

# Systemair AB (publ) INTERIM REPORT Q1 1 May – 31 July 2019

## First quarter, May – July 2019

- Net sales increased by 12.0 percent to SEK 2,254 million (2,013).
- Organic growth was 4.1 percent (5.4).
- Operating profit (EBIT) totalled SEK 173 million (145).
- The operating margin was 7.7 percent (7.2).
- Profit after tax amounted to SEK 128 million (72).
- Earnings per share totalled SEK 2.44 (1.39).
- Cash flow from operating activities amounted to SEK 169 million (75).

Net sales Q1

**SEK 2,254 m.**

EBIT Q1

**SEK 173 m.**

## Significant events after the period under review

- In early August, Systemair acquired the ventilation business of Australian company Pacific HVAC. The company has sales of around SEK 130 million and 60 employees.
- Also in August, Systemair received an order for ventilation equipment for three cruise liners to be built by the MAC shipyard in Hamburg. The order is valued at EUR 3.3 million.
- Again in August, Systemair acquired 60 percent of the shares in Moroccan sales company Systemair Maroc. The company has sales of around SEK 70 million and 27 employees.

	2019/20 May-Jul 3 mths	2018/19 May-Jul 3 mths	2018/19 May-Apr 12 mths
Net sales, SEK m.	2,254.0	2,012.7	8,326.5
Growth, %	12.0	9.6	14.0
Operating profit, SEK m.	173.0	144.9	528.1
Operating margin, %	7.7	7.2	6.3
Profit after tax, SEK m.	128.5	72.0	321.2
Earnings per share, SEK	2.44	1.39	6.20
Operating cash flow per share, SEK	3.25	1.44	7.43

## A good start to the year

During the first quarter, growth was firm at 12.0 percent, of which 4.1 percent was organic. Growth was especially positive in the Eastern Europe and North America regions. In the Middle East and Asia organic growth was 9 percent. In the Nordic region, we witnessed a slowdown during the quarter. Operating profit improved to SEK 173 million, as against SEK 145 million in the same quarter last year. Profit after tax increased by 78 percent to SEK 128 million compared to SEK 72 million the preceding year.

### The market

Market developments were relatively favourable in several regions over the quarter. However, growth in the Nordic region was somewhat weak during the quarter. Sales in both Sweden and Norway were down on sales in the same quarter last year. In Western Europe, growth was good above all in France, Italy, Portugal and the UK. The German market contracted slightly, as was also the case in Austria and the Netherlands. Region Eastern Europe, with Russia at the forefront, reports organic growth of 22 percent. In North America, it was sales in the USA above all that are increasing, while the Canadian market fell back slightly. In the Middle East and Asia, demand was good in Turkey, India and Malaysia.

### Acquisitions

In August, after the end of the interim report period, Systemair acquired the ventilation business of Australian company Pacific HVAC. The company has sales of around SEK 130 million and 60 employees and its headquarters in Melbourne. It also operates in Sidney, Adelaide, Brisbane, Perth and Auckland in New Zealand. The company has a strong market position and is the second-largest operator in Australia's ventilation sector. On completion of the acquisition, the company is to be renamed Pacific Ventilation. We identify good opportunities to expand sales of Systemair's products in the region.

Also in August, we acquired 60 percent of the shares in Systemair Maroc, which distributes Systemair's products in Morocco. The company has sales of around SEK 70 million and 27 employees. It formerly held licensing agreements to operate under the Systemair brand.



### Investments

During the period, Systemair continued to invest in machinery in a number of factories in order to increase productivity. Work on certain modifications to production at Skinnskatteberg started in the period.

### Outlook

Activity and demand remain strong in several of our major markets and so we are confident of further organic growth in the quarters ahead. We are keeping a close watch on developments in the market in order to be ready to take action if the market will decline.

The partnership with Panasonic is advancing according to plan. In September, the first deliveries of heat pumps will be made from our factories to Panasonic. Demand on the refrigeration side was good during the first quarter this year, and profitability showed clear improvement.

We are continuing to focus intensively on the companies with profitability and volume problems and are reviewing how we can increase the efficiency of our production platform on an ongoing basis with our long-term goal of achieving an operating profit of 10 percent remains in place.

Roland Kasper  
President and CEO

## Sales and markets

Group sales for the first quarter of the 2019/20 financial year totalled SEK 2,254.0 million (2,012.7), up 12.0 percent from the same period last year.

Adjusted for foreign exchange effects and acquisitions, net sales rose by 4.1 percent. Growth in acquired operations was 5.3 percent, while foreign exchange effects increased sales by 2.6 percent over the period.

## Geographic breakdown of Q1 sales

### Nordic region

During the first quarter, sales in the Nordic region were 10 percent lower than in the same period last year. The Swedish, Norwegian and Danish markets declined during the quarter, while sales in the Finnish market showed good growth. Adjusted for the effects of foreign exchange and acquisitions, sales declined 11 percent.

### Western Europe

During the quarter, sales in the West European market were 14 percent higher than in the corresponding period last year, when the acquisition of Koolair in Spain had major impact. Adjusted for foreign exchange effects and acquisitions, sales rose by 1 percent. Several markets in the region performed well during the period, including France, Italy, Portugal and the UK, while sales declined in Germany, Austria and the Netherlands.

### Eastern Europe and CIS

Sales in Eastern Europe and the CIS rose by 25 percent during the quarter. Adjusted for foreign exchange effects and acquisitions, sales rose by 22 percent. Sales in Russia increased by 17 percent during the quarter, compared with the same period in the preceding year. The Russian market accounts for 6 percent of Systemair's total sales, as against 5 percent a year earlier. Other major markets showing growth during the period include Kazakhstan, Slovenia and Hungary.

### North and South America

Sales in the North and South America region over the quarter were 33 percent higher than in the same period last year. The American market performed well in the quarter, while the Canadian market declined slightly. Adjusted for foreign exchange effects and acquisitions, sales increased by 16 percent in the region.

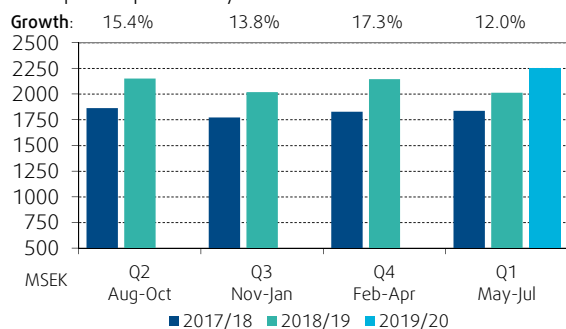
### Middle East, Asia and Africa

Sales in the Middle East, Asia and Africa rose by 9 percent compared with the same period in the preceding year. Overall, exchange rate effects and acquisitions did not materially affect sales during the quarter. Sales in Malaysia, Turkey and India increased during the quarter but declined in parts of the Middle East.

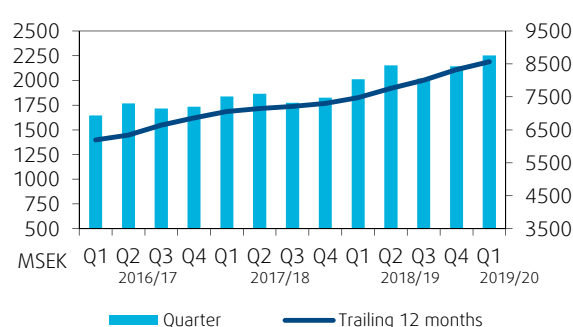
	2019/20 May-Jul 3 mths	2018/19 May-Jul 3 mths	Sales - change	Of which, organic
Nordic region	367.6	408.8	-10%	-11%
Western Europe	988.9	868.9	14%	1%
Eastern Europe & CIS	405.4	323.9	25%	22%
North and South America	242.8	182.7	33%	16%
Middle East, Asia and Africa	249.3	228.4	9%	9%
<b>Total</b>	<b>2,254.0</b>	<b>2,012.7</b>	<b>12%</b>	<b>4%</b>

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

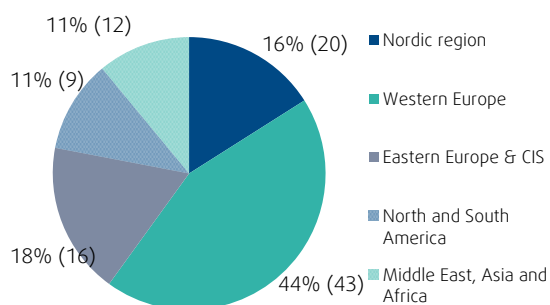
Net sales per quarter compared with same period previous years



Net sales



## Sales by market, 3 months 2019/20 (2018/19)



## Results for the first quarter

The gross profit for the first quarter amounted to SEK 767.1 million (651.0), an increase of 17.8 percent over the same period in the preceding year. The gross margin rose to 34.0 percent (32.3).

Operating profit for the first quarter amounted to SEK 173.0 million (144.9), an increase of 19.3 percent over the same period last year. The operating margin rose to 7.7 percent (7.2). The adoption of IFRS 16 led to an increase of SEK 1.2 million in operating profit.

Selling and administration expenses for the quarter totalled SEK 579.6 million (516.3), a rise of SEK 63.3 million, or 12.3 percent. Acquired companies accounted for SEK 22.6 million of the quarter's costs. As a result, selling and administration expenses for comparable units rose by SEK 40.7 million, or 7.9 percent.

Selling expenses were charged with SEK 6.8 million (9.2) for anticipated impairment losses on trade receivables. No acquisition-related costs were charged during the quarter (-).

During the quarter, an impairment loss of SEK 9.8 million on the shares in associated company Pacific HVAC was recognised. The impairment is charged to other operating costs.

Net financial items for the first quarter totalled SEK +4.0 million (-35.4). The impact of foreign exchange on

long-term receivables, loans and bank balances totalled SEK +14.8 million (-28.7) net. The foreign exchange impact derived for the most part from a rise in the Turkish lira against the euro. Interest expenses for the quarter totalled SEK -10.1 million (-6.9). Adjusted for the effect of adoption of IFRS 16, interest expenses for the quarter totalled SEK -7.9 million.

## Tax expense

Estimated tax for the quarter totalled SEK -48.5 million (-37.5), corresponding to an effective tax rate of 27.4 percent based on profit after net financial items.

## Acquisitions and new operations

No acquisitions were made during the period.

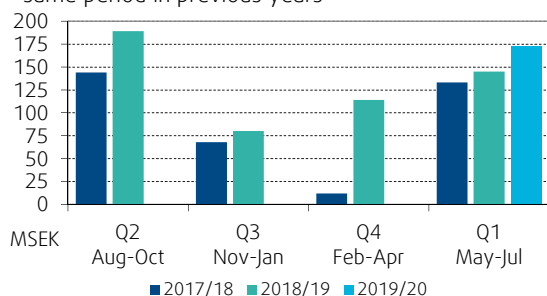
## Investments, depreciation and amortisation

Investments for the quarter, excluding disposals, totalled SEK 61.7 million (108.1), including SEK 55.5 million (96.5) in new construction and machinery. The investments consisted in the main of investments in machinery at the factories in Sweden, Spain and the Czech Republic. Acquisitions and previously withheld purchase considerations had no impact on cash and cash equivalents during the quarter (-). No disposals of companies affected cash flow during the period (+2.2). Depreciation of non-current assets amounted to SEK 85.4 million (55.6). Adjusted for the impact of IFRS 16, depreciation/amortisation during the quarter totalled SEK 59.1 million.

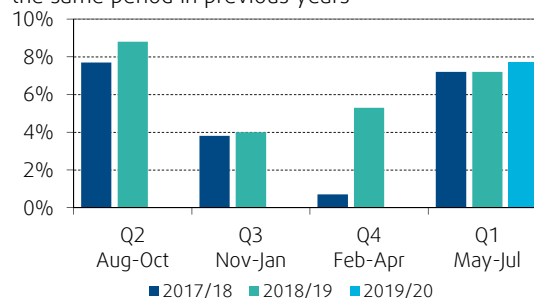
## Personnel

The average number of employees in the Group was 5,829 (5,250). At the end of the period, Systemair had 6,180 employees (5,528), 652 more than one year previous. New employees were recruited chiefly at Systemair in Spain (31), the Netherlands (23), Russia (23), the Czech Republic (22), South Africa (19), Brazil (19), Turkey (18), Slovenia (16), India (15), the USA (15) and Denmark (15). Personnel cutbacks were made at

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



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



Menerga in Germany (-33), Sweden (-16) and TTL in Germany (-13). Through the acquisition of Greentek, Canada, and Koolair, Spain, 407 employees joined the Group.

### Cash flow and financial position

Cash flow from operating activities during the quarter, before changes in working capital, totalled SEK 198.3 million (120.2). Changes in working capital, mainly consisting of an increase in inventories and trade accounts receivable, had an impact of SEK -29.4 million (-45.1) on cash flow. Cash flow from financing activities totalled SEK -67.7 million net (+56.1). At the end of the period, the Group's net indebtedness was SEK 2,281.3 million (1,814.4). Adjusted for the impact of IFRS 16 on interest-bearing liabilities, the Group's net indebtedness was SEK 1,980.7 million. The consolidated equity/assets ratio was 41.1 percent (42.2) at the end of the period, of which the adoption of IFRS 16 impaired the equity/assets ratio by 1.8 percentage points.

### Events after the close of the period

In August, Systemair acquired the ventilation business of Australian company Pacific HVAC. The company has sales of around SEK 130 million and 60 employees. Pacific HVAC's headquarters are in Melbourne, but the company also has offices in Sydney, Adelaide, Brisbane and Perth, as well as in Auckland, New Zealand. The company is a distributor of ventilation products and produces a range of fans. It is to be renamed Pacific Ventilation with immediate effect.

In August, 60 percent of the shares in Systemair Maroc were acquired. The company sells Systemair's products in Morocco and West Africa. In 2018, the company had sales of around SEK 70 million and currently has 27 employees. The sales company, which has its office and warehousing facilities in Casablanca, has up to the present held a licence to operate under the Systemair brand.

### Material risks and uncertainty

Systemair is exposed to operational and financial risks in

its business. Operational risks include the international nature of the operations, tough competition and the sensitivity of the construction industry to the business cycle. The financial risks that Systemair has identified in its business consist of foreign exchange risk, borrowing and interest rate risk, as well as credit risk and liquidity risk. The material risks and uncertainties affecting Systemair are described in more detail in the Company's 2018/19 Annual Report. No significant change occurred in the risk situation during the period.

### Related party transactions

Systemair's significant transactions with related parties concern ebmpapst AB and ebmpapst Mulfingen GmbH & Co. KG. Transactions with related parties are described in detail in Note 39 to the accounts in the Annual Report for the 2018/19 financial year. During the period, no change worthy of mention occurred in the scale of these transactions.

### Parent Company

Parent Company net sales for the quarter totalled SEK 35.9 million (35.1). Operating profit totalled SEK -25.5 million (-8.4). The company had 52 employees (52). The core business of the Parent Company is that of intra-Group services.

### Systemair in brief

Systemair is a leading ventilation company with operations in 50 countries in Europe, North America, South America, the Middle East, Asia and Africa. The company had sales of SEK 8.3 billion in the 2018/19 financial year and employs approximately 6,000 people. Systemair has reported an operating profit every year since 1974, when the company was founded. During the past 10 years, the Company's growth rate has averaged about 10 percent.

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

### Systemair secures major order for cruise liners

Systemair's subsidiary in the Netherlands has received an order for the production of air handling units to a value of around EUR 3.3 million from MAC Hamburg for installation on three new ships. The new cruise liners will be built at the Meyer Yard, at Papenburg, Germany. Systemair will produce 150 units per ship for phased delivery in the period 2020 to 2022. The units will be installed in both public areas and operational areas.



October 2007. The Group comprises about 80 companies.

## About Systemair

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

## Mission statement

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

## Business model

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

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

## Strategies

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

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

- Strategy of acquisition and establishment to expand market shares.

## Miscellaneous

The information in this Interim Report is such that Systemair is required to disclose in accordance with the Market Abuse Regulation. The information was provided by the undersigned contact persons, for publication at 1.00 p.m. on 29 August 2019.

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

Skinnskatteberg, 29 August 2019  
Systemair AB (publ)

Board of Directors

## Calendar

**Interim Report Q2 2019/20**

8.00 a.m., 5 December 2019

**Interim Report Q3 2019/20**

8.00 a.m., 11 March 2020

**Year-End Report Q4 2019/20**

8.00 a.m., 9 June 2020

**Interim report Q1 2020/21**

1.00 p.m., 27 August 2020

## Contact

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## Summary income statement

	Group				Parent Company	
	2019/20 May-Jul 3 mths	2018/19 May-Jul 3 mths	2018/19 Aug-Jul trailing 12	2018/19 May-Apr 12 mths	2019/20 May-Jul 3 mths	2018/19 May-Jul 3 mths
SEK m.						
Net sales	2,254.0	2,012.7	8,567.8	8,326.5	35.9	35.1
Cost of goods sold	-1,486.9	-1,361.7	-5,722.9	-5,597.7	-	-
<b>Gross profit</b>	<b>767.1</b>	<b>651.0</b>	<b>2,844.9</b>	<b>2,728.8</b>	<b>35.9</b>	<b>35.1</b>
Other operating income	26.8	40.3	156.1	169.6	0.4	7.8
Selling expenses	-476.4	-429.1	-1,874.2	-1,826.9	-15.9	-14.7
Administration expenses	-103.2	-87.2	-405.2	-389.2	-26.9	-20.6
Other operating expenses	-41.3	-30.1	-165.4	-154.2	-19.0	-16.0
<b>Operating profit/loss</b>	<b>173.0</b>	<b>144.9</b>	<b>556.2</b>	<b>528.1</b>	<b>-25.5</b>	<b>-8.4</b>
Net financial items	4.0	-35.4	-30.7	-70.1	333.2	268.6
<b>Profit/loss after financial items</b>	<b>177.0</b>	<b>109.5</b>	<b>525.5</b>	<b>458.0</b>	<b>307.7</b>	<b>260.2</b>
Appropriations	-	-	-	-	-1.1	0.0
Tax on profit for the period	-48.5	-37.5	-147.8	-136.8	2.7	-0.6
<b>Profit/loss for the period</b>	<b>128.5</b>	<b>72.0</b>	<b>377.7</b>	<b>321.2</b>	<b>309.3</b>	<b>259.6</b>
<b>Attributable to:</b>						
Parent Company shareholders	126.7	72.5	376.5	322.3	-	-
Non-controlling interests	1.8	-0.5	1.2	-1.1	-	-
Earnings per share, SEK <sup>1</sup>	2.44	1.39	7.24	6.20	-	-

## Statement of comprehensive income

<b>Profit/loss for the period</b>	128.5	72.0	377.7	321.2	309.3	259.6
<b>Other comprehensive income</b>						
<i>Items that have been, or may later be, transferred to profit for the year:</i>						
Translation differences	19.0	-63.5	111.2	28.7	-	-
Impact of tax	-	0.2	0.2	0.4	-	-
<i>Items that cannot be transferred to profit for the year:</i>						
Revaluation of defined-benefit pensions, net after tax	-	-	-10.7	-10.7	-	-
<b>Other comprehensive income</b>	<b>19.0</b>	<b>-63.3</b>	<b>100.7</b>	<b>18.4</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>147.5</b>	<b>8.7</b>	<b>478.4</b>	<b>339.6</b>	<b>309.3</b>	<b>259.6</b>
<b>Attributable to:</b>						
Parent Company shareholders	145.7	9.2	477.2	340.7	-	-
Non-controlling interests	1.8	-0.5	1.2	-1.1	-	-

1) Not affected by dilution.

## Summary balance sheet

SEK m.	Group			Parent Company	
	31/07/2019	31/07/2018	30/04/2019	31/07/2019	31/07/2018
<b>ASSETS</b>					
Goodwill	856.4	737.7	846.8	-	0.1
Other intangible assets	252.6	190.0	265.1	27.3	18.8
Property, plant and equipment	2,087.5	1,730.0	1,769.4	42.2	39.0
Financial and other assets	257.9	253.7	267.6	2,675.7	2,621.0
<b>Total non-current assets</b>	<b>3,454.4</b>	<b>2,911.4</b>	<b>3,148.9</b>	<b>2,745.2</b>	<b>2,678.9</b>
Inventory	1,544.7	1,414.1	1,509.4	-	-
Short-term receivables	1,958.1	1,663.1	1,902.1	1,597.8	1,453.1
Cash and cash equivalents	301.4	234.3	250.4	-	-
<b>Total current assets</b>	<b>3,804.2</b>	<b>3,311.5</b>	<b>3,661.9</b>	<b>1,597.8</b>	<b>1,453.1</b>
<b>TOTAL ASSETS</b>	<b>7,258.6</b>	<b>6,222.9</b>	<b>6,810.8</b>	<b>4,343.0</b>	<b>4,132.0</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>2,986.7</b>	<b>2,629.0</b>	<b>2,839.2</b>	<b>2,041.2</b>	<b>2,133.7</b>
Untaxed reserves	-	-	-	7.1	5.1
Non-current liabilities, non-interest-bearing	277.8	269.0	288.6	-	-
Non-current liabilities, interest-bearing	1,148.5	764.5	1,070.0	1,144.0	874.0
<b>Total non-current liabilities</b>	<b>1,426.3</b>	<b>1,033.5</b>	<b>1,358.6</b>	<b>1,144.0</b>	<b>874.0</b>
Current liabilities, interest-bearing	1,348.7	1,212.6	1,175.9	1,073.5	1,045.2
Current liabilities, non-interest-bearing	1,496.9	1,347.8	1,437.1	77.2	74.0
<b>Total current liabilities</b>	<b>2,845.6</b>	<b>2,560.4</b>	<b>2,613.0</b>	<b>1,150.7</b>	<b>1,119.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,258.6</b>	<b>6,222.9</b>	<b>6,810.8</b>	<b>4,343.0</b>	<b>4,132.0</b>



## Summary consolidated cash flow statement

	2019/20 May-Jul 3 mths	2018/19 May-Jul 3 mths	2018/19 May-Apr 12 mths
SEK m.			
Operating profit/loss	173.0	144.9	528.1
Adjustment for non-cash items	78.3	17.7	193.1
Financial items	-8.0	-6.6	-32.3
Income tax paid	-45.0	-35.8	-152.9
<b>Cash flow from operating activities before changes in working capital</b>	<b>198.3</b>	<b>120.2</b>	<b>536.0</b>
Changes in working capital	-29.4	-45.1	-149.5
<b>Cash flow from operating activities</b>	<b>168.9</b>	<b>75.1</b>	<b>386.5</b>
Cash flow from investing activities	-55.4	-101.6	-515.4
Cash flow from financing activities	-67.7	56.1	161.8
<b>Cash flow for the period</b>	<b>45.8</b>	<b>29.6</b>	<b>32.9</b>
Cash and cash equivalents at start of period	250.4	213.3	213.3
Translation differences, cash and cash equivalents	5.2	-8.6	4.2
<b>Cash and cash equivalents at close of period</b>	<b>301.4</b>	<b>234.3</b>	<b>250.4</b>

## Statement of Changes in Equity – Group

SEK m.	2019/20 May-Jul		2018/19 May-Jul		2018/19 May-Apr	
	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity	Equity attributable to Parent Company shareholders	Total equity
<b>Amount at beginning of year</b>	<b>2,839.2</b>	<b>2,839.2</b>	<b>2,620.3</b>	<b>2,620.3</b>	<b>2,620.3</b>	<b>2,620.3</b>
Dividend	-	-	-	-	-104.0	-104.0
Revaluation of acquisition option	-	-	-	-	-16.7	-16.7
Comprehensive income	147.5	147.5	8.7	8.7	339.6	339.6
<b>Amount at end of period</b>	<b>2,986.7</b>	<b>2,986.7</b>	<b>2,629.0</b>	<b>2,629.0</b>	<b>2,839.2</b>	<b>2,839.2</b>

## Performance measures for the Group

		2019/20 May-Jul 3 mths	2018/19 May-Jul 3 mths	2018/19 May-Apr 12 mths
Net sales	SEK m.	2,254.0	2,012.7	8,326.5
Growth	%	12.0	9.6	14.0
Operating profit/loss	SEK m.	173.0	144.9	528.1
Operating margin	%	7.7	7.2	6.3
Profit after net fin. items	SEK m.	177.0	109.5	458.0
Profit margin	%	7.9	5.4	5.5
Return on capital employed	%	11.1	8.2	11.3
Return on equity	%	13.5	8.9	11.9
Equity/assets ratio	%	41.1	42.2	41.7
Investments	SEK m.	55.4	101.6	515.4
Depreciation/Amortisation	SEK m.	85.4	55.6	233.3
<b>Per share ratios</b>				
Earnings per share	SEK	2.44	1.39	6.20
Equity per share	SEK	57.44	50.56	54.60
Operating cash flow per share	SEK	3.25	1.44	7.43
No. of shares at end of period	No.	52,000,000	52,000,000	52,000,000

## Quarterly key ratios – Group

		2019/20		2018/19		2017/18				
		May-Jul Q1	Feb-Apr Q4	Nov-Jan Q3	Aug-Oct Q2	May-Jul Q1	Feb-Apr Q4	Nov-Jan Q3	Aug-Oct Q2	May-Jul Q1
Net sales	SEK m.	2,254.0	2,143.8	2,018.5	2,151.4	2,012.7	1,827.1	1,773.3	1,863.7	1,837.2
Growth	%	12.0	17.3	13.8	15.4	9.6	5.4	3.4	5.3	11.6
Gross margin	%	34.0	32.8	31.9	34.0	32.3	32.3	33.0	33.9	33.0
Operating profit/loss	SEK m.	173.0	114.1	80.1	188.9	144.9	5.2	67.7	143.9	132.9
Operating margin	%	7.7	5.3	4.0	8.8	7.2	0.3	3.8	7.7	7.2
Return on capital employed	%	11.1	11.3	8.8	8.8	8.2	9.1	9.3	10.4	10.8
Return on equity	%	13.5	11.9	9.6	9.7	8.9	9.3	10.2	10.8	11.4
Equity/assets ratio	%	41.1	41.7	41.3	39.7	42.2	42.5	43.9	43.2	44.0
Basic equity per share	SEK	57.44	54.60	52.11	51.25	50.56	50.39	47.34	46.81	46.22
Basic earnings per share	SEK	2.44	1.50	0.86	2.43	1.39	0.22	0.80	1.95	1.45
Cash flow from operating activities per share	SEK	3.25	0.68	3.64	1.67	1.44	-0.29	1.28	1.92	1.42

## Note 1 Accounting policies

Systemair applies International Financial Reporting Standards (IFRS). This interim report was prepared for the Group in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and RFR 2.

### New or amended standards that entered into force in 2019

#### IFRS 16 Leasing

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 less lease payments made. Re-measurement of balance sheet items is 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) are not recognised on the balance sheet. Such items are recognised in operating income in the same way as for operating leases according to the standard that formerly applied, IAS 17.

During the 2018/19 financial year, Systemair analysed the contractual and financial implications to the Group of existing rental and leases. Under the new financial reporting standard, rental agreements and leases formerly classified as operating leases are, as of 1 May 2019, subject to balance sheet recognition, which has had an effect on the Group's financial position. The transitional rule issued by IFRS is applied, under which the balance sheet does not report 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 applies a marginal borrowing rate for the currency and asset category concerned.

On adoption of IFRS 16 Leases, the consolidated balance sheet increased 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 change has been made, in that former operating expenses attributable to operating leases are replaced by amortisation and interest expenses. On the basis of contracts identified at the start of the 2019/20 financial year, operating income is expected to be charged with SEK 9 million in lease fees on annualised basis, which is reflected in a higher financial expense of approximately the same amount. The net effect on income after financial items is marginal. Adoption of the standard led to an increase of SEK 1.2 million in operating profit for the period under review, May-July 2019. The effect on profit after net financial items in the same period was SEK -1.0 million. The effect of adoption of IFRS 16 on the consolidated financial statements is summarised below.

SEK m.	Closing balance 30 April 2019 before adoption of IFRS 16	Estimated reclassifications of financial leases on adoption of IFRS 16	Adjustments on adoption of IFRS 16	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

Systemair has not restated figures for comparison. The lease assets affect the item Property, plant and equipment on the balance sheet. The lease liabilities affect Non-current liabilities, interest-bearing, and Current liabilities, interest-bearing. All leases affected by the new standard have been measured on the first day of adoption as if the standard had always applied.

## Note 2 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 quarter amounted to SEK 2,254.0 million (2,012.7), of which servicing of ventilation products accounted for SEK 68.1 million (65.4).

SEK m.	2019/20 May-Jul 3 mths	2018/19 May-Jul 3 mths	2018/19 May-Apr 12 mths
<b>Europe</b>			
Sale of goods recognised at a specific point in time	1,652.7	1,571.3	6,357.9
Sale of goods recognised over time	43.9	6.2	124.6
Servicing recognised at a certain point in time	36.4	41.5	154.7
Servicing recognised over time	29.2	21.9	142.3
	<b>1,762.2</b>	<b>1,640.9</b>	<b>6,779.5</b>
<b>Asia, Africa, America and the Middle East</b>			
Sale of goods recognised at a specific point in time	413.0	339.6	1,374.8
Sale of goods recognised over time	76.3	30.2	164.5
Servicing recognised at a certain point in time	0.1	-	0.0
Servicing recognised over time	2.4	2.0	7.7
	<b>491.8</b>	<b>371.8</b>	<b>1,547.0</b>
<b>Total</b>			
Sale of goods recognised at a specific point in time	2,065.7	1,910.9	7,732.7
Sale of goods recognised over time	120.2	36.4	289.1
Servicing recognised at a certain point in time	36.5	41.5	154.7
Servicing recognised over time	31.6	23.9	150.0
	<b>2,254.0</b>	<b>2,012.7</b>	<b>8,326.5</b>

## Note 3 – Financial instruments

Systemair's financial instruments comprise derivatives, trade accounts receivable, cash and cash equivalents, available-for-sale financial assets, trade accounts payable, accrued supplier costs, interest-bearing liabilities, share purchase options and additional purchase considerations. Liabilities to credit institutions carry variable interest rates or, in certain cases, fixed rates for a short period. Derivatives are measured at fair value via the income statement on the basis of input data corresponding to level 2 as defined in IFRS 13. Available-for-sale financial assets are measured at fair value on the basis of input data corresponding to level 1 as defined in IFRS 13.

Share purchase options and additional purchase considerations are measured on level 3 as defined in IFRS 13. 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 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 will be charged to the consolidated income statement. No change with regard to the option took place in the first quarter of 2019/20. 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 value of the land on which the Turkish production facility is situated. Any increase in anticipated profit after tax and any increase in 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. No change with regard to the option took place in the first quarter of 2019/20. The liability for the purchase options is recognised under Non-current liabilities, non-interest-bearing on the balance sheet.

Other financial assets and liabilities are short-term. For that reason, the fair values of all financial instruments are considered to equate approximately to the carrying amounts. Systemair has not recognised any financial assets and liabilities net.

## Note 4 - Segment reporting

The Group's operations are classified geographically and 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 legal entities within the region have been aggregated. Systemair further considers that accounting for the merged segments of Europe and Asia, Africa, America and the Middle East 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.

SEK m.	2019/20 May-Jul 3 mths	2018/19 May-Jul 3 mths	2018/19 May-Apr 12 mths
<b>Europe</b>			
Net sales, external	1,762.2	1,640.9	6,779.5
Net sales, intra-Group	36.3	29.6	134.4
Operating profit/loss	170.1	121.4	559.0
Operating margin, %	9.7	7.4	8.2
Profit after net fin. items	179.0	144.7	548.8
Profit margin, %	10.2	8.8	8.1
Assets	4,152.0	3,263.4	3,988.3
Investments	41.5	82.6	164.0
Depreciation/Amortisation	69.3	47.3	186.0
<b>Asia, Africa, America and the Middle East</b>			
Net sales, external	491.8	371.8	1,547.0
Net sales, intra-Group	6.7	1.7	15.5
Operating profit/loss	38.3	26.9	53.2
Operating margin, %	7.8	7.2	3.4
Profit after net fin. items	43.9	3.9	-5.4
Profit margin, %	8.9	1.0	-0.3
Assets	1,178.6	890.4	1,070.0
Investments	2.3	16.1	113.0
Depreciation/Amortisation	12.6	5.8	36.1
<b>Group-wide</b>			
Net sales, intra-Group	35.9	35.1	131.3
Operating profit/loss	-35.4	-3.4	-84.1
Profit after net fin. items	-45.9	-39.1	-85.4
Assets	4,344.6	4,133.6	4,168.2
Investments	11.6	2.9	238.4
Depreciation/Amortisation	3.5	2.5	11.2
<b>Eliminations</b>			
Net sales, intra-Group	-78.9	-66.4	-281.2
Assets	-2,416.6	-2,064.5	-2,415.7

Total			
Net sales, external	2,254.0	2,012.7	8,326.5
Operating profit/loss	173.0	144.9	528.1
Operating margin, %	7.7	7.2	6.3
Profit after net fin. items	177.0	109.5	458.0
Profit margin, %	7.9	5.4	5.5
Assets	7,258.6	6,222.9	6,810.8
Investments	55.4	101.6	515.4
Depreciation/Amortisation	85.4	55.6	233.3

## Alternative performance measures

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

Because not all companies calculate financial 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. A number of definitions appear below, the majority of which are alternative performance measures.

For more key performance measures and information on how they are calculated, see Systemair's website at: [group.systemair.com/se/investerare/-finansialla-data/](http://group.systemair.com/se/investerare/-finansialla-data/)

## Definitions of key performance measures

### Operating profit (EBIT)

Earnings before financial items and tax.

### Growth

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

### Organic growth

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

### Adjusted operating profit

Operating profit, excluding restructuring costs and other items affecting comparability.

### Operating margin

Operating profit divided by net sales.

### Profit margin

Profit after financial items divided by net sales.

### Return on capital employed

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

### Capital employed

Total assets less non-interest-bearing liabilities.

### Return on equity

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

### Number of employees

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

### Earnings per share

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

### Operating cash flow per share

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

### Equity/assets ratio

Adjusted equity divided by total assets.

### Equity per share

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