed to adapt the indoor climate to need, thereby reducing energy consumption. This requires smart software, connectable products and effective sensor technology



Energy efficiency



Urbanisation



Digitisation

¹⁾ (UN) World Urbanization Prospects: The 2018 revision.

»Systemair is continuing to develop existing products and is innovating new energy-efficient products to meet increasingly strict demands for energy performance«

that measures temperature, humidity, air quality and particle content in buildings.

Digitisation is also leading to increased requirements and is offering new opportunities in the relationship with users. One effect is ever-increasing demands for readily-accessible product information via digital channels.

To benefit from opportunities and satisfy future demands from consultants, customers and users, we are today investing heavily in new digital technology in our product development. Through continuous access to data from our products in operation, new business models, for example in service and support, may become possible.

Systemair is exploiting the possibilities of digitisation to make it easier for users. We have several digital product selections programs in operation that aid consultants and customers with rapid selection of the right choice of products and solutions for their application.

GREATER ECONOMIC PROSPERITY

The fast economic growth of the past quarter century, for example in large parts of Asia, has enabled a rising share of the Earth's population to enjoy greater prosperity. In the past decade, many countries in Africa have also joined the company of economies that are showing rapid growth.

As people become more prosperous, with a rapidly-expanding middle class in many markets, their demands and willingness to invest in greater indoor comfort are growing. This trend is also driven by the fact that a high proportion of the population live in cities where the quality of outdoor air has deteriorated in recent decades. Greater awareness of the importance of a healthy indoor environment and increased demands for a comfortable indoor climate are fuelling demand for high-quality ventilation systems.

Systemair develops products whose overall purpose is to create a healthy and pleasant indoor environment, in terms of both air quality and temperature. This improves people's well-being and enables us, for example, to perform better at work and to create

better conditions for children to learn at school. With our global presence, we can also benefit from the fast pace of development in growth markets.

SUSTAINABLE DEVELOPMENT

The requirements for sustainable business models are intensifying. This involves everything from ensuring good working conditions and reducing the burden on our eco-system to working against corruption and taking on social responsibility. Agenda 2030 and the 17 global sustainable development goals represent a clear example of how these requirements are starting to take formal shape. According to global goals, both governments and enterprises are expected to contribute to sustainable development. This is the most ambitious agenda for sustainable development ever adopted. Its aims include abolishing extreme poverty, reducing inequalities and inequities, promoting peace and justice and solving the climate crisis.

Systemair generates economic value that is distributed to our stakeholders in the form of share dividends to owners, wages, salaries and other benefits to our employees, payments to our sub-contractors and tax to society.

As a global supplier of ventilation solutions, we have an important part to play in providing people with a healthy indoor climate, with the minimum possible environmental impact. Through new, innovative and energy-efficient products, we can contribute to a better climate. We are also working on reducing the environmental impact of our activities.

As an employer, it is important for us to take on our social responsibilities and develop a safe work environment, promote equal opportunity and ensure effective competency development. As a client, it is important that we should lead the way in maintaining high business ethics, with a zero tolerance of corruption and bribery.



Greater economic prosperity



Sustainable development



OUR VALUE CREATION MODEL

OUR RESOURCES

Financial capital

Equity and borrowed capital

Manufactured capital

27 factories, 9 technology centres, offices in 50 countries, plus machinery, equipment and inventory

Intellectual capital

Brands, product development process, management and operating systems, logistics system

Human capital

6,000 employees

Social capital

Good relationships with customers, suppliers and partners

Natural capital

Energy, metal commodities

OPERATIONS

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



Product areas

- Fans
- Air handling units
- Air conditioning
- Air curtains and heating products
- Products for air distribution
- Fire safety products
- Residential ventilation
- Swimming pool ventilation
- Garage and tunnel ventilation

GLOBAL DRIVERS

Energy efficiency

Energy conservation solutions in manufacturing and operations

Digitisation

Demanding requirements for availability, smart systems

Urbanisation and greater economic prosperity

Demand for healthy indoor climate

Sustainable development

Requirements for sustainable business models

WHAT WE CREATED IN 2018

160 new products
and solutions

450,000 development hours for
250 engineers and technicians

92,000 customer
visits

We have a close relationship
with our customers in the
local market

VALUE FOR STAKEHOLDERS

For owners

- Profit for the year – SEK 321 m.
- Share dividend – SEK 104 m.

For customers

- Energy-efficient, high-quality products and solutions
- High availability and delivery reliability
- Ethical and responsible partner

For employees

- 13,900 hours of training in product knowledge, health and safety
- Good working conditions and a safe work environment

For suppliers and providers of capital

- Punctual payments to suppliers
- A stable business model with growing volumes

For society

- Tax revenues and job opportunities
- Energy-efficient products that help to lower carbon dioxide emissions by the equivalent of 220,000 tons
- Products that contribute to a comfortable and healthy indoor climate

STRATEGIC GOALS

Financial goals

Goal

Goal attainment 2018/19

Remarks

GROWTH

12%

To achieve an average annual growth rate of at least 12 percent over a business cycle.



The goal includes both organic growth and acquisitions. Sales growth has averaged 9.8 percent per year over the past ten years. Growth is to be achieved via product development and increased market shares, as well as by expanding the product range through acquisitions or start-ups. We have intensified our focus on profitable growth. Acquired businesses must deliver a positive contribution from the start.

PROFITABILITY

10%

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

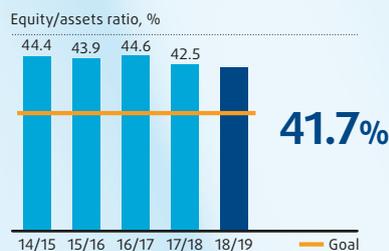


The operating margin has averaged 7.1 percent over the past ten years and 5.9 percent over the past five years. In the Company's view, the current restructuring measures, the existing structure and product programme in general offers excellent prospects for attaining this goal. We are focusing on maximising our acquired and geographical synergies in order to attain our goal of 10 percent profitability.

FINANCIAL POSITION

30%

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



The Group's financial position is good. The equity/assets ratio on 30 April 2019 was 41.7 percent. The Company continually assesses opportunities for strategically favourable acquisitions and our financial position allows scope for further acquisitions and investments.

DIVIDEND POLICY

30%

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

The Board of Directors proposes a dividend of SEK 2.00 (2.00) per share, for approval by the Annual General Meeting to be held in Skinnskatteberg on 29 August 2019. This corresponds to 32 percent (45) of profit after tax.

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

Sustainability goals

| Goal | Goal attainment 2018/19 | Remarks | | | | | | | | | | |
|---|---|---------|------------|-------|------|-------|------|-------|------|------|------|---|
| DIVERSITY AND EQUAL OPPORTUNITY | | | | | | | | | | | | |
| <p>25%</p> <p>To have women serving in 25 percent of managerial roles by 2025.</p> | <p>Women in managerial roles, %</p> <table border="1"> <caption>Women in managerial roles, %</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>16/17</td> <td>23.0</td> </tr> <tr> <td>17/18</td> <td>21.0</td> </tr> <tr> <td>18/19</td> <td>20.0</td> </tr> <tr> <td>Goal</td> <td>20.0</td> </tr> </tbody> </table> | Year | Percentage | 16/17 | 23.0 | 17/18 | 21.0 | 18/19 | 20.0 | Goal | 20.0 | <p>Systemair has long promoted equal opportunity and has set a goal for the proportion of women serving in managerial roles.</p> <p>To attain that goal demands commitment not only at recruitment but also via continued support for internal career development for our women employees at all levels of the Company. One way that we will be engaging in this over the next two years will be via a programme to develop young talents, in which equal opportunity among participants will be an important aspect.</p> |
| Year | Percentage | | | | | | | | | | | |
| 16/17 | 23.0 | | | | | | | | | | | |
| 17/18 | 21.0 | | | | | | | | | | | |
| 18/19 | 20.0 | | | | | | | | | | | |
| Goal | 20.0 | | | | | | | | | | | |

| SAFE WORK ENVIRONMENT | | | | | | | | |
|--|--|------|--------|-------|----|------|---|---|
| <p>0</p> <p>To totally eliminate the number of occupational injuries.</p> | <p>Work-related sickness absences, number</p> <table border="1"> <caption>Work-related sickness absences, number</caption> <thead> <tr> <th>Year</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>18/19</td> <td>90</td> </tr> <tr> <td>Goal</td> <td>0</td> </tr> </tbody> </table> | Year | Number | 18/19 | 90 | Goal | 0 | <p>The goal for occupational injuries can never be anything other than 0. During the year, we introduced a new process and new tools for effective reporting of occupational injuries, near-accidents and risks. This provides us with important information for a systematic and proactive focus on the goal of eliminating occupational injuries. The new way of working has so far been introduced in 23 of 27 production units. As a result, the number of occupational injuries and work-related sickness absences in previous years are not comparable with figures for the past year. As improved reporting is introduced at all production units, it is also likely that in the short term we will see a rise in the number of reported occupational injuries and work-related sickness absences.</p> |
| Year | Number | | | | | | | |
| 18/19 | 90 | | | | | | | |
| Goal | 0 | | | | | | | |

NEW OPPORTUNITIES WITH DIGITALIZATION

Interview with Ralf Bergne,
Product Area Director, Control Systems



CAN YOU TELL US ABOUT YOUR WORK ON SIMPLIFYING YOUR CUSTOMERS' DECISION-MAKING PROCESS USING DIGITAL TECHNOLOGY?

"We aim to make it easy for customers to choose the right product for their specific application. We're constantly refining our digital product selection tools to make them as user-friendly as possible. One example is the Systemair Configurator, which is an all-new product selection concept we launched 2019. It is developed on a future-proofed platform, where we extend the functionality on an ongoing basis, for example, even more advanced integrations with a range of CAD tools and an expanded function for customer-based documentation. Systemair Configurator is designed to simplify the customer's process considerably, both for identifying the right products and for configuring them for the customer's needs."

HOW IMPORTANT IS DIGITALIZATION TO CUSTOMERS' WORK PROCESSES?

"It already performs a crucial role in their work. For several years, we've been spending a lot of care and time on maintaining a

highly-developed BIM (Building Information Modelling) database of our products, featuring 3D models and technical data. When consultants want to perform calculations for ventilation systems, they can download and incorporate our products directly into their CAD drawings.

It's clear that virtual reality (VR) is entering into the construction industry with possibilities to visualize systems in buildings before they're built. And it's a fast-moving trend. At Systemair, we've been using both virtual reality and augmented reality (AR) for several years. We aim to be at the cutting edge of the new technology, which may create exciting opportunities, both for us and for our customers."

WHAT IMPACT IS DIGITISATION HAVING ON YOUR PRODUCTS AND SOLUTIONS?

"Electronic control systems have for a long time been part of ventilation systems. As new technology develops, we are further developing these systems for increasingly functionality and connectivity. A good example of this is our new control system,

Systemair is creating new opportunities for its customers with digitalization. This is simplifying our customers' processes – from choosing the right products and solutions to installing, controlling and monitoring them for optimal performance.

Systemair ACCESS

INTERNET OF THINGS

Systemair Access, in which we use the latest technology to ensure functionality, integration into building management systems and connection to the cloud service Systemair Connect.

We place great emphasis on the user interface. We want to make using the advanced functionality in our air handling units as simple as possible. The Access Navipad is an example. This is a robust navigation tablet, inspired by the simplicity of a smartphone, to facilitate control and monitoring of our Geniox and Topvex units. Another example is our control system for home ventilation that can be operated both via tablet and a mobile app."

WHAT OPPORTUNITIES DO YOU SEE, GOING FORWARD?

"The trend is heading towards more and more connected products and systems – what's usually known as the Internet of Things (IoT). I can see a lot happening there in the future. Many of the components required are already available, such as the sensors needed to ensure a pleasant and healthy indoor climate, together with advanced control systems and connectivity. In the future, IoT-based

ventilation systems will be able automatically to make smart decisions based on the presence in different rooms, temperature, air humidity, air quality, particle content and sunlight level. This provides a constantly optimal indoor climate and optimised operation, reducing energy consumption and operating costs. Using data collected, the systems are also capable of automatically sending information to make preventive maintenance possible.

IoT will create many exciting opportunities and we've started work on solutions in this field. For example, our cloud-based services Systemair Connect and ACloud enable customers to connect their air handling units, chillers and heat pumps for a total overview and availability. And that's just the start."

STRONG POSITION IN A GROWING MARKET

Demand for ventilation solutions continues to expand globally, driven by economic growth and clear international trends. With a strong market position and sales to more than 130 countries around the world, Systemair can benefit from this growing market.

A GROWING MARKET

The world economy is growing and our rising living standards are creating an ever-increasing demand for a comfortable climate in our homes and schools, at our workplaces and in other indoor environments. With greater awareness of how the quality of indoor air affects us, a healthy indoor climate is also increasingly taking centre stage. Demands for energy efficiency are spreading throughout the world, driving the trend towards more energy-efficient buildings and, as a result, more energy-efficient ventilation systems. Cities are expanding and the need for building new, as well as for renovating existing, buildings, premises and infrastructure is growing. Digitisation, too, is impacting on the sector, as regards both management and control of ventilation systems and a rising need for ventilation and cooling in data centres.

All these factors are playing a part in driving development and growth in the market for ventilation products. New, more efficient ventilation systems are in demand for both new and existing buildings.

SYSTEMAIR - A GLOBAL PLAYER WITH A STRONG POSITION

Systemair is a global player in the ventilation industry. With a strong regional and local presence in important markets, we can help customers wherever they are in the world. Systemair strives unceasingly to strengthen its market position and be the best partner for its customers. It does this by:

- 1. Developing and offering** a wide range of quality products with high performance characteristics in terms of energy efficiency and connectivity. Certification, for example via Eurovent, is an important means of creating trust in the performance and quality of our products.

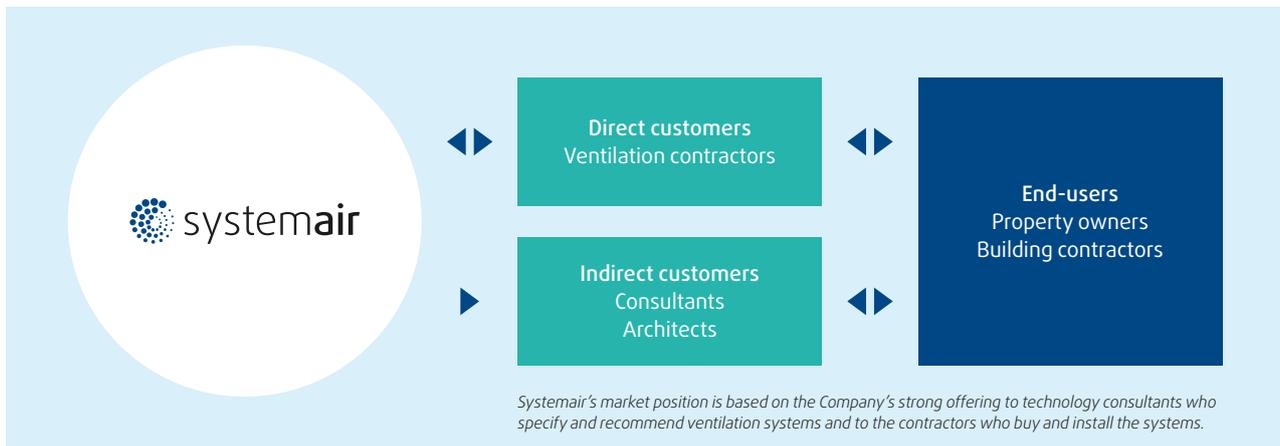
- 2. Offering high availability** for products and high delivery reliability. This gives security for ventilation contractors who are committed to the precise timetable of a building project. Systemair makes standard products for inventory, to be able to offer short delivery times. With three central distribution centres and more than 75 local warehouses, we can meet our customers' exacting requirements for delivery reliability.

- 3. Offering market-leading support** and digital tools. Systemair has a high level of technological expertise and can offer ventilation consultants comprehensive support - including testing at our technology centres - in choosing the right products for the application concerned in their project. This is backed by digital tools such as product selection program to facilitate the day-to-day work of consultants. Via a strong support function, ventilation contractors can avail themselves of Systemair's broadly-based expertise throughout the installation phase.

THE COMPETITION

Competition in the market for ventilation products is constantly increasing. This is to be expected, as it is an attractive market that shows historical strong growth. Systemair has a small number of global competitors with a similar geographical presence and a broad product portfolio. The largest group of competitors is made up of regional and local operators who compete with Systemair on individual markets and in individual product areas. To Systemair, it is vital to continuously take advantage of and further develop our competitive advantages to strengthen our position and gain new market shares.

SYSTEMAIR'S CUSTOMERS



Systemair's market position is based on the Company's strong offering to technology consultants who specify and recommend ventilation systems and to the contractors who buy and install the systems.

Competitors

Per product area

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

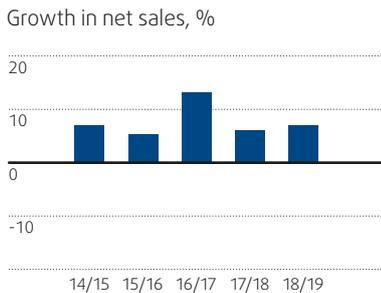
● Complete range ● Limited range

Presence in Systemair's markets

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

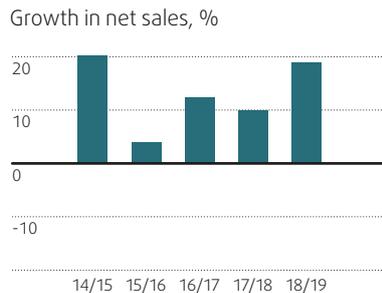
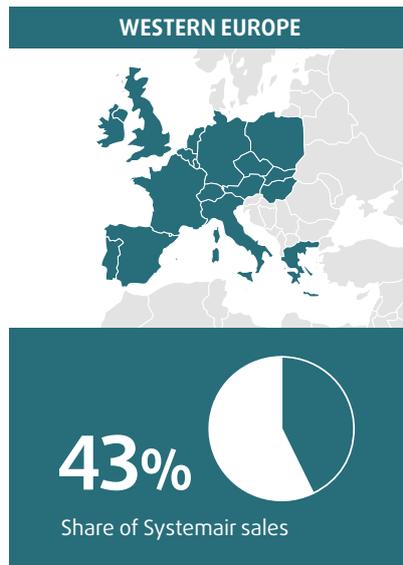
● Presence in geographical market

SYSTEMAIR'S MARKET REGIONS



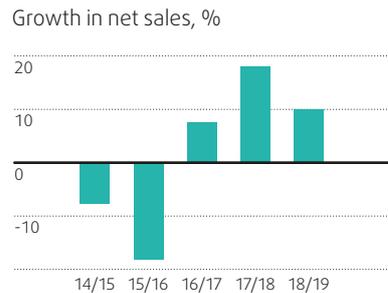
NORDIC REGION

Favourable market conditions characterised the region as a whole and we recorded growth in all countries. The Swedish market, in particular, was marked by strong and stable demand throughout the year. In Norway, an increasingly large high share of sales in recent years has been to infrastructure projects. However, we identified a clear recovery in the number of construction starts during the year, in both residential and office building.



WESTERN EUROPE

The region as a whole was characterised by strong economic growth. As a result, market conditions remained in Systemair's favour. In the northern parts of the region, in countries such as Germany, the Netherlands and Belgium, the market was especially buoyant, as in previous years. We can see a continued recovery in southern Europe, not least in Spain. Despite the uncertainty surrounding Brexit, activities in the United Kingdom developed well in terms of both sales and profitability.



EASTERN EUROPE & CIS

Systemair has a strong position in most of the markets in the region, and the trend was generally characterised by stable growth. Markets such as the Czech Republic, Slovakia, Hungary and the Baltic States performed strongly. Russia is the biggest, and to us, the most important, market in the region and we continue to record good growth and profitability in that country. Systemair expanded its presence in Azerbaijan and Ukraine by establishing its own sales companies to replace the earlier representative offices.

NORTH AND SOUTH AMERICA



9%

Share of Systemair sales



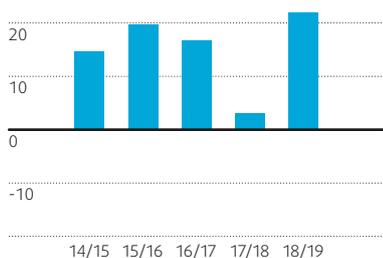
22%

Growth

8%

Organic growth

Growth in net sales, %



MIDDLE EAST, ASIA AND AFRICA



11%

Share of Systemair sales



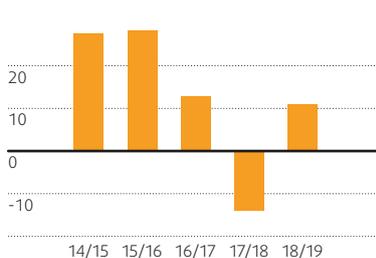
11%

Growth

17%

Organic growth

Growth in net sales, %



NORTH AND SOUTH AMERICA

During the year, the North American market was characterised by good growth in demand and sales. Our intensified efforts in infrastructure projects and ventilation for tunnels and multi-storey car parks, together with air curtains from Frico, were major underlying factors. In South America, Brazil is showing signs of stabilisation after the election held there this year. We are receiving positive signals from the market and improved order bookings.

MIDDLE EAST, ASIA AND AFRICA

Over the year, Systemair recorded good sales growth in the region as a whole. However, the situation varies from one market to another, in many cases for political reasons. We see good potential in developments in India and Southeast Asia, with continued urbanisation and economic expansion, which is creating the conditions for growth. Several markets in North Africa, including Morocco, performed well during the year. During the year, our newly built factory in Turkey created greater opportunities for servicing the markets in the Middle East.

FIND US HERE

Our standard products are delivered within 24 hours from a local warehouse, and within 72 hours from one of our three distribution centres. For customised ventilation products, we operate with an inventory of the components required and a flexible production system.

DISTRIBUTION CENTRES

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

PRODUCTION FACILITIES

- ④ Kansas City, USA ● ★
- ⑤ Tillsonburg, Canada ●
- ⑥ Bouctouche, Canada ● ● ★
- ⑦ São Paulo, Brazil ●
- ⑧ Eidsvoll, Norway ●
- ⑨ Skinnskatteberg, Sweden ● ● ● ★
- ⑩ Hässleholm, Sweden ●
- ⑪ Aarhus, Denmark ●
- ⑫ Waalwijk, Netherlands ●
- ⑬ Mülheim An Der Ruhr, Germany ● ●
- ⑭ Langenfeld, Germany ●
- ⑮ Windischbuch, Germany ● ● ● ★
- ⑯ Helmstadt, Germany ●
- ⑰ Tillières, France ● ★
- ⑱ Milan, Italy ● ★
- ⑲ Fuenlabrada, Madrid, Spain ●
- ⑳ Móstoles, Madrid, Spain ●
- ㉑ Ukmerge, Lithuania ● ● ●
- ㉒ Pardubice, Czech Republic (2 factories) ● ● ●
- ㉓ Bratislava, Slovakia ● ● ★
- ㉔ Maribor, Slovenia ● ●
- ㉕ Istanbul, Turkey ●
- ㉖ Johannesburg, South Africa ● ●
- ㉗ New Delhi, India ● ● ● ★
- ㉘ Hyderabad, India ● ●
- ㉙ Kuala Lumpur, Malaysia ● ● ● ★

PRODUCT AREAS

- Fans
- Residential ventilation
- Swimming pool ventilation
- Air handling units
- Air conditioning
- Air curtains and heating products
- Products for air distribution
- Fire safety
- Garage and tunnel ventilation
- ★ Technology centres



27

Production facilities

9

Technology centres

»Systemair is a global player in the ventilation industry. A strong local presence in important markets forms the basis of a strong market position«



3

Distribution centres

50

Countries with own sales organisation

>130

Exports to more than 130 countries

PRODUCTION FACILITIES IN 19 COUNTRIES

Systemair owns most of its properties. As a result, we can have a say in the design and ensure that production environments meet exacting demands.

Summary, properties

| Location | Surface area, m ² |
|--------------------------------------|------------------------------|
| North and South America | |
| Bouctouche, Canada (owned) | 12,300 |
| Tillsonburg, Canada (leased) | 3,900 |
| Kansas City, USA (owned) | 16,000 |
| São Paulo, Brazil (leased) | 1,900 |
| Nordic region | |
| Aarhus, Denmark (owned) | 23,000 |
| Eidsvoll, Norway (owned) | 5,800 |
| Hässleholm, Sweden (owned) | 10,000 |
| Skinnskatteberg, Sweden (owned) | 50,000 |
| Western Europe | |
| Tillières, France (owned) | 38,000 |
| Milan, Italy (owned) | 19,400 |
| Waalwijk, Netherlands (owned) | 10,000 |
| Fuenlabrada, Madrid, Spain (leased) | 6,000 |
| Móstoles, Madrid, Spain (leased) | 13,900 |
| Helmstadt, Germany (leased) | 1,550 |
| Langenfeld, Germany (leased) | 4,300 |
| Mülheim an der Ruhr, Germany (owned) | 19,000 |
| Windischbuch, Germany (owned) | 20,000 |
| Eastern Europe & CIS | |
| Ukmerge, Lithuania (owned) | 15,000 |
| Bratislava, Slovakia (owned) | 12,000 |
| Maribor, Slovenia (owned) | 5,400 |
| Pardubice, Czech Republic (leased) | 5,900 |
| Dilovasi, Turkey (owned) | 28,000 |
| Middle East, Asia and Africa | |
| Hyderabad, India (leased) | 3,200 |
| New Delhi, India (owned) | 12,000 |
| Kuala Lumpur, Malaysia (owned) | 16,000 |
| Johannesburg, South Africa (leased) | 3,000 |



Bouctouche, Canada



Skinnskatteberg, Sweden
Two production facilities

» Today, we own properties with a surface area of 320,000 m², with a total book value of SEK 1.2 bn «



Windischbuch, Germany



New Delhi, India



Ukmerge, Lithuania



Kuala Lumpur, Malaysia

WORLD-CLASS PRODUCTION

Quality and fast deliveries are synonymous with Systemair. Behind this lies a pride in the Company's production facilities and a conviction that an ongoing programme on quality and productivity assurance creates higher value for our customers.

Having a world-class production system is of major strategic importance to Systemair. It creates the scope for strong profitability and is essential to the execution of the strategy of being the most reliable company for quality, product availability and delivery reliability.

CUSTOMER AND MARKET THE STARTING-POINT

Systemair is a global company and its strategic production planning is therefore based on a market perspective. This is natural, given that requirements regarding function and price differ from one market to another, for example between Europe and North America. Our philosophy is to offer the right products to every market, at the right quality and the right price.



ONGOING PROGRAMME ON EFFICIENCY AND QUALITY

All production facilities in the Group operate in a standardised way, as defined in the Systemair Production Model. This enables us to assure high productivity, quality and safety in production.

The production model focuses on four aspects:

1. **5S** – Creating an organisation and structure in the factories.
2. **A standardised way of working** – working in accordance with the current best practices.
3. **Day-to-day control** – ensuring that a clear structure is in place for day-to-day planning and work supervision.
4. **Constant improvement** – driving improvement projects on an ongoing basis as part of day-to-day working.

A constant local focus on improvement is maintained at the Group's 27 production facilities. At the same time, it is important to create the right conditions for sharing experience and benefiting from best practice in the Group. Against that background, in 2018 we established a Group-wide SPM (Systemair Production Model) council and a logistics council to supplement the work of the existing quality assurance council. The SPM council is made up of production managers from different regions and serves as a support to the factories in their implementation of the production model. The logistics council is in turn made up of a number of logistics managers. It is tasked with progressing inventory optimisation and coordination of logistics. The quality assurance council is responsible for developing the Group's quality assurance system and has, for example, established standardised processes for handling complaints and quality deviations.

WELL-INVESTED PRODUCTION FACILITIES

Systemair invests regularly in its production facilities to ensure world-class production is maintained. Over a normal year, production-related investments correspond to depreciation for the year, representing annual investments of around SEK 200 million.

Investments are made, for example, in expanding capacity, capitalising on new technology and raising the level of automation, thereby creating the conditions for optimal production efficiency.

Systemair focuses continuously on reducing waste in production. For example, by investing in new machinery, we have cut down on metal waste in several production processes, which is delivering benefits in both cost and environmental terms.



STATE-OF-THE-ART AND ENVIRONMENTALLY CERTIFIED FACTORY IN TURKEY

In September 2018, Systemair inaugurated its new factory in Turkey. This new state-of-the-art factory is situated in Dilovasi (Dilovasi Machinery Specialised Organised Industrial Zone). With a surface area of 28,000 m², the facility is double the size of Systemair's previous factory in Turkey. Thanks to Industry 4.0-compatible production technology, a very high level of production efficiency is assured. Production capacity is approximately 4,500 air handling units per year and the factory is expected to not only function as

Systemair's production base for the local market, but for also exports to the Middle East and the Balkans.

The factory is the first production facility for air handling units in Turkey to gain LEED Gold certification. LEED is the most-used classification system worldwide for green buildings. The factory has been planned and built to minimise environmental impact throughout the production chain. Examples of technical solutions used include high-efficiency air conditioning employing Systemair's products, collection and use of rainwater and water- and energy-efficient production equipment.



FOCUSED PRODUCT DEVELOPMENT

Systemair's product development organisation consists of 250 engineers and technicians with cutting-edge expertise across a range of areas of technology. 24 technology teams in 18 countries perform laboratory tests and measurements during the development process, as well as measurements for technical documentation and certification under current standards.

The purpose of our products is to create a comfortable, healthy and safe indoor climate. This may involve anything from maintaining clean air at the right temperature in schools to the effective evacuation of exhaust gases in tunnels. We develop products that make this possible with the lowest possible energy consumption. In turn, this reduces both life cycle costs for customers and the burden on the environment. Simple installation, operation and maintenance create further value for our customers.

STANDARDISED DEVELOPMENT PROCESS

Systemair uses a standard product development process – from generation of ideas and development to certification, product preparation and launch – to maximise the benefit from the time we invest. The process is based partly on ensuring high efficiency in work and partly on making the right prioritisations. The development projects for every individual product area are selected and prioritised via our system for strategic product planning. Decisions are based on what offers the most value to Systemair, from the criteria of strategic importance and customer need, potential profitability and the prevailing conditions in terms of expertise and resources.

BROAD INSIGHTS ARE ESSENTIAL

Successful product development must meet future needs in the market. This requires broad insights into customer needs, official requirements and the opportunities that may be created through the latest technological developments. Systemair's sales organisation around the world has daily contact with our customers, allowing us an in-depth insight into how their needs are changing. We are engaged in certification, standardisation and industry organisations, such as Eurovent, EVIA (European Ventilation Industry Association) and AMCA (Air Movement and Control Association International), and maintain contacts with research institutions and public authorities at national and European level. Our technology centres continuously monitor technological developments worldwide in their specific area of technology. Altogether it makes us well prepared for conducting a product development programme that is both innovative and relevant to the future.

FOUR PRINCIPAL AREAS

On an overall level, developments in the ventilation sector are influenced by four trends.

- 1. Stricter demands on indoor air.** Today, there is increased awareness of how indoor air affects our health, comfort and how we perform at work and in school. Systemair develops products that ensure optimal ventilation and temperature and that indoor air is filtered and clean.
- 2. Energy efficiency.** New official requirements – both from the EU and at a national level in and outside Europe – are bringing an increasingly close focus on energy consumption in ventilation products such as air handling units and fans. Energy efficiency is therefore absolutely vital to Systemair's product development, and the Company is constantly looking at new solutions to reduce energy consumption in components and products.
- 3. System solutions.** When energy requirements for buildings increase, for example through new legislation, greater demands are made of energy efficiency in all parts of the ventilation system. Demand-controlled ventilation, heating and cooling make it possible to achieve a healthy indoor climate in an energy-efficient way. Systemair develops products that are simple to install and, connected into systems, help deliver high efficiency in large and small facilities.
- 4. Connected solutions.** Digitisation is creating new connection opportunities, and a sharp rise is evident in the quantities of units that are connected to the Internet and communicate with superordinated systems. In the future, "intelligent buildings" will become increasingly common.

The ever-increasing number of software-based functions integrated into control and regulatory systems will form an important component of the digital eco-systems for sharing of information created on the Internet, where people will be able, via computer, tablet PC or smartphone, to ensure optimised functioning and simplified preventive maintenance of their ventilation installation. Systemair is engaged actively in developing competitive products that are fully connectable via the integral control and regulator systems.

THE MODULAR EQUIPMENT SOLD BY SYSTEMAIR IN EUROPE OVER A YEAR PLAYS A PART IN ENABLING

Lower energy consumption

2.2

TWh

Equivalent to domestic electricity for 450,000 single-family homes¹⁾

Lower carbon dioxide emissions

220,000

tons CO₂ savings

Equivalent to carbon dioxide emissions from on average 120,000 cars per year²⁾

¹⁾ The average annual consumption of domestic electricity in Sweden in 2016 was 5,000 kWh per household, according to Vattenfall.

²⁾ Relative to Nordic electric power generation, 0.1 kg CO₂ per kWh. The example is based on a car driven 15,000 km/year with emissions of 120 g CO₂/km.



SYSTEMAIR ACCESS MAKES IT EASIER TO CREATE A PERFECT INDOOR CLIMATE

Systemair Access is a complete control system that brings the advanced technology in the Geniox and Topvex air handling units within the reach of every user. Systemair Access incorporates a newly developed control unit featuring the latest technology for remote control via mobile devices, BMS integration and connectivity to the cloud-based service Systemair Connect.

You monitor and control your airhandling unit via Access Navipad – a tablet with robust design inspired by the simplicity of a smartphone. NaviPad’s easy and intuitive menu structure makes all functions and features easily accessible. So you do not need to be a ventilation expert to gain full use of your air handling unit. The result is a better indoor climate for people – in the home, at work and in public areas.



SUSTAINABLE AIR CONDITIONING FROM NEW TECHNOLOGY

Menerga’s ambition is to be a technology leader in innovative air conditioning technology with strict demands for energy and operating efficiency. During the year, the company made further strides forward via the air conditioning technology in Adconair Adiabatic DXcarbonfree.

Water is used as the coolant, freeing the technology from traditional, climate-polluting refrigerants. Water also had advantages over other recently-developed refrigerants, many of which are toxic or flammable.

The cooling technology that makes all this possible has been developed by Menerga in partnership with Germany company Efficient Energy GmbH. Cooling is performed via an integrated closed adsorption circuit in the air conditioning unit. This supplies the heater unit used to heat the supply air in the winter with cold water for cooling in the summer. Unlike a compressor-driven cooling system, the system does not require electricity. Instead, it uses heat from the heat supply used for winter operation. A high degree of heat recovery on cooling guarantees a high cooling effect and, as a result, low energy consumption.

In other words, Adconair Adiabatic DXcarbonfree is a future-proofed air conditioning unit that is not only eco-friendly but also helps to lower energy costs for the customer.

FOCUS ON SUSTAINABILITY

Systemair aims to become more sustainable and to contribute to a sustainable society. We will do this by developing energy-efficient products and by focusing continuously on improving our processes, for example with regards to energy consumption, a safe work environment and fair working conditions.

The UN's global sustainability goals are the focus of our work on sustainability. The 17 goals are to be achieved by 2030, and the concept of sustainable development integrates the three dimensions of sustainability: social, economic and environmental.

Based on how we affect our world, Systemair has identified which of the global sustainability goals are most relevant to the business. By actively focusing on the global goals, we can become a more successful company, while at the same time contributing to sustainable development in society.

MEASUREMENT AND REPORTING

Systemair reports on its work on sustainability in accordance with the international guidelines in the Global Reporting Initiative (GRI) Standards: Core level. Our ambition is to continue developing our follow-up and reporting in the area of sustainability. The extended measurements started in 2017/18 continued in 2018/19. Our goals and strategies for work on sustainability will in future focus on our products and their life cycles.



SYSTEMAIR'S MOST IMPORTANT SUSTAINABILITY GOALS

Equal opportunity

- Increased equal opportunity and diversity

Decent working conditions and economic growth

- Good working conditions and safe workplaces
- Training and career opportunities for our employees
- Good financial returns for Systemair

Sustainable cities and communities

- Development of energy-efficient products
- Safe material choices and compliance with legislation in our products
- Better indoor climate for people in homes, commercial premises and other areas
- Local presence and contributing to social development in our markets

Sustainable consumption and production

- Reduced resource consumption in our production via metal recovery and minimisation of waste
- Zero tolerance of bribery and corruption
- Assessment of suppliers

VALUE CREATION

Given that research tells us that we spend around 90 percent of our time indoors, a healthy indoor climate is hugely important. With our ventilation solutions, Systemair creates value for customers and users of commercial premises, in the form of a good indoor climate and low energy consumption. We also generate economic value that is distributed to our stakeholders in the form of share dividends to owners, wages, salaries and other benefits to our employees, payments to our sub-contractors and tax to society.

GOVERNANCE

Our work on sustainability is based on a Code of Conduct that expresses Systemair's standpoint on issues regarding social responsibility, business ethics, environment and health and safety. Systemair operates environmental management systems certified in accordance with ISO 14001:2015.

Our internal control environment for sustainability encompasses both financial follow-up and control by the Production Board, the Group's central production development function. Audits include health and safety, energy consumption concerning our KPIs and any possible efficiency-enhancing process. Audits are performed in line with the Systemair Production Model and are structured using a concept based on lean processes. After every audit, a report is generated. This is then followed up in the Company by the Business Board and finally by Group Management. This governance and follow-up procedure is applied to environmental footprint, anti-corruption and social responsibility.

FOCUS

In our work on sustainability, we have elected to focus on our products, both as regards their impact on the environment and how they contribute positively to the indoor climate that most of us are spending more and more time in. The sustainability work we have embarked on starts right at the product development stage and then continues through the entire production and supply chain, analyses logistics solutions to reduce the transportation requirement and finally examines how the end-of-life product is best dealt with. Material selection, manufacturing methods and logistics are inextricably linked.

Systemair will continue to develop and make clear how the Company connects current and future activities to the measurements and follow-ups that we are now putting in place.

Work on sustainability will form an integral part of the business as a whole and is about taking social, economic and environmental responsibility. Equal opportunity, a healthy work environment, energy and material efficiency are areas that we will commit to in greater depth, with the objective of developing controls capable of demonstrating that the initiatives we are taking are also delivering measurable effects.

ENVIRONMENTAL FOOTPRINT

Systemair strives constantly and methodically to reduce the burden on the environment from the business and our products. We do this by reducing our consumption of energy and materials. Staying at the forefront in the use of smart manufacturing technology is a constant, ongoing process.

WASTE MANAGEMENT AND METAL RECOVERY

Systemair continues to invest in manufacturing technology capable of reducing waste of sheet metal and aluminium, which account for a large proportion of the materials used in our products. For example, we have invested in coil equipment in several of our factories, where we have switched from flat sheet to sheet on coils, cutting material consumption by on average 12 percent. In addition to reducing waste, we are also focusing on sorting and recovering waste in production. Materials recovered include steel, aluminium, packaging materials and paint powder.

LOWERING ENERGY CONSUMPTION

In machinery investments, energy efficiency is an obvious criterion, as is reviewing the premises in which we operate. Energy consumption in our factory premises is monitored monthly and subject to internal and external benchmarking with a view to identifying effective solutions for achieving our goals.

201-1: ECONOMIC VALUE GENERATED AND DISTRIBUTED (SEK m.)

| | 2018/19 | 2017/18 |
|--|------------|------------|
| Direct economic value generated | | |
| Revenues | 8,496 | 7,459 |
| Economic value generated | | |
| Operating costs | 6,011 | 5,298 |
| Employee wages and benefits | 1,850 | 1,667 |
| Tax | 177 | 161 |
| Payments to providers of capital | 137 | 103 |
| Economic value retained | 321 | 230 |

The table shows the economic value generated and distributed to the Company's stakeholders.

TRANSPORTATION AND TRAVEL

Transportation of our products from the production facility to various warehousing and sales locations and out to the customer adds to carbon dioxide emissions. To us, it is important to analyse movements and to plan and manage transportation to avoid unnecessary journeys and handling.

Because Systemair is a global enterprise, travel by car, rail and air is necessary. Many journeys are unavoidable, given that we need to meet our customers and other stakeholders. Our focus on virtual meetings, such as video conferences, has helped us reduce the need for travel and therefore also our carbon dioxide footprint. In addition, the use of this technology has made us more time-efficient.

302-1: ENERGY CONSUMPTION (MWh)

| | 2018/19 | 2017/18 |
|---------------------------------|---------------|---------------|
| Oil | 1,138 | 874 |
| Gas | 15,759 | 14,131 |
| Liquified natural gas (LNG) | 1,251 | 2,242 |
| Electricity | 32,312 | 32,311 |
| Heating | 6,828 | 7,636 |
| Cooling | 3 | 8 |
| Total energy consumption | 57,291 | 57,202 |

For conversion factors for the different energy categories, see the GRI Supplement.

301-1 & 2: MATERIALS USED



¹⁾ The proportion of recycled materials used in 2018/19 was 14 percent.

EMPLOYEES FOR THE FUTURE

Systemair knows how critical it is to attract, develop and retain competent employees to assure our long-term success and we continued to focus on this over the year.

Systemair has a strong corporate culture, and our values – to prioritise, simplify and inspire trust – are the principles that govern our day-to-day work. We offer market-level pay and benefits, a multi-cultural and inclusive workplace and working conditions that respect the needs of the individual. We encourage our employees to be innovative in driving simplicity.

COMPETENCE DEVELOPMENT

Attracting, developing and retaining competent employees are vitally important in assuring Systemair's long-term success. Competence development is an important focus area in terms of constantly improving our business and our products, in increasing our employees' competence in their interaction with customers, and in retaining our lead over competitors. By expanding the range of the Systemair Academy programme, we have made it easier for employees to acquire new knowledge wherever they are in the organisation. There are good career opportunities for employees wishing for international experience and willing to be early in taking on major responsibilities in the Group.

COURSES IN THE SYSTEMAIR ACADEMY 2018/19

"Selling the straight way 2.0"

Sales course aimed at the subsidiaries' CEOs and sales managers, who in turn train sales personnel in the local offices via the "Train the trainer"-concept. The focus is on sales techniques, negotiation and presentation techniques.

Systemair Academy

Training for technicians and sales personnel, spread over 16 separate academies. The courses focus on concept sales – placing the products in a context – and how Systemair can increase sales by better integrating the Company's values into the sales process.

Systemair PolarStar

PolarStar is a programme comprising 8 modules over 2 years with the aim of developing young talents capable of taking on future roles with greater responsibility.

3C – Corporate Culture Concept

Training in Systemair's leadership and corporate culture for all employees. The training is based on the "Train the trainer" concept,





and has been implemented at the subsidiaries over the past three years. All CEOs at the subsidiaries and the majority of employees in the major companies have by now completed the course.

Finance Controller Academy

Course dealing with financial accounting, follow-up and reporting.

M3 Academy

Course dealing with our ERP system.

eLearnings

Digital product courses facilitating the dissemination of product knowledge throughout the Company.

SAFE WORK ENVIRONMENT

Good working conditions and safe workplaces are important. No-one should need to go to the workplace and worry about their health, either physical or mental. We aim to prevent accidents and minimise sickness absence. Violence, threat, harassment, bullying or similar abuses of employees will not be tolerated. Systemair employees themselves decide whether

to join a labour union in accordance with the legislation in the country where they work.

To us, it is important to work methodically and via a common system for reporting, follow-up and improvement in health and safety, no matter where in the world our manufacturing facilities are located. On that basis, we have chosen to install IA, a Web-based system that provides excellent support in our efforts to develop the work environment. We measure, follow up and take action on risks, near-accidents and accidents in a methodical process and can also share various solutions from one factory to another. Risk reporting is important in enabling us to maintain an effective preventive programme based on risk analyses to prevent accidents in the first place. A safe and secure work-place is a prerequisite for job satisfaction, creativity and commitment.

DIVERSITY AND EQUAL OPPORTUNITY

Research and experience show that diversity and equal opportunity play a part in making companies more successful. They also create a more dynamic and stimulating work environment. During recruitment, we actively try to promote greater diversity and equal opportunity. At Systemair, we want everyone to feel welcome, whatever their background. What counts is knowledge, experience and qualities, and no discrimination based on sexual orientation, gender, age, ethnicity, the colour of skin or religion is allowed. All employees will be treated with respect, and no employee will be subject to bullying or abusive treatment.

Systemair strives to ensure that the same opportunities for development are open to all, irrespective of gender or ethnic origin. We are a global company, in which diversity is an asset in our dealings and projects around the world. The fact that, also, we can offer international work with many areas of contact makes us an attractive employer.

Of the Group's 5,465 employees, 23 percent are women. The Board of Directors has one woman member and Group Management has two women members. Systemair's ambition is that the proportion of women in managerial positions shall be 25 percent by 2025. In 2018/19, the final figure was 20 percent of women in managerial positions (2017/18: 21 percent).

PERFORMANCE REVIEWS

Our objective is that all employees should have one performance review per year. The review focuses on the employee's performance. In all cases, the immediate superior and the employee are together responsible for ensuring that competence development is aligned with the Company's direction of travel and vision.



102-8: INFORMATION ON EMPLOYEES

| Number of employees, by gender and type of employment | Men | | Women | | Total | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Permanent employment (indefinite-term employment and probationary employment) | 4,088 | 3,747 | 1,272 | 1,218 | 5,360 | 4,965 |
| Fixed-term employment | 367 | 274 | 87 | 48 | 454 | 322 |
| Total | 4,455 | 4,021 | 1,359 | 1,266 | 5,814 | 5,287 |
| Agency personnel | 187 | 164 | 15 | 14 | 202 | 178 |

| Number of employees, by region and type of employment | Nordic region | | Western Europe | | Eastern Europe & CIS | | North & South America | | Rest of World | |
|---|---------------|--------------|----------------|--------------|----------------------|--------------|-----------------------|------------|---------------|------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Permanent employment (indefinite-term employment and probationary employment) | 1,028 | 988 | 2,014 | 1,773 | 1,288 | 1,251 | 432 | 380 | 598 | 573 |
| Fixed-term employment | 24 | 39 | 158 | 38 | 38 | 22 | 46 | 52 | 188 | 171 |
| Total | 1,052 | 1,027 | 2,172 | 1,811 | 1,326 | 1,273 | 478 | 432 | 786 | 744 |
| Agency personnel | 0 | 6 | 40 | 26 | 29 | 28 | 13 | 7 | 120 | 111 |

| Number of employees, by gender and type of employment | Men | | Women | | Total | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Number of employees (full-time) | 4,029 | 3,699 | 1,164 | 1,105 | 5,193 | 4,804 |
| Number of employees (part-time) | 59 | 48 | 108 | 113 | 167 | 161 |
| Total | 4,088 | 3,747 | 1,272 | 1,218 | 5,360 | 4,965 |

102-41: PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

| | 2018/19 | 2017/18 |
|---|---------|---------|
| Part of employees covered by collective bargaining agreements | 41% | 34% |

401-1: EMPLOYEE TURNOVER

| New employee hires and employee turnover by gender | Men | | Women | | Total | |
|--|---------|---------|---------|---------|---------|---------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Number of new employees | 1,006 | 899 | 311 | 282 | 1,317 | 1,181 |
| Employee turnover ¹⁾ | 17.7% | 17.1% | 5.5% | 5.4% | 23.2% | 22.5% |
| Number of employees leaving the organisation | 709 | 599 | 205 | 168 | 914 | 767 |
| Personnel turnover ²⁾ | 12.5% | 11.4% | 3.6% | 3.2% | 16.1% | 14.6% |

¹⁾ Number of new employees / average number of employees

²⁾ Number of employees leaving the organisation / average number of employees

| New employee hires and employee turnover by age group | < 30 | | 30-50 years | | > 50 | |
|---|---------|---------|-------------|---------|---------|---------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Number of new employees | 545 | 527 | 631 | 535 | 141 | 119 |
| Employee turnover ¹⁾ | 10.8% | 10.0% | 11.1% | 10.2% | 2.5% | 2.3% |
| Number of employees leaving the organisation | 276 | 276 | 458 | 361 | 180 | 130 |
| Personnel turnover ²⁾ | 4.9% | 5.3% | 8.1% | 6.9% | 3.2% | 2.5% |

¹⁾ Number of new employees / average number of employees

²⁾ Number of employees leaving the organisation / average number of employees

| New employee hires and employee turnover by region | Nordic region | | Western Europe | | Eastern Europe & CIS | | North & South America | | Rest of World | |
|--|---------------|---------|----------------|---------|----------------------|---------|-----------------------|---------|---------------|---------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Number of new employees | 179 | 182 | 407 | 221 | 374 | 286 | 145 | 136 | 212 | 356 |
| Employee turnover ¹⁾ | 3.2% | 3.5% | 7.2% | 4.2% | 6.6% | 5.4% | 2.6% | 2.6% | 3.7% | 6.8% |
| Number of employees leaving the organisation | 153 | 123 | 317 | 194 | 291 | 186 | 56 | 108 | 97 | 156 |
| Personnel turnover ²⁾ | 2.7% | 2.3% | 5.6% | 3.7% | 5.1% | 3.5% | 1.0% | 2.1% | 1.7% | 3.0% |

¹⁾ Number of new employees / average number of employees

²⁾ Number of employees leaving the organisation / average number of employees

403-2: WORK-RELATED INJURIES, WORK-RELATED SICKNESS ABSENCE, SICKNESS ABSENCE AND TOTAL NUMBER OF WORK-RELATED FATALITIES

| Gender | Injury rate | | Sickness absence, % | |
|--------------|--------------|--------------|---------------------|--------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Men | 9.71 | 11.47 | 4.44% | 4.10% |
| Women | 1.53 | 2.56 | 2.40% | 2.76% |
| Total | 11.24 | 14.03 | 6.84% | 6.87% |

| Region | Injury rate | | Sickness absence, % | |
|-----------------------|-------------|---------|---------------------|---------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Nordic region | 11.09 | 16.19 | 8.11% | 9.57% |
| Western Europe | 24.56 | 46.91 | 8.26% | 7.41% |
| Eastern Europe | 3.16 | 3.66 | 12.26% | 15.07% |
| North & South America | 4.99 | 4.40 | 0.12% | 0.03% |
| Rest of World | 4.09 | 0.97 | 1.39% | 1.17% |

The table above is based on the number of incidents reported. In 2018/19, these totalled 301 (285). The figure for comparison from 2017/18 was revised during the year from 316 to 285. Of the 301 incidents reported, 188 were classified as work-related injuries. No fatalities occurred.

The number of cases reported of work-related sickness absence during 2018/19 was 90. During the year, we introduced a new process and new tools for effective reporting of occupational injuries, near-accidents and risks. As a result, the number of occupational injuries and work-related sickness absences in previous years is not comparable with figures for the past year. The new way of working has so far been introduced in 23 of 27 production units.

Notes to the above table:

Injury rate

Number of injuries x 200,000 / total number of hours worked during the accounting period.

Sickness absence

Absence in hours / total number of hours worked during the accounting period.

404-3: NUMBER OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

| | 2018/19 | 2017/18 |
|----------------------|------------|------------|
| Women | 44% | 49% |
| Men | 46% | 47% |
| All employees | 45% | 47% |

The table shows the proportion of employees receiving at least one structured performance review, by gender.

405-1: EMPLOYEES, BY AGE AND GENDER

| | 2018/19 | | 2017/18 | |
|---------------------------|---------|---------------------|---------|---------------------|
| | Number | Percentage of women | Number | Percentage of women |
| Board of Directors | | | | |
| 30-50 years | 1 | 0% | 1 | 0% |
| Over 50 years | 6 | 17% | 6 | 17% |
| Group Management | | | | |
| 30-50 years | 1 | 0% | 1 | 0% |
| Over 50 years | 7 | 29% | 6 | 20% |
| Other employees | | | | |
| Under 30 years | 1,099 | 21% | 1,031 | 27% |
| 30-50 years | 3,160 | 24% | 2,876 | 25% |
| Over 50 years | 1,547 | 23% | 1,373 | 24% |

The table shows the composition of the Board of Directors, Group Management and other employees, by gender and age category. There is a relatively even distribution among the age groups. Both the Board of Directors and Group Management now have female members and approximately a quarter of employees in the Group are women.

OUR VALUES

Systemair's fundamental values shape our corporate climate and guide us all when making decisions, wherever in the world we work. They guide us in how we, as employees, should behave in our day-to-day work, both towards each other and towards our customers and stakeholders.

Prioritise

TAKE THE INITIATIVE

We are proactive and take responsibility. At Systemair initiatives are appreciated, even if a result is not always achieved. It is our responsibility to actively seek information, search out relevant facts and contribute where necessary to find solutions.

TAKE DECISIONS

We make our decisions based on relevant and available facts. We stand by those decisions until they are superseded by others. Our organisation is solution-led and pragmatic, we involve colleagues when we make decisions to assure a better outcome – "Together we are strong".

FOLLOW THE STRATEGY

Our local strategy is in line with the Group's goals and strategy. At Systemair, we know what market position we are aiming for and we sell the selected product range to the defined customer platform. We constantly search for growth opportunities by selling as many products as possible from our factories. We use the tools selected by the Group in marketing, sales support systems, statistical follow-up, ERP systems and product selection programmes. We always respond quickly to enquiries and can, if we want, turn down orders.

Simplify

THE DIRECT ROUTE

At Systemair, making things simple and always looking for "the direct route" is in our DNA. This was the fundamental philosophy of the Group from the very start and a means of continuously making improvements. The concept of "the direct route" is a goal and a way of working in all processes in the Company, in order to improve and be as efficient as possible. "The direct route" also means expressing our opinion and standing by the decisions taken. We practise straightforward and clear communication and speak with people – not about people.

ORGANISATION AND STRUCTURE

We tackle tasks pragmatically and systematically, enabling us to take a proactive approach to challenges. Being organised and structured makes the job simpler, and we know from experience that a structured environment helps to deliver higher efficiency and better performance. A good organisation has created substantial value for Systemair over the years and has made us an attractive employer, supplier and partner. In our day-to-day work, we use the Systemair Sales Model, based on the customer platform, sales support system, product database and ERP system.

STANDARDISED PRODUCTS

Systemair supplies standardised, robust products that are easy to choose, install and maintain. Our base range of products enables us to maximise the benefits of scale in production and simplify day-to-day work for ourselves and our customers. Today, we have a bigger, more complex product range, but we continue to strive for benefits of scale and standardisation of our products. It is a fundamental requirement that our sales organisation focuses on selling the products that are made in the Group.

Inspire trust

STRAIGHTFORWARD, CLEAR COMMUNICATION

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

We communicate concisely and respectfully, internally and externally. We follow this policy even in our dealings with our competitors. It is our right and duty to express our opinion and stand by the decisions we have taken.

WE ARE A SAFE CHOICE

Systemair is a product supplier in the ventilation industry, which is part of the construction industry, and we deliver the best quality for any given market price. Our customers will not receive any unpleasant surprises when they receive a product from us. It will be as good as or better than expected. We are known for our professionalism in all parts of the process, from design, product development, purchasing, production, logistics and sales, through to after-market services. We focus closely on energy efficiency when developing our products, helping to reduce climate impact.

COLLECTIVE RESPONSIBILITY

We are strong and effective together, with each one of us taking our responsibility and striving to achieve our common goals. Ensuring the right competence in the Company is a shared responsibility. We all have a clearly defined role, for which we are responsible.

At Systemair, we have a culture of respecting each other, and we share our unique skills. Together, we can keep our promises and go the extra mile when it's needed. Collective responsibility starts with the individual.

BUSINESS ETHICS AND SOCIAL RESPONSIBILITIES

Systemair has a long history of responsible enterprise and takes its social responsibilities in the places where we work. As a client and major purchaser of products and materials, it is also important for us to maintain a high standard of business ethics, with zero tolerance for corruption and bribery.

RESPONSIBLE BUSINESS DEALINGS

At Systemair, we conduct our marketing and sales in an ethical and responsible way, based on quality, price, delivery reliability and a high standard of service. Systemair will always comply with the laws of the country concerned and our business decisions will always be made in the best interests of the Company. We have zero tolerance of corruption and our employees are not allowed to demand, offer or accept bribes or other illegal benefits to retain a customer or close a business deal. Social responsibility is a natural part of Systemair's corporate culture and we are aware that the Company plays an important role in the communities in which we work.

RESPONSIBILITY TO THE COMMUNITY

Good relationships with external partners are decisive for long-term success, regardless of where in the world we are doing business. We strive to understand the communities and the culture where we live and work and we engage in local community activities that promote development in the community and benefit local business. We engage in activities that contribute to the development of the local community. We also support various schools and education activities, as well as a local business.

COMMUNITY PROJECTS THAT SYSTEMAIR SUPPORTS

- In North America, Systemair supports an organisation that ensures that schoolchildren obtain educational tools and materials to enable them to take part in education from their first day at school.
- In Latvia, Poland, Slovenia, North America and Turkey, Systemair supports colleges and universities in promoting engineering courses in ventilation technology.
- In Germany, Systemair offers girls in elementary and middle schools the opportunity, for example at special Girls' Days, to find out about what jobs in technical professions can offer. The aim is to support a drive to get more women into the technical professions.
- Systemair in Germany is sponsoring the Pro-Children Project aiming to raise awareness even at young ages of the importance of eating correctly.
- In Sweden, Systemair is supporting an employers' initiative to narrow the gap between the labour market and school. The idea is quite simply to get schools to include working life as a subject on their timetable.
- Systemair in Sweden is supporting the Tekniksprånget project, an initiative in which the private and public sectors, government and employer organisations are working together to bolster Sweden's future skills provision. The project being managed by the Royal Swedish Academy of Engineering Sciences on behalf of the Swedish National Agency for Education.
- Systemair in Sweden is supporting Navigatorcentrum, an organisation supporting young people who have not quite found their place at school or work. Since autumn 2009, we have taken in 57 navigator students, 15 of whom have found permanent employment. During 2018/19, we had 13 pupils in work experience placements.
- In North America, Italy and Germany, we offer work experience places enabling pupils to test their theoretical knowledge in real-life situations. Our support is provided in the form of experience and guidance.
- In Denmark, we are supporting research projects on indoor climates at DTU, the Technical University of Denmark.
- In France, Systemair is supporting local schools by supplying surplus sheet metal for use in instruction in their industrial programmes. Systemair also donates old test-beds to a local school that offers a training programme in refrigeration technology.
- In Italy, Systemair is supporting Banco Alimentare (an organisation that collects surplus food and distributes it to charity organisations around Italy) through the donation of a refrigeration unit to the organisation's centre in northern Italy.





- In Turkey, Systemair is participating in tree-planting events.
- In Latvia, Systemair is partnering Latvia's Ministry of Finance in the Living Warmer project (a campaign with aims that include the raising of awareness of energy efficiency in buildings and reducing the consumption of heating).

SUPPLIER VERIFICATION

Systemair uses around 4,300 suppliers and sub-contract suppliers. The majority are European or North American, which means that they are bound by national laws and regulations that ensure acceptable working conditions. Our objective is to engage with specially selected "preferred suppliers" who we can have a long-term strategic partnership with. Systemair's suppliers are assessed and selected based on their capacity to deliver on commercially sound principles and their capacity to live up to Systemair's ethical guidelines for suppliers.

New suppliers are required to complete a self-assessment form before they qualify to work with Systemair. The form includes questions, for example, on financial strength, working conditions, child labour, health and safety, the environment and ethics. All new suppliers must confirm that they do not accept child labour in their business and do not accept products from suppliers who use child labour directly or indirectly via their sub-contract suppliers. The self-assessment form is regularly renewed.

Systemair also conducts on-site audits of suppliers, above all at the start of a new collaboration, at suppliers of health and safety critical equipment and at suppliers where we identify a need to improve their service. Systemair also employs special quality assurance agreements for suppliers of health and safety critical components.

205-3: INCIDENTS OF CORRUPTION (No.)

| | 2018/19 | 2017/18 |
|---|---------|---------|
| A number of incidents in which employees were dismissed or subjected to other disciplinary action for corruption | 0 | 0 |
| A number of cases in which contracts with business partners were not renewed due to violations related to corruption. | 0 | 0 |

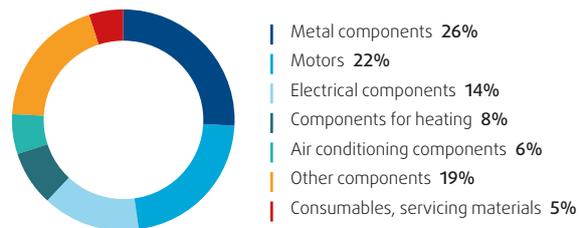
The table shows the number of incidents of corruption. In 2018/19 and 2017/18, we had no cases of corruption.

308-1, 414-1: PROPORTION OF NEW SUPPLIERS AUDITED (%)

| | 2018/19 | 2017/18 |
|------------------------|---------|---------|
| Environmental criteria | 98 | 98 |
| Social criteria | 99 | 98 |

Number of new suppliers audited regarding environmental factors and employment conditions.

PERCENTAGE BREAKDOWN OF SYSTEMAIR'S EXTERNAL PURCHASES OF COMPONENTS 2018/19



The diagram shows a percentage breakdown of Systemair's external purchases of components in 2018/19, by product category. The biggest product categories are motors and metal components, but electrical components, heating and air conditioning components etc. are also bought for use as components in Systemair's products and solutions.

RISK MANAGEMENT

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

| Risk category | Risk | Description | Risk level | Risk control measures in 2018/19 |
|----------------------------|---|--|------------|---|
| 1 MARKET RISKS | Market and competition risk | A widespread financial crisis and economic downturn. Aggressive price-cutting strategies by competitors. | ● | Monthly monitoring of market and sales trends enable quick action to be taken. Highly diversified sales, with customers in many countries and sectors. |
| | Macroeconomic trends | The risk of a lower rate of new buildings being constructed due to a level of interest rates, the performance of stock market, political decisions etc. | ● | Restructuring programme performed to realign production capacity. Continued focus on products for the renovation sector. |
| | International business operations | The risk of negative trade policy decisions or customs duties. The risk of political instability. | ● | Systemair is active in most industry organisations in the areas where the Company is active, in order to obtain information early and influence decisions. |
| 2 OPERATIONAL RISKS | Suppliers | Dependence on major suppliers of, for example, fan motors, and sensitivity to fluctuations in the prices of commodities such as sheet metal and copper. | ● | Systemair has built up a centralised purchasing organisation to minimise these risks and systematically assess strategically important suppliers. |
| | Production plant and distribution centres | The risk that an important plant or item of equipment is seriously damaged, for example by fire or leakage. | ● | Insurance cover and disaster plans, including a crisis management plan, drills and communication plan are updated annually. |
| | Business acquisitions | The risk that customers, suppliers or key people leave the Company. Integration and synergies take longer than expected to achieve. | ● | In recent years, Systemair has made a policy decision not to engage in acquisitions of companies where major resources are required for integration and transformation. |
| | IT infrastructure | The risk of disruption in access to Group-wide ERP systems. | ● | Continuous improvement in processes and systems for increased operating reliability. In recent years, Systemair has made major investments in upgrading IT systems. IT System is regularly audited by in-house personnel and external auditors. |
| | Product liability | The risk that products do not meet specifications, which may lead to claims from customers. | ● | The Company maintains global product liability insurance for SEK 200 million, which was updated during the year. |
| | Foreign exchange risk – transaction exposure | Major transactions take place in currencies such as EUR, which represents a currency exposure. | ● | Currency hedging is arranged for around 50 per cent of the EUR/SEK exposure. |
| 3 FINANCIAL RISKS | Foreign exchange risk – translation exposure | Foreign assets and liabilities are translated to Swedish kronor on consolidation. | ● | Major investments are often financed via borrowing in the same currency. |
| | Borrowing and interest rate risk | The risk that sharply changing circumstances in a company's market create problems in raising new loans. Significantly lower interest rates may result in poorer earnings for the Group. | ● | Financial risk management is discussed regularly by the audit committee and the Board. Financing in the Group has for the most part been centralised within the Parent Company. |
| | Credit and liquidity risk | The risk that a customer will be unable to fulfil his payment obligations. | ● | Strict credit policies are applied and there is no major concentration of credit risk. Systemair works actively on improving routines and processes for creditworthiness assessment. |
| | Brand | The risk that products do not live up to the brand promise, do not maintain high quality, are not safe and do not deliver low environmental impact. | ● | Systemair tests and quality assures all its products. Quality and production audits are performed regularly by the Group's factories. |
| 4 OTHER RISKS | | | | |

● Low ● Medium ● High

THE SHARE AND SHAREHOLDERS

THE SYSTEMAIR SHARE

Systemair's shares have been listed on Nasdaq Stockholm (Mid Cap) since 12 October 2007. The initial offer price was SEK 78 per share, corresponding to a market capitalisation of approximately SEK 4.1 billion. The market capitalisation on Friday 30 April 2019 was approximately SEK 6.0 billion (6.0). The share's trading symbol is SYSR.

CHANGES IN SHARE PRICE

At the end of the 2018/19 financial year, the share price was SEK 115.00, a fall of 0.7 percent from the price at the start of the financial year. In the same period, the OMX Stockholm's PI Index rose by 7.7 percent.

The number of Systemair shares traded on Nasdaq Stockholm totalled 3,771,714 (7,304,636), corresponding to a turnover rate of 7 percent (14) during the financial year.

SHARE CAPITAL AND VOTING RIGHTS

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

AGM'S AUTHORISATION

In 2018, the AGM resolved to authorise the Board, on one or more occasions during the period until the next AGM, with or without deviation from the preferential rights of the shareholders, to decide to increase the Company's share capital by issuing new shares. On the basis of that authorisation, the Company may issue new shares equal to no more than ten percent of the number of shares in the Company in issue at the time of the 2018 AGM. Any such issue shall be made on market conditions, with the right reserved to offer an issue discount where appropriate.

SHAREHOLDERS

The two main shareholders, Färna Invest AB, with a holding of 42.62 percent, and ebm-papst AB, with 21.27 percent, have not changed their holdings during the year.

Other major shareholders are Swedbank Robur Fonder, with 7.51 percent (7.46), Alecta Pensionsförsäkring, with 5.55 percent (4.90) and Nordea Investment Funds, with 3.34 percent (3.58).

The number of shareholders at the end of the accounting period, 30 April 2019, was 4,224 (3,666).

DIVIDEND POLICY AND DIVIDEND

The Board of Directors recommends that the AGM approve a dividend of SEK 2.00 (2.00) per share. As a result, shareholders' dividend payments for the 2018/19 financial year will amount to SEK 104 million.

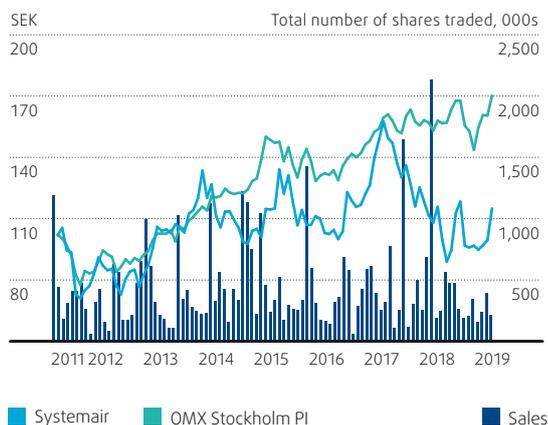
The dividend corresponds to 32 percent of the Group's profit after tax and exceeds the Company's dividend policy that approximately 30 percent should be distributed.

SHAREHOLDER INFORMATION

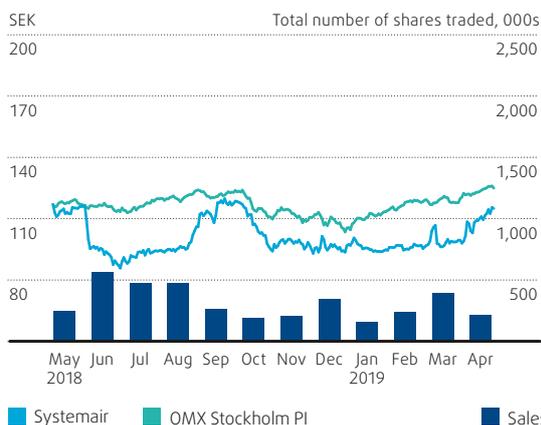
Management participates actively in meetings with analysts, investors, other shareholders and the media. This is crucial for stimulating interest in the Systemair share and to give both current and new shareholders ample opportunity to value the Group as fairly as possible.

Press releases are distributed without delay as soon as an event of material importance to the business occurs. These have also been archived on the Company's website since the IPO in 2007. Interim reports are also published in the form of press releases and have been archived on the website since 2007. Year-end accounts are published on the website and have been archived there since 2005. Financial data has also been published on the website since 2007. Similarly, share data has been available there since the IPO in 2007.

CHANGES IN SHARE PRICE, 8-YEAR OVERVIEW



SHARE PRICE, 12-MONTH OVERVIEW



SHAREHOLDER STRUCTURE

| Size of holding | No. of shareholders | No. of shares | Share of total shares held, % | Market value (SEK thousand) |
|-----------------|---------------------|-------------------|-------------------------------|-----------------------------|
| 1-500 | 3,473 | 460,529 | 0.89% | 52,961 |
| 501-1,000 | 378 | 313,177 | 0.60% | 36,015 |
| 1,001-5,000 | 257 | 570,106 | 1.10% | 65,562 |
| 5,001-10,000 | 30 | 235,334 | 0.45% | 27,063 |
| 10,001-15,000 | 18 | 225,129 | 0.43% | 25,890 |
| 15,001-20,000 | 9 | 165,059 | 0.32% | 18,982 |
| 20,001- | 59 | 50,030,666 | 96.21% | 5,753,527 |
| Total | 4,224 | 52,000,000 | 100.00% | 5,980,000 |

10 BIGGEST SHAREHOLDERS

| | Holding (%) | No. of shares |
|--|---------------|-------------------|
| Färna Invest AB ¹⁾ | 42.62% | 22,164,162 |
| ebm-papst AB | 21.27% | 11,059,770 |
| Swedbank Robur fonder | 7.51% | 3,904,027 |
| Alecta Pensionsförsäkring, Ömsesidigt | 5.55% | 2,888,000 |
| Nordea Investment Funds | 3.34% | 1,737,842 |
| Lannebo Fonder | 2.77% | 1,439,337 |
| Afa Försäkring | 2.74% | 1,422,262 |
| Brown Brothers Harriman/Lux, W8IMY WPR | 2.24% | 1,162,490 |
| JP Morgan Bank Luxembourg S.A. | 1.54% | 802,146 |
| Tredje AP-fonden | 0.82% | 426,916 |
| | 90.40% | 47,006,952 |
| Others | 9.60% | 4,993,048 |
| TOTAL | 100% | 52,000,000 |

Shareholders grouped according to Euroclear.

¹⁾ Chairman of the Board Gerald Engström's wholly owned private company.

Source: Shareholders' register at Euroclear AB, 30 April 2019.

SHARE DATA

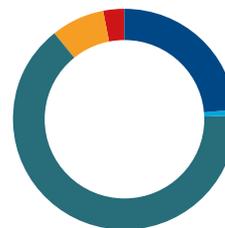
| | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|---------------------------------------|--------------------|------------|------------|------------|------------|
| No. of shares at 30 April | 52,000,000 | 52,000,000 | 52,000,000 | 52,000,000 | 52,000,000 |
| After tax earnings per share (SEK) | 6.18 | 4.43 | 5.66 | 3.98 | 5.96 |
| Cash flow per share (SEK) | 7.43 | 4.32 | 8.93 | 3.25 | 4.64 |
| Equity per share (SEK) | 54.60 | 50.39 | 45.79 | 40.54 | 40.04 |
| Share price, end of accounting period | 115.00 | 115.80 | 157.50 | 102.50 | 115.00 |
| High during the year (SEK) | 120.80 | 158.50 | 160.50 | 143.50 | 125.75 |
| Low during the year (SEK) | 84.10 | 99.20 | 95.25 | 96.25 | 89.00 |
| Dividend per share, proposed (SEK) | 2.00 ¹⁾ | 2.00 | 2.00 | 2.00 | 2.00 |
| After tax P/E | 18.61 | 26.14 | 27.83 | 25.75 | 19.30 |
| Direct yield (%) | 1.74 | 1.73 | 1.27 | 1.95 | 1.74 |
| Payout ratio (%) | 32.36 | 45.15 | 35.34 | 50.25 | 33.57 |
| Trading volume | 3,771,714 | 7,304,636 | 4,723,445 | 4,879,431 | 6,989,140 |
| Turnover rate (%) | 7.25 | 14.05 | 9.08 | 9.38 | 13.44 |

¹⁾ The Board of Directors proposes a dividend of SEK 2.00 (2.00) per share, for approval by the Annual General Meeting to be held in Skinnkatteberg on 29 August 2019.

SHARE CAPITAL

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

SHAREHOLDER CATEGORIES



- Financial companies **23.66%**
- Social insurance funds **0.82%**
- Stakeholder organisations **0.12%**
- Other Swedish legal persons **64.70%**
- Non-categorised legal persons **0.01%**
- Foreign-domiciled shareholders **7.66%**
- Swedish natural persons **3.03%**

ANALYSTS

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

Handelsbanken Capital Markets
Marcela Klang, +46 (0)70-603 51 18

Nordea Markets
Carl Ragnerstam, +46 (0)10-156 28 17

Kepler Cheuvreux
Douglas Lindahl, +46 (0)8-723 51 73

Redeye
Henrik Alveskog, +46 (0)8-545 013 45

Erik Penser Bank
Marlon Värnik, +46 (0)8-463 84 22

CORPORATE GOVERNANCE REPORT

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

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

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

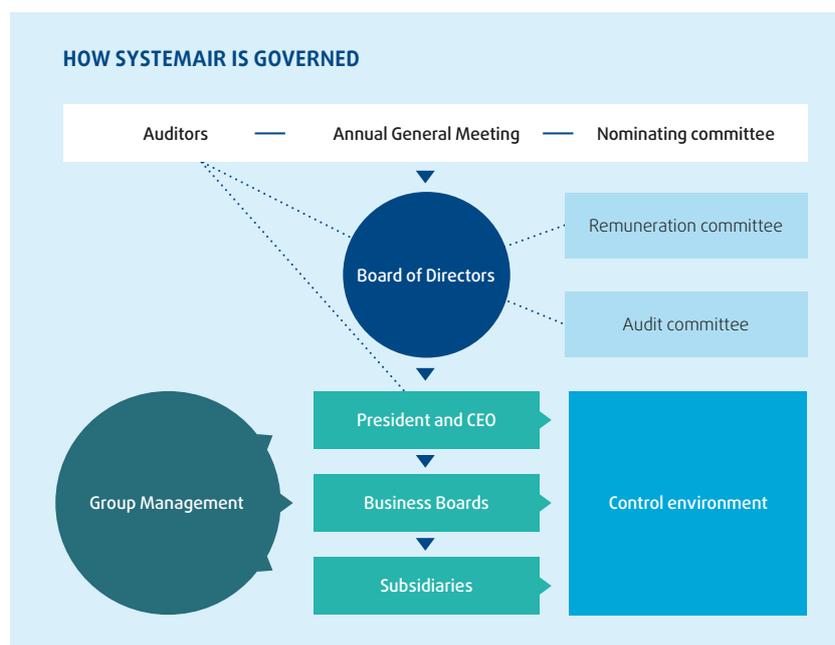
The AGM has appointed a nominating committee consisting of three of the largest shareholders. The chairman of the nominating committee is the Company's majority shareholder, Gerald Engström, who owns 42.6 percent of the share capital and votes in Systemair via his wholly owned company Färna Invest AB.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

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

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

SHAREHOLDERS AND SHARE CAPITAL

Systemair AB (org. reg. no. 556160-4108) is headquartered at Skinnskatteberg in the County of Västmanland, central Sweden. The Company's shares have been quoted on the Mid Cap List of Nasdaq Stockholm since 12 October 2007. The Company's trading symbol is SYSR. At the end of the accounting period, Systemair AB had 4,224 shareholders. The largest individual shareholder is Färna Invest AB, which owns 42.6 percent of the capital and votes and is 100%-controlled by the Chairman of the Board Gerald Engström. Other major share-



holders are ebm-papst AB, Järfälla, Sweden, wholly owned subsidiary of ebm-papst GmbH, Mulfingen, Germany, with 21.3 percent of the capital and votes, and Swedbank Robur Fonder, with 7.5 percent. All shares have a quotient value of SEK 1.00. At the financial year-end, 30 April 2019, the total number of shares outstanding was 52,000,000, all of the same class. For more information, see section "The Systemair Share", page 38.

ARTICLES OF ASSOCIATION

Systemair is a limited company whose business is to conduct the manufacture and sale of ventilation and heating products. The Board of Directors shall consist of no fewer than three and no more than eight members and no more than three deputy members. In addition, the trade unions are entitled by Swedish law to appoint two members and two deputies. The Board of Directors shall have its registered office in Skinnskatteberg Municipality, Västmanland County. The Company's

Annual Report and the management of the Company by the Board of Directors and the President shall be audited by a registered public accounting firm or an auditor, with or without a deputy auditor. The Company's financial year shall be 1 May–30 April. For the complete articles of association, please visit Systemair's website: group.systemair.com/se/Investera.

THE NOMINATING COMMITTEE

The 2018 AGM resolved that the nominating committee shall be made up of representatives of three of the biggest shareholders. The record date for determining the largest shareholders was 31 January 2019. The nominating committee shall submit nominations for the Chairman of the AGM, the Board and Chairman of the Board, the choice of auditors in consultation with the audit committee, proposed fees to the Chairman of the Board and other Board members, remuneration for work on committees and proposed auditors' fees. These proposals shall be presented to the AGM.

WORK OF THE BOARD DURING THE YEAR

Regular items on Board's agenda:

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



The nominating committee held one meeting in 2018/19. No remuneration was paid for work on the nominating committee. The proposals of the nominating committee to 2019 AGM are shown in the Notice of AGM posted on the Systemair website at group.systemair.com. Shareholders wishing to submit proposals for the nominating committee may do so by e-mail to any member of the nominating committee.

BOARD OF DIRECTORS

Diversity policy regarding the size and composition of Board

Systemair's diversity policy regarding the size and composition of the Board states that Systemair AB's Board of Directors must be of a size and composition that ensures its ability to administer the Company's affairs with integrity and efficiency. The Board's composition must be characterised by diversity and breadth in terms of competence, experience and background. The Board must also strive to achieve gender balance. The majority of the Board members elected by the AGM must be independent of the Company and the Company's Management Board. No Board member shall be appointed for a longer period than to the end of the following AGM.

Board's composition during the financial year

In the period until the 2018 AGM, Systemair's Board of Directors comprised Gerald Engström (Chairman), Carina Andersson, Hans Peter Fuchs, Svein Nilsen and Patrik Nölåker, all elected by the AGM. At the 2018 AGM, all were re-elected. Gerald Engström was elected Chairman

of the Board. The employees elected two representatives, Åke Henningsson, Unionen, and Ricky Sten, IF Metall. More detailed biographies of the members of the Board of Directors are provided on pages 46–47 of this annual report. Anders Ulf, CFO, serves as Board Secretary. As the table shows, all members of the Board elected by the AGM, except for Gerald Engström and Hans Peter Fuchs, are independent of Systemair. Senior executives participate as needed in Board meetings in a reporting capacity.

Work of the Board

During the 2018/19 financial year, the Board held 11 meetings and one statutory meeting. According to the Board's rules of procedure, the Board must meet at least

six times during the financial year. All decisions taken by the Board were unanimous and placed on record. The work of the Board is governed by annually approved rules of procedure that regulate the work of the Board and its internal allocation of tasks, including committees, the decision-making process within the Board and the Board's meeting procedures. The President also maintains regular contacts with the Chairman of the Board. During the year, the Board of Directors assessed its work. All directors participated in the assessment and commented. The Chairman of the Board is responsible for the assessment.

Remuneration committee

The Board appointed a remuneration committee consisting of Carina Andersson,

COMPOSITION OF THE NOMINATING COMMITTEE FOR THE 2019 AGM

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

DIRECTORS – ATTENDANCE AND DEPENDENCE/INDEPENDENCE

| | Board of Directors | Remuneration committee | Audit committee | Year elected | Dependent/Independent | |
|-------------------------------|--------------------|------------------------|-----------------|--------------|-----------------------|-------------|
| | | | | | Company | Shareholder |
| Number of meetings | 12 | 2 | 5 | | | |
| Gerald Engström | 12 | 2 | – | 1974 | Dep. | Dep. |
| Carina Andersson | 12 | 2 | 5 | 2015 | Indep. | Indep. |
| Hans Peter Fuchs | 12 | – | – | 2017 | Dep. | Dep. |
| Svein Nilsen | 12 | – | – | 2016 | Indep. | Indep. |
| Patrik Nölåker | 12 | 2 | 5 | 2016 | Indep. | Indep. |
| Åke Henningsson ¹⁾ | 12 | – | – | 2015 | – | – |
| Ricky Sten ¹⁾ | 12 | – | – | 2014 | – | – |

¹⁾ Employee Representative.

Gerald Engström and Patrik Nolåker (chairman). The committee's functions are:

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

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

Audit committee

The Board appointed an audit committee consisting of Board members Carina Andersson (chair) and Patrik Nolåker. The committee's tasks include:

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

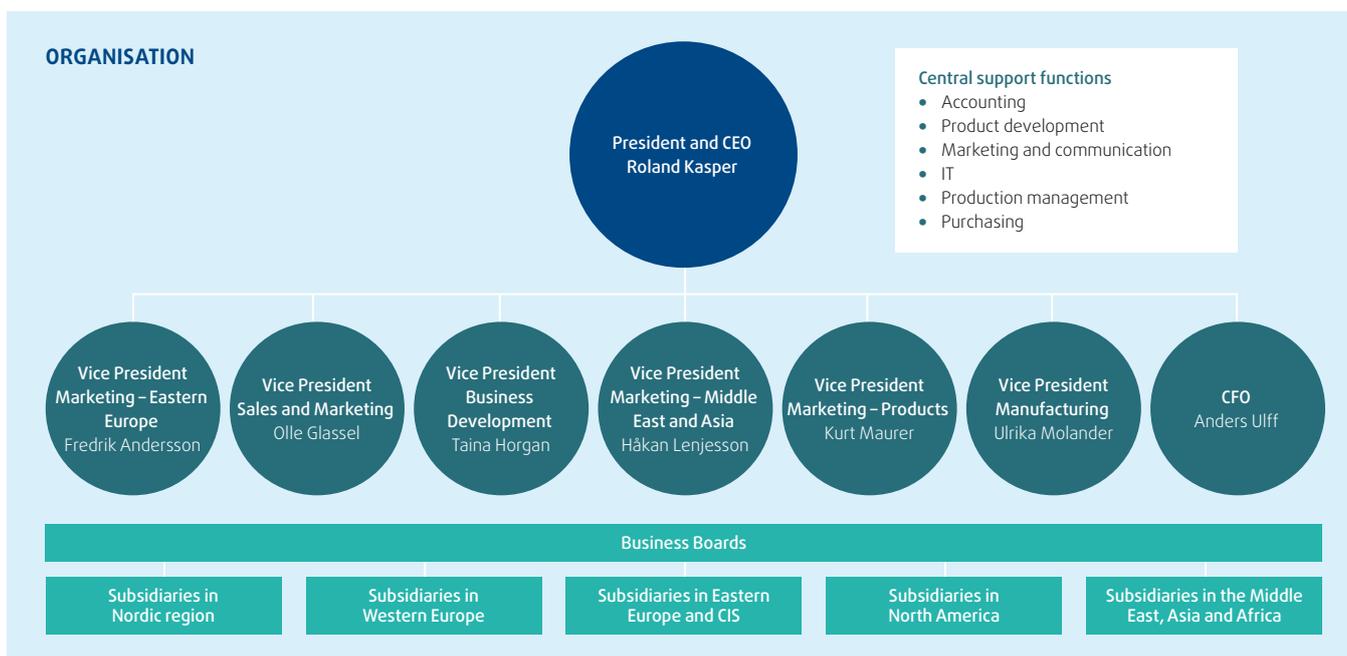
The committee held five minuted meetings, which were also attended by the Company's CFO, a Group controller and auditor. These meetings addressed issues such as the risk assessment of internal control and risk management concerning financial reporting, procurement of auditing services and IT security. Reports were submitted from internal audits performed. The findings of the meetings were minuted and presented at the next Board meeting.

GROUP MANAGEMENT

President Roland Kasper, who is also Chief Executive Officer of the Parent Company, is responsible for the day-to-day control of the Group. He receives reports from the Group's Executive Management Team,

comprising Vice President Marketing – Eastern Europe Fredrik Andersson, Vice President Sales and Marketing Olle Glassel, Vice President Marketing – the Middle East and Asia Håkan Lenjesson, Vice President Marketing – Products Kurt Maurer, Vice President Manufacturing Ulrika Molander and Chief Financial Officer Anders Ulff. In March, Taina Horgan was recruited to the role of Vice President Business Development. President and CEO Roland Kasper oversees the work of the Group's Executive Management Team.

Group Management holds regular meetings during the year to review the results of the Group and individual subsidiaries, as well as the market and business situation, and to make decisions on strategic and operational matters within frameworks established by the Board. One of these yearly meetings is wider-ranging, involving more detailed discussion and planning for operations and the setting of targets at Group and subsidiary levels. Systemair's organisation is characterised by a simple, straightforward style of communication, so ongoing informal contact among Company executives is also key to the management culture. The Executive Management Team is supported by functions at Group level for Group financing,



treasury, business development, product development, production, purchasing, communication and IT.

BUSINESS BOARDS AND GOVERNANCE OF SUBSIDIARIES

The Systemair Group consists in total of 85 companies, of which 75 are operational. The Parent Company is Systemair AB (co. reg. no. 556160-4108), which owns most of the subsidiaries directly. All subsidiaries are 100%-owned, apart from Systemair-HSK of Turkey, which is 90%-owned, Systemair Tradus of Brazil, which is 75%-owned and Tekadood of Austria, which is 50%-owned.

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

board of directors, if required by law in the country concerned.

SENIOR EXECUTIVE REMUNERATION

Guidelines

At the 2018 AGM, guidelines on senior executive remuneration were adopted. Remuneration to senior executives shall – based on the conditions in the market in which the Company operates and the environment in which the particular executive works – be competitive, enable the recruitment of new executives and motivate senior executives to remain with the Company. The system of remuneration shall consist of a fixed salary and pension, but may also include variable salary and benefits such as, for example, a company car. In addition to the above, special incentive programmes approved by the AGM may apply. Fixed salary and benefits shall be determined individually based on the aforementioned criteria and the specific competence of the particular executive. Variable salary will be paid subject to the attainment of clearly established targets. The maximum variable remuneration payable to the member of Group management concerned shall for the CEO be 40 percent of annual salary and for other senior executives 25 percent. As a rule, pensions shall

be paid through defined contribution plans. The size of the pension shall adhere to the same criteria as above and be based on a fixed salary. The Board is entitled to depart from these guidelines if justified in any particular case. Remuneration to the President and other senior executives is presented in Note 11.

Notice of termination and severance payments

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

Pensions

The Chairman and the directors do not receive any pension benefits in connection with their Board duties. The pensionable age for all senior executives is 65 years. Pension costs for senior executives totalled SEK 3.4 million in 2018/19.

ANNUAL GENERAL MEETING 2018

Systemair's Annual General Meeting, held in Skinnskatteberg on 30 August 2018, was attended by 83 shareholders, representing 88 percent of the shares and votes in the Company. Gerald Engström, Chairman of the Board, was appointed to chair the meeting. The Chairman, Gerald Engström, informed the AGM of the work of the Board and reported on the guidelines for remuneration to senior executives and the work of the Board's committees. Also, CEO Roland Kasper held a speech about Systemair's business during the financial year 2017/18. Åsa Lundvall, the auditor in charge, presented sections of the audit report.

Resolutions adopted at the AGM:

- To discharge the Board and CEO from liability in respect of the past financial year.
- To re-elect Gerald Engström, Carina Andersson, Hans Peter Fuchs, Svein Nilssen and Patrik Nolåker as members of the Board.
- To elect Gerald Engström as Chairman of the Board.

- To pay a Board fee of SEK 550,000 to the Chairman and SEK 275,000 to each director not employed by the Company, together with an extra fee of SEK 600,000 to the Chairman of the Board for work in connection with acquisitions. In addition, fees shall be paid to the audit committee in a total amount of SEK 75,000, with SEK 50,000 being paid to the committee chairman and SEK 25,000 to the other member. To pay a fee of SEK 27,500 to each employee representative.
- That a dividend of SEK 2.00 per share is paid.
- That the nominating committee shall be made up of representatives of the three biggest shareholders, based on the ownership details on 31 January 2019.
- To authorise the Board, during the period until the 2019 AGM, to take decisions to issue new shares equal to no more than 10 percent of the number of shares in the Company.

The minutes from the 2018 AGM are available on Systemair's website at: group.systemair.com/Investerare

INTERNAL CONTROL OF FINANCIAL REPORTING

REPORT OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL FOR FINANCIAL YEAR 2018/19

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report has been drawn up in accordance with the Swedish Annual Accounts Act. It describes how the internal control of financial reporting is performed. The Board thus has an important role to play in quality assuring financial reporting, which includes issues of internal control and compliance, verification of reported values and estimates and other issues that could influence the quality of the financial disclosures. Internal control is based on the structure in the framework for internal control referred to as the COSO model, from the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

CONTROL ENVIRONMENT

Effective work by the Board of Directors is the basis of effective internal control. The control environment in Systemair is characterised by short paths between Group management and the operational units. The Board of Directors has adopted several key documents to create and maintain a smoothly functioning control environment that is material to financial reporting. These include the Board of Directors' rules of procedure, instructions for the CEO, a financial policy and accounting manuals. Instructions and guidelines for financial reporting are prepared and updated continuously by the Parent Company's controller organisation. An audit committee has been established within the Board of Directors. Its task is to ensure that policies adopted on financial reporting and internal control are complied with and developed. The committee also maintains day-to-day relationships with the Company's auditor. The audit committee and the Board include accounting and auditing issues as a recurring item on the agenda at the four Board meetings at which the quarterly reports are discussed.

RISK ASSESSMENT

Systemair's Board of Directors is responsible for identifying and managing significant financial risks and risks of errors in financial reporting. Regarding financial reporting, the primary risk is deemed to be material errors arising in the disclosures of the Company's results and position. The Board, audit committee and

management continuously assess reporting from a risk viewpoint, in which comparisons of income statement and balance sheet items with previous disclosures and budgets form an essential element. In addition, regular risk assessments are conducted in connection with strategic planning, budgeting, forecasting and acquisition activities.

CONTROL ACTIVITIES

Important instructions and guidelines for financial reporting are prepared and updated continuously by the Group's central controller organisation and are readily accessible on the Group's intranet.

All companies in the Group report five working days after the end of the month in a common group consolidation and reporting system so that any deviations or errors can be captured quickly and corrected, for example.

At the end of the accounting period, the Group comprised around, 80 subsidiaries that mostly are owned directly by the Parent Company, Systemair AB. The subsidiaries are legal entities with their comprehensive income statements and balance sheets. Each subsidiary reports to the Parent Company every month, where consolidation is performed.

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

For the majority of its subsidiaries, the Group has a common, 100%-integrated ERP system that provides a highly efficient tool for management, control and follow-up. For major decisions such as those in connection with acquisitions, investments and significant contracts, clearly-defined decision-making methods and processes are in place.

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

INFORMATION AND COMMUNICATION

The President and the CFO are jointly responsible for the accuracy and good quality of all information published externally, including quarterly reports, press releases and company presentations in

conjunction with analysts' meetings. The tasks of the Company's auditor include reviewing accounting issues that are material to financial reporting and reporting his or her observations to the Board.

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

The Board's rules of procedure regulate which reports and information of a financial nature will be presented continuously and for each Board meeting.

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

FOLLOW-UP

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

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

During the year, the controller organisation performed several internal audits of subsidiaries. This work adheres to a standardised model, in which various material issues associated with internal guidelines and policies are followed up.

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

INTERNAL AUDIT

Systemair has a simple operating structure with excellent facilities for internal control. Compliance with the systems of governance and internal control developed by the Company is regularly followed up by the Group's controllers. In addition, ongoing follow-up is performed by the business boards and Group management. Further control and follow-up are exercised by the Board of Directors.

Day-to-day dialogue between the Company and its external auditors and the checks carried out by the above bodies are considered at present to be adequate to ensure that internal control remains effective. Every year, the Board evaluates the need for internal auditing. To date, it has concluded that a separate internal auditing function would not deliver any material benefit. This judgement is assessed continuously, and a review will take place in 2019/20.

BOARD OF DIRECTORS



ÅKE HENNINGSSON

Employee Representative
Current position: Service &
After Sales Manager
Holding: 400 shares
Born: 1957
Year elected: 2015

RICKY STEN

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

HANS PETER FUCHS

Director
Finance Manager, ebm-papst
Muldingen GmbH & Co. KG.
Education: Degree in Macroeconomics
from Johannes Gutenberg University,
Mainz.
Formerly: Senior financial position
in the Atmel Group.
Holding: –
Born: 1961
Year elected: 2017
Independent: No

CARINA ANDERSSON

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



GERALD ENGSTRÖM

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

SVEIN NILSEN

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

PATRIK NOLÅKER

Director
 Chairman, AQ Group AB, Velcora Holding AB, Saferoad Group AS and Fibo Group AS.
 Director, Outotec Oyj.
 Education: Upper secondary qualification in Engineering, BSc in Business Administration and MBA from the Maastricht School of Management.
 Formerly: CEO of Dywidag Systems International S.a.r.l., Alimak Hek Group and senior positions at Atlas Copco, ABB etc.
 Holding: 4,000 shares
 Born: 1963
 Year elected: 2016
 Independent: Yes

EXECUTIVE MANAGEMENT TEAM



◀ ROLAND KASPER

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



▲ FREDRIK ANDERSSON

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



▲ HÅKAN LENJESSON

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



◀ KURT MAURER

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



◀ ANDERS ULFF

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



▲ OLLE GLASSEL

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



◀ TAINA HORGAN

Vice President Business Development
 Education: Dipl. in Business Economics,
 IHM Business School.
 Formerly: Sales and Marketing Director,
 FläktGroup.
 Holding: –
 Born: 1965
 Employed since: 2019



◀ ULRIKA MOLANDER

Vice President Manufacturing
 Education: Graduate engineer, Borås University.
 Formerly: President, BDX Företagen AB.
 Operations Director, Sapa Profiler AB.
 Holding: 672 shares
 Born: 1966
 Employed since: 2016

DIRECTORS' REPORT

DESCRIPTION OF THE BUSINESS AND FINANCIAL INFORMATION

General

The Board of Directors and President of Systemair AB (publ), corporate identity number 556160-4108, present the Company's annual report and consolidated accounts for the 2018/19 financial year, the Company's 46th year of operations. Systemair AB (publ) has its registered office and head office in Skinnskatteberg, Sweden.

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

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

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

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

Menerga supplies air handling units for swimming pools, and comfort and process ventilation equipment of extra high efficiency.

With production plants in 19 countries (Sweden, Denmark, Norway, France, Italy, the Netherlands, Spain, Germany, Lithuania, Slovakia, Slovenia, the Czech Republic, Brazil, Canada, the USA, India, Malaysia, South Africa and Turkey) and total production and warehousing facilities extending to over 300,000 m², Systemair is an important international player in its product areas.

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

The Systemair Share

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

Stock market listing

Since 12 October 2007, Systemair shares have been quoted (trading symbol: SYSR) on the Mid Cap List of the Nasdaq OMX Nordic Exchange in Stockholm. The number of shareholders is just over 4,200.

Changes in organisation, Board and Group Management

In the period until the 2018 AGM, Systemair's Board of Directors comprised five members, Carina Andersson, Gerald Engström (Chairman), Patrik Nolåker, Svein Nilssen and Hans Peter Fuchs, all elected by the AGM. At the 2018 AGM, all sitting members were re-elected. Gerald Engström was elected Chairman of the Board.

In March 2019, Taina Horgan was recruited as Vice President Business Development at Systemair and at that time also joined Systemair's Group Management. Taina comes to Systemair from a position as Sales Director at Flakt Group and brings many years of experience in sales and business development. She began her career in the ventilation industry with Systemair from 1999 to 2012, during which she worked in logistics, IT and business development.

Group

Sales and profit

Consolidated sales totalled SEK 8,326 million (7,301), 14.0 percent higher than in the preceding financial year. Organic growth was 7.6 percent. Companies acquired contributed 3.0 percent, SEK 215 million. Exchange rate effects in the translation of foreign subsidiaries' accounts had a positive net effect of 3.5 percent on sales.

Sales in the Nordic region rose 7 percent over the year. Adjusted for both currency translation effects and acquisitions, the increase in sales was 5 percent. The Norwegian market is the biggest in the region and the second-biggest overall, with sales of SEK 777 million. Sales in Norway grew by 6 percent over the year. The Finnish and Swedish markets also expanded during the year, Finland by 13 percent and Sweden by 8 percent. However, the Danish market fell back by 3 percent over the financial year.

In Western Europe, sales were up 19 percent. Acquired companies contributed SEK 189 million, or 6 percent, with the acquisition of the Spanish company Koolair accounting for the biggest share. Adjusted for acquisitions and currency translation effects, sales increased by 6 percent, with changes in exchange rates – chiefly the euro – having a positive impact of 7 percent. The biggest market in the region, and overall for the whole Group, is Germany. Other major Systemair markets in Western Europe are France, the Netherlands, the United Kingdom and Italy.

The market in Eastern Europe & CIS showed an increase of 10 percent over the year. Sales in the region totalled SEK 1,282 million (1,166). Adjusted for the currency translation effects and acquisitions, sales in Eastern Europe & CIS rose by 7 percent during the year. The Russian market continued its recovery during the year, with an increase of 2 percent, stated in Swedish kronor.

| Sales – Geographic breakdown | 2018/19 | | | 2017/18 | |
|------------------------------|----------------|-------------|------------|----------------|-------------|
| | May-Apr | % of total | change | May-Apr | % of total |
| Nordic region | 1,829.7 | 22% | 7% | 1,709.5 | 23% |
| Western Europe | 3,551.4 | 43% | 19% | 2,990.3 | 41% |
| Eastern Europe & CIS | 1,282.1 | 15% | 10% | 1,165.5 | 16% |
| North and South America | 736.6 | 9% | 22% | 602.0 | 8% |
| Middle East, Asia and Africa | 926.7 | 11% | 11% | 833.9 | 12% |
| Total | 8,326.5 | 100% | 14% | 7,301.2 | 100% |

Systemair's major markets in the region are Russia, the Czech Republic, Poland and Slovenia.

Sales in the North and South American markets increased by 22 percent compared to the preceding year. Sales totalled SEK 737 million (602). The acquisition of Greentek in Canada is having a major impact. Adjusted for currency translation effects and acquisitions, sales increased by 8 percent.

Sales in the Middle East, Asia and Africa rose by 11 percent during the year. After adjustments for currency translation effects and acquisitions, sales increased by 17 percent. Systemair's major markets in the region are Turkey, India and South Africa.

Profits

Operating profit for the financial year from May 2018 to April 2019 totalled SEK 528.1 million (349.6). The operating margin was 6.3 percent (4.8).

Selling and administration expenses for the year totalled SEK 2,216.1 million (2,013.4), an increase of SEK 202.7 million. Company acquisitions during the year accounted for SEK 49.6 million (53.0) of the year's expenses. As a result, selling and administration expenses for comparable units rose by SEK 153.1 million, or 7.6 percent. Acquisition-related expenses during the year totalled SEK 0.8 million (1.9). Selling expenses for the full year were charged with SEK 33.7 million (26.2) for expected bad debts.

Financial income, consisting of interest income, totalled SEK 2.9 million (4.3). Financial expenses for the year totalled SEK -73.0 million (-20.7). Interest expenses accounted for SEK -33.6 million (-27.1).

The tax expense for the year amounted to SEK -136.8 million (-103.1), corresponding to a tax charge of 29.9 percent (30.9), based on the profit after financial items.

Investments

Total investments for the financial year amounted to SEK 530.9 million (508.3), excluding divestments. Gross investments in new construction and machinery totalled SEK 226.3 million (403.7), excluding divestments. Major investments were made in a new office property in Germany, and investment into machinery in Canada, the Czech Republic and Lithuania. The total paid for acquisitions and formerly withheld purchase considerations in the financial year was SEK 273.9 million (79.4). Depreciation and amortisation of non-current assets totalled SEK 233.3 million (204.6) for the year.

Acquisitions, new operations and disposals

In November, Systemair acquired the Spanish company Koolair. Koolair is a leading manufacturer of air distribution products. Export markets account for 50 percent of the company's sales. Production in Mostoles on the outskirts of Madrid is highly automated. Sales for the company total around EUR 32 million on an annualised basis.

In August, Systemair acquired Greentek in Canada, a division of the Imperial Manufacturing Group Inc. Greentek is based in Moncton, approximately 50 kilometres from Systemair's production facility at Bouctouche, in the Province of New Brunswick. The company develops, manufactures and sells high-quality air handling units with heat recovery, for homes in the Canadian and USA

markets. Annual sales are valued at around CAD 10 million. Since completion of the acquisition, operations have been co-located with Systemair's production facility in Canada.

In August, Systemair acquired 21 percent of the shares in Pacific HVAC Engineering, Australia. The company is a wholesaler of ventilation products in the Australian market. The business generates sales worth around AUD 29 million.

In July, Systemair acquired 49.9 percent of the shares in Burda WTG GmbH, Germany. Burda sells and develops radiant heaters for outdoor use. The company has a number of patents and smart technical solutions. Systemair has an option to acquire the remaining shares in the company within three years. Burda has sales of EUR 2.8 million.

In May 2018, Systemair signed an agreement to sell its Norwegian subsidiary Reftec A/S. The company has been acquired by its former management and is continuing to operate as an exclusive distributor of Systemair's air conditioning products in the Norwegian market. In 2017/18, Reftec posted net sales of NOK 28.9 million, with an operating profit of NOK -2.0 million.

If the companies acquired had been consolidated as of 1 May 2018, net sales for the period May 2018 through April 2019 would have totalled approximately SEK 8,506.2 million. The operating profit for that period would have totalled approximately SEK 539.5 million. For a more detailed information on acquisitions during the financial year, new businesses and disposals, see Note 32.

Personnel

The average number of employees in the Group was 5,672 (5,249). At the end of the period, Systemair had 6,016 employees (5,465), 551 more than one year previous. New employees were recruited chiefly in South Africa (28), Turkey (27), Denmark (24), the Czech Republic (22), Brazil (21), Spain (21), the USA (16), Slovenia (16), VEAB in Hässleholm, Sweden (14) and Russia (13). Personnel cut-backs were made at Frivent Austria (-26), Slovakia (-17), TTL in Germany (-15) and Sweden (-11). The acquisition of Greentek in Canada and Koolair in Spain brought 407 employees into the Group while the disposal of Reftec in Norway reduced the number of employees by 13.

Cash flow and financial position

Cash flow from operating activities before changes in working capital during the period totalled SEK 536.0 million (398.7). The increase from the year before was chiefly attributable to a higher operating profit. As a result of increases in trade accounts receivable and inventory, working capital had a negative impact of SEK 149.5 million (-173.9) on cash flow. Net cash flow from financing activities totalled SEK 161.8 million (+218.8), as a result of increased net borrowing. Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 2,245.9 million (1,978.4), and net indebtedness at year-end was SEK 2,080.6 million (1,837.7).

The consolidated equity/assets ratio was 41.7 percent (42.5) at the financial year-end. The target adopted by the Board for the equity/ assets ratio, 30 percent or more, was comfortably attained.

Group's financial policy

Systemair has established subsidiaries that operate in 50 countries, with our production facilities in 19 of them. Systemair products are sold in 100 or so countries around the world. The Group's financial risk-taking is governed by mandates approved by Systemair AB's Board of Directors. Financial management at an overall level is conducted in the Parent Company, which is also responsible for overseeing compliance with the Group's financial policy. The objective of the financial management functions is to see to it that the supply of capital and liquidity is assured. Exposures to financial risk are maintained within the mandate approved by the Board.

The purpose of the Group's financial policy is to establish a clear allocation of responsibilities and to set out guidelines and rules as to which financial risks may be accepted within the Group and how these risks are to be managed.

All treasury operations for the Group, in the form of risk and foreign exchange management as well as borrowing, are conducted centrally by the Parent Company in Skinnskatteberg. The Group's financial policy serves as the framework not only for financial risk management but for financial activities in general. Payments and cash flows are managed using central accounting systems. Systemair AB has granted short- and long-term loans to its subsidiaries. The value of these loans, translated into Swedish kronor, was SEK 1,772.6 million (1,470.6) on the balance sheet date.

The Soliditet AB credit-rating agency retained its AAA rating for Systemair AB for the 26th consecutive year.

Risks and uncertainties

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

Financial survey

Over the past ten years, growth in Group sales has averaged 9.8 percent. The average annual operating margin (EBIT) has been 7.1 percent over the same period. The average equity/assets ratio for the past ten years has been 44.8 percent. Of total Group sales, 94 percent (94) are to customers outside Sweden.

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

For more key performance measures and information on how they are calculated, see pages 94–95 and Systemair's website at: group.systemair.com/se/investerare/finanssiella-data/

Outlook

The market and demand remain strong in most of Systemair's markets. It is anticipated that good organic growth will continue.

Our closest focus remains improvement in profitability for the Group. In 2018/19, we continued to focus on realising the synergistic gains sought from earlier acquisitions. For example, we merged production units in Canada and Germany and relocated production from Austria to Slovenia. In addition, we worked intensively on companies with profitability and volume problems. Over the new 2019/20 financial year, this work will continue with a single aim: to achieve the goal for operating margin, 10 percent.

Seasonal factors

Systemair's business operations are influenced by seasonal variations arising from cold weather conditions. Usually, activity in the autumn is higher because much construction work is being completed before winter. In addition, during the cold periods of the year, demand for heating products rises while the reverse applies to air conditioning products. Normally the second quarter, August to October, is when Systemair marks up its strongest sales.

Financial targets

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

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

Proposed guidelines on remuneration to senior executives

The Board of Directors has proposed the following guidelines on remuneration to senior executives, for the period beginning with the 2019 Annual General Meeting. The guidelines also comply with those adopted at the AGM for the preceding year, other than as regards variable remuneration.

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

The system of remuneration shall consist of a fixed salary and pension but may also include variable salary and benefits such as, for example, a company car. In addition to the above, special incentive programmes approved by the AGM may apply. Fixed salary and benefits shall be determined individually based on the aforementioned criteria and the specific competence of the executive. Variable remuneration will be paid subject to the attainment of clearly established targets. Variable remuneration will be paid

| Five-year survey | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|-----------------------------|---------|---------|---------|---------|---------|
| Net sales | 8,326 | 7,301 | 6,864 | 6,113 | 5,882 |
| EBIT | 528 | 350 | 439 | 344 | 377 |
| Operating margin | 6.3% | 4.8% | 6.4% | 5.6% | 6.4% |
| Equity/assets ratio | 42% | 43% | 45% | 44% | 44% |
| Return on capital employed | 11% | 9% | 12% | 10% | 12% |
| Average number of employees | 5,672 | 5,249 | 4,907 | 4,613 | 4,385 |

as a proportion of a fixed salary and shall be subject to a set limit amounting to only 40 percent for the Chief Executive Officer and only 25 percent for other managers in the organisation. Pensions shall be paid through defined contribution plans. The pension contributions shall be based on market conditions in the sector in a particular country and based on the fixed salary.

The Board may depart from these guidelines if justified in any case.

Product development

At Systemair, it is vital to develop a steady stream of new energy-efficient ventilation products and solutions capable of meeting the future needs of the market. It is vital to have insight into the opportunities in the market and the customer's needs and so to be one step ahead of the competition. To us, it is important to develop the "right" product in a proper and effective manner, in the shortest possible time.

In the Systemair mission, product development plays a prominent role. The Group is to develop high-quality, reliable products with long service life, that are energy-efficient and improve the indoor climate. They must be simple to understand, use, install and maintain. To do this, Systemair has developed an efficient product development process and an organisation consisting of around 250 engineers and technicians with innovative expertise across a range of technologies. Every year, Systemair invests approximately 450,000 hours in developing new or improved products and services, via 24 technology teams and nine technology centres in 18 countries.

Quality system

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

Environmental management system

Systemair attaches great importance to strict compliance with environmental regulations. Environmental issues and conservation remain a priority area, and we focus on constantly improving methods and work procedures to reduce environmental impact. For more information, see Systemair's Sustainability Report on pages 8-13, 26-37 and 97.

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

Systemair Sverige AB is engaged in activities subject to environmental registration. They are Category C activities, meaning that environmental inspections are the responsibility of Skinnskatteberg Municipality.

Parent Company

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

The Parent Company's net sales for the financial year totalled SEK 131.3 million (106.9). Profit after tax amounted to SEK -29,7 million (27,0). The company had 51 employees (49).

The balance sheet shows a strong equity/assets ratio of 42 percent (48).

Events since the end of the financial year

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

Sustainability Report

Under Section 6, subsection 11 of the Swedish Annual Accounts Act, Systemair has drawn up a separate Sustainability Report, which is reproduced on pages 8-13, 26-37 and 97 of this Annual Report. The GRI supplement is included as pages 98-99 and is published on Systemair's website at: group.systemair.com/se/investerare/aarsredovisningar/

Proposed appropriation of profits

Available for distribution by the Annual General Meeting:

| | |
|------------------------------|--------------------------|
| Share premium reserve | SEK 35,206,751 |
| Fair value reserve | SEK -5,167,245 |
| Profit brought forward | SEK 1,663,766,806 |
| Net profit/loss for the year | SEK -29,666,714 |
| | SEK 1,664,139,598 |

The Board proposes that the Annual General Meeting, to be held on 29 August 2019, approves a dividend of SEK 2.00 (2.00) per share. As a result, dividend payments will amount to SEK 104.0 million (104.0). The remaining unappropriated amount is to be carried forward. The proposed dividend corresponds to 32 percent (45) of net consolidated profit. The number of shares entitled to a dividend is 52,000,000.

FINANCIAL STATEMENTS

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Consolidated Income Statement

| SEK m., 1 May–30 April | Note | 2018/19 | 2017/18 |
|---|--------------|----------------|----------------|
| Net sales | 4, 5 | 8,326.5 | 7,301.2 |
| Cost of goods sold | 6 | -5,597.7 | -4,887.2 |
| Gross profit | | 2,728.8 | 2,414.0 |
| Other operating income | 9 | 169.6 | 116.9 |
| Selling expenses | 6 | -1,826.9 | -1,652.7 |
| Administration expenses | 6, 7 | -389.2 | -360.7 |
| Other operating expenses | 10 | -154.2 | -167.9 |
| Operating profit/loss | 6, 8, 11, 12 | 528.1 | 349.6 |
| Financial income | 13 | 2.9 | 4.3 |
| Financial expenses | 14 | -73.0 | -20.7 |
| Profit/loss after financial items | | 458.0 | 333.2 |
| Tax | 15 | -136.8 | -103.1 |
| Profit for the year | | 321.2 | 230.1 |
| <i>Attributable to:</i> | | | |
| Parent Company shareholders | | 322.3 | 230.5 |
| Non-controlling interests | | -1.1 | -0.4 |
| Earnings per share ¹⁾ | 38 | 6.18 | 4.43 |
| Average no. of shares during period ¹⁾ | | 52,000,000 | 52,000,000 |

¹⁾ Not affected by dilution.

Consolidated Statement of Comprehensive Income

| SEK m., 1 May–30 April | 2018/19 | 2017/18 |
|---|--------------|--------------|
| Profit for the year | 321.2 | 230.1 |
| Other comprehensive income, net after tax | | |
| <i>Items that have been, or may later be, transferred to profit for the year</i> | | |
| Translation differences, foreign operations | 30.6 | 123.1 |
| Translation effects, long-term loans to subsidiaries with no settlement planned | -1.9 | 0.8 |
| Tax effects on translation effect, long-term loans to subsidiaries with no settlement planned | 0.4 | -0.2 |
| <i>Items that cannot be transferred to profit for the year</i> | | |
| Change in defined-benefit pensions, gross before tax | -13.3 | -14.7 |
| Tax on change in defined-benefit pensions | 2.6 | 3.0 |
| Other comprehensive income, net after tax | 18.4 | 112.0 |
| Total comprehensive income for the year | 339.6 | 342.1 |
| <i>Attributable to:</i> | | |
| Parent Company shareholders | 340.7 | 342.5 |
| Non-controlling interests | -1.1 | -0.4 |

Consolidated Balance Sheet

| SEK m. | Note | 30/04/2019 | 30/04/2018 |
|---|-------|----------------|----------------|
| ASSETS | 23 | | |
| Non-current assets | | | |
| <i>Intangible assets</i> | 5, 16 | | |
| Goodwill | | 846.8 | 759.1 |
| Capitalised development costs | | 7.5 | 8.9 |
| Brands, customer relationships | | 209.7 | 161.0 |
| Other intangible assets | | 47.9 | 47.0 |
| | | 1,111.9 | 976.0 |
| <i>Property, plant and equipment</i> | 5, 16 | | |
| Buildings and land | | 1,161.8 | 1,156.6 |
| Plant and machinery | | 379.1 | 302.5 |
| Equipment and tools | | 163.1 | 140.5 |
| Construction in progress | | 65.4 | 122.6 |
| | | 1,769.4 | 1,722.2 |
| <i>Financial and other assets</i> | | | |
| Other securities held as non-current assets | 17 | 1.5 | 1.5 |
| Participations in associated companies | 31 | 22.2 | - |
| Deferred tax assets | 15 | 212.9 | 213.4 |
| Other long-term receivables | 18 | 31.0 | 25.5 |
| | | 267.6 | 240.4 |
| Total non-current assets | | 3,148.9 | 2,938.6 |
| Current assets | | | |
| <i>Inventory</i> | 20 | | |
| Raw materials and consumables | | 747.7 | 654.8 |
| Products in progress | | 116.0 | 138.7 |
| Finished products | | 645.7 | 605.9 |
| | | 1,509.4 | 1,399.4 |
| <i>Short-term receivables</i> | | | |
| Accounts receivable – trade | 21 | 1,685.0 | 1,462.2 |
| Taxes recoverable | | 53.0 | 34.1 |
| Other receivables | | 80.6 | 67.4 |
| Prepaid expenses and accrued income | 19 | 82.5 | 66.5 |
| Other investments in securities etc. | | 1.0 | 2.2 |
| | | 1,902.1 | 1,632.4 |
| Cash and bank balances | | 250.4 | 212.8 |
| Total current assets | | 3,661.9 | 3,244.6 |
| Available-for-sale asset | 32 | - | 11.8 |
| TOTAL ASSETS | | 6,810.8 | 6,195.0 |

| SEK m. | Note | 30/04/2019 | 30/04/2018 |
|---|------|----------------|----------------|
| EQUITY AND LIABILITIES | 23 | | |
| Equity | | | |
| Share capital | 22 | 52.0 | 52.0 |
| Additional paid-in capital | | 2.2 | 2.2 |
| Translation reserve | | 145.4 | 116.3 |
| Profit brought forward, incl. profit for the year | | 2,639.6 | 2,449.8 |
| Total equity | | 2,839.2 | 2,620.3 |
| Non-current liabilities | | | |
| Non-current liabilities, interest-bearing | 23 | 1,070.0 | 690.7 |
| Provisions for pensions | 27 | 86.2 | 74.8 |
| Provisions for deferred tax liabilities | 15 | 93.2 | 90.1 |
| Other provisions | 28 | 66.2 | 73.1 |
| Other non-current liabilities | 23 | 43.0 | 37.5 |
| Total non-current liabilities | | 1,358.6 | 966.2 |
| Current liabilities | | | |
| Current liabilities, interest-bearing | 23 | 1,175.9 | 1,283.2 |
| Accounts payable – trade | | 746.8 | 673.6 |
| Income tax liability | | 85.3 | 85.0 |
| Other liabilities | | 300.6 | 239.7 |
| Accrued expenses and deferred income | 24 | 304.4 | 317.8 |
| Total current liabilities | | 2,613.0 | 2,599.3 |
| Total liabilities | | 3,971.6 | 3,565.5 |
| Liabilities attributable to available-for-sale assets | 32 | – | 9.2 |
| TOTAL EQUITY AND LIABILITIES | | 6,810.8 | 6,195.0 |
| Pledged assets | 34 | | |

Statement of Changes in Equity – Group

| SEK m. | Attributable to Parent Company shareholders | | | | Total equity |
|---------------------------------------|---|----------------------------|---------------------|---|--------------|
| | Share capital | Additional paid-in capital | Translation reserve | Profit brought forward, incl. profit for the year | |
| Equity, 30 April 2017 | 52.0 | 2.2 | -7.4 | 2,334.5 | 2,381.3 |
| Dividends | | | | -104.0 | -104.0 |
| Profit for the year | | | | 230.1 | 230.1 |
| Revaluation of share purchase options | | | | 0.9 | 0.9 |
| Other comprehensive income | | | 123.7 | -11.7 | 112.0 |
| Equity, 30 April 2018 | 52.0 | 2.2 | 116.3 | 2,449.8 | 2,620.3 |
| Dividends | | | | -104.0 | -104.0 |
| Profit for the year | | | | 321.2 | 321.2 |
| Revaluation of share purchase options | | | | -16.7 | -16.7 |
| Other comprehensive income | | | 29.1 | -10.7 | 18.4 |
| Equity, 30 April 2019 | 52.0 | 2.2 | 145.4 | 2,639.6 | 2,839.2 |

Consolidated Cash Flow Statement

| SEK m., 1 May–30 April | Note | 2018/19 | 2017/18 |
|--|------|---------------|---------------|
| Operating activities | | | |
| Operating profit/loss | | 528.1 | 349.6 |
| Interest received | | 2.8 | 4.3 |
| Interest paid | | -35.1 | -28.2 |
| Adjustment for non-cash items etc. | 36 | 193.1 | 220.4 |
| Income tax paid | | -152.9 | -147.4 |
| Cash flow from operating activities before changes in working capital | | 536.0 | 398.7 |
| Changes in working capital | | | |
| Inventory | | -28.3 | -159.6 |
| Short-term receivables | | -243.2 | -104.4 |
| Accounts payable - trade | | 107.8 | 54.0 |
| Current liabilities | | 14.2 | 35.6 |
| Cash flow from operating activities | | 386.5 | 224.3 |
| Investing activities | | | |
| Acquisition of subsidiaries | 32 | -273.9 | -79.4 |
| Disposals of subsidiaries | 32 | 2.2 | - |
| Acquisitions of companies carrying deficits from operations conducted previously | | - | -5.7 |
| Acquisition of intangible assets | | -12.4 | -19.5 |
| Acquisition of property, plant and equipment | | -226.3 | -403.7 |
| Sale of property, plant and equipment | | 15.5 | 26.4 |
| Acquisition of financial assets | | -20.5 | - |
| Cash flow from investing activities | | -515.4 | -481.9 |
| Financing activities | | | |
| Borrowings | 23 | 625.7 | 564.3 |
| Repayment of loans | 23 | -359.9 | -241.5 |
| Dividend to shareholders | | -104.0 | -104.0 |
| Cash flow from financing activities | | 161.8 | 218.8 |
| Increase/Decrease in cash and cash equivalents | | 32.9 | -38.8 |
| Cash and cash equivalents at start of year | | 213.3 | 241.8 |
| Exchange rate difference in cash and cash equivalents | | 4.2 | 9.8 |
| Cash and cash equivalents at end of year | | 250.4 | 212.8 |

Parent Company Income Statement

| SEK m., 1 May–30 April | Note | 2018/19 | 2017/18 |
|---|--------|---------------|---------------|
| Net sales | 5 | 131.3 | 106.9 |
| Cost of goods sold | | - | - |
| Gross profit | | 131.3 | 106.9 |
| Other operating income | 9 | 4.6 | 2.4 |
| Selling expenses | | -57.4 | -59.3 |
| Administration expenses | 7, 8 | -91.2 | -100.1 |
| Other operating expenses | 10 | -68.0 | -83.6 |
| Operating profit/loss | 11, 12 | -80.7 | -133.7 |
| Profit/loss from participations in Group companies | 29 | -29.7 | 62.5 |
| Other interest income and similar profit/loss items | 13 | 29.8 | 26.0 |
| Interest expense and similar profit/loss items | 14 | -32.9 | -13.5 |
| Profit/loss after financial items | | -113.5 | -58.7 |
| Appropriations | 25 | 86.6 | 79.9 |
| Pre-tax profit | | -26.9 | 21.2 |
| Tax on profit for the year | 15 | -2.8 | 5.8 |
| Profit/loss for the year | | -29.7 | 27.0 |

Parent Company Statement of Comprehensive Income

| SEK m., 1 May–30 April | 2018/19 | 2017/18 |
|---|--------------|-------------|
| Profit/loss for the year | -29.7 | 27.0 |
| Other comprehensive income | | |
| Translation effects, long-term loans to subsidiaries with no settlement planned | - | - |
| Tax effect on translation effect, long-term loans to subsidiaries | - | - |
| Other comprehensive income, net after tax | - | - |
| Total comprehensive income for the year | -29.7 | 27.0 |

Parent Company Balance Sheet

| SEK m. | Note | 30/04/2019 | 30/04/2018 |
|--|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| <i>Intangible assets</i> | | | |
| Goodwill | 16 | - | 0.1 |
| Capitalised development costs | | 7.5 | 8.9 |
| Licences and other intangible assets | | 21.9 | 20.5 |
| | | 29.4 | 29.5 |
| <i>Property, plant and equipment</i> | | | |
| Plant and machinery | 16 | 9.9 | - |
| Equipment and tools | | 2.7 | 3.8 |
| Construction in progress | | 24.4 | 22.1 |
| | | 37.0 | 25.9 |
| <i>Financial assets</i> | | | |
| Participations in Group companies | 30 | 2,277.7 | 2,417.0 |
| Participations in associated companies | 31 | 9.8 | - |
| Receivables from Group companies | 33 | 345.5 | 158.2 |
| Deferred tax assets | 15 | 8.2 | 6.5 |
| Other long-term receivables | 18 | 19.7 | 15.6 |
| | | 2,660.9 | 2,597.3 |
| Total non-current assets | | 2,727.3 | 2,652.7 |
| Current assets | | | |
| <i>Short-term receivables</i> | | | |
| Accounts receivable – trade | 21 | - | - |
| Receivables from Group companies | | 1,427.1 | 1,312.4 |
| Taxes recoverable | | 10.5 | 11.7 |
| Other receivables | | 2.1 | 1.6 |
| Prepaid expenses and accrued income | 19 | 14.3 | 12.1 |
| | | 1,454.0 | 1,337.8 |
| <i>Cash and bank balances</i> | | | |
| | | - | - |
| Total current assets | | 1,454.0 | 1,337.8 |
| TOTAL ASSETS | | 4,181.3 | 3,990.5 |

Parent Company Balance Sheet (cont.)

| SEK m. | Note | 30/04/2019 | 30/04/2018 |
|--------------------------------------|------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| <i>Restricted equity</i> | | | |
| Share capital | 22 | 52.0 | 52.0 |
| Statutory reserve | | 10.0 | 10.0 |
| Fund for development expenditure | | 5.7 | 6.7 |
| | | 67.7 | 68.7 |
| <i>Non-restricted equity</i> | | | |
| Share premium reserve | | 35.2 | 35.2 |
| Fair value reserve | | -5.2 | -5.2 |
| Profit brought forward | | 1,663.8 | 1,739.8 |
| Profit/loss for the year | | -29.7 | 27.0 |
| | | 1,664.1 | 1,796.8 |
| Total equity | | 1,731.8 | 1,865.5 |
| Untaxed reserves | 26 | 6.0 | 5.1 |
| Provisions | | | |
| Non-current liabilities | | | |
| Liabilities to credit institutions | 23 | 856.3 | 409.2 |
| Liabilities to Group companies | | 549.7 | 550.2 |
| | | 1,406.0 | 959.4 |
| Current liabilities | | | |
| Bank overdraft facilities | 23 | 948.5 | 1,039.8 |
| Liabilities to credit institutions | 23 | 26.6 | 30.3 |
| Accounts payable – trade | | 10.7 | 9.3 |
| Income tax liability | | 2.3 | - |
| Liabilities to Group companies | | 13.3 | 14.0 |
| Other liabilities | | 20.3 | 40.6 |
| Accrued expenses and deferred income | 24 | 15.8 | 26.5 |
| | | 1,037.5 | 1,160.5 |
| TOTAL EQUITY AND LIABILITIES | | 4,181.3 | 3,990.5 |

Changes in Equity – Parent Company

| SEK m. | Share capital | Statutory reserve | Fund for development expenditure | Non-restricted equity | | | Total equity |
|------------------------------|---------------|-------------------|----------------------------------|-----------------------|--------------------|---|--------------|
| | | | | Share premium reserve | Fair value reserve | Profit brought forward, incl. profit for the year | |
| Equity, 30 April 2017 | 52.0 | 10.0 | 5.6 | 35.2 | -5.2 | 1,844.9 | 1,942.5 |
| Dividend | | | | | | -104.0 | -104.0 |
| Profit/loss for the year | | | | | | 27.0 | 27.0 |
| Other comprehensive income | | | 1.1 | | | -1.1 | 0.0 |
| Equity, 30 April 2018 | 52.0 | 10.0 | 6.7 | 35.2 | -5.2 | 1,766.8 | 1,865.5 |
| Dividend | | | | | | -104.0 | -104.0 |
| Profit/loss for the year | | | | | | -29.7 | -29.7 |
| Other comprehensive income | | | -1.0 | | | 1.0 | 0.0 |
| Equity, 30 April 2019 | 52.0 | 10.0 | 5.7 | 35.2 | -5.2 | 1,634.1 | 1,731.8 |

Dividend paid in 2018 totalled SEK 104 m., corresponding to SEK 2.00 per share.

Parent Company Cash Flow Statement

| SEK m., 1 May–30 April | Note | 2018/19 | 2017/18 |
|--|------|---------------|---------------|
| Operating activities | | | |
| Operating profit/loss | | -80.7 | -133.7 |
| Interest received | | 29.8 | 20.6 |
| Interest paid | | -21.7 | -12.7 |
| Adjustment for non-cash items etc. | 36 | 17.2 | 19.1 |
| Income tax paid | | 11.4 | -3.6 |
| Cash flow from operating activities before changes in working capital | | -44.0 | -110.3 |
| Changes in working capital | | | |
| Short-term receivables | | -485.1 | -149.1 |
| Accounts payable – trade | | 0.7 | -11.3 |
| Current liabilities | | -13.8 | 5.3 |
| Cash flow from operating activities | | -542.2 | -265.4 |
| Investing activities | | | |
| Acquisition of property, plant and equipment | | -15.4 | -23.6 |
| Acquisitions/paid-in capital at subsidiaries | | -42.0 | -293.9 |
| Sale of Group companies | | 2.7 | - |
| Dividends on shares in subsidiaries | | 307.3 | 262.6 |
| Group contributions received | | 79.4 | - |
| Acquisition of intangible assets | | -6.8 | -7.2 |
| Acquisition of financial assets | | -13.0 | - |
| Cash flow from investing activities | | 312.2 | -62.1 |
| Financing activities | | | |
| Dividend to shareholders | | -104.0 | -104.0 |
| Borrowings | | 460.4 | 536.9 |
| Repayment of loans | | -126.4 | -105.4 |
| Cash flow from financing activities | | 230.0 | 327.5 |
| Increase/Decrease in cash and cash equivalents | | 0.0 | 0.0 |
| Cash and cash equivalents at the start of the year | | - | - |
| Cash and cash equivalents at the end of the year | | - | - |

Notes

Note 1 Accounting and valuation policies

Systemair AB's consolidated accounts for the year ended 30 April 2019 were approved on 4 July 2019 by the Board of Directors and the President for publication and will be submitted for adoption to the 2019 Annual General Meeting. The Parent Company is a Swedish limited liability company with its registered office at Skinnskatteberg, Sweden.

Basis of preparation

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

Parent Company's accounting policies

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2 (Accounting for Legal Entities). Accordingly, the Parent Company complies with IFRS as far as that is possible within the scope of the Swedish Annual Accounts Act and with regard to the relationship between accounting and taxation. In the Parent Company, untaxed reserves are recognised inclusive of deferred tax. In the consolidated accounts, this item is classified as deferred tax and equity. Appropriations are recognised gross in the Parent Company income statement. All Group contributions received and provided are recognised as appropriations in the income statement. In the Parent Company, goodwill has been amortised over five years. Goodwill was amortised in full during the current financial year.

Amended and new accounting policies for the year

The following describes the amended accounting policies applied by the Group since 1 May 2018. The amended IFRS applied since 1 May 2018 hasn't had a material effect on the Group's accounting policies.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments has superseded IAS 39 Financial Instruments: Classification and Measurement. The new standard differs from IAS 39 as regards principles by which financial assets are to be classified and measured. Financial assets are classified according to the Group's business model (purpose of the holding) and the contractual flows of the financial asset. The new classification categories do not in any material way affect Systemair's accounting policies or measurement with regard to IAS 39.

The new standard also states amended rules on impairment testing of financial assets, including replacement of the earlier "incurred loss method" by a new "expected loss method". This amendment has required a change in Systemair's valuation methodology for calculation of credit loss provision regarding financial assets. On every balance sheet date, the provisions for losses on financial assets are now measured at the amounts corresponding to expected credit losses, and the provisions reflect estimated changes in credit risk on underlying assets. This change in valuation methodology has not impacted in any way on recognised provisions for losses. The adoption of IFRS 9 has not caused any transitional effect.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers has superseded IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 has introduced a principles-based, five-stage model for recognition of revenue from customer contracts. The core principle is that recognised revenue shall directly reflect the consideration expected to be received on the satisfaction of a performance obligation for a customer, and shall correspond to the consideration to which the Group is entitled at the transfer of control of the products or services delivered to the counterparty. The earlier standard was based on the principle that revenue would be recognised in entirety once the material economic risks and benefits associated with a specific transaction had been transferred to the counterparty.

In the 2017/18 financial year, the Group assessed the effects of IFRS 15 to determine whether any differences between earlier revenue recognition principles and the new requirements under IFRS 15 arose, as well as to prepare for implementation of the new standard within the Group. The overall conclusion was that the new revenue recognition standard does not have any material impact on Systemair's historical financial position. Consequently, Systemair does not present any restatements for earlier periods.

Systemair's revenue is generated mainly from the manufacture and sale of ventilation products, together with servicing of ventilation products. The major share of sales meet the requirements for recognising revenue at a specific point in time, that is when control of equipment passes to the customer. Revenue is recognised according to that principle and IFRS 15 will therefore not lead to any change in revenue recognition in this case. As regards customer contracts fulfilled over time, revenue is to be recognised over time as the criteria set out in IFRS 15 are met. Systemair's view is that the contracts that meet the criteria for revenue recognition over time are already recognised over time, and consequently this has no material impact on the Group's revenue recognition.

Systemair provides maintenance services to customers via separate service agreements. Revenue from service activities is today already recognised as the customer receives and uses the benefits provided, and IFRS 15 thus does not represent any departure from current principles. On the sale of products, Systemair provides warranties that for the most part cover original product defects. In some cases, extended warranty periods are offered, but given what the warranty covers, the warranties provided are not regarded as additional service warranties. On that basis, warranties provided are not considered as separate performance obligations, but instead will continue to be recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. If, in a particular case, an extended warranty is regarded as a separate performance obligation, the associated revenue will be recognised over time.

Future amendments to accounting policies

Several new or amended IFRS have not yet taken effect and had not been adopted early when the consolidated and Parent Company financial statements were drawn up. One new standard that going forward is considered likely to have a material impact on the consolidated financial statements in the period when it is implemented for the first time is IFRS 16 Leases. The new standard is to be applied to financial years beginning on or after 1 January 2019. Other standards and interpretations not yet in force are not considered likely to have any material effect on the consolidated or Parent Company financial statements.

IFRS 16 Leases

IFRS 16 Leases entered into force on 1 January 2019, superseding IAS 17 Leases. Systemair applies the standard as of 1 May 2019. IFRS 16 requires the lessee, as a principle, to recognise all rental and lease contracts on the balance sheet. As a result, classification into operating and finance leases no longer applies. The underlying asset for the lease contract is recognised on the balance sheet. In subsequent periods, the right-of-use under the contract is recognised at cost less depreciation and any impairment, as well as adjustments for any revaluations of the lease liability. The lease liability is recognised in the statement of financial position and is recognised continuously at amortised cost fewer lease payments made. Re-measurement of balance sheet items will be made continuously on the basis of changes in interest rate/index components, lease terms, residual value guarantees etc. Short-term lease contracts (right-of-use contracts for less than 12 months) and leases in which the underlying asset is of low value (less than USD 5,000) do not have to be recognised on the balance sheet. Such items will be recognised in operating income in the same way as for current operating leases.

During the 2018/19 financial year, Systemair analysed and evaluated the contractual and financial implications to the Group of existing rental and leases. Based on the new financial reporting standard, rental agreements and leases that are currently classified as operating leases will as of 1 May 2019 be subject to balance sheet recognition, which will affect the Group's financial position. However, the transitional rule issued by IFRS will be applied, under which the balance sheet will not recognise short-term leases (less than 12 months) and leases in which the underlying asset is of low value (less than USD 5,000). As regards discounting of calculated balance sheet values, the Group has applied a marginal borrowing rate for the currency and asset category concerned.

On adoption of IFRS 16 Leases, it is estimated that the consolidated balance sheet will increase by SEK 307 million via recognition of rental and lease contracts as in the guidelines described above. Approximately 520 leases are included in the leasing portfolio recognised. The majority of these leases relate to vehicles, whereas the major share of the amount recognised is attributable to property-related leases. As regards the consolidated income statement, a forward-looking change will be made by replacing current operating expenses attributable to operating leases by amortisation and interest expenses. Based on contracts identified at the start of the 2019/20 financial year, operating income is expected to be

>> Note 1 (cont.)

| SEK m. | Closing balance, 30 April 2019, before adoption of IFRS 16 | Estimated reclassifications of financial leases on adoption of IFRS 16 | Estimated adjustments on adoption of IFRS 16 | Estimated adjusted opening balance, 1 May 2019 |
|--|---|---|---|---|
| Non-current assets | 1,769.4 | -7.0 | - | 1,762.4 |
| Rights-of-use | - | 7.0 | 307.0 | 314.0 |
| Other liabilities | 300.6 | -7.0 | - | 293.6 |
| Lease liabilities, interest-bearing | - | 7.0 | 307.0 | 314.0 |

charged with SEK 9 million in lease fees on an annualised basis for the next financial year, which will be reflected in a higher financial expense of approximately the same amount. It is anticipated that the net effect on income after financial items will be marginal.

The effect of adoption of IFRS 16 on the consolidated financial statements is summarised above.

Systemair will not restate figures for comparison. All leases affected by the new standard will be measured on the first day of adoption as if the standard had always applied.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 – Uncertainty over Income Tax Treatments clarifies the application of the requirements for recognition and measurement in IAS 12 Income Taxes. It is to be applied in determining taxable profit (or loss), taxable values, unused tax losses, unused tax credits and tax rates. The interpretation has been adopted by the EU. It has not been applied by Systemair, and the provisional judgement is that it will not have any material effect on the Group's accounting policies.

Other changes are not expected to have any material effect on the Group's accounting policies.

No new or amended IFRS have been adopted early.

Statement of compliance with applicable regulations

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

Consolidated accounts*Basis of consolidation*

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

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

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

Subsidiaries acquired are reported in the consolidated accounts based on acquisition accounting. The same applies to businesses acquired directly. Based on acquisition accounting, the historical cost of the shares, or the directly acquired business, is apportioned over the assets acquired and undertakings and liabilities assumed at the time of acquisition based on their fair value at that time. Any additional purchase considerations are measured at fair value. If the historical cost exceeds the fair value of the net assets of the company acquired, the difference constitutes goodwill. If the historical cost is less than the fair value of the net assets of the company acquired, the difference is recognised directly in the income statement. Transaction costs arising in connection with acquisitions are recognised directly in profit/loss for the year, under Other operating expenses. In cases where a conditional purchase consideration is remeasured at fair value, this is recognised in Operating profit.

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

Investments in associated companies

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

Translation of accounts of foreign operations

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

Translation of receivables and liabilities denominated in foreign currencies

Transactions denominated in non-Swedish currencies are translated at the rate prevailing on the transaction date. On the balance sheet date, monetary receivables and liabilities denominated in foreign currencies are translated at the rate on that date. All exchange rate differences are charged to the income statement except for those differences arising in loans in foreign currencies raised to hedge net investments in foreign operations or those arising in claims on subsidiaries that are not planned to be settled or are unlikely to be settled in the foreseeable future. Exchange rate differences in such loans or claims are recognised in other comprehensive income, under the headings Hedging of net assets in foreign operations and Translation differences and are transferred to the income statement in the event of the divestment of the foreign operation in future. During the year, exchange rate losses of SEK -1.5 million (0.6), net after tax, on loans regarded as net investment in subsidiaries were recognised in Other comprehensive income.

Net sales

Net sales are recognised at the fair value of the consideration received, or the consideration that will be received, for goods and services sold in the regular operations of the Group. Revenue is recognised at the point in time when control over the products or services supplied has passed to the counterparty as per agreement. Recognised revenue then reflects the consideration expected on satisfaction of contractual obligations towards the customer and corresponds to the consideration that the Group is considered to be entitled to.

Revenue streams

The revenue streams represented in the Group are related to sales of ventilation and heating products, and, to a lesser extent to services such as installation and servicing. Sales of products (individual or integrated) are regarded as a performance obligation and the revenue is recognised when the performance obligation has been satisfied, and the customer has obtained control over the product, at a specific point in time (usually on physical delivery to the counterpart).

In certain cases, sales also take place within project-based activities. Revenue recognition then takes place over time, at each part-delivery in accordance with what is provided for in the contract, and when the customer has obtained control over the product. Any services, such as installation and servicing is generally recognised as revenue when its obligation is discharged.

>> Note 1 (cont.)

Warranties

On the sale of products, warranties are provided, depending on the product's nature, condition and area of application. The conditions in warranties provided cover for the most part only original product defects. Long warranty periods may occur in individual product categories, but based on what the warranty covers and subject to conditions on how the product is to be used/maintained, warranties provided are not regarded as extended service guarantees. On that basis, warranties provided are not recognised as separate performance obligations as defined in IFRS 15, but instead are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Segment reporting

The Group manufactures and sells ventilation products. System's highest executive decision-maker, the President and CEO of the Parent Company, oversees and manages operations per legal entity. The number of legal entities in Systemair is about 80, and so, according to the IFRS 8 standard, the Group has that number of segments. Because the presentation of 80 segments would entail excessively detailed information, the standard proposes aggregating these if there are similar economic characteristics and the segments resemble one another, including with regard to other factors such type of product and type of customer. As of the 2016/17 financial year, Systemair aggregates into the geographical areas of Europe and Asia, Africa, America and the Middle East. The market segment Europe accounts for the major share of Systemair's business. The Europe segment consists of a large number of markets. The legal entities within Europe work with each other in manufacturing and sales. The Company also judges that in every material respect similar economic conditions exist in the region, and so the legal entities within the region have been aggregated. Systemair further considers that accounting for the aggregated segments presents a clearer picture. Net sales, Operating profit, Assets, Investments and Depreciation/amortisation are recognised per aggregated segment. Subsidiaries are aggregated on the basis of their legal domicile and consolidation takes place according to the same principles as for the Group as a whole.

Property, plant and equipment and intangible non-current assets

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

The following depreciation/amortisation periods are applied.

| | |
|-------------------------------------|-------------|
| Own-developed assets | 3-5 years |
| Brands, customer relationships etc. | 5-10 years |
| Buildings | 25-50 years |
| Plant and machinery | 5-15 years |
| Equipment and tools | 3-5 years |

In cases where decisions have not been taken as to phasing-out of brands, they are assumed to have an indefinite life.

Research and development

Development expenditure is recognised as an intangible asset but only if the following criteria are satisfied. The development project must be well defined and include concrete plans as to how and when the asset will be used in operations; it must be possible to calculate expenses reliably; the asset must be considered likely to create future economic benefits; it must be considered technically feasible to perform the project; and the Group must be deemed to have the resources required to conclude development. The historical cost of the intangible asset includes not only the cost of personnel and direct purchases but also the share of indirect costs attributable to the asset. Other developments expenditure is expensed as incurred. Development costs of SEK 0.1 million (3.2) were capitalised during the financial year. The amortisation period is estimated to be 3-5 years.

Impairment losses

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

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

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

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

Calculation of the recoverable amount

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

Reversal of impairment losses

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

Inventory

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

Financial instruments

Financial instruments recognised on the balance sheet include, on the asset side, cash and cash equivalents, accounts receivable -trade, financial investments, long-term receivables, derivatives and other receivables. In Systemair's case, derivatives are not classified as hedging instruments. The liabilities side includes trade accounts payable, loan liabilities, other liabilities and share purchase options for the remaining 10 percent of the shares in Systemair HSK, Turkey.

Purchases and sales of financial assets and liabilities are recognised on the transaction date. A financial asset or financial liability is recognised in the statement of financial position when the Company becomes a party to the contractual conditions of the instrument. The financial asset is derecognised from the statement of financial position when the right to obtain cash flows from the asset expire or is transferred to another party because all risks and benefits associated with the assets have been transferred to the other party. A financial liability is derecognised from the statement of financial position when the obligation has been satisfied or cancelled or has expired. Accounts receivable -trade is recognised in the statement of financial position when the invoice has been dispatched. A liability is recognised when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. Trade accounts payable are recognised when an invoice has been received.

Financial instruments are recognised initially at a historical cost that corresponds to the instrument's fair value at the time of the acquisition, plus the transaction costs for all financial instruments except those classified in the category Financial asset recognised at fair value via income, which are recognised directly in the income statement. The following measurement for the instrument is based on its nature and classification.

Classification and categorisation of financial assets and liabilities

Financial assets are classified depending on the intention behind the acquisition of the asset and its cash contractual flows. Financial assets are classified into the following categories:

- Financial assets measured at amortised cost
- Financial assets measured at fair value via the income statement

Financial liabilities measured at amortised cost or fair value via income.

Amortised cost

Amortised cost is the amount at which the asset or liability was originally recognised, less amortisation and impairment but plus accruals of the initial difference between cost and the amount expected to be received at maturity.

Assets measured at amortised cost

Financial assets measured at amortised cost are instruments that are held with the intention of collecting/settling contractual cash flows, and where the contractual conditions state the point in time for the anticipated cash flow from the underlying

>> Note 1 (cont.)

instrument, and where the payments consist solely of principal and an interest component if any. Such assets arise as part of a process when cash is paid to the counterparty or as a result of the Group providing a customer with contractual goods or services within its operating activities. Payment flows that are fixed or may be fixed exist for such receivables, they are not traded in an active market and their purpose is to be held in order to collect cash flows.

Financial assets measured at fair value via the income statement

Assets not satisfying the requirements for recognition at amortised cost are measured at fair value via the income statement. At Systemair, these are mainly derivative assets that are not used in hedge accounting and are therefore recognised via the income statement at fair value.

Financial liabilities measured at fair value via the income statement

Financial assets measured at fair value via the income statement consist in the main of the liability of the option for the purchase of the remaining 10 percent of the shares in Systemair HSK, Turkey, and for the remaining 25 percent of the shares in Systemair Traydus, Brazil. The result from the change in fair value of financial instruments in this category is recognised in the profit in the period in which they arise, either in operating profit or via other comprehensive income, depending on the nature of the liability.

Impairment of financial assets

Provisions are made for expected losses on recognised financial assets, which reduces the value of the asset concerned. The provisions for losses are measured at every balance sheet date at an amount equal to the losses expected for the remaining lifetime of the assets. For more information on measurement of trade accounts receivable, see Note 21.

The purpose of measuring expected credit losses is to reflect an unbiased and probability-weighted amount, the time value of money, reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Systemair bases its calculation of expected credit losses principally on individual assessment of the receivable concerned, together with information on historic losses on similar assets and counterparties, as well as a forward-looking adjustment. The calculation criteria for credit losses are evaluated and adjusted regularly in order to reflect most accurately the current situation and the Group's expectations of future events.

Other financial liabilities

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, short-term, highly liquid deposits that are readily convertible into a known amount and are subject to an insignificant risk of changes in value.

Classification and measurement of financial instruments before 1 May 2018*Financial assets*

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

– Financial assets measured at fair value via the income statement

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

– Loan receivables and Trade accounts receivable

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

– Investments held to maturity

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

– Available-for-sale financial assets:

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

*Financial liabilities**– Financial liabilities measured at fair value via the income statement*

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

Systemair holds purchase options and has issued sell options for holdings of non-controlling interests, as agreed in connection with business combinations. Depending on the conditions in the options and the shareholder agreements, every one of the options is classified and recognised based on one of the two following principles.

In cases where the conditions are deemed to have the effect that all economic benefits and detriments accrue to Systemair right at the time of acquisition, no non-controlling interest is recognised, and instead a liability corresponding to the fair value of the future redemption price is recognised; changes in value attributable to the liability are recognised via the income statement. In cases where the conditions are not deemed to have the effect that all economic benefits and detriments accrue to Systemair right at the time of the acquisition, Systemair initially recognises the non-controlling portion and allocates this portion to income. In addition, the Group recognises a liability corresponding to the discounted expected redemption price for the options, whereupon non-controlling portions attributable to the options are eliminated. The difference between the liabilities for the options and the non-controlling portions to which the options pertain is recognised directly in equity and is shown apart from other changes in equity. Reversal of the discounting effect is therefore also recognised directly in equity.

– Other financial liabilities

This category includes interest-bearing and non-interest-bearing financial liabilities not held for trading. They are measured at amortised cost. Non-current liabilities have more than one year to maturity, while liabilities maturing before that are recognised as current liabilities. Trade accounts payable have a short anticipated maturity and are therefore measured at their nominal amount, undiscounted.

Provisions

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

Employee benefits*Pensions and similar post-employment benefit obligations*

Systemair operates several different post-employment benefit plans. These are classified as either defined-benefit or defined-contribution plans. A defined-benefit pension plan is one that specifies an amount for the pension benefit that an employee will receive on retirement. A defined-contribution pension plan is one in which the Group pays fixed contributions to a separate legal entity. Defined-contribution plans are recognised as a cost in the period during which the employees perform the service to which the remuneration refers. Defined-benefit plans are measured separately and individually based on the benefits earned

>> Note 1 (cont.)

during prior and current periods. The liability recognised as Provisions for pensions, defined-benefit pension plans, is the present value of the defined-benefit obligation at the balance sheet date, less the fair value of plan assets.

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

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

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

Share-based remuneration

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

Leasing

At Systemair, leasing is only used to a limited extent and normally only for company cars and in rental agreements. Leases in which all risks and benefits associated with ownership essentially do not accrue to the Group are classified as operating leases. Fees for such contracts are recognised as costs in the income statement on a straight-line basis for the duration of the contract. Systemair has classified the majority of current leases as operating leases. The exception is at the corporate group 2VV in the Czech Republic, which employs finance leases for machinery used in production. For information on operating and finance leases, see Note 8.

Borrowing costs

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

Income tax

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

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

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

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

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

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

On 30 November 2018, Systemair received a negative advance ruling from Skatterättsnämnden (the Swedish Revenue Law Commission). The case concerns a tax loss carry-forward equating to a deferred tax asset of in all SEK 25.9 million relating to the 2017/18 financial year. Systemair has appealed against the advance ruling at the Supreme Administrative Court, as the appeal is considered likely to be

successful. Against that background, the deferred tax asset recognised has not been adjusted.

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

Cash flow statement

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

Government subsidies

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

Systemair received a pay and training subsidy of SEK 0.2 million (-) in the Czech Republic. It also received a product development grant of SEK 0.4 million (-).

In Lithuania, the Company received an investment subsidy. The subsidy includes a tax reduction totalling SEK 0.4 million (1.4). In Slovenia, Systemair also received an investment grant, of SEK 0.2 million (0.2).

Material estimates and assumptions

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

Impairment testing of goodwill

Every year, Group management tests goodwill for impairment in accordance with the accounting policy described above. Several estimates must be made for this test. For more detailed information on impairment testing of goodwill, see Note 16.

Provisions for pensions

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

Deferred tax assets

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

Disputes

Systemair is involved in disputes and legal proceedings within its operating activities. Management consults with legal experts on issues involving legal disputes and with other experts in and outside the Company on issues concerning day-to-day business activities. In our best judgement, neither the Parent Company nor any subsidiary is at present involved in any legal or arbitration proceedings that are expected to have any material impact on the business, the financial position or the results of operations.

Note 2 Risks and risk management

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

The table below illustrates the hypothetical effects of changes in certain factors on Systemair's 2018/19 operating profit. The calculations below are hypothetical and should not be interpreted as indicating that changes in certain factors are any more or less likely or, if any change takes place, the extent of such change. Actual changes and their effect may be greater or lesser than indicated in the table below. It is also likely that actual changes will affect several items. Thus, caution is called for when interpreting the sensitivity analysis, in that changes in various items may have a counteractive effect.

Sensitivity analysis: effects on operating profit in 2018/19

| SEK m. | 30/04/2019 | 30/04/2018 |
|---|------------|------------|
| +/- 5% in selling prices | +/- 416 | +/- 365 |
| +/- 5% in material costs | +/- 194 | +/- 170 |
| +/- 5% in selling and administration expenses | +/- 111 | +/- 101 |
| +/- 5% in balance sheet rates, effect on net assets | +/- 47 | +/- 27 |
| +/- 5% in the SEK/EUR exchange rate | +/- 39 | +/- 35 |
| +/- 5% in the SEK/NOK exchange rate | +/- 4 | +/- 3 |
| +/- 5% in the SEK/RUB exchange rate | +/- 2 | +/- 3 |
| +/- 5% in the SEK/USD exchange rate | +/- 2 | +/- 2 |

Of Systemair's total sales, 92 percent (91) are made in currencies other than SEK. As a result, fluctuations in the SEK exchange rate affect the Group's gross profit. Systemair's major foreign currencies are EUR, USD, RUB and NOK, as shown above. The table shows that a change of +/- 5 percent in the SEK/EUR exchange rate would have an impact of approximately SEK 39 million (35) on operating profit for 2018/19. This effect is largely offset by the effects on net financial items of exchange gains and losses on borrowing denominated in EUR.

Systemair's net assets in foreign currencies total SEK 2,046 million (1,826), with the largest assets being denominated in EUR, CZK and DKK. A rise or fall of 5 percent would increase or decrease net assets by SEK 47 million (27).

Operation-related risks

Competition

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

Market risks

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

Suppliers

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

Brands

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

Production plant and distribution centres

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

Business combinations

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

IT infrastructure

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

Product liability

Systemair's customers normally expect detailed performance data on their ventilation products. Thus Systemair provides detailed product specifications in its marketing and sales activities and the Company conducts continuous tests in its test facilities to ensure that its products meet their specifications. However, the possibility cannot be ruled out that a product the Company has sold may not live up to its specifications, which may result in claims against the Company. Further, the Company is subject to legal regulations on product liability that, in the event of personal injury or damage to property, may entitle the injured party to compensation from the Company. The Company has contracted global product liability

>> Note 2 (cont.)

insurance that, in the Company's view, is sufficient to cover any claim for damages. However, this cannot be guaranteed. If a claim for compensation against the Company is upheld, and the claim is not covered by the Company's insurance, the Company's operations, earnings and financial position may be adversely affected.

International business operations

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

Financial risks and other risks

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

Foreign exchange risk – transaction exposure

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

The main foreign exchange exposure in the Group arises in the Swedish Group companies. In 2018/19, Group companies in Sweden invoiced 45 percent (42) of their business in SEK, 54 percent (57) in EUR and 1 percent (1) in other currencies. The Group also has foreign exchange exposure at Systemair HSK in Turkey, where 93 percent (90) of invoicing was in EUR and 5 percent (5) in USD.

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

Foreign exchange risk – translation exposure

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

On the balance sheet date, the value of foreign net assets totalled SEK 2,046 million (1,826). Major net assets consisted of SEK 1,149 million (963) in EUR, SEK 156 million (135) in CZK, SEK 135 million (138) in DKK, SEK 110 million (81) in USD, SEK 99 million (106) in NOK, SEK 79 million (61) in RUB, SEK 75 million (73) in CAD, SEK 75 million (66) in INR, SEK 67 million (53) in MYR and SEK 56 million (89) in TRY.

The impact of foreign currency on equity is recognised as a translation difference and amounted to SEK 29.1 million (123.7).

Borrowing and interest rate risk

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

The interest rate risk is the risk of changes in current interest rates adversely affecting the Group. Systemair is a net borrower. Net indebtedness at year-end totalled SEK 2,080.6 million (1,837.7), and so the Group is adversely affected by rising interest rates. Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 2,245.9 million (1,978.4). According to Systemair's financial policy, the fixed-interest term for 2018/19 was 3–12 months. A change of +/-1 percentage point in the interest rate on borrowing would have an impact of about SEK 22 million (20) on the Group's net financial items for the following 12-month period.

Credit and liquidity risk

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

Note 3 Segment reporting

The Group's operations consist mostly of manufacture and sale of ventilation products. Internal follow-up of operations is performed per legal entity by Systemair's highest executive decision-maker. As a result, every legal entity constitutes an operating segment. If several countries and markets show similar economic characteristics, they may be aggregated in segment reporting. Systemair aggregates into the geographical segments of Europe and Asia, Africa, America and the Middle East. 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 aggregation of the legal entities within the region is justified. Systemair further considers that accounting for the aggregated segments presents a clearer picture. The Parent Company is accounted for via a separate segment, Group-wide. The subsidiaries are aggregated on the basis of their legal domicile and consolidation takes place according to the same principles as for the Group as a whole.

| Group | Europe | Asia, Africa, America and Middle East | Group- wide | Elimina- tions | Total |
|-----------------------------|---------|---|----------------|-------------------|----------------|
| 2018/19 | | | | | |
| Net sales, external | 6,779.5 | 1,547.0 | – | – | 8,326.5 |
| Net sales, intra-Group | 134.4 | 15.5 | 131.3 | –281.2 | – |
| Operating profit/loss | 559.0 | 53.2 | –84.1 | – | 528.1 |
| Operating margin, % | 8.2 | 3.4 | – | – | 6.3 |
| Profit after net fin. items | 548.8 | –5.4 | –85.4 | – | 458.0 |
| Profit margin, % | 8.1 | –0.3 | – | – | 5.5 |
| Assets | 3,988.3 | 1,070.0 | 4,168.2 | –2,415.7 | 6,810.8 |
| Investments | 164.0 | 113.0 | 238.4 | – | 515.4 |
| Depreciation/Amortisation | 186.0 | 36.1 | 11.2 | – | 233.3 |
| 2017/18 | | | | | |
| Net sales, external | 5,959.5 | 1,341.7 | – | – | 7,301.2 |
| Net sales, intra-Group | 153.2 | 11.6 | 106.9 | –271.7 | – |
| Operating profit/loss | 459.0 | 26.0 | –135.4 | – | 349.6 |
| Operating margin, % | 7.7 | 1.9 | – | – | 4.8 |
| Profit after net fin. items | 474.4 | –17.5 | –123.7 | – | 333.2 |
| Profit margin, % | 8.0 | –1.3 | – | – | 4.6 |
| Assets | 3,432.6 | 905.1 | 3,953.2 | –2,095.9 | 6,195.0 |
| Investments | 352.6 | 22.9 | 106.4 | – | 481.9 |
| Depreciation/Amortisation | 175.6 | 23.2 | 5.8 | – | 204.6 |

Note 4 Information on geographical regions

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

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

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

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

North and South America comprises Argentina, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Guatemala, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Puerto Rico, Surinam, Uruguay and the USA.

Other markets consists of Afghanistan, Algeria, Angola, Australia, Bahrain, Bangladesh, Benin, Botswana, Brunei, Burma, Cambodia, Cameroon, Cap Verde, China, Congo, Egypt, Ethiopia, Gabon, India, Indonesia, Iran, Iraq, Israel, Ivory Coast, Japan, Jordan, Kenya, Kuwait, Lebanon, Madagascar, Malaysia, Mali, Mauritius, Mongolia, Morocco, Mozambique, Namibia, New Zealand, Nigeria, Oman, Pakistan, the Philippines, Qatar, Saudi Arabia, Senegal, Singapore, South Africa, South Korea, Swaziland, Taiwan, Tajikistan, Tanzania, Thailand, Tunisia, Turkey, the United Arab Emirates, Uruguay, Vietnam and Zimbabwe.

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

The table below shows external net sales in Systemair's 10 biggest markets based on the customer's domicile. Systemair has an extremely broad customer base, with nearly 100,000 customers. No individual customer normally represents more than around 1 percent of the Company's total sales. As a result, Systemair shows limited dependence on individual customers.

| Geographical breakdown Group | Net sales | | Non-current assets ¹⁾ | |
|--------------------------------------|----------------|----------------|----------------------------------|----------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Norway | 777.2 | 733.8 | 85.9 | 89.4 |
| Sweden | 538.0 | 496.9 | 254.6 | 255.8 |
| Denmark | 291.1 | 299.7 | 139.7 | 145.2 |
| Rest of Nordic region | 223.5 | 179.1 | 1.0 | 0.7 |
| Total Nordic region | 1,829.8 | 1,709.5 | 481.2 | 491.1 |
| Germany | 1,090.5 | 952.2 | 471.5 | 460.5 |
| France | 561.0 | 524.0 | 97.9 | 93.6 |
| Netherlands | 391.2 | 329.7 | 125.9 | 129.4 |
| United Kingdom | 364.1 | 307.6 | 22.9 | 21.6 |
| Rest of Western Europe | 1,144.6 | 876.7 | 487.6 | 344.9 |
| Total Western Europe | 3,551.4 | 2,990.2 | 1,205.8 | 1,050.0 |
| Russia | 406.6 | 398.7 | 52.5 | 48.2 |
| Rest of Eastern Europe and CIS | 875.4 | 766.8 | 475.9 | 472.2 |
| Total Eastern Europe and CIS | 1,282.0 | 1,165.5 | 528.4 | 520.4 |
| USA | 461.3 | 398.4 | 86.7 | 80.5 |
| Other North and South America | 275.3 | 203.6 | 162.2 | 102.9 |
| Total North and South America | 736.6 | 602.0 | 248.9 | 183.4 |
| Turkey | 288.6 | 282.6 | 149.1 | 184.4 |
| Other markets | 638.1 | 551.4 | 267.9 | 268.9 |
| Total Other markets | 926.7 | 834.0 | 417.0 | 453.3 |
| | 8,326.5 | 7,301.2 | 2,881.3 | 2,698.2 |

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

Parent Company sales consist entirely of intra-Group services to other Group companies.

| By geographical market Net sales | Parent Company | |
|-------------------------------------|----------------|--------------|
| | 2018/19 | 2017/18 |
| Nordic region | 43.7 | 35.3 |
| Western Europe | 49.8 | 40.0 |
| Eastern Europe and CIS | 18.7 | 15.6 |
| North and South America | 8.3 | 6.9 |
| Other markets | 10.8 | 9.1 |
| | 131.3 | 106.9 |

Note 5 Revenue analysis

The Group's revenue is generated in the main from the manufacture and sale of ventilation products, together with servicing of ventilation products. Total revenue for the financial year was SEK 8,326.5 million (7,301.2), of which servicing of ventilation products accounted for SEK 304.7 million (238.8). The table shows a breakdown of revenue per segment.

| Group | Europe | Asia, Africa, America and Middle East | Total |
|--|----------------|---------------------------------------|----------------|
| Sales of ventilation and heating products, recognised at a certain point in time | 6,357.9 | 1,374.8 | 7,732.7 |
| Sales of ventilation and heating products, recognised over time | 124.6 | 164.5 | 289.1 |
| Servicing recognised at a certain point in time | 154.7 | 0.0 | 154.7 |
| Servicing recognised over time | 142.3 | 7.7 | 150.0 |
| | 6,779.5 | 1,547.0 | 8,326.5 |

| Contractual balances | Group 2018/19 |
|-------------------------|---------------|
| Contractual assets | 56.3 |
| Contractual liabilities | 2.4 |

The major share of the Group's sales are made with payment in 30 to 60 days.

Note 6 Classification according to type of cost

| | Cost of goods sold | Selling expenses | Administration expenses | Total |
|---------------------------------|--------------------|------------------|-------------------------|-----------------|
| 2018/19 | | | | |
| Material costs | -3,870.1 | - | - | -3,870.1 |
| Employee benefits expense | -1,196.4 | -985.1 | -226.7 | -2,408.2 |
| Depreciation/Amortisation costs | -120.1 | -86.6 | -21.1 | -227.8 |
| Other costs | -411.1 | -755.2 | -141.4 | -1,307.7 |
| | -5,597.7 | -1,826.9 | -389.2 | -7,813.8 |
| 2017/18 | | | | |
| Material costs | -3,395.0 | - | - | -3,395.0 |
| Employee benefits expense | -1,011.8 | -941.2 | -216.2 | -2,169.2 |
| Depreciation/Amortisation costs | -102.1 | -77.7 | -18.5 | -198.3 |
| Other costs | -378.3 | -633.8 | -126.0 | -1,138.1 |
| | -4,887.2 | -1,652.7 | -360.7 | -6,900.6 |

Product development costs totalled approximately SEK 225 million in 2018/19 and SEK 195 million in 2017/18. Personnel costs represent the major share of costs recognised under the heading of Cost of goods sold.

Note 7 Auditor's fees

| | Group | | Parent Company | |
|------------------------------------|--------------|--------------|----------------|-------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| EY | | | | |
| Auditing services | -5.8 | -4.7 | -1.5 | -0.8 |
| Other additional auditing services | -0.3 | -0.6 | -0.1 | -0.5 |
| Other services | -1.2 | -0.3 | -1.2 | - |
| Total, EY | -7.3 | -5.6 | -2.8 | -1.3 |
| Other | | | | |
| Auditing services | -3.1 | -3.5 | - | - |
| Other additional auditing services | -0.6 | -0.9 | - | - |
| Tax advice | -1.8 | -1.5 | - | - |
| Other services | -0.9 | -1.1 | - | - |
| Total, Other | -6.4 | -7.0 | - | - |
| Total | -13.7 | -12.6 | -2.8 | -1.3 |

Note 8 Leases

| | Group | | Parent Company | |
|--------------------------|---------|---------|----------------|---------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Leasing costs recognised | | | | |
| Operating leases | 93.1 | 56.1 | 1.4 | 1.5 |

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

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

| | Group | | Parent Company | |
|----------------------------------|--------------|--------------|----------------|------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Operating leases – nominal value | | | | |
| Payable within 1 year | 88.3 | 54.6 | 1.4 | 0.6 |
| Payable in 2–5 years | 127.6 | 77.0 | 1.5 | 0.7 |
| Payable after 5 years | 20.7 | 12.6 | – | – |
| | 236.6 | 144.2 | 2.9 | 1.3 |

Finance leasing

Finance leases in the Group relate to a group of production machines and company cars. The lease terms vary from four to five years and the implicit interest rate is between 1.13 and 1.66 percent. The Company has the option of buying the assets on the terms of the lease at the end of the contract period. On 30 April 2019, the Parent Company had no finance leases.

| | 2018/19 | 2017/18 |
|---|-------------|-------------|
| Historical cost and accumulated depreciation/amortisation | | |
| Historical cost | 26.0 | 29.6 |
| Accumulated depreciation/amortisation | –13.8 | –10.1 |
| | 12.2 | 19.5 |

| | Minimum future lease charges | | Present value of minimum future lease charges | |
|-------------------|------------------------------|-------------|---|-------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Within a year | 5.1 | 6.8 | 4.9 | 6.4 |
| Within 2–5 years | 1.8 | 9.6 | 1.7 | 9.1 |
| More than 5 years | – | – | – | – |
| | 6.9 | 16.4 | 6.6 | 15.5 |

Note 9 Other operating income

| | Group | | Parent Company | |
|---|--------------|--------------|----------------|------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Exchange gains in operations | 108.2 | 73.3 | 3.7 | 2.4 |
| Gain on sale of property, plant and equipment | 4.6 | 7.3 | – | – |
| Revaluation of share purchase option, Brazil | 5.7 | 2.3 | – | – |
| Other miscellaneous income | 51.1 | 34.0 | 0.9 | – |
| | 169.6 | 116.9 | 4.6 | 2.4 |

Note 10 Other operating expenses

| | Group | | Parent Company | |
|---|---------------|---------------|----------------|--------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Exchange rate losses in operations | –104.1 | –101.2 | –1.4 | –35.0 |
| Intra-Group expenses | – | – | –46.2 | –7.4 |
| Loss on sale of the property, plant and equipment | –1.4 | –3.0 | – | – |
| Other miscellaneous expenses | –48.7 | –63.7 | –20.4 | –41.2 |
| | –154.2 | –167.9 | –68.0 | –83.6 |

Note 11 Employees and personnel costs

| | 2018/19 | | 2017/18 | |
|--------------------------------|-----------------------------|--------------|-----------------------------|--------------|
| | Average number of employees | Of whom, men | Average number of employees | Of whom, men |
| Parent Company | 51 | 33 | 47 | 35 |
| Subsidiaries in: | | | | |
| Nordic region | 942 | 723 | 938 | 692 |
| Sweden | 560 | 401 | 556 | 371 |
| Denmark | 202 | 181 | 192 | 169 |
| Finland | 16 | 11 | 15 | 8 |
| Norway | 164 | 130 | 175 | 144 |
| Western Europe | 1,979 | 1,606 | 1,751 | 1,418 |
| Belgium | 35 | 30 | 38 | 26 |
| England | 87 | 67 | 92 | 70 |
| Greece | 8 | 5 | 7 | 5 |
| France | 223 | 164 | 222 | 171 |
| Netherlands | 187 | 167 | 181 | 164 |
| Ireland | 8 | 7 | 6 | 5 |
| Italy | 195 | 142 | 171 | 128 |
| Portugal | 22 | 13 | 21 | 12 |
| Switzerland | 51 | 43 | 56 | 45 |
| Spain | 333 | 285 | 89 | 80 |
| Germany | 799 | 657 | 808 | 671 |
| Austria | 31 | 26 | 60 | 41 |
| Eastern Europe and CIS | 1,345 | 928 | 1,229 | 759 |
| Azerbaijan | 5 | 5 | – | – |
| Estonia | 12 | 8 | 12 | 7 |
| Croatia | 5 | 5 | 4 | 4 |
| Latvia | 8 | 7 | 7 | 6 |
| Lithuania | 262 | 170 | 255 | 96 |
| Poland | 55 | 44 | 55 | 43 |
| Romania | 7 | 6 | 6 | 6 |
| Russia | 275 | 157 | 262 | 148 |
| Serbia | 7 | 4 | 7 | 3 |
| Slovakia | 259 | 163 | 257 | 162 |
| Slovenia | 147 | 134 | 100 | 88 |
| Czech Republic | 289 | 219 | 250 | 190 |
| Ukraine | 3 | 1 | 3 | 1 |
| Hungary | 5 | 4 | 5 | 4 |
| Belarus | 6 | 1 | 6 | 1 |
| North and South America | 458 | 317 | 442 | 297 |
| Brazil | 64 | 60 | 69 | 53 |
| Chile | 4 | 3 | 4 | 4 |
| Canada | 254 | 157 | 249 | 153 |
| Mexico | 2 | 2 | 1 | 1 |
| Peru | 4 | 4 | 4 | 3 |
| USA | 130 | 91 | 115 | 83 |
| Rest of World | 897 | 802 | 842 | 753 |
| United Arab Emirates | 15 | 12 | 15 | 12 |
| India | 378 | 363 | 384 | 371 |
| China | 6 | 4 | 6 | 4 |
| Malaysia | 139 | 115 | 143 | 123 |
| Singapore | 11 | 6 | 11 | 6 |
| South Africa | 80 | 70 | 68 | 57 |
| Taiwan | 1 | 1 | 1 | 1 |
| Turkey | 256 | 220 | 207 | 172 |
| Qatar | 11 | 11 | 7 | 7 |
| | 5,672 | 4,409 | 5,249 | 3,954 |

>> Note 11 (cont.)

| Percentage of women on boards and in management | Group | | Parent Company | |
|---|---------|---------|----------------|---------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Board, excluding employee representatives | | | 20% | 20% |
| Group Management | | | 25% | 14% |
| Company managements | 9% | 7% | | |

| Salaries, other remuneration and social security expenses | Salaries and remuneration | | Social security expenses | |
|---|---------------------------|-------------|--------------------------|-------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Board and President | | | | |
| Parent Company | 6.3 | 5.5 | 2.5 | 2.4 |
| Subsidiaries in the Nordic region | 10.1 | 13.0 | 4.2 | 5.1 |
| Western Europe | 39.9 | 35.5 | 9.5 | 8.9 |
| Eastern Europe and CIS | 17.0 | 15.7 | 4.0 | 3.8 |
| North and South America | 5.5 | 4.9 | 0.8 | 1.1 |
| Rest of World | 9.3 | 9.5 | 0.3 | 0.7 |
| Total, Board and President | 88.2 | 84.1 | 21.2 | 22.0 |

| Senior executive remuneration recognised during the year | Basic salary/Fee | Variable pay | Other benefits | Pension cost | Total |
|--|------------------|--------------|----------------|--------------|-------------|
| 2018/19 | | | | | |
| Gerald Engström – Chairman of the Board | 1.2 | | | | 1.2 |
| Carina Andersson – Member | 0.3 | | | | 0.3 |
| Hans Peter Fuchs – Member | 0.3 | | | | 0.3 |
| Svein Nilsen – Member | 0.3 | | | | 0.3 |
| Patrik Nolåker – Member | 0.3 | | | | 0.3 |
| Roland Kasper – Chief Executive Officer | 3.6 | – | 0.1 | 0.6 | 4.3 |
| Other senior executives | 10.6 | 0.2 | 0.5 | 2.8 | 14.1 |
| Total | 16.6 | 0.2 | 0.6 | 3.4 | 20.8 |

| Senior executive remuneration recognised during the year | Basic salary/Fee | Variable pay | Other benefits | Pension cost | Total |
|--|------------------|--------------|----------------|--------------|-------------|
| 2017/18 | | | | | |
| Gerald Engström – Chairman of the Board | 1.2 | | | | 1.2 |
| Carina Andersson – Member | 0.3 | | | | 0.3 |
| Hans Peter Fuchs – Member ¹⁾ | 0.3 | | | | 0.3 |
| Svein Nilsen – Member | 0.3 | | | | 0.3 |
| Patrik Nolåker – Member | 0.3 | | | | 0.3 |
| Roland Kasper – Chief Executive Officer | 3.5 | – | 0.1 | 0.6 | 4.2 |
| Other senior executives | 10.1 | 0.2 | 0.5 | 3.0 | 13.8 |
| Total | 16.0 | 0.2 | 0.6 | 3.6 | 20.4 |

¹⁾ Hans Peter Fuchs was elected to the Board on 24 August 2017.

Fees to the Board of Directors total SEK 2,250 thousand (2,250); SEK 550 thousand (550) to the Chairman, SEK 275 thousand (275) to each of the other members elected by the AGM, and an extra fee of SEK 600 thousand to the Chairman of the Board for work on the Company's acquisitions matters.

| Salaries, other remuneration and social security expenses | Salaries and remuneration | | Social security expenses | |
|---|---------------------------|----------------|--------------------------|--------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Other employees | | | | |
| Parent Company | 36.0 | 33.1 | 20.1 | 23.0 |
| Subsidiaries in the Nordic region | 453.9 | 428.2 | 136.8 | 127.8 |
| Western Europe | 822.6 | 730.5 | 205.0 | 185.4 |
| Eastern Europe and CIS | 221.3 | 189.0 | 60.2 | 55.1 |
| North and South America | 141.6 | 119.8 | 27.7 | 27.2 |
| Rest of World | 86.1 | 86.1 | 10.8 | 12.3 |
| Total, other employees | 1,761.6 | 1,586.7 | 460.7 | 430.8 |

Of social security expenses in the Parent Company, pension expenses accounted for SEK 9.4 million (10.2), including SEK 0.6 million (0.6) for the Board and the President. In other Group companies, pension expenses totalled SEK 59.0 million (54.9), including SEK 3.9 million (4.7) for boards and presidents.

Remuneration policy

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

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

Apart from President and CEO Roland Kasper, Other senior executives consist of Vice President Marketing – Eastern Europe Fredrik Andersson, Vice President Sales and Marketing Olle Glassel, Vice President Business Development Taina Horgan, Vice President Marketing – Middle East and Asia Håkan Lenjesson, Vice President Marketing – Products Kurt Maurer, Vice President Manufacturing Ulrika Molander and Chief Financial Officer Anders Ulf.

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

Pensions

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

Severance pay

For other senior executives, including the Parent Company's CEO, the period of notice is as stated in the applicable collective bargaining agreement or is no more than 12 months from the Company or six months from the employee. No severance payments have been agreed for senior executives. Agreements are in place with Presidents of subsidiaries such that benefits will be paid for 6–12 months on termination of employment by the Company.

Note 12 Amortisation and depreciation of intangible assets and property, plant and equipment

| | Group | | Parent Company | |
|-------------------------------------|--------------|--------------|----------------|------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Goodwill | – | – | 0.1 | 0.2 |
| Capitalised development costs | 1.5 | – | 1.5 | – |
| Brands, customer relationships | 42.5 | 37.4 | – | – |
| Other intangible non-current assets | 15.1 | 12.1 | 5.9 | 3.7 |
| Buildings and land improvements | 52.2 | 47.3 | – | – |
| Plant and machinery | 74.3 | 62.5 | 1.7 | – |
| Equipment and tools | 47.7 | 45.5 | 2.1 | 1.9 |
| | 233.3 | 204.8 | 11.3 | 5.8 |

Straight-line depreciation/amortisation, by function

| | | | | |
|--------------------------|--------------|--------------|-------------|------------|
| Cost of goods sold | 120.2 | 102.3 | – | – |
| Selling expenses | 86.6 | 77.7 | 6.0 | 1.7 |
| Administration expenses | 21.1 | 18.5 | 5.0 | 3.9 |
| Other operating expenses | 5.4 | 6.3 | 0.3 | 0.2 |
| | 233.3 | 204.8 | 11.3 | 5.8 |

Note 13 Financial income

| | Group | | Parent Company | |
|--|------------|------------|----------------|-------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Interest income, external | 2.9 | 4.3 | – | – |
| Interest income, related companies | – | – | 29.8 | 20.7 |
| Translation effects, long-term loans to subsidiaries | – | – | – | 0.8 |
| Net changes in exchange rates | – | – | – | 4.5 |
| | 2.9 | 4.3 | 29.8 | 26.0 |

Note 14 Financial expenses

| | Group | | Parent Company | |
|--|--------------|--------------|----------------|--------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Interest expenses, external | -33.6 | -27.1 | -21.6 | -13.4 |
| Interest expenses, related companies | - | - | -0.1 | -0.1 |
| Effect of translation, long-term loans to subsidiaries | - | - | -1.9 | - |
| Net changes in exchange rates, financial instruments | -39.4 | 8.0 | -10.2 | - |
| Other financial expenses | - | -1.6 | 0.9 | - |
| | -73.0 | -20.7 | -32.9 | -13.5 |

Note 15 Tax on profit for the year

| | Group | | Parent Company | |
|--------------|---------------|---------------|----------------|------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Current tax | -129.6 | -129.5 | -2.4 | -1.8 |
| Deferred tax | -7.2 | 26.4 | -0.4 | 7.6 |
| | -136.8 | -103.1 | -2.8 | 5.8 |

The Group's tax expense represents 29.9 percent (31.0) of consolidated pre-tax profit. The high tax expense is attributable to non-capitalised tax loss carry-forwards in loss-making companies. The tax rate for the Parent Company in the financial year was 22.0 percent (22.0).

At financial year-end, the Systemair Group had deferred tax assets totalling SEK 152.3 million (160.8) comprising loss carry-forwards that were taken into account in the calculation of deferred tax assets. Deferred tax assets are recognised provided that the loss carry-forwards can be used against future taxable surpluses based on assessments in each company. No time restrictions are applied to the loss carry-forwards that correspond to the deferred tax assets capitalised. The same applies to the deferred tax assets of SEK 182.5 million not taken into account.

During the 2018/19 financial year, Menerga Germany and Systemair Austria generated tax-deductible losses of SEK 65.3 million (63.0 and 2.3, respectively) and the total deferred tax assets amounted to SEK 24.3 million (22.9 and 1.4, respectively).

In Management's view, both companies will generate a profit in the years ahead and will therefore be able to offset their deferred tax asset against future profits. Deferred tax is recognised in accordance with business plans adopted for the next five years.

To fulfill the above-mentioned business plans a number of measures have been taken.

Menerga Germany:

- A close focus on growth for Menerga units in swimming pool ventilation
- In June 2019, a new chassis was introduced, enabling installation time to be cut by 40 percent
- A new online system for product selection programs will be launched in September 2019
- The new ERP system used by the majority within the Group has been implemented to improve efficiency in our internal processes
- Changes have been made in management and several departments

Systemair Austria:

- Menerga units will sell directly from Menerga Germany, helping to reduce personnel costs
- Focus will be aimed strictly on sales of Systemair products

| | Group | | Parent Company | |
|---|---------------|---------------|----------------|------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Pre-tax profit | 458.0 | 333.2 | -26.9 | 21.2 |
| Tax at a current tax rate for Parent Company | -100.8 | -72.9 | 6.0 | -4.7 |
| Effect of foreign tax rates | -0.9 | 0.1 | - | - |
| Non-deductible expenses | -5.3 | -8.9 | -0.4 | -0.5 |
| Tax-exempt income | 4.6 | 5.9 | - | - |
| Tax effect of uncapitalised loss carry-forwards | -33.5 | -28.3 | - | - |
| Dividends from subsidiaries | - | - | 67.3 | 57.8 |
| Adjustment for previous years' taxes | -1.7 | 0.9 | - | 0.1 |
| Tax effect of amortisation of receivables in subsidiaries | - | - | -73.8 | -44.1 |
| Miscellaneous | 0.8 | 0.1 | -1.9 | -2.8 |
| | -136.8 | -103.1 | -2.8 | 5.8 |

| | Group | | Parent Company | |
|---------------------------------|--------------|--------------|----------------|------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Deferred tax assets | | | | |
| Property, plant and equipment | 0.9 | 1.2 | - | - |
| Inventory | 27.3 | 22.5 | - | - |
| Short-term receivables | 3.0 | 3.0 | - | - |
| Pension provisions | 17.0 | 13.1 | - | - |
| Loss carry-forwards | 152.3 | 160.1 | 4.8 | - |
| Miscellaneous | 12.4 | 13.5 | 3.4 | 6.5 |
| | 212.9 | 213.4 | 8.2 | 6.5 |
| Deferred tax liabilities | | | | |
| Intangible non-current assets | 53.9 | 57.3 | - | - |
| Property, plant and equipment | 17.1 | 16.2 | - | - |
| Inventory | 0.7 | 0.9 | - | - |
| Untaxed reserves | 17.4 | 11.7 | - | - |
| Miscellaneous | 4.1 | 4.1 | - | - |
| | 93.2 | 90.1 | - | - |

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

| Group 2018/19 | Opening balance, 1 May 2018 | Recognised via income statement | Recognised | | | Translation difference | Closing balance, 30 April 2019 |
|--|-----------------------------|---------------------------------|---|----------------------------------|------------------------------------|------------------------|--------------------------------|
| | | | via other comprehensive income | Acquisition/disposal of business | Available-for-sale asset/liability | | |
| Non-current assets | -72.3 | 3.0 | - | - | - | -0.8 | -70.1 |
| Current receivables and liabilities | 24.6 | 4.5 | - | -0.1 | - | 0.5 | 29.6 |
| Provisions and non-current liabilities | 13.1 | 0.9 | 2.6 | - | - | 0.4 | 17.0 |
| Untaxed reserves | -11.7 | -5.6 | - | - | - | -0.1 | -17.4 |
| Loss carry-forwards | 160.1 | -8.7 | - | -0.7 | - | 1.6 | 152.3 |
| Miscellaneous | 9.5 | -0.6 | - | -0.2 | - | -0.4 | 8.3 |
| | 123.3 | -6.6 | 2.6 | -1.0 | - | 1.3 | 119.7 |
| Group 2017/18 | Opening balance, 1 May 2017 | Recognised via income statement | Recognised via other comprehensive income | Acquisition/disposal of business | Available-for-sale asset/liability | Translation difference | Closing balance, 30 April 2018 |
| Non-current assets | -57.5 | -13.9 | - | - | - | -0.9 | -72.3 |
| Current receivables and liabilities | 24.0 | 1.0 | - | - | -0.1 | -0.3 | 24.6 |
| Provisions and non-current liabilities | 9.5 | 0.4 | 3.0 | 5.1 | - | -4.9 | 13.1 |
| Untaxed reserves | -20.9 | 12.3 | - | - | - | -3.1 | -11.7 |
| Loss carry-forwards | 130.8 | 26.0 | - | - | -0.7 | 4.0 | 160.1 |
| Miscellaneous | 5.7 | -34.6 | - | 34.9 | -0.2 | 3.7 | 9.5 |
| | 91.5 | -8.8 | 3.0 | 40.0 | -1.0 | -1.4 | 123.3 |

Note 16 Intangible assets and property, plant and equipment

| Group 2018/19 | Goodwill | Capitalised development costs | Brands, customer relationships | Other intangible assets | Buildings and land | Plant and machinery | Equipment and tools | Construction in progress |
|--|--------------|-------------------------------|--------------------------------|-------------------------|--------------------|---------------------|---------------------|--------------------------|
| Accumulated historical cost | | | | | | | | |
| At the start of the year | 795.6 | 12.8 | 373.2 | 161.2 | 1,695.9 | 901.6 | 535.1 | 122.6 |
| Acquired in business combinations | 84.4 | - | 91.2 | 1.4 | - | 17.4 | 3.8 | - |
| Acquisitions for the year | - | 0.1 | - | 12.3 | 29.5 | 94.6 | 55.4 | 49.0 |
| Sales/Disposals | -15.0 | - | -14.3 | -0.1 | -0.9 | -16.6 | -32.4 | -1.2 |
| Reclassifications | - | - | - | 2.6 | 42.4 | 42.8 | 17.8 | -105.5 |
| Translation difference | 3.8 | - | 3.1 | 0.1 | -7.2 | 9.3 | 3.9 | 0.6 |
| | 868.8 | 12.9 | 453.2 | 176.6 | 1,759.7 | 1,049.3 | 583.6 | 65.4 |
| Accumulated depreciation/amortisation | | | | | | | | |
| At the start of the year | - | - | -212.2 | -114.2 | -533.8 | -598.7 | -394.1 | - |
| Sales/Disposals | - | - | 14.3 | 1.0 | 0.5 | 11.5 | 26.3 | - |
| Translation difference | - | - | -3.1 | -0.4 | -6.8 | -8.2 | -5.1 | - |
| Depreciation/Amortisation for the year | - | -1.5 | -42.5 | -15.1 | -52.2 | -74.3 | -47.7 | - |
| | - | -1.5 | -243.5 | -128.7 | -592.4 | -669.7 | -420.5 | - |
| Accumulated impairment | | | | | | | | |
| At the start of the year | -33.5 | -3.9 | - | - | -5.4 | -0.4 | - | - |
| Translation difference | -0.4 | - | - | - | -0.1 | -0.1 | - | - |
| Sales/Disposals | 11.9 | - | - | - | - | - | - | - |
| Impairment for the year | - | - | - | - | - | - | - | - |
| | -22.0 | -3.9 | - | - | -5.5 | -0.5 | - | - |
| Carrying amount | 846.8 | 7.5 | 209.7 | 47.9 | 1,161.8 | 379.1 | 163.1 | 65.4 |
| Group 2017/18 | | | | | | | | |
| Accumulated historical cost | | | | | | | | |
| At the start of the year | 711.3 | 9.6 | 324.4 | 129.8 | 1,432.5 | 762.0 | 483.6 | 61.6 |
| Acquired in business combinations | 57.4 | - | 30.7 | - | 0.1 | 5.3 | 1.9 | - |
| Acquisitions for the year | - | 3.2 | - | 7.2 | 96.2 | 102.9 | 52.8 | 173.4 |
| Sales/Disposals | - | - | - | -0.5 | -3.4 | -12.2 | -33.6 | -1.2 |
| Reclassifications | - | - | - | 15.8 | 86.3 | 4.2 | 1.9 | -108.3 |
| Translation difference | 26.9 | - | 18.2 | 8.9 | 84.2 | 39.4 | 28.5 | -2.9 |
| | 795.6 | 12.8 | 373.2 | 161.2 | 1,695.9 | 901.6 | 535.1 | 122.6 |
| Accumulated depreciation/amortisation | | | | | | | | |
| At the start of the year | - | - | -165.1 | -95.6 | -461.4 | -515.9 | -348.9 | - |
| Sales/Disposals | - | - | - | 0.4 | 2.9 | 8.4 | 22.2 | - |
| Translation difference | - | - | -9.7 | -6.9 | -28.1 | -28.7 | -21.9 | - |
| Depreciation/Amortisation for the year | - | - | -37.4 | -12.1 | -47.3 | -62.5 | -45.5 | - |
| | - | - | -212.2 | -114.2 | -533.9 | -598.7 | -394.1 | - |
| Accumulated impairment | | | | | | | | |
| At the start of the year | -19.9 | - | - | - | -5.3 | -0.5 | - | - |
| Translation difference | -2.5 | - | - | - | -0.1 | 0.1 | - | - |
| Impairment for the year | -11.1 | -3.9 | - | - | - | - | - | - |
| | -33.5 | -3.9 | - | - | -5.4 | -0.4 | - | - |
| Attributable to available-for-sale asset | -3.0 | - | - | - | - | - | -0.5 | - |
| Carrying amount | 759.1 | 8.9 | 161.0 | 47.0 | 1,156.6 | 302.5 | 140.5 | 122.6 |

Impairment testing for goodwill and brands with an indefinite life

Goodwill has been allocated to cash-generating units, legal entities, and has been tested for impairment. The recoverable amount for the cash-generating units is based on their value in use. These calculations assume estimated cash flows based on financial plans approved by the Board and covering five years. Management has established the financial plans based on previous results, experiences and anticipated developments in the market. The plans include for example assumptions of product launches, the trend of prices, sales volumes, competing

products and the trend of costs. The cash flow beyond the five-year period is assumed to show an annual growth corresponding to 2-4 percent annually. The discount rate before tax varies between 9 and 14 percent (9-14) for the various cash-generating units.

The table below shows a goodwill breakdown per cash-generating unit for the 10 single biggest goodwill items and brand with an indefinite life (Koolair), average estimated growth and gross margin over the forecast period, plus the discount rate before tax for each unit, as used for calculation of the values in use.

>> Note 16 (cont.)

| Cash-generating unit | Country | 2018/19 | | | | | 2017/18 | | | | |
|--------------------------|----------------|----------------------|---|--------------------------------|-------------------------------------|--------------------------------|-----------------------|--------------------------------|--------------------------------------|--------------------------------|--|
| | | Goodwill 30 April | Brand subject to testing for impairment | Average estimated growth | Average estimate gross margin | Discount rate before tax | Goodwill, 30 April | Average estimated growth | Average estimated gross margin | Discount rate before tax | |
| Menerga GmbH | Germany | 74.4 | - | 2% | 21% | 10% | 73.5 | 5% | 23% | 9% | |
| Systemair B.V. | Netherlands | 64.2 | - | 2% | 22% | 9% | 63.4 | 2% | 21% | 9% | |
| Koolair | Spain | 60.7 | 61.8 | 4% | 22% | 11% | - | - | - | - | |
| Systemair India Pvt. Ltd | India | 59.6 | - | 11% | 18% | 12% | 57.3 | 12% | 18% | 11% | |
| Systemair Inc. | Canada | 44.8 | - | 8% | 20% | 9% | 21.2 | 6% | 19% | 11% | |
| OOO Systemair | Russia | 44.3 | - | 6% | 30% | 12% | 41.7 | 5% | 30% | 12% | |
| Systemair Italy s.r.l. | Italy | 31.4 | - | 6% | 28% | 13% | 31.0 | 7% | 16% | 10% | |
| Recutech s.r.l.o | Czech Republic | 30.5 | - | 11% | 24% | 10% | 30.4 | 12% | 23% | 9% | |
| Systemair HSK | Turkey | 29.6 | - | 9% | 18% | 14% | 39.9 | 11% | 17% | 12% | |
| Systemair (Pty) Ltd | South Africa | 26.6 | - | 14% | 28% | 11% | 28.2 | 16% | 23% | 11% | |
| Other | | 380.7 | - | | | | 372.5 | | | | |
| | | 846.8 | 61.8 | | | | 759.1 | | | | |

The recoverable amount for the units tested exceeds their carrying amounts and as a result no impairment has been recognised. Sensitivity analyses have been performed for estimated gross margin, rate of growth and discount rate. These analyses are based on a change in one assumption while all other assumptions are maintained as constant. Systemair has concluded that there are ample margins in the calculations for all units, except Menerga, Germany. At Menerga, the recover-

able amount exceeded the book value by EUR 4.5 million (1.4) on 30 April 2019. In the event of a change in the discount rate from 9.8 percent to 10.9 before tax, the recoverable amount would equal the book value. Menerga is at present carrying out restructuring measures aimed at improving the company's profitability. Based on current business plans, the judgement is that no impairment currently exists in any of the above-mentioned companies.

| Parent Company 2018/19 | Goodwill | Capitalised development costs | Licences etc. | Plant and machinery | Equipment and tools | Construction in progress |
|--|-------------|----------------------------------|---------------|------------------------|------------------------|-----------------------------|
| Accumulated historical cost | | | | | | |
| At start of year | 0.7 | 12.8 | 36.5 | - | 8.8 | 22.1 |
| Acquisitions for the year | - | 0.1 | 6.8 | 0.1 | - | 15.3 |
| Reclassifications | - | - | 0.6 | 11.5 | 1.0 | -13.0 |
| | 0.7 | 12.9 | 43.9 | 11.6 | 9.8 | 24.4 |
| Accumulated depreciation/amortisation | | | | | | |
| At start of year | -0.6 | - | -16.1 | - | -5.0 | - |
| Depreciation/Amortisation for the year | -0.1 | -1.5 | -5.9 | -1.7 | -2.1 | - |
| | -0.7 | -1.5 | -22.0 | -1.7 | -7.1 | - |
| Accumulated impairment | | | | | | |
| At start of year | - | -3.9 | - | - | - | - |
| Impairment for the year | - | - | - | - | - | - |
| | - | -3.9 | - | - | - | - |
| Carrying amount | - | 7.5 | 21.9 | 9.9 | 2.7 | 24.4 |

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

Note 17 Other securities held as non-current assets

This consists mostly of shares in Mechartes Researchers Pvt Ltd, India. The shares were measured at fair value, any adjustments being recognised in other comprehensive income.

| | Group | | Parent Company | |
|------------------------|---------|---------|----------------|---------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Opening balance | 1.5 | 1.5 | - | - |
| Translation difference | 0.0 | 0.0 | - | - |
| | 1.5 | 1.5 | - | - |

Note 18 Other long-term receivables

| | Group | | Parent Company | |
|-------------------------|-------------|-------------|----------------|-------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Opening balance | 25.5 | 20.8 | 15.7 | 15.8 |
| Additional receivables | 7.4 | 8.6 | 4.6 | - |
| Receivables settled | -1.1 | -1.8 | - | - |
| Impairment losses | -1.7 | -1.3 | -1.6 | -1.3 |
| Reclassifications | 0.8 | -1.6 | 1.0 | 1.1 |
| Translation differences | 0.1 | 0.8 | - | - |
| Closing balance | 31.0 | 25.5 | 19.7 | 15.6 |

The item consists mostly of a receivable from Skanska, which falls due for payment in 2022, a long-term loan to the former subsidiary Reftec, Norway, and a long-term trade accounts receivable from a customer in Morocco.

Note 19 Prepaid expenses and accrued income

| | Group | | Parent Company | |
|--|---------|---------|----------------|---------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Prepaid rent | 8.8 | 7.3 | - | - |
| Prepaid insurance premiums | 8.8 | 8.0 | - | - |
| Servicing agreements and software licences | 11.6 | 14.3 | 11.6 | 9.2 |
| Miscellaneous | 53.3 | 36.9 | 2.7 | 2.9 |
| | 82.5 | 66.5 | 14.3 | 12.1 |

Note 20 Inventory

The direct cost of materials during the year totalled SEK 4,112.8 million (3,395.0). The provision for obsolescence decreased by SEK 0.4 million. In all, the provision for obsolescence amounts to SEK 83.1 million (83.5), corresponding to 5 percent of the inventory value before deductions for obsolescence.

Note 21 Accounts receivable – trade

| Age breakdown of trade accounts receivable, including reserve | Group | |
|---|----------------|----------------|
| | 2018/19 | 2017/18 |
| Not yet due | 1,354.0 | 1,160.8 |
| < 90 days | 243.2 | 202.0 |
| 90–180 | 49.9 | 39.6 |
| 181–360 | 22.9 | 27.9 |
| > 360 | 15.0 | 31.9 |
| Total | 1,685.0 | 1,462.2 |

In accordance with IFRS 9, Systemair has as of the 2018/19 financial year applied a new valuation methodology for calculation of credit loss provision for trade accounts receivable. Until the end of the 2017/18 financial year, a model was used involving a level of provision of 50 percent for receivables overdue more than 180 days and 100 percent for trade accounts receivable overdue more than 360 days. That methodology has now been replaced by a new model in which an expected credit loss for the whole of the term of the account receivable is taken into account in the calculation of the credit loss provision. However, all outstanding trade accounts receivable are assessed according to individual circumstances when more appropriate.

The model of calculating credit losses expected is based on five different levels of maturity, from accounts receivable not yet due to more than 360 days overdue, as shown in the table above. Each level is assigned a degree of credit loss on which accounting loss provisions are made unless an assessment of the individual circumstances indicates otherwise. The grading of credit loss per level is based on historical patterns of losses over five years adjusted for provisions for losses, such as an individual forward-looking assessment of changes in payment structures based on state of the economy, knowledge of customer and market, for example. The grades of credit losses in the different categories on 30 April 2019 were in the range of 0.1–88.1 percent. Systemair does not as a rule use credit insurance, but if it does by way of exception, a provision less the insured sum is accepted. An individual account receivable is written off at the point in time when there is no reasonable expectation of settlement by the counterparty.

Adoption of the new valuation methodology for credit loss provision regarding trade accounts receivable had no material effect on Systemair's accounts and consequently previous periods have not been restated. In the 2018/19 financial year, profits were charged with SEK 33.7 million (26.2) in expected bad debts. Provisions for impairment of trade accounts receivable in the Group totalled 6.8 percent (6.5) of total trade accounts receivable. The Parent Company has no external trade accounts receivable.

Customer credit risk is managed at every subsidiary in accordance with a local credit policy drawn up in accordance with a standard template. Outstanding trade accounts receivable are monitored and reported on regularly at each company and Group level. Systemair has an extremely broad customer base, with nearly 100,000 customers. No individual customer normally represents more than around 1 percent of the Company's total sales. As a result, Systemair shows limited dependence on individual customers. Charges for anticipated bad debts and impairment losses on trade receivables are charged to selling expenses.

| Reserve for impairment of trade accounts receivable | Group | |
|---|--------------|--------------|
| | 2018/19 | 2017/18 |
| Opening balance | 101.7 | 90.6 |
| Provision for expected losses | 45.0 | 24.3 |
| Reversal of amount unused | -9.1 | -6.0 |
| Bad debts | -13.9 | -11.9 |
| Translation difference | -0.3 | 4.7 |
| Closing balance | 123.4 | 101.7 |

The reserve for impairment of trade accounts receivable is made up as follows, by maturity category:

| Reserve for impairment of trade accounts receivable | Group | |
|---|--------------|--------------|
| | 2018/19 | 2017/18 |
| Not yet due | 1.4 | 1.2 |
| Due < 90 days | 2.6 | 1.6 |
| Due 90–180 days | 2.8 | 0.9 |
| Due 181–360 days | 5.3 | 5.9 |
| Due > 360 days | 111.3 | 92.1 |
| Provision for impairment of trade accounts receivable, total | 123.4 | 101.7 |

| Group 2018/19 | Gross amount, trade accounts receivable | Provision for losses | Expected loss rate, % |
|------------------|---|----------------------|-----------------------|
| | | | |
| Not yet due | 1,355.4 | 1.4 | 0.1% |
| Due < 90 days | 245.8 | 2.6 | 1.1% |
| Due 90–180 days | 52.7 | 2.8 | 5.3% |
| Due 181–360 days | 28.2 | 5.3 | 18.8% |
| Due > 360 days | 126.3 | 111.3 | 88.1% |
| | 1,808.4 | 123.4 | 6.8% |

Note 22 Share capital and proposed dividend

| Year | Action | Quotient value | Change in share capital, SEK m. | Share capital, SEK m. | Change in A shares | Change in B shares | Total no. of shares |
|--------------------------------|---|----------------|---------------------------------|-----------------------|--------------------|--------------------|---------------------|
| Opening balances, May 2007 | | – | | 52.0 | 500,000 | 20,000 | 520,000 |
| 2007/08 | 100:1 split | 1 | – | 52.0 | 50,000,000 | 2,000,000 | 52,000,000 |
| 2007/08 | Reregistration of shares to one class ¹⁾ | 1 | – | 52.0 | –50,000,000 | –2,000,000 | 52,000,000 |
| At year-end, April 2019 | | 1 | – | 52.0 | – | – | 52,000,000 |

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

On 30 April 2019, the registered share capital totalled SEK 52,000,000, represented by 52,000,000 shares, each entitled to one vote and of the same class. All shares are fully paid up.

Systemair's Board of Directors has determined that dividend shall amount to approximately 30 percent of profit after tax. The Board proposes that the 2019 AGM approve a dividend of SEK 2.00 (2.00) per share, a total payment of SEK 104.0 million (104.0), representing a dividend of 32 percent (45) of profit after tax.

Capital management

The Systemair Board has set a target of no less than 30 percent for its equity/assets ratio. In the 2018/19 financial year, an equity/assets ratio of 41.7 percent (42.5) was achieved. Other financial covenants that are measured under the conditions of existing financing agreements with Nordea Bank AB and Svenska Handelsbanken AB are, interest coverage ratio and net debt/equity ratio. The target for interest coverage ratio is no less than 3.50. Over the financial year, the ratio was measured at 10.9 (33.7). The target for the net debt ratio is no more than 3.50. Over the 2018/19 financial year, the ratio was measured at 2.6 (3.2). All covenants were therefore achieved during the financial year.

Translation reserve

The impact of foreign currency on equity is recognised as a translation difference. The translation difference arises during consolidation when the net assets of the foreign subsidiaries are translated to Swedish kronor. Systemair applies the current method, in which assets, liabilities and equity are translated at the exchange rates prevailing at the balance sheet date, while the income statements are translated at average rates for the year. Any exchange differences resulting from the use of this method are recognised directly in other comprehensive income. For the 2018/19 financial year, the translation difference inequity was SEK 29.1 million (123.7).

Reserve for development expenditure – Parent Company

On capitalisation of development expenditure, the corresponding amount shall be transferred from retained profit to a separate restricted reserve, the reserve for development expenditure. The reserve is to be drawn down on depreciation/amortisation, impairment or disposal. The Parent Company reports a reserve for development expenditure totalling SEK 7.7 million (6.7) in the 2018/19 financial year.

Proposed appropriation of profits

Available for distribution by the Annual General Meeting:

| | |
|------------------------------|--------------------------|
| Share premium reserve | SEK 35,206,751 |
| Fair value reserve | SEK –5,167,245 |
| Profit brought forward | SEK 1,663,766,806 |
| Net profit/loss for the year | SEK –29,666,714 |
| | SEK 1,664,139,598 |

The Board proposes that the Annual General Meeting, to be held on 29 August 2019, approved a dividend of SEK 2.00 (2.00). As a result, dividend payments will amount to SEK 104.0 million (104.0). The remaining unappropriated amount is to be carried forward. The proposed dividend corresponds to 32 percent (45) of net consolidated profit. The number of shares entitled to a dividend is 52,000,000.

List of shareholders

Systemair's largest shareholders according to Euroclear on 30 April 2019.

| Shareholder | No. of shares | % of capital and votes |
|--|-------------------|------------------------|
| Färna Invest AB ¹⁾ | 22,164,162 | 42.62% |
| ebm-papst AB | 11,059,770 | 21.27% |
| Swedbank Robur Fonder | 3,904,027 | 7.51% |
| Alecta Pensionsförsäkring, Ömsesidigt | 2,888,000 | 5.55% |
| Nordea Investment Funds | 1,737,842 | 3.34% |
| Lannebo Fonder | 1,439,337 | 2.77% |
| Afa Försäkring | 1,422,262 | 2.74% |
| Brown Brothers Harriman/Lux, W8IMY WPR | 1,162,490 | 2.24% |
| J.P. Morgan Bank Luxembourg S.A. | 802,146 | 1.54% |
| Tredje AP-fonden | 426,916 | 0.82% |
| Others | 4,993,048 | 9.60% |
| Total | 52,000,000 | 100.00% |

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

Note 23 Borrowing and financial instruments

| | Group | | Parent Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Non-current liabilities | | | | |
| Bank loans of one to five years | 1,019.9 | 620.6 | 856.3 | 409.2 |
| Bank loans longer than five years | 50.1 | 70.1 | – | – |
| | 1,070.0 | 690.7 | 856.3 | 409.2 |
| Current liabilities | | | | |
| Bank overdraft facilities | 959.5 | 1,076.6 | 948.5 | 1,039.8 |
| Current portion of bank loans | 216.4 | 206.6 | 26.6 | 30.3 |
| | 1,175.9 | 1,283.2 | 975.1 | 1,070.1 |
| Total borrowing | 2,245.9 | 1,973.9 | 1,831.4 | 1,479.3 |
| Distribution among banks | | | | |
| Nordea Bank AB | 1,005.7 | 828.0 | 923.7 | 718.2 |
| Svenska Handelsbanken AB | 1,026.9 | 877.1 | 907.7 | 761.1 |
| Other banks | 213.3 | 268.8 | – | – |
| | 2,245.9 | 1,973.9 | 1,831.4 | 1,479.3 |

>> Note 23 (cont.)

| Loans, by currency | SHB | | Nordea | | Others | | Total | |
|--------------------|----------------|--------------|----------------|--------------|--------------|--------------|----------------|----------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| EUR | 775.1 | 460.2 | 124.1 | 69.8 | 184.1 | 223.7 | 1,083.3 | 753.7 |
| SEK | 223.1 | 303.1 | 531.1 | 562.9 | - | 4.8 | 754.2 | 870.8 |
| USD | - | - | 152.7 | 113.4 | - | - | 152.7 | 113.4 |
| NOK | - | - | -14.2 | -45.5 | - | - | -14.2 | -45.5 |
| DKK | - | - | 87.7 | 70.5 | - | - | 87.7 | 70.5 |
| Other currencies | 28.7 | 113.8 | 124.3 | 56.9 | 29.2 | 40.3 | 182.2 | 211.0 |
| Total | 1,026.9 | 877.1 | 1,005.7 | 828.0 | 213.3 | 268.8 | 2,245.9 | 1,973.9 |

| | 2018/19 | | 2017/18 | |
|-------------------------|-------------|------------------------|-------------|------------------------|
| | Loan amount | Weighted interest rate | Loan amount | Weighted interest rate |
| Long-term loans | | | | |
| Group | 1,070.0 | 1.18% | 690.7 | 1.38% |
| Parent Company | 856.3 | 1.11% | 409.2 | 0.84% |
| Short-term loans | | | | |
| Group | 1,175.9 | 1.74% | 1,283.2 | 1.22% |
| Parent Company | 975.1 | 1.35% | 1,070.2 | 0.98% |

External credit facilities granted for operating credits totalled SEK 1,257.8 million (1,293.6) for the Group, and SEK 1,170.0 million (1,170.0) for the Parent Company. The Group had an unused overdraft facility of SEK 298.3 million (212.4). The overdraft facility carries a variable interest rate. Limits granted in the RCFs at Nordea and SHB total SEK 1,338.3 million (500.0). The unused portion of the RCF was SEK 455.4 million (79.5).

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

Change in liabilities in financing activities

| | 30/04/2018 | Cash flow | Acquisitions/ disposals | Miscellaneous | Translation differences | 30/04/2019 |
|------------------------------------|----------------|--------------|----------------------------|---------------|----------------------------|----------------|
| Group | | | | | | |
| Non-current financial liabilities | 690.7 | 394.3 | - | - | -15.0 | 1,070.0 |
| Current financial liabilities | 206.6 | 13.6 | - | - | -3.8 | 216.4 |
| Bank overdraft facilities | 1,076.6 | -146.6 | -4.5 | - | 34.0 | 959.5 |
| Total financial liabilities | 1,973.9 | 261.3 | -4.5 | - | 15.2 | 2,245.9 |
| Parent Company | | | | | | |
| Non-current financial liabilities | 409.2 | 447.1 | - | - | - | 856.3 |
| Current financial liabilities | 30.4 | -3.7 | - | - | - | 26.6 |
| Bank overdraft facilities | 1,039.8 | -91.3 | - | - | - | 948.5 |
| Total financial liabilities | 1,479.4 | 352.1 | - | - | - | 1,831.4 |

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

Maturity structure

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

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Later |
|------------------------------------|----------------|-------------|--------------|-------------|-------------|-------------|
| Interest payments on loans | 15.2 | 10.8 | 7.9 | 5.9 | 0.8 | 1.3 |
| Interest, overdraft facility | 13.0 | | | | | |
| Total interest expense | 28.2 | 10.8 | 7.9 | 5.9 | 0.8 | 1.3 |
| Repayments | | | | | | |
| Loans | 216.4 | 68.4 | 890.4 | 34.1 | 27.0 | 50.0 |
| Operating credit | 959.5 | | | | | |
| Non-current liabilities | 28.6 | | | | | |
| Other liabilities | 832.1 | | | | | |
| Total undiscounted payments | 2,064.8 | 79.2 | 898.3 | 40.0 | 27.8 | 51.3 |

Classification and categorisation of financial assets and liabilities in the Group

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

Level 1: Quoted prices (unadjusted) in an active market for identical assets or liabilities to which the company has access at the time of valuation. Systemair currently does not have any financial assets or liabilities that are measured at Level 1.

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

>> Note 23 (cont.)

Level 3: Inputs not based on observable input data for the asset or liability. On this level, assumptions that market operators would apply in the pricing of the asset or liability, including risk assumptions, are taken into account. The calculation for the option to acquire the remaining 25 percent of the shares in Traydus, Brazil, is based on the anticipated profit after tax for the 2019/20 and 2020/21 financial years. Any increase in anticipated profit after tax would increase in the liability relating to the option. No upper limit for the anticipated liability is established in the agreement. Any change in estimated liability will be charged to the consolidated income statement. For the 2018/19 financial year, the liability has been written down to SEK 0, with an impact of SEK 5.7 million (2.3) on income. The adjustment affects Other operating income. The calculation for the option to acquire the remaining 10 percent of the shares in Systemair HSK Turkey is based on the anticipated profit before depreciation/amortisation and tax (EBITDA) for the financial years until 2019/20, plus the increase in the value of the land on which the Turkish production facility is

situated. Any increase in anticipated profit after tax and any increase in the value of the land would result in an increase in the liability relating to the option. No upper limit for the anticipated liability is established in the agreement. Any change in estimated liability is transferred via the Group's equity. For the 2018/19 financial year, the liability has been increased by SEK 16.7 million (0.9) as a result of the increase in the value of the land on which the Turkish production facility is located. Any increase in anticipated profit after tax and any increase in the value of the land would result in an increase in the liability relating to the option. The liability is recognised under Other non-current liabilities on the balance sheet.

The carrying amount for all items, other than borrowing, is an approximation of the fair value, and so such items are not classified into levels in accordance with the valuation hierarchy. Loans to credit institutions, for the most part, carry variable interest rates. The book value of loans is considered essentially to correspond to their fair value.

| 2018/19 Assets | Derivatives | Measured at amortised cost | Measured at fair value via income | Total financial assets | Non-financial assets | Total |
|--|--------------|-------------------------------|--------------------------------------|---------------------------|-------------------------|----------------|
| Intangible non-current assets | - | - | - | - | 1,111.9 | 1,111.9 |
| Property, plant and equipment | - | - | - | - | 1,769.4 | 1,769.4 |
| Participations in associated companies | - | - | - | - | 22.2 | 22.2 |
| Financial investments | - | - | 1.5 | 1.5 | - | 1.5 |
| Non-current receivables | - | 15.7 | - | 15.7 | 15.3 | 31.0 |
| Deferred tax assets | - | - | - | - | 212.9 | 212.9 |
| Inventory | - | - | - | - | 1,509.4 | 1,509.4 |
| Other receivables | -15.6 | 1,753.6 | - | 1,738.0 | 164.1 | 1,902.1 |
| Cash and cash equivalents | - | 250.4 | - | 250.4 | - | 250.4 |
| Total assets | -15.6 | 2,019.7 | 1.5 | 2,005.6 | 4,805.2 | 6,810.8 |

| Equity and liabilities | Financial assets measured at amortised cost | Financial liabilities measured at fair value via the income statement ¹⁾ | Total financial liabilities | Non-financial liabilities | Total |
|-------------------------------------|--|--|--------------------------------|------------------------------|----------------|
| Equity | - | - | - | 2,839.2 | 2,839.2 |
| Provisions for pensions | - | - | - | 86.2 | 86.2 |
| Deferred tax liabilities | - | - | - | 93.2 | 93.2 |
| Other provisions | - | - | - | 66.2 | 66.2 |
| Other non-current liabilities | - | 28.1 | 28.1 | 14.9 | 43.0 |
| Interest-bearing liabilities | 2,245.9 | - | 2,245.9 | - | 2,245.9 |
| Other liabilities | 832.1 | - | 832.1 | 605.0 | 1,437.1 |
| Total equity and liabilities | 3,078.0 | 28.1 | 3,106.1 | 3,704.7 | 6,810.8 |

¹⁾ Option to purchase the remaining 10 percent in Systemair HSK, Turkey. The option expires in 2020.

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

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

¹⁾ Option to purchase the remaining 10 percent in Systemair HSK, Turkey. The option expires in 2020.

²⁾ Option to purchase the remaining 25 percent in Systemair Traydus, Brazil. The option expires in 2021.

On the balance sheet date, the Group had outstanding EUR currency derivatives. The market value of the forward contracts was SEK -15.6 million (-29.5) in the Parent Company and SEK -32.7 thousand (-253.0) in the Group. The total hedged value was EUR 49.5 million (42.0) and CZK 6.6 million (16.1). Revaluation of the derivatives is charged to Other operating expenses.

>> Note 23 (cont.)

| Currency derivatives – hedged values Group | EUR m. | CZK m. |
|---|-------------|------------|
| Maturity of forward contracts | | |
| < 1 year | 22.0 | 6.6 |
| May 2020 – July 2020 | 9.5 | – |
| Aug. 2020 – Oct. 2020 | 15.5 | – |
| Nov. 2020 – Jan. 2021 | 2.5 | – |
| Total outstanding | 49.5 | 6.6 |

In its Finance Policy, Systemair has stated that 50 percent of its EUR inflows may be hedged for a maximum of 18 months. As a result, the Company sells EUR during this period. At the financial year-end, 88 percent of forward contracts had been taken out by the Parent Company and 12 percent by subsidiaries. The forward contracts are measured at fair value. Hedge accounting is not used. Changes in value are recognised via the income statement.

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

Note 24 Accrued expenses and deferred income

| | Group | | Parent Company | |
|---|--------------|--------------|----------------|-------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Salary and holiday pay liability | 147.9 | 148.0 | 7.7 | 8.5 |
| Employer's social security contribution liability | 34.9 | 37.2 | 3.4 | 3.7 |
| Commission payments and bonuses | 23.7 | 29.8 | – | – |
| Miscellaneous | 97.9 | 102.8 | 4.7 | 14.3 |
| | 304.4 | 317.8 | 15.8 | 26.5 |

Note 25 Appropriations, other

| | Parent Company | |
|--|----------------|-------------|
| | 2018/19 | 2017/18 |
| Group contributions paid | – | – |
| Group contributions received | 87.5 | 79.5 |
| Reversal of tax allocation reserve | 0.2 | 0.1 |
| Difference between depreciation and amortisation charged and according to plan | –1.1 | 0.3 |
| | 86.6 | 79.9 |

Note 26 Untaxed reserves

| | Parent Company | |
|--|----------------|------------|
| | 2018/19 | 2017/18 |
| Difference between depreciation and amortisation charged and according to plan | 1.2 | 0.1 |
| Tax allocation reserve, provision for tax 2014 | – | 0.2 |
| Tax allocation reserve, provision for tax 2016 | 4.8 | 4.8 |
| | 6.0 | 5.1 |

Note 27 Provisions for pensions

Systemair operates several different post-employment benefit plans. These are classified as either defined-benefit or defined-contribution plans or a combination of the two. A defined-contribution pension plan is one in which the Group pays a premium to a separate legal entity and subsequently has no further obligations. Defined-contribution plans are recognised as a cost in the period during which the employees perform the service to which the remuneration refers. A defined-benefit pension plan is one that specifies an amount for the pension benefit that an employee will receive on retirement. Defined-benefit plans are measured separately and individually based on the benefits earned during prior and current periods. The liability recognised as Provisions for pensions, defined-benefit pension plans, is the present value of the defined-benefit obligation at the balance sheet date, less the fair value of plan assets. The cost of defined-benefit pension plans

is broken down into different categories, such as cost of earning, interest expense or income, and revaluation effects. The cost of earning is reported as an operating cost and is classified as Cost of goods sold, Selling expenses or Administration expenses, depending on the function of the individual. Interest expense or income is recognised under Net financial items, while revaluation effects are recognised in Other comprehensive income.

Pension obligations are calculated annually with the aid of independent actuaries who use the Projected Unit Credit Method. The calculation is based on actuarial, demographic and financial assumptions including discount rate, inflation expectations, anticipated pay rises and expected returns on investment assets.

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

Sweden

Some white-collar employees in Sweden are included in a defined-benefit pension plan, ITP 2. The plan is based on a final-salary scheme, in which full pension entitlement requires 30 years of earning. The ITP 2 plan's defined-benefit pension obligations for retirement and family pensions (or family pensions) are secured via insurance contracted with Alecta. According to a statement from the Swedish Financial Accounting Standards Council, UFR 10 Accounting for ITP Plan 2, financed via insurance with Alecta, this consists of a defined-benefit plan encompassing several employers. For the 2018/19 financial year, the Company has not had access to information to be able to account for the Group's proportional share of the plan's obligations, plan assets and costs, and so has been unable to account for the plan as a defined-benefit plan. Consequently, the ITP 2 plan that is secured via insurance with Alecta is accounted for as a defined-contribution plan. Premiums for defined-benefit retirement and a pension are individually calculated on the basis, for example, of salary, a pension earned earlier and anticipated a remaining period of service. Contributions during the year for defined-benefit pension insurance policies contracted with Alecta totalled approximately SEK 6.8 million (5.7). The contributions for 2019/20 are expected to be in line with those for 2018/19.

The collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance obligations, based on Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. Normally, the collective consolidation level is allowed to vary between 125 and 175 percent. If Alecta's collective level falls short of 125 percent or exceeds 175 percent, measures are to be taken to create conditions that will bring the consolidation level back within the normal range. In the event of low consolidation, one measure may be to increase the contractual price for new insurance and increase existing benefits. In the event of high consolidation, one measure may be to introduce premium reductions. At year-end 2018, Alecta's surplus in the form of the collective consolidation level was 142 percent (154).

Norway

In Norway, defined-benefit pension plans are governed by the Norwegian Company Pensions Act. The plan covers all employees; payments from the former national pension system and the defined-benefit system add up to around 66 percent of the employee's salary when the employee reaches retirement age (normally 67 years). As the benefits under the new defined-benefit system are lower than before, pension payments will be lower than 66 percent. The amount varies according to when the employees decide to retire, normally between the ages of 62 and 75 years. The pension is calculated based on the date of retirement divided by the number of years until the statistically calculated average life expectancy. Under Norwegian law, plan assets must always cover the pension entitlements earned by the employees covered by the pension plan. The plan assets must be kept apart from the company, but there are no provisions stating how the assets must be invested. A management committee is appointed to determine where and how the assets are to be invested, and it is a requirement that one member of the management committee must be a member of the defined-benefit plan. The company must contribute no less than 2 percent of the annual salary cost.

Switzerland

Defined-benefit plans in Switzerland must be financed by a separate legally administrative managed pension fund. In this respect, Swiss law stipulates only a mandatory minimum level.

Insurance plan: the company is a member of a collective foundation. According to IAS 19, the plan is classified as a defined-benefit plan but has fixed contributions. Under Swiss law, the foundation guarantees the benefit amounts earned, which are established annually for the employee. Interest may be added to the balance. On taking retirement, the employee has the right to take the pension as a lump sum, a lifetime annuity or part as a lump sum with the remainder being converted to a fixed lifetime annuity in accordance with the rates determined by the collective foundation. Under Swiss law, the foundation must guarantee a minimum level concerning the investment. Otherwise, the foundation is responsible for overseeing how the plan assets are invested.

>> Note 27 (cont.)

Italy

Under Italian law, an employee has the right, in the event of termination of employment, to a severance payment termed a "TFR". In brief, the TFR is calculated individually as a portion of the employee's gross annual salary and a reasonable revaluation of the amount earned up to the time of termination of employment. Following changes in Italian legislation on 1 January 2007, all companies with more than 50 employees are obliged to pay the estimated TRF liability to a supplementary pension fund or the government's INPS fund. All post-employment benefits to be paid in future are to be paid via one of the above-mentioned funds. On that basis, the fund is classified as a defined-contribution plan, following the change in legislation.

The pension liability on 30 April 2019 under defined-benefit pension plans is based on amounts earned in TFR as per 31 December 2006. This represents the amount that the company has to pay out when an employee reaches retirement age or in the event the person's employment is terminated.

France

In France, pensions are paid to employees at retirement in accordance with current collective bargaining agreements. The plan is a defined-benefit, final salary scheme. The plan does not stipulate any minimum requirements.

Information per country, 30 April 2019

| Amounts shown on the balance sheet - defined-benefit pension plans | Norway | Switzerland | Italy | France | Others | Total |
|--|-------------|-------------|-------------|-------------|------------|-------------|
| Present value of obligations, including payroll tax | 142.8 | 43.3 | 20.4 | 20.7 | 2.2 | 229.4 |
| Fair value of plan assets | -111.4 | -31.8 | - | - | - | -143.2 |
| Pension provision, net | 31.4 | 11.5 | 20.4 | 20.7 | 2.2 | 86.2 |
| Expense recognised in income statement | | | | | | |
| Expenses based on service | 8.8 | 1.8 | - | 1.1 | 0.5 | 12.2 |
| Interest expense / (gain) | 0.6 | 0.1 | 0.3 | 0.4 | - | 1.4 |
| Net expense recognised in income statement | 9.4 | 1.9 | 0.3 | 1.5 | 0.5 | 13.6 |
| Maturity profile, defined-benefit obligations | | | | | | |
| Weighted average duration, defined-benefit obligations | 21 | 19 | 12 | 17 | 8 | |
| Major actuarial assumptions, weighted average, % | | | | | | |
| Discount rate | 2.40 | 0.60 | 2.37 | 2.00 | 2.00 | |
| Anticipated rate of increase in salaries | 2.50 | 0.50 | 2.00 | 0.50 | 1.00 | |
| Anticipated rate of inflation | 2.25 | 0.50 | 2.00 | 1.50 | 1.00 | |

Information per country, 30 April 2018

| Amounts shown on the balance sheet - defined-benefit pension plans | Norway | Switzerland | Italy | France | Others | Total |
|--|-------------|-------------|-------------|-------------|------------|-------------|
| Present value of obligations, including payroll tax | 118.5 | 42.7 | 23.7 | 20.1 | 1.8 | 206.8 |
| Fair value of plan assets | -100.7 | -31.3 | - | - | - | -132.0 |
| Pension provision, net | 17.8 | 11.4 | 23.7 | 20.1 | 1.8 | 74.8 |
| Expense recognised in income statement | | | | | | |
| Expenses based on service | 7.3 | 2.0 | - | 1.0 | 0.3 | 10.6 |
| Interest expense / (gain) | 0.3 | 0.1 | 0.3 | 0.4 | - | 1.1 |
| Net expense recognised in income statement | 7.6 | 2.1 | 0.3 | 1.4 | 0.3 | 11.7 |
| Maturity profile, defined-benefit obligations | | | | | | |
| Weighted average duration, defined-benefit obligations | 22 | 19 | 12 | 17 | 8 | |
| Major actuarial assumptions, weighted average, % | | | | | | |
| Discount rate | 2.70 | 0.90 | 1.93 | 2.00 | 1.50 | |
| Anticipated rate of increase in salaries | 2.75 | 0.50 | 2.00 | 1.50 | 0.50 | |
| Anticipated rate of inflation | 1.50 | 0.50 | 2.00 | 0.50 | 0.50 | |

Effect of pension expenses on profit

| | 2018/19 | 2017/18 |
|---|-------------|-------------|
| Operating expenses - defined-benefit plans | 12.2 | 10.6 |
| Operating expenses - defined-contribution plans | 63.4 | 60.1 |
| Total operating expenses | 75.6 | 70.7 |
| Interest expense - defined-benefit plans | 1.5 | 1.1 |
| Expense before tax | 77.1 | 71.8 |

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

| Defined-benefit obligations | 2018/19 | 2017/18 |
|---|--------------|--------------|
| Defined-benefit plans - obligation, 1 May | 206.8 | 179.1 |
| Current expense | 12.2 | 10.6 |
| Interest expense | 4.0 | 3.5 |
| Benefits paid | -9.2 | -7.4 |
| Actuarial gains/losses (financial assumptions) | 10.9 | 12.3 |
| Actuarial gains/losses (demographic assumptions) | - | -0.7 |
| Actuarial gains/losses (experience-based adjustments) | 0.7 | 1.2 |
| Deduction (others) | -0.3 | - |
| Exchange rate differences | 4.3 | 8.2 |
| Defined-benefit plans, obligations as per 30 April | 229.4 | 206.8 |

>> Note 27 (cont.)

| Changes in plan assets | 2018/19 | 2017/18 |
|--|--------------|--------------|
| Fair value of plan assets as per 1 May | 132.0 | 117.2 |
| Funds invested by employers | 11.4 | 15.6 |
| Funds invested by employees | 1.1 | 1.2 |
| Benefits paid | -5.7 | -6.6 |
| Interest income | 2.6 | 2.4 |
| Actuarial gains/losses | -1.1 | -1.9 |
| Deduction (others) | -0.2 | - |
| Exchange rate differences | 3.1 | 4.1 |
| Fair value of plan assets as per 30 April | 143.2 | 132.0 |

| | 2018/19 | 2017/18 |
|--|---------|---------|
| Best estimate of contributions next year | 11.8 | 10.2 |

Sensitivity analysis

The table below illustrates the effect on the value of the pension obligation from assumed changes.

| | Change in assumption (%) | Effect, SEK m. | Change in assumption (%) | Effect, SEK m. |
|-------------------------|--------------------------|----------------|--------------------------|----------------|
| Discount rate | +1.0 | -37.4 | -1.0 | +42.6 |
| Rate of inflation | +0.5 | -3.0 | -0.5 | +8.3 |
| Future salary increases | +0.5 | +20.5 | -0.5 | -15.6 |

The analysis is performed by changing one assumption while keeping the other assumptions unchanged. The method illustrates the sensitivity of the liability to each assumption. This is a simplified method, in that the actuarial assumptions are usually correlated.

Fair value of plan assets

| | 2018/19 | 2017/18 |
|--|--------------|--------------|
| Shares and similar financial instruments | 23.5 | 17.5 |
| Fixed-income securities, etc. | 98.9 | 94.8 |
| Real estate | 14.4 | 13.1 |
| Others | 6.5 | 6.6 |
| Total | 143.2 | 132.0 |

Amounts recognised in other comprehensive income

| | 2018/19 | 2017/18 |
|-------------------------------|--------------|--------------|
| Actuarial gains/losses, gross | -13.2 | -14.7 |
| Impact of tax | 2.6 | 3.0 |
| Net in equity | -10.7 | -11.7 |

Note 28 Other provisions

| | Group | | Parent Company | |
|-----------------------------|-------------|-------------|----------------|----------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Amount at beginning of year | 73.1 | 81.9 | - | - |
| Provisions during the year | 14.0 | 22.0 | - | - |
| Provisions acquired | 1.2 | 5.5 | - | - |
| Provisions disposed of | 0.7 | - | - | - |
| Utilisation during the year | -21.6 | -18.9 | - | - |
| Provisions reversed | -8.5 | -5.6 | - | - |
| Reclassifications | 0.0 | -15.1 | - | - |
| Translation differences | 7.3 | 3.3 | - | - |
| Amount at year-end | 66.2 | 73.1 | - | - |

Provisions totalling SEK 47.3 million (46.1) relate to warranty costs, SEK 0.7 million (1.6) to restructuring costs and SEK 7.6 million (9.8) to other personnel-related items.

Note 29 Profit/loss from participations in Group companies

| | Parent Company | |
|--------------------------------------|----------------|-------------|
| | 2018/19 | 2017/18 |
| Dividends from subsidiaries | 307.4 | 262.6 |
| Write-down on shares in subsidiaries | -337.0 | -200.1 |
| | -29.7 | 62.5 |

Note 30 Participations in Group companies**Parent Company holdings of shares in Group companies**

| Subsidiary | Org. reg. no. | Registered office | % equity | No. of shares | Carrying amount |
|---------------------------------|---------------|-----------------------------|----------|---------------|-----------------|
| Systemair Sverige AB | 559000-1516 | Skinnskatteberg, Sweden | 100 | 1,000,000 | 1.0 |
| Animac | 556311-3926 | Motala, Sweden | 100 | 2,500 | 2.7 |
| Frico AB | 556573-3812 | Partille, Sweden | 100 | 50,000 | 288.5 |
| Kanalfäkt Design Alliuq AB | 556823-9577 | Ängelholm, Sweden | 100 | 500 | 164.6 |
| Kanalfäkt Industrial Service AB | 556063-2530 | Skinnskatteberg, Sweden | 100 | 5,000 | 1.2 |
| KP Klimat AB | 556772-1518 | Eskilstuna, Sweden | 100 | 1,000 | 6.0 |
| VEAB Heat Tech AB | 556138-3166 | Hässleholm, Sweden | 100 | 3,000 | 65.6 |
| Systemair AZ | | Azerbaijan | 100 | - | 0.1 |
| Systemair NV | | Belgium | 100 | - | 27.7 |
| Menerga NV | | Belgium | 100 | - | 8.6 |
| Systemair Traydus | | Brazil | 75 | - | 4.5 |
| Systemair EOOD | | Bulgaria | 100 | - | 0.1 |
| Systemair Spa | | Chile | 100 | - | 7.2 |
| Welmo Trading Ltd | | Cyprus | 100 | 1,000 | 0.0 |
| Systemair a/s | | Denmark | 100 | 10,101 | 35.1 |
| Systemair Trading LLC | | Dubai, United Arab Emirates | 100 | - | 2.1 |
| Systemair Fans & Spares Ltd | | England | 100 | 1,000,000 | 32.0 |
| Systemair AS | | Estonia | 100 | 3,128 | 17.3 |
| Systemair Oy | | Finland | 100 | 20 | 0.3 |
| Systemair SAS | | France | 100 | 9,994 | 6.5 |
| Systemair AC SAS | | France | 100 | 10,000 | 10.3 |
| Systemair Hellas | | Greece | 100 | 15,000 | 8.7 |

>> Note 30 (cont.)

| Subsidiary | Org. reg. no. | Registered office | % equity | No. of shares | Carrying amount |
|---------------------------------|---------------|-------------------|----------|---------------|-----------------|
| Systemair B.V. | | Netherlands | 100 | - | 119.2 |
| Frico B.V. | | Netherlands | 100 | 40 | 11.0 |
| Systemair Hong Kong Ltd | | Hong Kong | 100 | 300 | 0.2 |
| Systemair India Pvt. Ltd | | India | 100 | 320,000 | 161.3 |
| Systemair Ltd | | Ireland | 100 | 1 | 0.0 |
| Systemair Italy s.r.l. | | Italy | 100 | - | 55.2 |
| Systemair AC | | Italy | 100 | - | 49.9 |
| Systemair Ltd | | Canada | 100 | 44,600 | 29.6 |
| Systemair (Suzhou) Co. Ltd | | China | 100 | - | 0.0 |
| Systemair d.o.o. | | Croatia | 100 | - | 0.0 |
| Systemair SIA | | Latvia | 100 | 2,500 | 1.1 |
| Systemair UAB | | Lithuania | 100 | 500 | 10.9 |
| UAB Systemair BK | | Lithuania | 100 | - | 25.5 |
| Systemair Sdn Bhd | | Malaysia | 100 | 1,500,000 | 20.6 |
| Systemair Mexico | | Mexico | 100 | - | 0.4 |
| Systemair AS | | Norway | 100 | 82,000 | 21.4 |
| Menerga AS | | Norway | 100 | 50 | 20.8 |
| Systemair Peru SAC | | Peru | 100 | 20,000 | 3.6 |
| Systemair SA | | Poland | 100 | 200 | 0.9 |
| Systemair SA | | Portugal | 100 | 200,000 | 26.0 |
| Systemair Middle East LLC | | Qatar | 100 | - | 0.4 |
| Systemair Rt | | Romania | 100 | 1,000 | 0.0 |
| OOO Systemair | | Russia | 100 | - | 95.9 |
| Systemair d.o.o. Belgrade | | Serbia | 100 | - | 12.4 |
| Systemair Suisse AG | | Switzerland | 100 | 250 | 47.0 |
| Syneco AG | | Switzerland | 100 | 210 | 11.7 |
| Systemair (SEA) PTE Ltd | | Singapore | 100 | 1,000,000 | 6.2 |
| IMOS-Systemair spol. s.r.o. | | Slovakia | 100 | - | 68.2 |
| Systemair AS | | Slovakia | 100 | 22 | 0.5 |
| Systemair d.o.o. | | Slovenia | 100 | - | 42.9 |
| Systemair HVAC S.L.U. | | Spain | 100 | - | 26.3 |
| Koolair S.L. | | Spain | 100 | - | 41.9 |
| Systemair (Pty) Ltd | | South Africa | 100 | 1,000 | 43.0 |
| Systemair SA | | Czech Republic | 100 | - | 21.5 |
| ZVV s.r.o. | | Czech Republic | 100 | - | 110.1 |
| Recutech s.r.o. | | Czech Republic | 10 | - | 4.8 |
| Systemair Co. Ltd | | Taiwan | 100 | - | 0.0 |
| Systemair HSK | | Turkey | 90 | 2,150 | 173.4 |
| Systemair GmbH | | Germany | 100 | - | 10.4 |
| Lautner Enegiesparttechnik GmbH | | Germany | 100 | - | 10.5 |
| LGB GmbH | | Germany | 100 | - | 38.9 |
| Menerga GmbH | | Germany | 100 | - | 156.8 |
| Tekadoor GmbH | | Germany | 100 | - | 30.3 |
| TTL | | Germany | 100 | - | 0.2 |
| Systemair TOV | | Ukraine | 100 | - | 0.0 |
| Systemair Rt | | Hungary | 100 | 2,000 | 4.5 |
| Systemair Mfg Inc. | | USA | 100 | 500 | 32.1 |
| Systemair GmbH | | Austria | 100 | - | 10.9 |
| Frivent GmbH | | Austria | 100 | - | 28.9 |
| | | | | | 2,277.7 |

>> Note 30 (cont.)

Subsidiaries indirectly held by Parent Company

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

Change in Group companies

| | Parent Company | |
|----------------------------------|----------------|----------------|
| | 2018/19 | 2017/18 |
| At start of year | 2,417.0 | 2,177.8 |
| Acquisitions during the year | 42.0 | 239.1 |
| Disposals during the year | -2.7 | - |
| New share issues during the year | 158.5 | 190.6 |
| Impairment for the year | -337.0 | -190.5 |
| | 2,277.7 | 2,417.0 |

Note 31 Participations in associated companies

| Group's participations in associated companies | Group 2018/19 | Parent Company 2018/19 |
|--|------------------|------------------------------|
| At the start of the year | - | - |
| Acquisitions during the year | 20.5 | 8.9 |
| Share in profits of associated companies during the year | 1.7 | 0.9 |
| | 22.2 | 9.8 |

Specification of values and ownership share

| 2018/19 | Country | Revenues | Profits | Assets | Liabilities | Equity | Ownership share, % |
|-----------------------------------|-----------|----------|---------|--------|-------------|--------|--------------------|
| Burda Worldwide Technologies GmbH | Germany | 21.9 | 0.9 | 16.9 | 7.6 | 9.2 | 49.9 |
| Pacific HVAC | Australia | 137.6 | 4.3 | 120.7 | 109.4 | 11.3 | 20.7 |

The end of the reporting period for the associated company Burda Worldwide Technologies GmbH was 31 December 2018. The ownership share in the company was acquired in September 2018. The company reports with a delay of one month. The company is owned by Frico AB. The end of the reporting period for the associated company Pacific HVAC is 30 September 2018. The ownership share in the company was acquired in August 2018. The company reports with a delay of one quarter. The company is owned by Systemair AB. No dividend was received from either of the companies during the financial year.

Note 32 Changes in Group structure – business combinations, new operations and disposals

Companies acquired

In November 2018, Systemair acquired the Spanish company Koolair. Koolair is a leading manufacturer of air distribution products. Export markets account for 50 percent of the company's sales. Production in Mostoles on the outskirts of Madrid is highly automated. Sales for the company total of around EUR 32 million.

In August 2018, Systemair acquired Greentek in Canada, a division of the Imperial Manufacturing Group Inc. Greentek is based in Moncton, approximately 50 kilometres from Systemair's production facility at Bouctouche, in the Province of New Brunswick. The company develops, manufactures and sells high-quality air handling units with heat recovery, for homes in the Canadian and USA markets. Annual sales are valued at around CAD 10 million. Since completion of the acquisition, operations have been co-located with Systemair's production facility in Canada.

In August 2018, a 21 percent minority shareholding in Pacific HVAC Engineering, Australia was acquired. The company is a wholesaler of ventilation products in the Australian market. The business generates sales worth around AUD 29 million.

In July 2018, Systemair acquired 49.9 percent of the shares in Burda WTG GmbH, Germany. Burda sells and develops radiant heaters for outdoor use. The company has a number of patents and smart technical solutions. Systemair has an option to acquire the remaining shares in the company within three years. Burda has sales of EUR 2.8 million.

In May 2018, Systemair signed an agreement to sell its Norwegian subsidiary Reftec A/S. The company has been acquired by its former management and will continue to operate as an exclusive distributor of Systemair's air conditioning products in the Norwegian market. In 2017/18, Reftec posted net sales of NOK 28.9 million, with an operating profit of NOK -2.0 million.

Net sales for the acquired companies between acquisition and the end of the financial year totalled SEK 56.0 million. During the period, an operating profit of SEK 4.7 million was recorded. If the companies acquired had been consolidated as of 1 May 2018, net sales for the period May 2018 through April 2019 would have totalled approximately SEK 8,506.2 million. The operating profit for that period would have totalled approximately SEK 539.5 million.

>> Note 32 (cont.)

The purchase price paid for acquisition of the assets and liabilities of Greentek, Canada, and Koolair, Spain, may provisionally be calculated as follows:

| 2018/19 SEK m. | Greentek | Koolair | Total |
|--|-------------|--------------|--------------|
| Total historical cost, less costs of acquisition | 64.5 | 236.4 | 300.9 |
| Assets acquired | | | |
| Fair value of assets acquired, net | 42.0 | 178.7 | 220.7 |
| Goodwill | 22.5 | 57.7 | 80.2 |
| Identifiable net assets | | | |
| Goodwill | 22.5 | 57.7 | 80.2 |
| Brands and customer relationships | 14.2 | 75.5 | 89.7 |
| Machinery and equipment | 8.8 | 11.9 | 20.7 |
| Financial and other assets | - | 17.7 | 17.7 |
| Inventory | 19.0 | 42.7 | 61.7 |
| Cash and cash equivalents | - | 30.9 | 30.9 |
| Historical cost | 64.5 | 236.4 | 300.9 |

| 2017/18 SEK m. | Total |
|--|-------------|
| Total historical cost, less costs of acquisition | 81.6 |
| Assets acquired | |
| Fair value of assets acquired, net | 27.3 |
| Goodwill | 54.3 |
| Identifiable net assets | |
| Goodwill | 54.3 |
| Brands and customer relationships | 28.8 |
| Buildings and land | 0.1 |
| Machinery and equipment | 7.2 |
| Financial and other assets | 4.5 |
| Deferred tax assets | 0.5 |
| Inventory | 12.0 |
| Short-term receivables | 4.7 |
| Other current assets | 2.5 |
| Cash and cash equivalents | 6.6 |
| Non-interest-bearing liabilities | -6.4 |
| Deferred tax liability | -7.7 |
| Interest-bearing liabilities | -12.3 |
| Other operating liabilities | -13.3 |
| | 81.6 |

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

| Impact of acquisitions on cash flow | 2018/19 | 2017/18 |
|--|---------------|--------------|
| Purchase considerations | -300.9 | -81.6 |
| Purchase consideration not paid | - | 8.8 |
| Cash and cash equivalents in companies purchased | 30.9 | 6.6 |
| Purchase consideration paid for prior years' acquisitions | -3.1 | -11.4 |
| Transaction costs, acquisition of subsidiaries | -0.8 | -1.8 |
| Change in consolidated cash and cash equivalents after acquisitions | -273.9 | -79.4 |

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. In cases where decisions have not been taken as to phasing-out of brands, they are assumed to have an indefinite life.

The goodwill upon acquisition is attributable to the strong market positions of the companies acquired, synergy effects expected to emerge after the acquisitions and the companies' estimated future earning capacity. Goodwill acquired in Greentek and Koolair is tax-deductible locally in the country concerned.

Companies divested

The disposal of the shares in Reftec A/S, Norway, may provisionally be calculated as follows:

Total transaction price SEK 2.7 m.

| Asset and liability disposals | Total |
|----------------------------------|------------|
| Goodwill | 3.0 |
| Machinery and equipment | 0.5 |
| Deferred tax assets | 1.0 |
| Inventory | 1.4 |
| Other current assets | 5.5 |
| Cash and cash equivalents | 0.5 |
| Non-interest-bearing liabilities | -0.7 |
| Interest-bearing liabilities | -4.5 |
| Other operating liabilities | -4.0 |
| | 2.7 |

| Effect on cash flow of company disposals | 2018/19 |
|--|------------|
| Purchase considerations | 2.7 |
| Cash and cash equivalents in company sold | -0.5 |
| Change in consolidated cash and cash equivalents after acquisitions | 2.2 |

No companies were sold during the previous year.

Note 33 Receivables from Group companies

| Changes in receivables from Group companies | Parent Company | |
|---|----------------|--------------|
| | 2018/19 | 2017/18 |
| At the start of the year | 158.2 | 125.3 |
| Lending | 231.4 | 62.5 |
| Repayments | -50.3 | -38.8 |
| Reclassifications | 0.0 | 1.0 |
| Foreign exchange adjustments | 6.2 | 8.2 |
| | 345.5 | 158.2 |

Note 34 Pledged assets

| | Group | | Parent Company | |
|--|--------------|--------------|----------------|-------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Assets pledged to credit institutions for own liabilities | | | | |
| Chattel mortgages | 132.6 | 149.2 | - | - |
| Real estate mortgages | 279.0 | 307.3 | - | - |
| Pledged shares in subsidiaries | 145.8 | 106.3 | 97.7 | 97.7 |
| | 557.4 | 562.8 | 97.7 | 97.7 |
| Pledged assets, per bank | | | | |
| Nordea Bank AB | 305.6 | 264.4 | 97.7 | 97.7 |
| Svenska Handelsbanken AB | 47.9 | 47.7 | - | - |
| Other banks | 203.9 | 250.7 | - | - |
| | 557.4 | 562.8 | 97.7 | 97.7 |

Pledged shares in subsidiaries consist of all shares in Veab AB and all shares in Systemair Mfg Inc., USA. The amount secured for the Parent Company is the book value of the shares. In the Group, the value is made up of equity plus any surplus values. The securities were taken out at acquisition of the companies.

Note 35 Contingent liabilities

| | Group | | Parent Company | |
|---|--------------|--------------|----------------|--------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Guarantees on behalf of subsidiaries | - | - | 684.1 | 692.6 |
| Guarantees and other contingent liabilities ¹⁾ | 145.6 | 156.7 | 75.9 | 91.6 |
| | 145.6 | 156.7 | 760.0 | 784.2 |

¹⁾ Consists for the most part of intra-Group Parent Company guarantees and bank guarantees.

The Parent Company has issued external bank guarantees and internal guarantees of SEK 61.1 million on behalf of the subsidiaries. The subsidiaries have issued local bank guarantees for a total amount of SEK 69.7 million.

Systemair's subsidiary in Qatar has been sued for damages by a customer. The dispute centres on whether Systemair has a responsibility to fulfill deliveries to the customer concerned. Systemair maintains that no agreement was entered into and on that basis does not intend to fulfill the deliveries. Following consultation with local lawyers, the conclusion is that the risk of being ordered to pay damages is low, and therefore it is not probable that an outflow of resources will be required.

Note 36 Supplementary information on cash flow statement

| | Group | | Parent Company | |
|---|--------------|--------------|----------------|-------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Adjustment for non-cash items etc. | | | | |
| Depreciation/Amortisation | 233.3 | 204.6 | 11.3 | 5.8 |
| Impairment losses | - | 15.0 | - | 3.9 |
| Changes in provisions | -8.0 | -17.5 | - | - |
| Unrealised exchange gains and losses | -23.2 | 25.1 | 5.9 | 9.4 |
| Provisions for pensions | -0.8 | -4.5 | - | - |
| Gain/Loss on divestment of non-current assets | -3.3 | -4.2 | - | - |
| Other items | -4.9 | 1.9 | - | - |
| | 193.1 | 220.4 | 17.2 | 19.1 |

Note 37 Information on the Parent Company

Systemair AB is a Swedish-registered limited liability company. Its registered office is in Skinnskatteberg. The address of the Company's head office is Industrivägen 3, SE-739 30 Skinnskatteberg, Sweden. The Company's corporate registration number is 556160-4108. The consolidated accounts for the 2018/19 financial year include the Parent Company and its subsidiaries, jointly referred to as the "Group".

Note 38 Earnings per share

| Group | 2018/19 | 2017/18 |
|---|------------|------------|
| Basic earnings per share (SEK) | 6.18 | 4.43 |
| Diluted earnings per share (SEK) | 6.18 | 4.43 |
| Profit/loss for the period | 321.2 | 230.1 |
| Profit for the year attributable to Parent Company shareholders | 322.3 | 230.5 |
| Non-controlling interests | -1.1 | -0.4 |
| Weighted average number of shares in issue, undiluted | 52,000,000 | 52,000,000 |
| Weighted average number of shares in issue, diluted | 52,000,000 | 52,000,000 |

There is no dilutive effect.

Note 39 Related party transactions

During the year, the Group sold products to a value of SEK 1.5 million (1.4) to ebm-papst AB. Product purchases from ebm-papst AB totalled SEK 1.1 million (1.1). The Group's purchases of products from ebm-papst AB's parent company in Germany, ebm-papst GmbH, during the year totalled SEK 275.1 million (251.3). ebm-papst AB holds the equivalent of 21.3 percent of the shares in Systemair AB. Systemair AB (publ.) purchased hotel and conference services for SEK 3.0 million (2.7) from WG Hotelldrift AB, which is owned by Gerald and Wenche Engström. At the financial year-end, Systemair AB had a trade account payable of SEK 0.4 million (0.3) to WG Hotelldrift AB.

For more information on related party transactions, see Note 11.

Parent Company purchases from other Group companies totalled SEK 61.9 million (53.7). Parent Company sales to Group companies are shown in Note 4. For more information on Parent Company receivables from Group companies, see Note 33. Liabilities to Group companies total SEK 563.1 million (564.3).

Note 40 Events after the financial year-end

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

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

Skinnskatteberg, 4 July 2019

Roland Kasper
President and CEO

Gerald Engström
Chairman of the Board

Carina Andersson
Director

Patrik Nolåker
Director

Svein Nilsen
Director

Hans Peter Fuchs
Director

Ricky Sten
Employee Representative

Åke Henningsson
Employee Representative

Our Auditor's Report concerning this Annual Report was submitted on 4 July 2019.

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

AUDITOR'S REPORT

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF
SYSTEMAIR AB (PUBL) 556160-4108

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS Opinions

We have conducted an audit of the annual report and the consolidated accounts of Systemair AB (publ) for the financial year from 1 May 2018 to 30 April 2019, except the corporate governance report on pages 40–49. The company's annual report and the consolidated accounts are included on pages 50–88 of this document.

In our view, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the parent company's financial position on 30 April 2019 and of its financial results and cash flows for the year in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the group's financial position on 30 April 2019 and of its financial results and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. Our opinions do not refer to the corporate governance report on pages 40–49. The statutory administration report is consistent with the other parts of the annual report and the consolidated accounts.

We, therefore, recommend that the annual general meeting adopt the consolidated balance sheet and consolidated income statement and the parent company income statement and balance sheet.

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

Basis of opinions

We have conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing practice in Sweden. Our responsibilities under these standards are described more fully in the section *Auditor's responsibilities*. We are independent of the parent company and group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements. We confirm that, to the best of our knowledge and belief, no prohibited services as referred to in Article 5.1 of the EU Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key audit matters

Matters of key importance in the audit are those that, in our professional judgement, were the most important in our audit of the annual report and the consolidated accounts in the period concerned. These matters were addressed in the context of the audit of, and in our opinion on, the annual report and the consolidated accounts as a whole, but we do not comment separately on these matters. The following description of how the audit was performed on these matters should be interpreted in that light.

We have also fulfilled matters concerning the obligations described in section *"Auditor's responsibility"* in our report on the annual report. Accordingly, we performed auditing procedures that were designed to respond to our assessment of the risks of material misstatement in the annual accounts and consolidated accounts. The results of our audit and the procedures performed to address the matters described in the following provide the basis of our auditor's opinion.

Measurement of goodwill and participations in Group companies

Description

Goodwill totals SEK 847 million on the consolidated balance sheet and participation in group companies are stated at SEK 2,278 million on the parent company balance sheet on the balance sheet date.

As described in Note 1 and the section on impairment, the company tests, at least annually and where there is any indication of impairment, to determine that carrying amounts for goodwill do not exceed estimated recovery amounts for these assets. In the case of shares in subsidiaries, continual assessments are made during the year as to whether there are any indications of impairment and if so the recoverable amount for the asset is calculated. The recoverable amount is calculated with an estimate of the value in use for the cash-generating unit concerned, which in the company's case is the same as the subsidiary concerned, via a present value calculation of estimated future cash flows. As described in Note 16, forecasts of future cash flow used are based on financial plans that have been adopted by management and cover a five-year period. The plans include for example assumptions of product launches, the trend of prices, sales volumes, competing products and the trend of costs. Also required are assumptions as to applicable discount rate and growth beyond the five-year period.

The group has not recognised any impairment of goodwill for the financial year. In the parent company, participation in group companies has been written down by SEK 337 million in the financial year.

We have considered measurement of goodwill and participations in group companies to be a matter of key importance in our audit, as the carrying amounts for goodwill and participation in the group are considerable and in addition, are dependent on the assessments and judgment of the company's management.

How we dealt with this matter in our audit

During our audit, we assessed the company's process for establishing their impairment test for goodwill. We examined how cash-generating units are identified, assessed the company's valuation methods and calculation models and judged the reasonableness of assumptions made. We performed sensitivity analyses regarding changes in assumptions and made comparisons with historical outcomes and the accuracy of forecasts made earlier. We assessed the reasonableness of the discount rate and long-term growth assumed for individual units, through comparisons with other companies in the same sector. We judged the valuation of participations in group companies and the company's process for identifying indications of impairment. We also judged whether disclosures made are appropriate.

Information other than the annual report and the consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts and is found on pages 1–49. The board of directors and the president are responsible for this information.

Our opinion on the annual report and the consolidated accounts does not cover this other information and we do not express any form of assurance conclusion concerning this other information.

In connection with our audit of the annual report and the consolidated accounts, our responsibility is to read the information identified above, and consider whether the information is materially inconsistent with the annual report and the consolidated accounts. In this procedure, we also take into account the knowledge we have otherwise obtained during our the audit and assess whether this information otherwise appears to contain material misstatements.

If based on the work performed concerning this information, we conclude that this other information contains a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the president

The board of directors and the president are responsible for the preparation of the annual report and the consolidated accounts and for ensuring that they provide a true and fair view in accordance with the Swedish Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the president are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the board of directors and the president are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, circumstances that may affect the ability to continue as a going concern and to apply the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the president intend to liquidate the company, to cease operations or have no realistic alternative but to do so.

The board of directors' audit committee shall, without prejudice to the board of director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Report (cont.)**Responsibilities of the auditor**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsively to those risks and others, and obtain sufficient audit evidence and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and the president.
- Conclude on the appropriateness of the board of directors' and the president's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that provides a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the board of directors of, among other matters, the planned scope, focus and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER REQUIREMENTS UNDER LEGISLATION AND OTHER REGULATIONS

Opinions

In addition to our audit of the annual accounts, we have also conducted an audit of administration of the affairs of Systemair AB (publ) by the board of directors and the president in the financial year of 1 May 2018 to 30 April 2019, as well of the proposed treatment of the company's profit or loss.

We recommend to the annual general meeting of shareholders that the profit be dealt with in accordance with the proposal in the administration report and that the members of the Board.

Basis of opinions

We conducted our audit in accordance with generally accepted auditing practice in Sweden. Our responsibilities are described more fully in the section *Auditor's responsibilities*. We are independent in relation to the parent company and group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

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

Responsibilities of the board of directors and the president

The board of directors is responsible for the proposal for appropriations of the company's profit or loss. In considering the proposal of a dividend, the process includes an assessment of whether the dividend is justifiable given the requirements that the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled reassuringly. The president shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with the law and to handle the management of assets in a reassuring manner.

Responsibilities of the auditor

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the board of directors or the CEO in any material respect:

- Has undertaken any action or been guilty of any omission that may give rise to liability to the company.
- In any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee, that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement with a starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material to the operations and where deviations and violations would have particular importance to the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the board's proposed arrangements for the company's profit or loss, we have examined the board's reasoned statement, as well as documents, on a test basis, in support of this statement, in order to be able to determine whether the proposed arrangements are consistent with the Swedish Annual Accounts Act.

Auditor's examination of the corporate governance report

The board of directors and the president are responsible for the corporate governance report on pages 40–49 and for verifying that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 *Auditor's examination of the Corporate Governance Report*. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. In our view, this examination provides us with sufficient grounds for our opinions.

A corporate governance report has been drawn up. Disclosures in accordance with chapter 6 section 6, paragraph 2, subsections points 2–6 of the Annual Accounts Act and chapter 7 section 31, paragraph 2 of the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

Ernst & Young AB, Box 7850, SE-103 99 Stockholm, Sweden, were appointed as Systemair AB's auditor, at the Company's Annual General Meeting on 30 August 2018 and have served as the Company's auditor since the 2005/2006 financial year. Systemair became a public-interest entity in the 2007/2008 financial year.

Stockholm, 4 July 2019

Ernst & Young AB

Åsa Lundvall

Authorised Public Accountant

KEY PERFORMANCE MEASURES AND DEFINITIONS

ALTERNATIVE PERFORMANCE MEASURES

In its interim reports and annual report, Systemair presents performance measures that supplement the financial ratios defined in IFRS - 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 performance measures in the same way, these are not always comparable. As a result, they should not be regarded as substitutes for performance measures as defined in IFRS. Several definitions and calculation appear below, the majority of which are alternative performance measures.

DEFINITIONS OF KEY PERFORMANCE MEASURES

| | 2018/19 May-Apr | 2017/18 May-Apr | 2016/17 May-Apr |
|--|--------------------|--------------------|--------------------|
| 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. | 6,016 | 5,465 | 5,222 |
| Return on equity | | | |
| Profit after tax before non-controlling interest, for the trailing 12 months (TTM), divided by average equity excluding non-controlling interest. | | | |
| Profit after tax, before non-controlling interests, TTM, SEK m. | 321.2 | 230.1 | 294.2 |
| Average equity, SEK m. | 2,710.7 | 2,479.9 | 2,333.0 |
| Return on equity | 11.9% | 9.3% | 12.6% |
| Return on capital employed | | | |
| Profit after financial income, for the trailing 12 months (TTM), divided by average capital employed. | | | |
| Profit after financial items, TTM, SEK m. | 557.4 | 390.4 | 464.7 |
| Average capital employed, SEK m. | 4,934.6 | 4,290.6 | 3,887.1 |
| Return on capital employed | 11.3% | 9.1% | 12.0% |
| EBITDA | | | |
| Operating profit before depreciation/amortisation and impairments | | | |
| Operating profit, SEK m. | 528.1 | 349.6 | 439.0 |
| Depreciation/Amortisation, SEK m. | 233.3 | 219.6 | 186.7 |
| EBITDA, SEK m. | 761.4 | 569.2 | 625.7 |
| Equity per share | | | |
| Equity divided by the number of shares at the end of the period. | | | |
| Equity, SEK m. | 2,839.2 | 2,620.3 | 2,381.3 |
| Number of shares, millions | 52.0 | 52.0 | 52.0 |
| Equity per share, SEK | 54.60 | 50.39 | 45.79 |
| Cash-generation | | | |
| Operating profit before depreciation/amortisation and impairments, TTM, SEK m. | 761.4 | 569.2 | 625.7 |
| Provisions in working capital not affecting cash flow, TTM, SEK m. | -8.0 | -17.5 | -14.1 |
| Changes in working capital, TTM, SEK m. | -149.5 | -173.9 | 18.2 |
| Investments in machinery and equipment, TTM, SEK m. | -226.3 | -403.7 | -182.7 |
| Total | 377.6 | -25.9 | 447.1 |
| Operating profit, TTM, SEK m. | 528.1 | 349.6 | 439.0 |
| Cash generation | 71.5% | -7.4% | 101.8% |

| | 2018/19 May-Apr | 2017/18 May-Apr | 2016/17 May-Apr |
|---|--------------------|--------------------|--------------------|
| Net indebtedness | | | |
| Interest-bearing liabilities + provision for pensions, less cash and cash equivalents and short-term investments. | | | |
| Interest-bearing liabilities, SEK m. | 2,245.8 | 1,978.5 | 1,583.9 |
| Provisions for pensions, SEK m. | 86.2 | 74.7 | 61.9 |
| Cash and cash equivalents and short-term investments, SEK m. | 251.4 | 215.5 | 245.0 |
| Net indebtedness, SEK m. | 2,080.6 | 1,837.7 | 1,400.8 |
| Operating cash flow per share | | | |
| Cash flow for the period from operating activities, divided by the average number of shares during the period. | | | |
| Cash flow for the period from operating activities, SEK m. | 386.6 | 224.8 | 464.5 |
| Number of shares, millions | 52.0 | 52.0 | 52.0 |
| Operating cash flow per share, SEK | 7.43 | 4.32 | 8.93 |
| Organic growth | | | |
| Changes in sales by comparable units, adjusted for acquisitions and foreign currency effects. | | | |
| Net sales for comparable units, SEK m. | 7,853.1 | 7,107.6 | 6,580.4 |
| Net sales for preceding year, SEK m. | 7,301.2 | 6,863.6 | 6,112.5 |
| Organic growth | 7.6% | 3.6% | 7.7% |
| Earnings per share | | | |
| Profit for the period attributable to Parent Company shareholders, divided by the average number of shares during the period. | | | |
| Profit for the year attributable to Parent Company shareholders, SEK m. | 321.2 | 230.5 | 294.2 |
| Number of shares, millions | 52.0 | 52.0 | 52.0 |
| Earnings per share | 6.18 | 4.43 | 5.66 |
| Operating margin | | | |
| Operating profit divided by net sales | | | |
| Operating profit, SEK m. | 528.1 | 349.6 | 439.0 |
| Net sales, SEK m. | 8,326.5 | 7,301.2 | 6,863.6 |
| Operating margin | 6.3% | 4.8% | 6.4% |

| | 2018/19 May-Apr | 2017/18 May-Apr | 2016/17 May-Apr |
|--|--------------------|--------------------|--------------------|
| Operating profit (EBIT) | | | |
| Earnings before financial items and tax, SEK m. | 528.1 | 349.6 | 439.0 |
| Equity/assets ratio | | | |
| Adjusted equity divided by total assets | | | |
| Adjusted equity, SEK m. | 2,839.2 | 2,620.3 | 2,381.3 |
| Total assets, SEK m. | 6,810.8 | 6,161.4 | 5,338.0 |
| Equity/assets ratio | 41.7% | 42.5% | 44.6% |
| Capital employed | | | |
| Total assets less non-interest-bearing liabilities | | | |
| Total assets, SEK m. | 6,810.8 | 6,161.1 | 5,338.0 |
| Non-interest-bearing liabilities, SEK m. | 1,682.6 | 1,524.9 | 1,372.8 |
| Capital employed | 5,128.2 | 4,636.2 | 3,965.2 |

| | 2018/19 May-Apr | 2017/18 May-Apr | 2016/17 May-Apr |
|---|--------------------|--------------------|--------------------|
| Growth | | | |
| Growth is defined as the change in net sales, relative to net sales for the preceding period. | | | |
| Net sales, SEK m. | 8,326.5 | 7,301.2 | 6,863.6 |
| Net sales for preceding year, SEK m. | 7,301.2 | 6,863.6 | 6,112.5 |
| Growth | 14.0% | 6.4% | 12.3% |
| Profit margin | | | |
| Profit after financial items divided by net sales | | | |
| Profit/loss after financial items, SEK m. | 458.0 | 333.2 | 410.2 |
| Net sales, SEK m. | 8,326.5 | 7,301.2 | 6,863.6 |
| Profit margin | 5.5% | 4.6% | 6.0% |

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 business.

Auditor's opinion regarding the statutory sustainability report

TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SYSTEMAIR AB (PUBL) ORG.NR 556160-4108

Assignment and responsibilities

The board of directors is responsible for the sustainability report for the financial year 1 May 2018 to 30 April 2019 on pages 8–13, 26–37 and 97, and for verifying that it has been prepared in accordance with the Swedish Annual Accounts Act.

Emphasis and scope of the examination

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 Auditor's opinion regarding the statutory sustainability report. This means that our statutory examination of the sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. In our view, this examination provides us with sufficient grounds for our opinion.

Opinion

A sustainability report has been prepared.

Stockholm, 4 July 2019
Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Index Annual Accounts Act Sustainability Report

The table below includes page references regarding strategic elements of Systemair's work on sustainability, which also represents Systemair's statutory report in accordance with the requirements of the Swedish Annual Accounts Act.

| Area | General | Environment | Social and employees | Human rights | Anti-corruption |
|---------------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Business model | Inside cover, 1, 10-11, 12-13 | | | | |
| Policy and its outcomes | | 28, 34, Code of Conduct |
| Risk and risk management | | 37 | 37 | 37 | 37 |
| Goals and outcomes | | 29 | 13, 32-33 | 34-36 | 34-36 |

GRI INDEX

Systemair's annual report presents a summary of the Company's accounts and administration, and describes how the Company has worked on what are the most important sustainability issues to the Company during the year. Systemair's annual report complies with the GRI Standard, Core Level, and describes Systemair's most important sustainability issues and the results of its work on sustainability. In deciding upon the content of its sustainability, Systemair has applied the GRI principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Systemair's materiality analysis is described in the GRI Supplement.

The Annual Report also includes the statutory sustainability report in accordance with the requirements of the Swedish Annual Accounts Act. The sustainability report also constitutes the Systemair's statutory sustainability report in accordance with the requirements of the Swedish Annual Accounts Act.

The scope of the sustainability report and the statutory sustainability report is indicated in the table on page 97. The sustainability report has not been examined by our auditors. On page 96, it is confirmed that the auditors have noted that we have drawn up a statutory sustainability report.

| GRI Standards | Disclosure | Description | Page reference | Remarks |
|--|--|---|----------------------------|---|
| GRI 102: General standard disclosures 2016 | Organisational profile | | | |
| | 102-1 | Name of organisation | 50 | |
| | 102-2 | Activities, brands, products and services | First page, 1, 6-7 | |
| | 102-3 | Location of headquarters | First page | |
| | 102-4 | Countries where the company operates | 20-21 | |
| | 102-5 | Ownership structure and legal form | 38-39 | |
| | 102-6 | Markets where the company operates | 18-19, 22-23 | |
| | 102-7 | Scale of the organisation, including number of employees, operations, sales, capitalisation | First page, 1-3, 18-19, 32 | |
| | 102-8 | Information on employees | 32 | |
| | 102-9 | Sustainability in the supply chain | 35-36 | |
| | 102-10 | Changes in the organisation's size, structure, owner or value chain during the reporting period | 4, 5 | |
| | 102-11 | How the precautionary approach is addressed | | Systemair complies with environmental legislation. In order to identify and prevent negative environmental impact, Systemair performs mandatory risk analyses based on the precautionary principle. |
| | 102-12 | External sustainability principles and initiatives supported by the organisation | 8, 28 | |
| | 102-13 | Membership of organisations | 8 | |
| | Strategy and analysis | | | |
| | 102-14 | Statement from senior decision-maker | 4, 5 | |
| | Ethics and integrity | | | |
| | 102-16 | Organisation's value and ethical guidelines | 28, 34 | See also Systemair's Code of Conduct, which is available at www.systemair.com |
| | Governance | | | |
| | 102-18 | Governance structure | 28 | See also Systemair's Code of Conduct, which is available at www.systemair.com |
| | Stakeholder engagement | | | |
| | 102-40 | List of stakeholder groups | GRIB1 | |
| 102-41 | Number of employees covered by collective negotiations | 32 | | |
| 102-42 | Identifying and selecting stakeholders | GRIB1 | | |
| 102-43 | Organisation's approach to stakeholder engagement | GRIB1 | | |
| 102-44 | Key topics and concerns raised by stakeholders | GRIB1, GRIB 2 | | |
| 102-45 | Entities included in the consolidated accounts | 50-51 | | |

| GRI Standards | Disclosure | Description | Page reference | Remarks |
|---|------------|---|--------------------------------|--|
| | 102-47 | List of material topics identified | GRIB2 | |
| | 102-48 | Restatements of information given in previous reports | 33 | |
| | 102-49 | Significant changes in reporting | See introduction to this index | |
| | 102-50 | Reporting period | GRIB1 | |
| | 102-51 | Date of most recent report | August 2018 | |
| | 102-52 | Reporting cycle | GRIB1 | |
| | 102-53 | Contact point for questions regarding the report | See introduction to this index | |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | See introduction to this index | |
| | 102-55 | GRI Index | 98-99 | |
| | 102-56 | External assurance | 94 | |
| Specific standard disclosures | | | | |
| Financial results | | | | |
| | 103-1/2/3 | Sustainability management | 4-5, 8-9, 28 | |
| GRI 201: Economic performance 2016 | 201-1 | 201-1: Economic value generated and distributed | 29 | |
| Anti-corruption | | | | |
| | 103-1/2/3 | Sustainability management | 28, 35-36 | |
| GRI 2016: Corruption 2016 | 205-3 | Confirmed incidents of corruption and actions taken | 36 | |
| Materials | | | | |
| | 103-1/2/3 | Sustainability management | 7-8, 28, 29 | |
| GRI 301: Materials 2016 | 301-1 | Materials used | 29 | |
| | 301-2 | Recycled materials | 29 | |
| | 301-3 | Energy consumed within the organisation | 29 | |
| Supplier environmental assessment | | | | |
| | 103-1/2/3 | Sustainability management | 8, 28, 35-36 | |
| GRI 308: Supplier environmental assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria (%) | 36 | |
| New employee hires and employee turnover | | | | |
| | 103-1/2/3 | Sustainability management | 8, 28, 30-31 | |
| GRI 416: Customer health and safety 2016 | 401-1 | New employee hires and employee turnover | 32 | |
| Employee health and safety | | | | |
| | 103-1/2/3 | Sustainability management | 8, 28, 30-31 | |
| GRI 403: Employee health and safety 2016 | 403-2 | Absences & work-related injuries | 33 | |
| GRI 404: Training and education 2016 | 404-3 | Percentage of employees receiving regular performance and career development reviews | 33 | |
| Diversity and equal opportunity | | | | |
| | 103-1/2/3 | Sustainability management | 8, 28, 31 | |
| GRI 405: Diversity and equal opportunity 2016 | 405-1 | Diversity of governance bodies and employees, by gender and age group | 33 | |
| GRI 406: Non-discrimination | 406-1 | Incidents of discrimination and corrective actions taken | GRIB2 | |
| Products and services | | | | |
| | 103-1/2/3 | Sustainability management | 7-8, 24, 26-27, 28 | |
| GRI 405: Diversity and equal opportunity 2016 | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | | No incidents of non-compliance concerning the health and safety impacts of products and services occurred during the year. |
| Supplier environmental assessment | | | | |
| | 103-1/2/3 | Sustainability management | 8, 28, 35-36 | |
| GRI 414: Supplier social assessment 2016 | 414-1 | New suppliers that were screened using social criteria (%) | 36 | |

ANNUAL GENERAL MEETING

Systemair will hold its Annual General Meeting (AGM) at 3.00 p.m. on Thursday 29 August 2019 in the Lecture Hall at Systemair Expo, Skinnskatteberg, Sweden.

For those wishing to take part, there will be a tour of the Technology Centre and Systemair Expo prior to the meeting, with assembly at 1.00 p.m. at Systemair Expo, Näsvägen 3, Skinnskatteberg.

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

Shareholders wishing to participate in the AGM must be entered in the share register maintained by Euroclear Sweden AB on the record date Friday, 23 August 2019 and must notify the Company of their intention to participate by no later than 3.00 p.m. on Friday, 23 August 2019.

Application shall be made either by completing the form at group.systemair.com/se/registration/, by telephone on +46-(0)222 440 00, or by post to Systemair AB, Reception, SE-739 30 Skinnskatteberg, Sweden. Applications shall include details of name, civic registration number/corporate registration number, address, telephone number, any assistants (no more than two) and a number of shares. It should also be observed that any wish to take part in the factory tour must be notified at the same time. Shareholders represented by a proxy must issue a dated power of attorney for the proxy. The maximum period of validity for the power of attorney shall be five years from the date of issue. Power of attorney forms are available on the Company's website group.systemair.com/se/ but may also be obtained by contacting reception.

Anyone representing a legal entity must present a registration certificate, or the equivalent, confirming the person's authority to sign for the organization. Powers of attorney, registration certificates and other authorization documents must be available at the AGM and should, in order to facilitate admission to the meeting, be received by the Company no later than on Friday, 23 August 2019. The original copy of the power of attorney document must be shown.

To be entitled to participate in the AGM, a shareholder who has had his/her shares registered in the name of a nominee must arrange for the nominee to re-register the shares in the shareholder's name so that the shareholder is entered in the share register on the record date, Friday, 23 August 2019. Any such re-registration may be temporary. This means that the shareholder must inform his/her nominee in good time prior to the said date.

COMPLETE NOTICE

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

CALENDAR

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|-----------------|---|
| 29 August 2019 | Q1 Interim Report (May-July 2019/20) |
| 5 December 2019 | Q2 Interim Report (August-October 2019/20) |
| 11 March 2020 | Q3 Interim Report (November-January 2019/20) |
| 9 June 2020 | Q4 Interim Report (February-April 2019/20) |
| 27 August 2020 | Annual General Meeting, simultaneous publication of Q1 Interim Report 2020/21 |

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