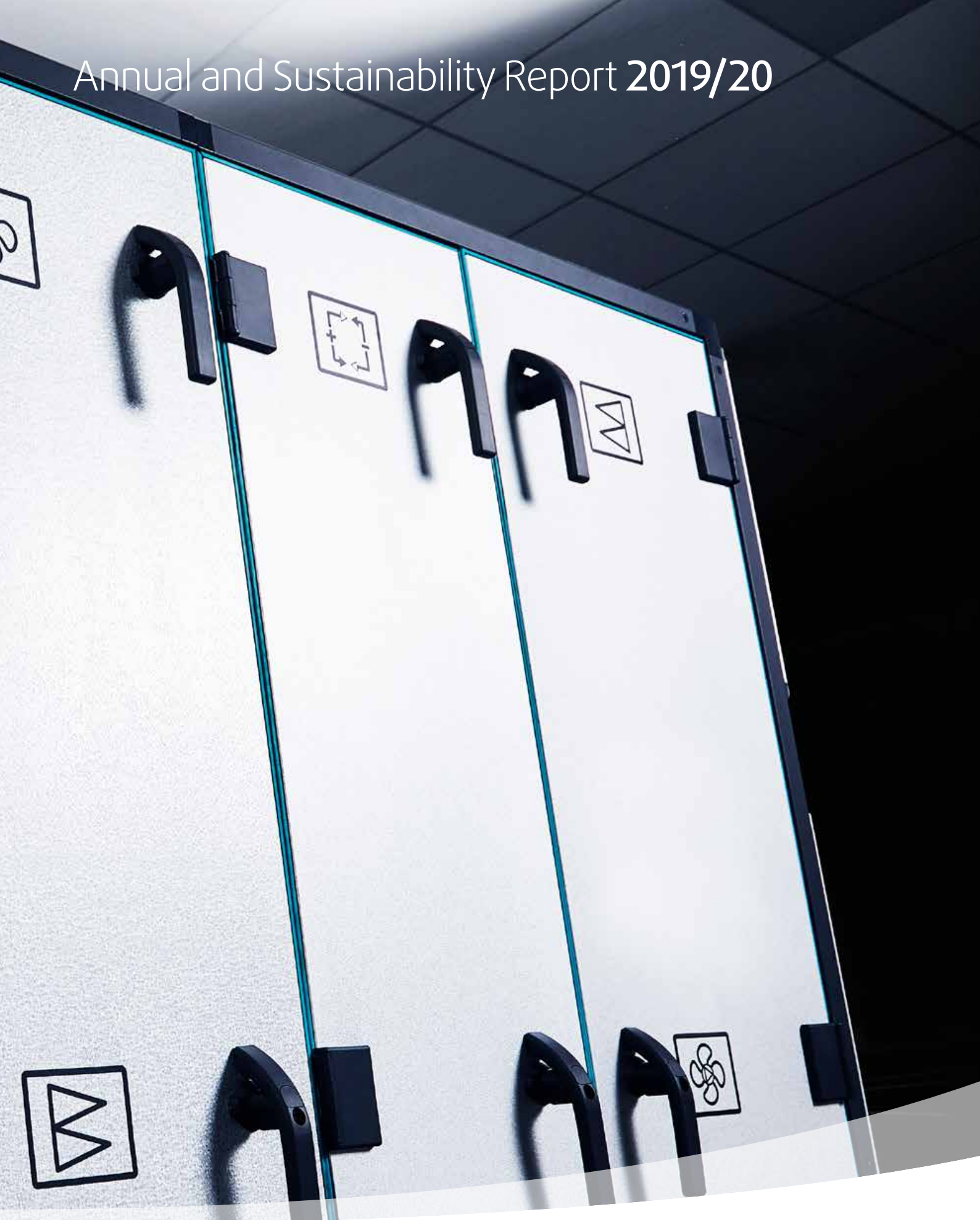


Annual and Sustainability Report 2019/20



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OUR BRANDS

Systemair is our main brand. Acquired businesses with their own strong 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 the **Frico** brand, Systemair offers turnkey solutions based on products for airborne heating and we are the market leaders 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.



Under the **Fantech** brand, we develop, design and market ventilation solutions in North America. The company's own sales people and agents sell these products to resellers in the USA and Canada. 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.



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

A LEADING VENTILATION COMPANY

Systemair's energy-efficient products and solutions create a healthy, comfortable and safe indoor climate in the home, at workplaces and in public areas.

THIS IS SYSTEMAIR

Systemair is a leading ventilation company with operations in more than 50 countries in Europe, North and South America, the Middle East, Asia, South Africa and Australia. We develop, manufacture and market high-quality ventilation products. The Company was founded in 1974 by Chairman of the Board Gerald Engström. Its shares have been listed on the Mid Cap List of NASDAQ OMX 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 all types of premises. We help our customers in combining these products into total solutions meeting their demands. Our products are robust and simple to choose, install and use. They are also smart and energy-efficient.

Our products and solutions are marketed under the Systemair, Frico, Fantech and Menerga brands.

PRODUCTION AND TECHNOLOGY

Systemair consists of 79 operating companies with more than 6,000 employees, who together work to ensure that Systemair is the leading player 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 relevant technologies.

THE YEAR IN BRIEF

Demand in the ventilation market will be stimulated by global driving forces, as well as an increased understanding of the importance of clean and healthy indoor air.

Acquisitions during the year

Systemair made a number of acquisitions during the year that strengthened the Company's market position. The biggest acquisitions were the ventilation business of the Australian company Pacific HVAC Engineering and Systemair Maroc, formerly the distributor of Systemair's products in Morocco and West Africa.

"The acquisition of Pacific Ventilation, as the company has been renamed following the acquisition, creates a strong market position for us in Australia and New Zealand. We anticipate good growth in the region for Systemair's product range, which will be delivered from our factories in Malaysia and India. Morocco, in turn, is a growth market and we see further excellent opportunities for Systemair's products in Morocco and West Africa", says Roland Kasper, Chief Executive Officer, Systemair.



Geniox Core – high performance, small format

During the year, we launched Geniox Core – a flexible compact air handling unit with the same energy efficiency performance that is characteristic of the Geniox family. Geniox Core is easy to install, operate and maintain, even in confined spaces.



SYSCREW – ErP 2021-approved chiller

With the launch of its new SYSCREW product, Systemair took another step in technological innovation and environmental performance in chillers. Thanks to the combination of variable refrigerant flow, use of a new, safe and low environmental impact refrigerant, EC fans and innovative software, the new product range meets the challenging efficiency requirements of the ErP 2021 Directive.

New control systems for energy-efficient ventilation

Modern control systems play an important role in delivering energy-efficient ventilation. During the year, Systemair launched the Smart Remote Control and Acloud control systems.

Systemair Smart Remote Control can be used both for remote control of ventilation products and as a mini format building automation system (or building management system, BMS). The system can be used to manage up to 31 separate devices, including air handling units, heat pumps, chillers and fan systems. An integral timer function enables the system to deliver efficient energy consumption in the units connected.

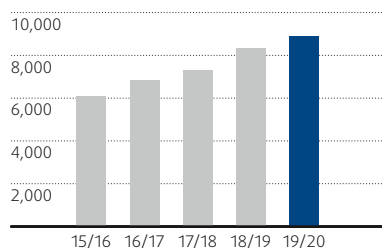
Systemair Acloud allows users to remote control and monitor their air conditioning units and heat pumps. With access to precise analysis of energy consumption by the units, it is possible to adjust settings and so reduce the amount of energy used.

“Looking ahead, the long-term trends in our industry enable us to see the future with confidence”

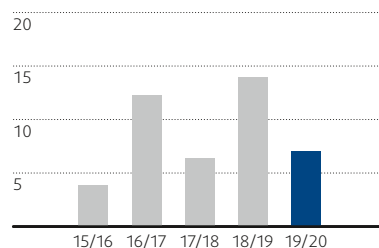
Key Figures	2019/20	2018/19	2017/18	2016/17	2015/16
Net sales, SEK m.	8,914.9	8,326.5	7,301.2	6,863.6	6,112.5
Growth, %	7.1	14.0	6.4	12.3	3.9
Operating profit, SEK m.	625.7	528.1	349.6	439.0	344.1
Operating margin, %	7.0	6.3	4.8	6.4	5.6
Profit margin, %	6.1	5.5	4.6	6.0	5.0
Return on capital employed, %	11.6	11.3	9.1	12.0	10.2
Earnings per share, SEK	7.3	6.2	4.4	5.7	4.0
Equity per share, SEK	59.3	54.6	50.4	45.8	40.5
Equity/assets ratio, %	43.4	41.7	42.5	44.6	43.9
Dividend per share, SEK	-1)	2.00	2.00	2.00	2.00
Number of employees at end of period	6,197	6,016	5,465	5,222	4,855

¹⁾ The Board of Directors proposes that no dividend (2.00) be paid, citing the current uncertainty surrounding the Covid-19 pandemic.

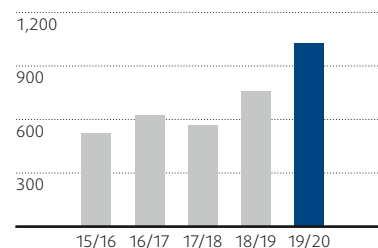
NET SALES, SEK M.



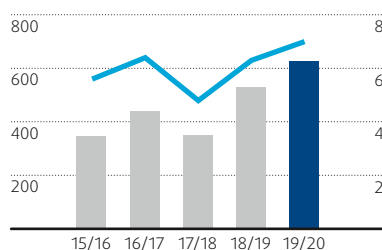
SALES GROWTH, %



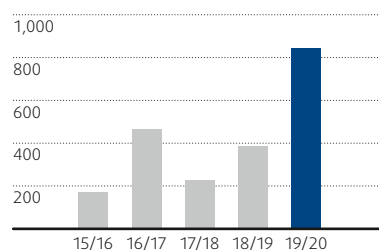
EBITDA, SEK M.



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



CASH FLOW FROM OPERATING ACTIVITIES, SEK M.



CEO'S STATEMENT

It is pleasing to be able to present Systemair's strongest year in terms of sales and earnings. Our gross margin again improved following consistent implementation of the action program. The first 10 months of the year showed continued strong and substantial growth, while March and April were affected by Covid-19.

For the major part of 2019/20, Systemair benefited from the continuation of favourable market conditions. Sales increased by 7.1 percent to SEK 8,914.9 million. Organic growth was 1.2 percent.

The outbreak of the Covid-19 pandemic and the measures taken around the world to limit the spread of infection affected us during the end of the financial year. At the peak, eight out of the Group's 27 factories were closed under government measures, but at the financial year-end all factories were again open. We have worked systematically on measures to safeguard health and safety. At the same time, we have implemented measures to reduce our cost base; our liquidity remains strong, with adequate financial reserves.

Operating profit for the past year rose by 18.5 percent to SEK 625.7 million. Our focus in recent years has been to improve profitability and it is pleasing to note the results of this work in the form of a higher operating margin, which rose to 7.0 percent for the year. We continue to work in a structured way to achieve our profitability target of a 10 percent operating margin.

The new financial targets announced at our capital markets day indicate our focus on profitability, as well as our continued expectations as to growth and value creation for the Company's shareholders. It is clear to us that demand in the ventilation market will in the long term be stimulated by global driving forces, as well as by an increased understanding of the importance of clean and healthy indoor air. These driving forces bode well for continued robust growth.

SUSTAINABILITY

At Systemair, sustainability issues have always been central and prioritised areas of focus. Our work during the year culminated in an updated sustainability strategy with four clearly defined focus areas. In the course of the current financial year, we will establish objectives and implement follow-up mechanisms for all areas. Our absolutely most important contribution in this area will be made by our products. Our ventilation products promote health in people by helping to maintain clean and safe indoor air. This is especially important in view of the fact that we members of society today spend a large proportion of our time indoors. Via the increasingly



“Our year was dominated by an intensive focus on improvement projects in many areas of the organisation”

energy-efficient air handling units that we sell in Europe in a year, we are helping to cut carbon dioxide emissions by a volume equivalent to that of around 140,000 cars.

We are also reducing the environmental impact of our own operations through an ongoing process of improvement. One of our aims is to own our production premises as by doing so we gain greater opportunities long term to control both work environment and environmental performance in our production. For example, we have invested in heat pumps that use thermal energy from lake water to heat our factory in Skinnskatteberg, in machinery that minimises wastes and improves the work environment and, finally, installed environmentally certified wind power as a power supply for the Skinnskatteberg facility. It is unlikely that investments of this kind would have come to fruition if we had not ourselves owned our premises. The investments provide both direct environmental benefits and lower operating costs.

SUCCESSFUL PROCESS OF CHANGE

Our year was dominated by an intensive focus on improvement projects in many areas of the organisation. Some of the areas we have concentrated on included increasing production efficiency via industrial product platforms, creating the conditions for wider margins via improved pricing, turning around or consolidating the businesses that faced challenges and advancing our market position. We take pride in the energy with which our organisation has taken on these challenges, which I see as confirmation of the value of our strong corporate culture. We can also see the results of this work, in the form of an improved gross margin and strong customer relationships during the year. An employee survey was conducted at our main facility at Skinnskatteberg during the year. The results indicated that our employees are highly motivated in their work.

STRATEGIC COLLABORATIONS AND ACQUISITIONS

Our exciting collaboration with Panasonic, which began in February 2019, was in full swing during the financial year. The first result is Panasonic's energy-efficient ECOi-W heat pump chiller, which is produced at our factory in France. Other aspects of our collaboration consist of ventilation solutions with heat pumps for homes and small commercial premises, along with joint development of future products catering to the European market. All new projects are going according to plan, with some intended for launch during the year ahead.

In October, we acquired the ventilation business of Australian company Pacific HVAC Engineering. We have long held the ambition of establishing ourselves in the Australian market. Through the acquisition, we gain a strong market position in both Australia and New Zealand. It also provides a solid base for further expansion

and we are now taking in ventilation products made at our modern production facilities in India and Malaysia.

We also strengthened our own presence in the African continent via the acquisition of 60 percent of our distributor in Morocco.

GOOD VENTILATION REDUCES THE RISK OF SPREAD OF INFECTION

Looking ahead, the long-term trends in our industry mean that we can look to the future with confidence. Insights into how important indoor air is in terms of both health and well-being are becoming increasingly reinforced, not least through the effects of the Covid-19 pandemic, which is showing up the importance of ventilation and its ability to supply clean, filtered air. At the same time, demand gradually increases for energy-efficient products and buildings to reduce carbon dioxide emissions.

Energy efficiency in particular has been the main focus in our product development for many years and we have a highly competitive offering in this respect.

It is at present not possible to assess the full effects of the Covid-19 pandemic or for how long we will be affected by it. Systemair has a strong financial position and we are prepared to take necessary action in the event of further changes in the market situation.

Roland Kasper
President and CEO

SYSTEMAIR PRODUCTS IN THE COMMUNITY

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

MARINE, OIL AND GAS

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

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, in turn creating the conditions for better productivity.

MULTI-STOREY CAR PARKS

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

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.

PUBLIC AREAS

Public buildings, such as 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 keep children feeling well at school all day.

RESIDENTIAL

Systemair offers complete systems for residential ventilation. Our air handling units with balanced ventilation and heat recovery are ideal for homes and small offices. In our air handling units, humidity and temperature control come as standard.

OFFICE

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

HOSPITALS AND THE PHARMACEUTICALS INDUSTRY

Hospitals are demanding environments in terms of requirements for 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 pools are high. The indoor climate must be comfortable, 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.

A SUSTAINABLE INDOOR CLIMATE

The purpose of Systemair's products is to create a healthy, comfortable and safe indoor climate. External trends such as higher energy efficiency requirements, urbanisation and increased economic prosperity, sustainability and digitisation remain drivers for Systemair's business. This means a growing demand for solutions to provide a healthy indoor climate with the least possible environmental impact.

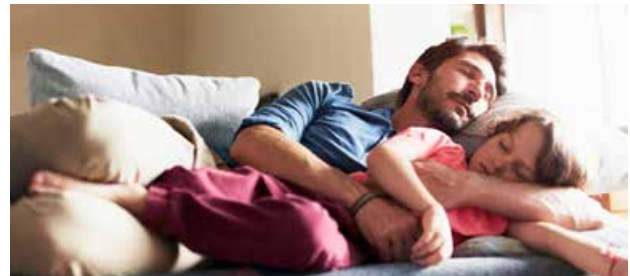
Purpose of ventilation

Systemair's products are designed to improve people's well-being by creating healthy indoor environments with clean air. The products fulfil several important functions.



1. Health

Effective ventilation systems contribute to a healthy indoor climate. Outdoor air enters our buildings and impurities in indoor air is also introduced via other sources, such as the activities conducted and the materials used on the premises. An effective ventilation system filters impure air and replaces it with fresh, clean air. This is especially important in view of the fact that we spend a higher proportion of our time indoors.



2. Comfort

Effective ventilation systems help to increase indoor comfort. Clean air at the right temperature makes us feel better in our daily lives.



3. Productivity

Effective ventilation systems help us perform better, both at work and in school. The World Green Building Council's report on Health, Wellbeing and Productivity in Offices indicates that productivity improvements of 8–11 percent can be achieved via higher quality of indoor air.



4. Safety

In many applications, effective ventilation systems are a safety issue. For example, in road tunnels and garages, effective ventilation is needed to filter pollution from vehicles, including carbon monoxide, nitrogen oxides and soot particles. Extracting smoke from buildings in the event of fire is equally important. It saves lives and gives better visibility for evacuation and fire fighting.

External trends

Energy efficiency

There is a strong focus on reducing energy consumption in society in order to help cut emissions of greenhouse gases and limit climate change. The trend is global and in Europe, various EU directives set out energy conservation requirements, both in society at large and in specific areas.

Systemair's products are subject to official directives, at both EU and national levels, and we also meet the requirements set in all global markets. These include the EU's Ecodesign Directive, which establishes energy performance requirements for products, and the Energy Performance of Buildings Directive.

Ever-stricter requirements for energy efficiency in buildings is boosting the demand for energy-efficient ventilation systems in new-builds and renovations. The trend towards stricter energy requirements favours Systemair, which invests in developing high-quality, long-life and low energy consumption products.

Urbanisation and increased economic prosperity

Through urbanisation, a long-term global megatrend, more than half of the world's population are today living in cities. This is leading to growth in new building of, for example homes, offices, schools and hospitals. It is also creating a need for infrastructure construction such as public transport projects and tunnels. The fast economic growth of the past quarter century has enabled a rising share of the Earth's population to enjoy greater prosperity. In pace with this trend, people are increasingly demanding, and willing, to invest in a higher-quality indoor climate.

Greater awareness of how a healthy indoor environment affects people's health and increased demands for a comfortable indoor climate are fueling demand for high-quality ventilation systems. Systemair develops products whose overall purpose is to create a healthy and pleasant indoor environment as regards both quality and temperature of the air. 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.

Sustainability

The demands for sustainability in society are increasing. It includes everything from reducing the burden on our eco-system to ensuring good working conditions, acting on anti-corruption and taking on social responsibility.

Systemair makes it possible to create an indoor climate with lower and lower environmental impact via new innovative and energy-efficient products. At the same time, we are focusing methodically on reducing the environmental impact of our own 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 competence development. As a client and supplier, it is important that we should lead the way in maintaining high business ethics, with zero tolerance of corruption and bribery. In everything we do, we help to develop sustainability.

Digitisation

All modern ventilation installations incorporate control systems. The ever-increasing number of software-based functions integrated into such systems will form important components of the digital eco-systems with which people use their computer, tablet PC or smartphone to ensure optimal functionality and simpler preventive maintenance of their ventilation installations. As requirements for the energy performance of buildings increase, intelligent functions will also be needed to adapt ventilation to need, thereby reducing energy consumption. This, in turn, requires smart software, connectable products and sensor technology that measures temperature, humidity, air quality and particle content.

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 selection programs in operation that aid consultants and customers with rapid selection of the right choice of products and solutions for their application.

STRATEGIC GOALS

In September 2019, Systemair’s Board of Directors adopted new financial goals for the Group. In addition, we also updated our sustainability-related objectives during the financial year.

Financial targets

	Goal	Goal attainment 2019/20	Remarks												
Growth	<p>10%</p> <p>Average annual growth in sales over a business cycle should be no less than 10 percent.</p>	<p>Growth, %</p> <table border="1"> <caption>Growth, %</caption> <thead> <tr> <th>Year</th> <th>Growth (%)</th> </tr> </thead> <tbody> <tr> <td>15/16</td> <td>3.9</td> </tr> <tr> <td>16/17</td> <td>12.3</td> </tr> <tr> <td>17/18</td> <td>6.4</td> </tr> <tr> <td>18/19</td> <td>14.0</td> </tr> <tr> <td>19/20</td> <td>7.1</td> </tr> </tbody> </table>	Year	Growth (%)	15/16	3.9	16/17	12.3	17/18	6.4	18/19	14.0	19/20	7.1	<p>The goal is to be attained through organic growth and acquisitions. Sales growth has averaged 10.8 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.</p>
Year	Growth (%)														
15/16	3.9														
16/17	12.3														
17/18	6.4														
18/19	14.0														
19/20	7.1														
Profitability	<p>10%</p> <p>The average operating margin over a business cycle should be no less than 10 percent.</p>	<p>Profitability, %</p> <table border="1"> <caption>Profitability, %</caption> <thead> <tr> <th>Year</th> <th>Profitability (%)</th> </tr> </thead> <tbody> <tr> <td>15/16</td> <td>5.6</td> </tr> <tr> <td>16/17</td> <td>6.4</td> </tr> <tr> <td>17/18</td> <td>4.8</td> </tr> <tr> <td>18/19</td> <td>6.3</td> </tr> <tr> <td>19/20</td> <td>7.0</td> </tr> </tbody> </table>	Year	Profitability (%)	15/16	5.6	16/17	6.4	17/18	4.8	18/19	6.3	19/20	7.0	<p>The operating margin has averaged 6.9 percent over the past ten years and 6.0 percent over the past five years. In the Company’s view, the current restructuring measures, existing structure and product program in general offer good prospects for attaining this goal.</p>
Year	Profitability (%)														
15/16	5.6														
16/17	6.4														
17/18	4.8														
18/19	6.3														
19/20	7.0														
Financial position	<p>30%</p> <p>The Group’s equity/assets ratio should be no less than 30 percent.</p>	<p>Equity, %</p> <table border="1"> <caption>Equity, %</caption> <thead> <tr> <th>Year</th> <th>Equity (%)</th> </tr> </thead> <tbody> <tr> <td>15/16</td> <td>43.9</td> </tr> <tr> <td>16/17</td> <td>44.6</td> </tr> <tr> <td>17/18</td> <td>42.5</td> </tr> <tr> <td>18/19</td> <td>41.7</td> </tr> <tr> <td>19/20</td> <td>43.4</td> </tr> </tbody> </table>	Year	Equity (%)	15/16	43.9	16/17	44.6	17/18	42.5	18/19	41.7	19/20	43.4	<p>Systemair’s financial position is good. The equity/assets ratio on 30 April 2020 was 43.4 percent. The Company continually assesses opportunities for strategic acquisitions and our financial position allows scope for further acquisitions and investments.</p>
Year	Equity (%)														
15/16	43.9														
16/17	44.6														
17/18	42.5														
18/19	41.7														
19/20	43.4														
Dividend	<p>40%</p> <p>In view of Systemair’s ambitions for growth, the goal for dividend is set at around 40 percent of the Company’s profit after tax.</p>	<p>The Board of Directors proposes that the Annual General Meeting, to be held on 26 August 2020 resolve that no dividend (2.00) be paid, citing the current uncertainty surrounding the Covid-19 pandemic.</p>	<p>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.</p>												



Sustainability goals

Goal	Goal attainment 2019/20	Remarks												
<p>100%</p> <p>of strategic suppliers comply with our Code of Conduct</p>	<p>100 percent of Systemair's strategic suppliers have confirmed that they comply with Systemair's Code of Conduct by the act of signing contracts.</p>	<p>Systemair strives for long-term, good relationships with its suppliers. Ensuring that our strategic suppliers comply with Systemair's Code of Conduct is part of our procedures when entering into contracts. The Code of Conduct is appended to all contracts and is signed by suppliers before the partnership begins.</p>												
<p>0</p> <p>incidents of bribery or corruption</p>	<table border="1"> <thead> <tr> <th>Incidents of corruption (no.)</th> <th>2019/20</th> <th>2018/19</th> </tr> </thead> <tbody> <tr> <td>Number of incidents of corruption</td> <td>1¹⁾</td> <td>0</td> </tr> <tr> <td>Number of incidents in which employees were dismissed or subjected to other disciplinary action for corruption</td> <td>0</td> <td>0</td> </tr> <tr> <td>Number of cases in which contracts with business partners were not renewed due to violations related to corruption.</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>¹⁾ Systemair was exposed to fraud and the incident was reported to the appropriate authorities.</p>	Incidents of corruption (no.)	2019/20	2018/19	Number of incidents of corruption	1 ¹⁾	0	Number of incidents in which employees were dismissed or subjected to other disciplinary action for corruption	0	0	Number of cases in which contracts with business partners were not renewed due to violations related to corruption.	0	0	<p>Systemair has a policy of zero tolerance of corruption and our employees are not allowed to demand, offer or accept bribes or other illegal benefits. A case of fraud occurred during the year, when a person illegally ordered goods from Systemair in Belgium in the name of a company. The goods were delivered and then disappeared without Systemair receiving payment. The incident was reported to the police.</p>
Incidents of corruption (no.)	2019/20	2018/19												
Number of incidents of corruption	1 ¹⁾	0												
Number of incidents in which employees were dismissed or subjected to other disciplinary action for corruption	0	0												
Number of cases in which contracts with business partners were not renewed due to violations related to corruption.	0	0												
<p>0</p> <p>injuries leading to sickness absence</p>	<table border="1"> <thead> <tr> <th>Work-related injuries (number)</th> <th>2019/20</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td></td> </tr> <tr> <td>Total number of work-related injuries</td> <td>253</td> </tr> <tr> <td>Other employees¹⁾</td> <td></td> </tr> <tr> <td>Total number of injuries</td> <td>11</td> </tr> </tbody> </table> <p>¹⁾ All workers not employed by Systemair but whose workplace and/or work are within the control of the organisation.</p>	Work-related injuries (number)	2019/20	Employees		Total number of work-related injuries	253	Other employees¹⁾		Total number of injuries	11	<p>Systemair aims to prevent accidents and minimise sickness absence. The goal for occupational injuries can never be anything other than zero. During the year, work on roll-out of and training in TiA, the new web-based system for reporting and analysis of near-accidents and work-related injuries, was completed at 26 out of 27 factories.</p>		
Work-related injuries (number)	2019/20													
Employees														
Total number of work-related injuries	253													
Other employees¹⁾														
Total number of injuries	11													
<p>25%</p> <p>women managers by 2025</p>	<table border="1"> <thead> <tr> <th>Women managers (%)</th> <th>2019/20</th> <th>2018/19</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>21%</td> <td>20%</td> </tr> </tbody> </table>	Women managers (%)	2019/20	2018/19	Total	21%	20%	<p>Diversity and equal opportunity help to make companies more successful and create a more dynamic and stimulating work environment. Systemair continues to work towards the goal that 25 percent of managers are women by 2025.</p>						
Women managers (%)	2019/20	2018/19												
Total	21%	20%												
<p>Increased energy efficiency</p>	<table border="1"> <thead> <tr> <th>Energy consumption (MWh)</th> <th>2019/20</th> <th>2018/19</th> </tr> </thead> <tbody> <tr> <td>Electricity</td> <td>31,716</td> <td>32,312</td> </tr> </tbody> </table>	Energy consumption (MWh)	2019/20	2018/19	Electricity	31,716	32,312	<p>Systemair works continuously on reducing energy consumption on our premises, for example via high-efficiency ventilation and air conditions using our own products, investments in energy-efficient production equipment and environmental certification of buildings. A long-term energy efficiency goals will be established in 2020.</p>						
Energy consumption (MWh)	2019/20	2018/19												
Electricity	31,716	32,312												

STRUCTURED APPROACH TO PROFITABILITY GOAL

Systemair takes a structured approach to creating the right conditions for achieving the profitability goal of a 10 percent operating margin.

Systemair focuses on five principal areas in order to create the conditions for achieving the target of a 10 percent operating margin: technology platforms, pricing and margins, production efficiency and targeted measures in operations facing challenges.

TECHNOLOGY PLATFORMS

Systemair works systematically on benefiting from the synergies created through the transition to shared technology product platforms. In the case of our air handling units, we have created a modular product platform. This is the heart of any efficient ventilation system, whether it is used in public areas, industrial premises, data centres, hospital or marine environments. The units will be manufactured in nine factories.

Our in-house developed control system platform – Access – replaces three different platforms developed by third-party suppliers.

PRICING

Via a clear process and framework for pricing, based on added value, a more consistent pricing regime is being established. Systemair has also introduced a clearer risk management process for project pricing.

PRODUCTION EFFICIENCY

Systemair has for many years work continuously on improving efficiency in production as a way of generating higher profitability. This has included investments in more efficient machines and

greater automation, along with minimisation of lead times, energy consumption and wastage.

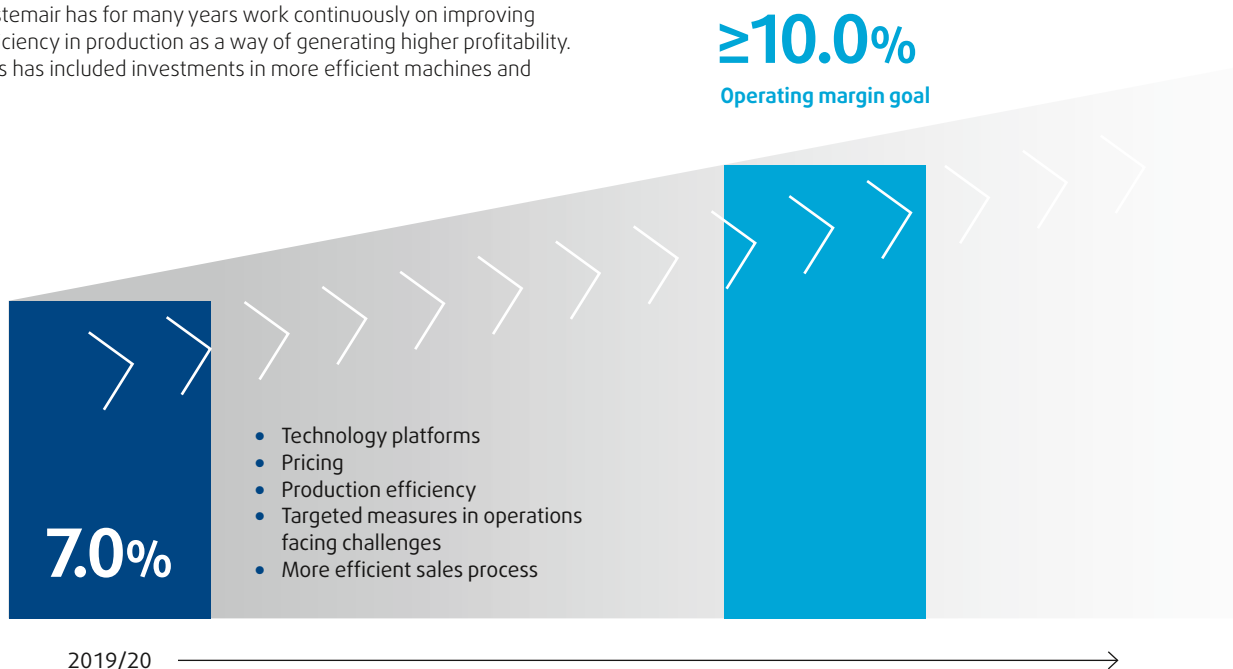
Systemair also conducts ongoing reviews of its allocation of production among the Company's factories, as a way of both creating economies of scale and lowering production costs.

TARGETED MEASURES IN OPERATIONS FACING CHALLENGES

Systemair is targeting restructuring measures aimed at boosting profitability in the Group's factories. This work comprises both organisation changes and modifications to working and production processes.

MORE EFFICIENT SALES PROCESS

Over recent years, Systemair has developed and implemented a sales support system that supports Systemair's sales model and rationalises the day-to-day work of the sales team. Our website, with integrated webshop, enables the customer to find whatever information they need and to place orders, making everything more efficient for both the customer and ourselves. We are continuously developing our sales knowledge via our "Selling the straight way" sales training concept and offer product courses via our digital e-Learning program.



BUSINESS CONCEPT

Operating from the core values of simplicity and reliability, our mission is to develop, manufacture and market energy-efficient, high-quality ventilation products with low environmental impact that contribute to a healthy indoor climate.

On the basis of our business concept and with our customers in focus, our aim is to be seen as a long-term sustainable company, with the emphasis on innovation, delivery reliability, availability and quality.

STRATEGIES

Our strategies give us 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 designed to achieve a healthy indoor climate.

High product availability and fast delivery via an efficient production, logistics and IT organisation – with low environmental impact.

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.

Employees committed to developing Systemair

OUR VALUE CREATION MODEL

RESOURCES

Financial resources

- Assets of SEK 7 bn
- Production-related investments of SEK 204.7 m.
- Development costs of SEK 225 m.

Social resources

- Customers in >130 countries
- 6,200 employees
- 6,000 suppliers and sub-contract suppliers

Physical resources

- 27 factories
- 10 technology centres
- Subsidiaries in 50 countries
- Energy, 464 GWh
- Sheet metal and aluminium, 52,218 tons

SYSTEMAIR'S BUSINESS MODEL

Operations

The purpose of Systemair's products is to create a healthy, comfortable and safe indoor climate. We place our customers first and aim to be seen as a long-term sustainable company, with the emphasis on innovation, delivery reliability, availability and quality.



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

VALUE FOR STAKEHOLDERS

For owners

- Profit for the year – SEK 385.3 m.

For customers

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

For employees

- Good working conditions and a safe work environment
- 14,000 hours of training in product knowledge, health and safety

For suppliers and financiers

- Punctual payments to suppliers
- 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 255,000 tons
- Products that contribute to a comfortable, healthy and safe indoor climate

GOOD, HEALTHY INDOOR AIR IS MORE ESSENTIAL THAN EVER

“Starting from our conviction that sustainability must be integral to everything that Systemair does, our focus is on creating a better indoor environment, but with lower and lower energy consumption”



Interview with Morten Schmelzer,
Technical Marketing Director at Systemair.

WHY IS GOOD VENTILATION IMPORTANT?

We spend on average 90 percent of our time indoors, that is why optimal ventilation is important. The majority of academic studies have shown that a healthy indoor climate increases well-being, reduces sickness absence and helps us to perform better.

Today, more than ever, we see increased awareness of the importance of ventilation in ensuring healthy indoor environments. That is a positive sign and reinforces us in our endeavour to improve the quality of indoor air.

HOW IS SYSTEMAIR DRIVING THE DEVELOPMENT OF A BETTER INDOOR CLIMATE?

We are driving this important issue via several separate channels. We are engaged with and well positioned in industry organisations worldwide, including Eurovent, HVI, ASHRAE, ISHRAE and REHVA, rounded out by collaborations with like-minded industry colleagues. The idea is to increase awareness of the importance of clean indoor air, both at political level and among the public, and to bring about changes that will benefit everyone.

Regulatory requirements as to indoor air are still in development. It's important to us to keep up our engagement regarding

long-term regulatory requirements, which creates clear incentives for the industry to continue to produce innovations on an ongoing basis and invest in product development to support a better quality of indoor air.

HOW ARE YOU CREATING A HEALTHY INDOOR CLIMATE WITH YOUR PRODUCTS?

Developing products that deliver clean, healthy indoor air is part of our DNA. To put it simply, our products provide buildings and people with clean, temperature-controlled air.

We actively encourage customers to include advanced control units and sensors in our ventilation systems, to measure and respond to factors such as temperature, air pressure, CO₂ levels, particle content and air humidity. For example, the air supply will rise to bring down the CO₂ level to optimal values when a large number of people are present in a room. Similarly, the ventilation speed reduces in periods when no-one is in the room, lowering energy consumption.

The general trend is towards more and more sensors in order to gain even better control of the quality of the indoor air.



WHAT IS SYSTEMAIR DOING TO IMPROVE ENERGY EFFICIENCY IN VENTILATION?

We are driving the development of energy-related standards and regulations via our engagement with industry and certification organisations. Today, a highly developed system of regulation operates in the sector, above all in the EU. The EU's Ecodesign Directive sets minimum levels for energy performance in large numbers of products and components. These levels are tightened on a regular basis, to benefit not only the products but also consumers.

We would like to see more effective follow-up and supervision of the regulations so that every product that comes to the market meets the requirements established. This is an important factor in terms of our engagement with recognised certification bodies such as Eurovent, HVI and AMCA, which certify the products and verify that the data provided by producers is accurate. As a globally recognised supplier of ventilation technologies, we advocate similar energy-related regulations globally. Ultimately, this should lead to an internationally recognised standard necessary to meet the steadily rising global energy requirements.

HOW DOES SYSTEMAIR'S COMMITMENT TO ENERGY EFFICIENCY SHOW THROUGH IN THE COMPANY'S PRODUCTS?

Our stated ambition is to be a leader in this, and we are living up to this in our day-to-day work in the Company and with our customers. We invest in product development, in test facilities to ensure fast feedback between development and validation, as well as in digital control systems that have an important role to play in further improving energy efficiency. We study new technologies to investigate the potential for further energy reductions in our products. Our products have also been proven to be energy-efficient. They are tested and certified globally via recognised third-party organisations such as Eurovent, HVI and AMCA.

We regard energy efficiency as an important competitive weapon and strive to ensure that every new product is more efficient than its predecessor. Our conviction, which is also firmly embedded in Systemair's corporate culture, is that we can make a difference through innovation and change, and improve the indoor climate and energy efficiency for everyone who uses our products.

STRONG POSITION IN STABLE MARKET WITH GROWTH

Demand for ventilation solutions has continued to increase globally. Important drivers are rising requirements for energy-efficient ventilation and for the quality of indoor air. A local presence in many markets, a strong offering to customers and sales in more than 130 countries create good conditions for Systemair to further strengthen its market position.

A STABLE MARKET WITH GROWTH

Systemair's market – ventilation systems and ventilation products – is closely linked to the construction market. In Europe, Systemair's main market, construction projects are relatively evenly divided between commercial buildings and apartment blocks. Projects are also evenly divided between new construction and renovation of existing buildings. Outside Europe, the proportion of new construction is higher, in both apartment blocks and commercial buildings.

During 2019 and early 2020, Systemair's market has been characterised by continued stable growth. With growth in the world economy and rising living standards, we are increasingly demanding a comfortable climate in our homes, at our workplaces and in other indoor environments. Cities are expanding and the need for building new, as well as for renovating existing buildings, premises and infrastructure is growing.

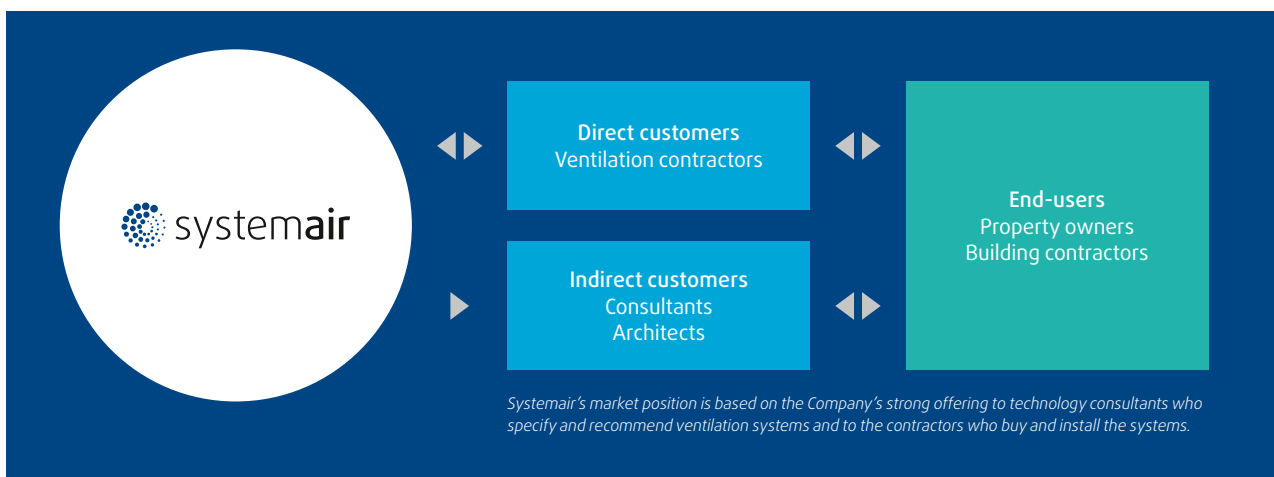
Several trends contributed to an expanding market for ventilation products during the year. With greater awareness of how the quality of indoor air affects us, a healthy indoor climate is also increasingly taking centre stage. Demands for energy efficiency are increasing, driving the trend towards more energy-efficient buildings and, as a result, more energy-efficient ventilation systems. Digitisation, too, is impacting on the sector, as regards both management and control of ventilation systems and greater demands for digital aids for product selection and support.

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:

- **Developing and offering** a wide range of quality products with high performance characteristics in energy efficiency, as well as connectivity with systems for building automation and smart homes. Certification, for example via Eurovent, is an important means of creating trust in the performance and quality of our products.
- **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, so as to be able to offer short delivery times. With 3 central distribution centres and more than 75 local warehouses, we meet our customers' exacting requirements for delivery reliability.
- **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 selection of the right products for the application concerned in their project. This is backed by digital tools such as product selection programs 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.

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.



SYSTEMAIR OPTIMA-LV-R – A HEALTHY CLIMATE WITH LOWER ENERGY CONSUMPTION

By adapting ventilation to needs in a home or at an office, it is possible to reduce energy consumption relating to electricity, heating and cooling. Optima-LV-R is a variable airflow damper with unique characteristics for installation in circular ducts for demand-led ventilation in homes and offices.

Optima-LV-R offers an innovative solution that simplifies project planning and installation for ventilation consultants and ventilation assemblers. The damper is easy to control, both locally and as part of a larger system. Optima-LV-R has a wide range of applications but is specially designed for precise flow control at low airflows, from 0.2 m/s to 6.0 m/s. Optima LV-R operates pressure-dependently in the range of 2 Pa to 600 Pa.

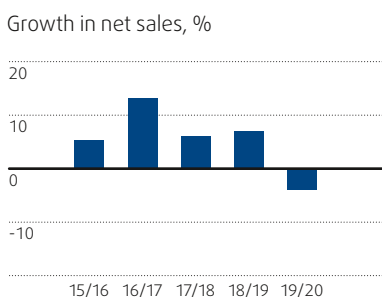
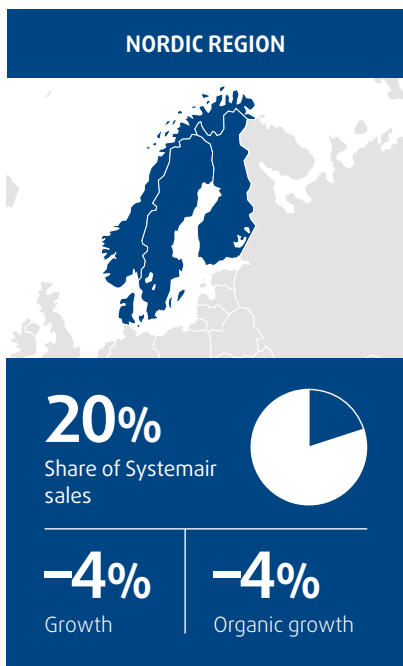
The ventilation industry

Per product area

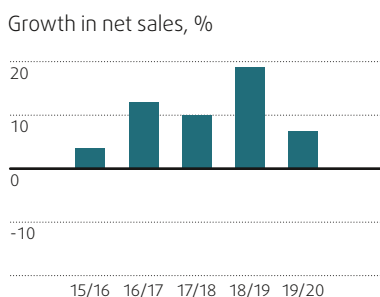
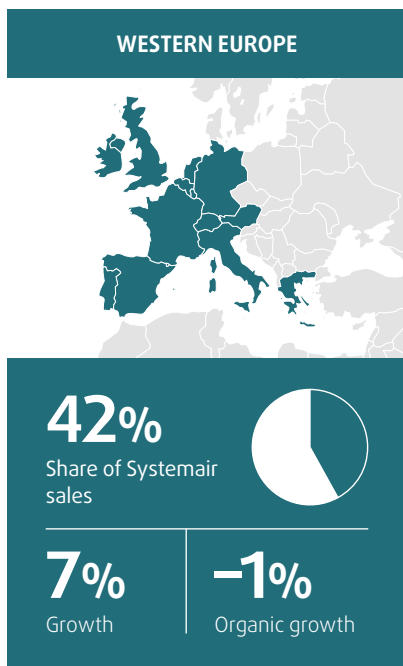
Company	Fans	Air handling units, Central	Residential ventilation	Air handling units, Compact	Air conditioning	Air distribution	Air curtains	Fire safety
Systemair, Sweden	●	●	●	●	●	●	●	●
Fläkt Group, Germany	●	●	●	●		●		●
Flexit, Norway	●		●	●		●		
Swegon, Sweden		●	●	●	●	●		●
Exhausto, Denmark	●	●	●	●				●
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		●						
Greenheck, North America	●	●		●	●	●		●
Johnson Control, North America		●		●	●			
Nortek, North America	●		●	●	●			
Titus, North America				●		●		
France Air, France	●	●	●	●	●	●	●	
IV Produkt, Sweden		●		●	●			

● Complete range ● Limited range

SYSTEMAIR'S MARKET REGIONS



The region as a whole has been characterised by stable market conditions and strong demand from already high levels. In general, we have noted a certain decline in new housing projects in several markets. This has been offset by continued strong growth in commercial properties. During the year, Systemair started an increased drive in the Swedish market, partly via strengthening organisationally. The drive has proved successful, even in the short term, and we have expanded our market shares in Sweden. The impact of Covid-19 was limited up to the end of the financial year.

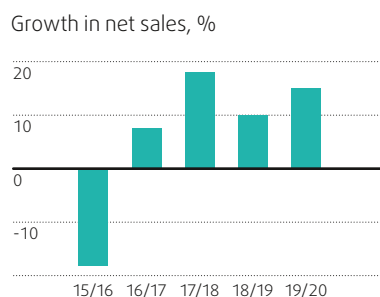
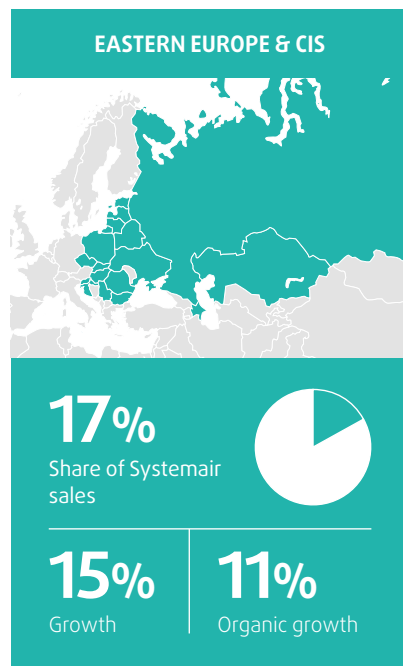


The region as a whole was characterised by continued stable market conditions for Systemair. In the northern parts of the region, in countries such as Germany, the Netherlands and Belgium, the market was firm, as in previous years, with Germany in particular standing out.

In southern Europe, for example Spain, a certain downturn in the market was recorded.

During the last months of the year, southern Europe, including Spain, France and Italy, were affected by the lockdowns in society following the outbreak of Covid-19.

In the UK, Systemair again reported robust growth and to date we have not been affected by the uncertainty surrounding Brexit.



The region as a whole has been characterised by continued stable growth. Developments were especially favourable in the Czech Republic, Slovakia and Slovenia. We have our own production facilities in these markets, which are growing in importance to Systemair. 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. In general, the impact of Covid-19 up to the end of the financial year was limited.

NORTH AND SOUTH AMERICA



10%

Share of Systemair sales



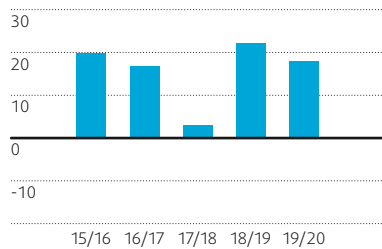
18%

Growth

10%

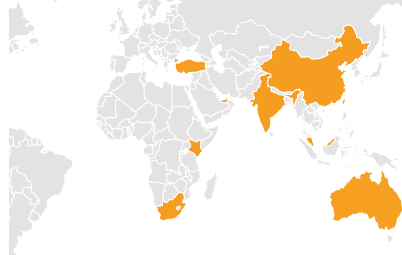
Organic growth

Growth in net sales, %



During the year, the North American market was characterised by strong demand and sales developed according to plan. In the USA, our campaigns on ventilation for multi-storey car parks and air curtains from Frico are major driving forces. The export drive to Mexico from the USA has been successful and we have established a local sales presence in the country. The Brazil market gradually strengthened during the financial year, leading to healthy order bookings. Impact from Covid-19 was in general limited up to the end of the financial year, other than in Brazil, where we noted a rise in demand relating to hospital projects.

MIDDLE EAST, ASIA, AUSTRALIA AND AFRICA



11%

Share of Systemair sales



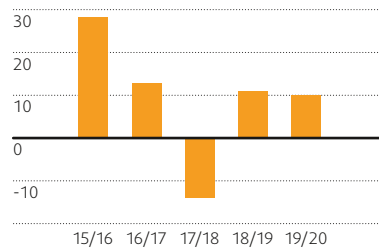
10%

Growth

-1%

Organic growth

Growth in net sales, %



During the year, Systemair recorded strong growth in sales in the region as a whole, although with variations from market to market. In Turkey today, we hold a very strong market position in highly specialised hospital and infrastructure applications. Our ultra-modern factory also represents an important resource for providing for the markets in the Middle East. Sales in both the Indian and southeast Asian markets showed strong growth. Malaysia is the hub for our export drive to countries in the ASEAN region, which proved successful during the year. The African market, where we have a presence in South Africa and Morocco for example, also delivered good results during the year. The outbreak of Covid-19 affected India, Malaysia and South Africa through the impact of government decisions.

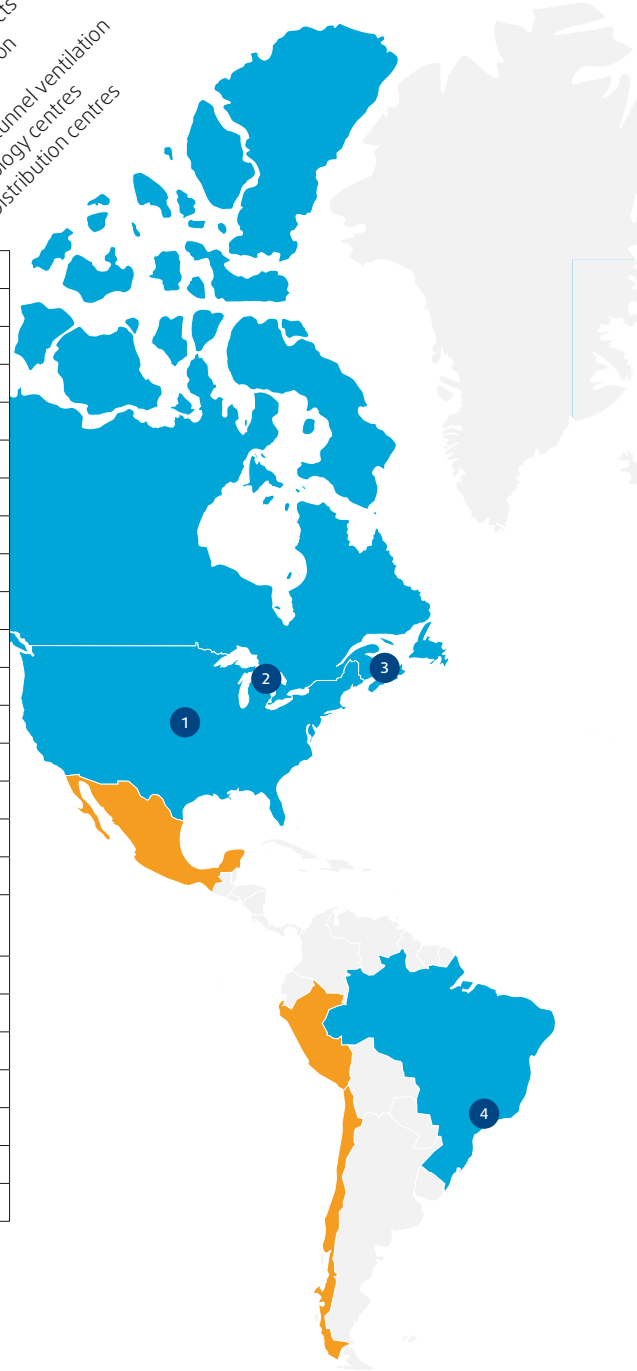


AUSTRALIA – A NEW MARKET FOR SYSTEMAIR

During the year, Systemair established operations in the Australian market via the acquisition of the ventilation business of Pacific HVAC – Pacific Ventilation. The company is a distributor of ventilation products, with a strong market position in all regions in Australia and in New Zealand. We have bolstered this platform by bringing in air handling units from our ultra-modern factory in India and fans from our factory in Malaysia. We are delighted with the positive responses we have seen from the market and see huge potential for development in the business over the next few years.

SYSTEMAIR – A GLOBAL COMPANY

Product areas		Fans	Residential ventilation	Swimming pool ventilation	Air handling units	Air conditioning	Air curtains and heating products	Fire safety	Garage and tunnel ventilation	Technology centres	Distribution centres
1	Kansas City, USA	●									●
2	Tillsonburg, Canada			●							
3	Bouctouche, Canada	●		●							●
4	São Paulo, Brazil			●							
5	Eidsvoll, Norway			●							
6	Skinnskatteberg, Sweden	●		●		●				●	●
7	Hässleholm, Sweden					●					
8	Århus, Denmark			●							
9	Waalwijk, Netherlands			●							
10	Mülheim An Der Ruhr, Germany	●		●							
11	Langenfeld, Germany					●					
12	Windischbuch, Germany	●						●	●	●	●
13	Tillières, France					●					●
14	Milan, Italy					●					●
15	Fuenlabrada, Spain			●							
16	Móstoles, Spain (2 factories)							●	●		
17	Ukmerge, Lithuania		●	●	●						
18	Pardubice, Czech Republic (2 factories)		●		●		●				
19	Bratislava, Slovakia							●	●		●
20	Maribor, Slovenia				●				●	●	
21	Dilovasi, Turkey				●	●					●
22	Johannesburg, South Africa	●			●						
23	New Delhi, India	●						●			●
24	Hyderabad, India							●	●		
25	Kuala Lumpur, Malaysia	●							●	●	●



27

Production facilities

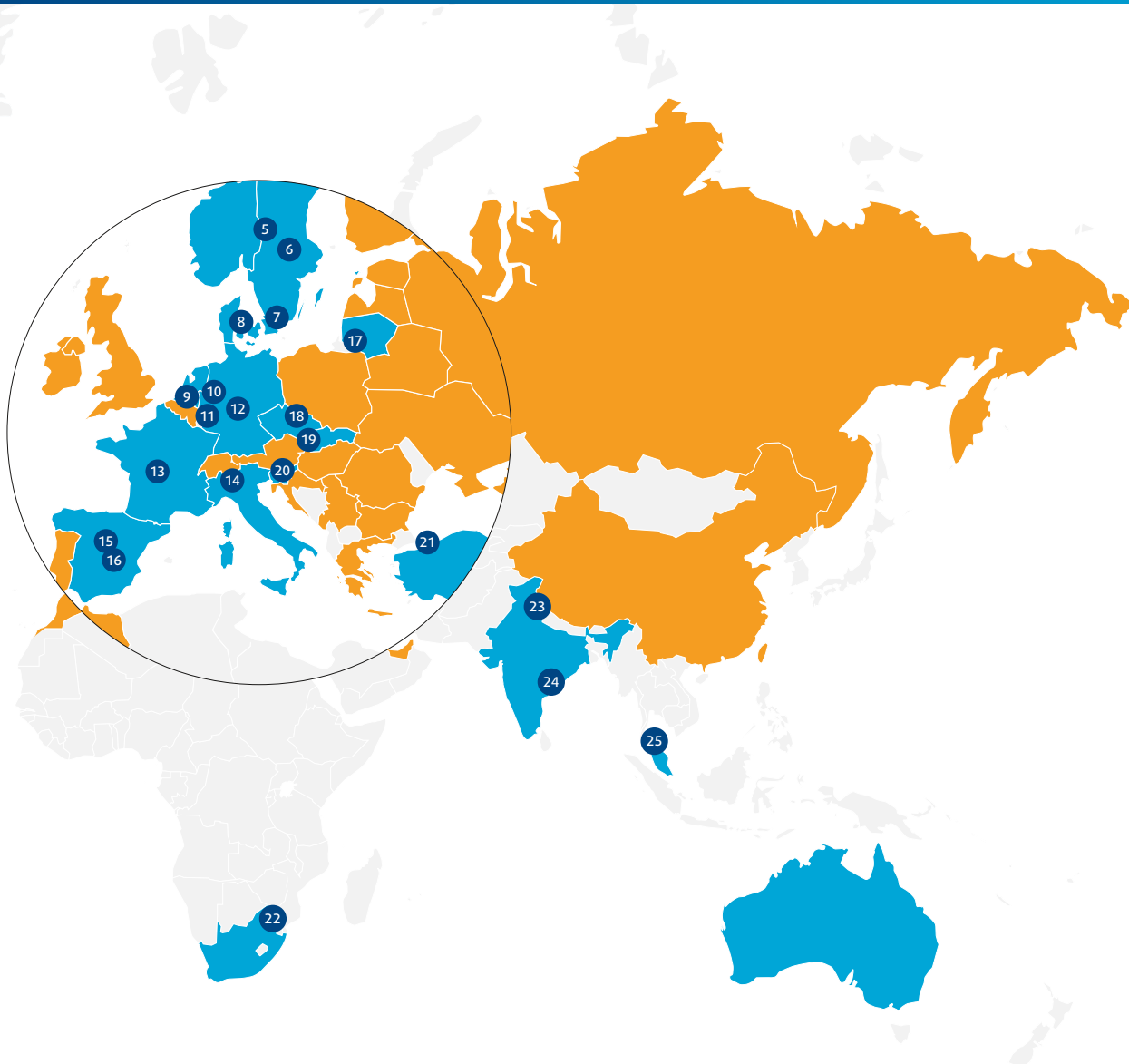
10

Technology centres

3

Distribution 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”



- Countries with production and sales companies
- Countries with sales companies

>50

Countries with own sales organisation

>130

Exports to more than 130 countries

WORLD CLASS PRODUCTION AND LOGISTICS

High quality, high product availability and fast deliveries are among Systemair’s foremost competitive advantages. We create clear values for our customers through an efficient production and logistics organisation – with lower and lower environmental impact.

Systemair is a global company with 27 production facilities around the world. Strategic production planning is based on a market perspective, reflecting the fact that what is needed from ventilation products varies from one Systemair market to another. For example, requirements and needs in terms of cooling and heating differ between southern Europe and the Nordic region. Furthermore, regulatory requirements for ventilation products differ between Europe, North America and Asia. Having production near Systemair’s end markets also reduces the need for long transportation distances, an advantage in particular when bulky air handling units are involved.

With our production structure, we can offer the right products for every market – with the right quality, at the right cost and with quick delivery times.

MODERN PRODUCTION WITH LOWER AND LOWER ENVIRONMENTAL IMPACT

Systemair invests regularly in its production facilities to ensure modern world-class production is maintained. Investments are made, for example, in expanding capacity, capitalising on new technology and raising the level of automation, thereby creating the conditions for continuous efficiency improvements.

Systemair owns the majority of its factory premises, on the basis that this offers greater opportunities for influencing structure, work environment and environmental performance in production. We are continuously reducing our consumption of energy, water and materials, for example by efficient ventilation and air conditioning using our own products, investing in energy-efficient production equipment and investments in manufacturing technology to reduce the consumption of materials. Read more on Systemair’s sustainability work on pages 30–41.

STANDARDISED PRODUCTION MODEL

To ensure productivity and efficiency in our diversified production structure, all production facilities operate in a uniform, standardised way based on the Systemair Production Model (SPM). The model consists of four main components:

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



“Systemair owns the majority of its production facilities on the basis that it offers greater opportunities for influencing structure, work environment and environmental performance in production”

Improvement is in constant focus at the Group’s production facilities – based on continuous measurement and follow-up of activities and reviews of all production facilities starting out from the production model. Systemair has established a Group-wide SPM council, made up of production managers from different regions. The council provides support to the factories in implementing the production model. This also underpins a sharing of experience and an ability to benefit from best practice within the Group. Systemair’s quality council is responsible for developing the Group’s quality. It has, for example, established standardised processes for handling quality deviations and complaints.

EFFICIENT LOGISTICS

Systemair’s logistics structure is based on local warehouses in the countries where we are represented via our own sales companies, together with three centralised warehouse facilities located in Sweden, Germany and Malaysia. Our in-stock products are delivered within 24 hours from a local warehouse, and within 72 hours from one of our distribution centres. In the case of customised ventilation products, we operate with an inventory of the components required and a flexible production system.

With a Group-wide ERP system, all sales companies in the Group can access current inventory levels and lead times for all local warehouses, distribution centres and manufacturing units. This enables optimisation of inventory levels and inventory management and coordination of logistics for both products and components throughout the Group.

Logistics was a priority area for development during the year. Systemair introduced a number of KPIs for ongoing follow-up of inventory efficiency and to enable identification and delivery in areas for improvement.



MODERN AND WELL-INVESTED PRODUCTION FACILITIES

Systemair owns 86% of its production facilities. These amount to a total area of 320,000 square metres and have a total book value of SEK 1.1 billion. The facilities are characterised by efficient, improvement-focused and sustainable production. The following are descriptions of facilities in four countries.

Skinnskatteberg, Sweden



At Skinnskatteberg, we have two production facilities, a distribution centre and headquarters with a total area of 52,000 square metres. Here, fans, air curtains and heat pumps are produced, as well as air handling units and the entire value-added chain is accommodated at this location – sheet metal forming, painting, component handling and assembly. The facilities are well-invested and highly advanced in terms of both automation and work environment for employees. The production system is characterised by a development-led environment with highly-skilled personnel. The electricity used, which is wind power generated, is fully climate compensated.

Dilovasi, Turkey



Our ultra-modern production facility in Turkey, inaugurated in 2018, is LEED Gold certified. Investments in the building, machinery and IT infrastructure enables very high production efficiency while minimising environmental impact throughout the production chain. The factory incorporates energy-efficient production equipment, highly developed processes for collection and use of rainwater and high-efficiency air conditioning using Systemair's own products. Production in the 28,000 square metre facility is project-based, supplying not only the local market but also, to a certain extent, the Middle East and the Balkans. Activities are characterised to a high degree by quality thinking, which is made possible by the close-knit workforce.

Summary, properties

Location	Surface area, m ²
North and South America	
Boucoucher, Canada (owned)	12,300
Tillsonburg, Canada (leased)	3,900
Kansas City, USA (owned)	16,000
São Paulo, Brazil (leased)	1,900
Nordic region	
Århus, Denmark (owned)	23,000
Eidsvoll, Norway (owned)	5,800
Hässleholm, Sweden (owned)	10,000
Skinnskatteberg, Sweden (owned)	52,000

Location	Surface area, m ²
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

Location	Surface area, m ²
Eastern Europe & CIS	
Ukmerge, Lithuania (owned)	15,000
Bratislava, Slovakia (owned)	12,000
Maribor, Slovenia (owned)	5,400
Pardubice, Czech Republic (leased)	13,000
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

Ukmerge, Lithuania



Systemair operations in Lithuania started 20 years ago, via the company UAB Systemair. Production in the country began in 2009 in a newly built factory that in 2011 was expanded to double its size. The factory produces residential ventilation products and air conditioning units. The facility covers an area of 15,000 square metres and is well invested and highly automated. The production system is distinguished by efficient control, highly developed assembly lines and high capacity utilisation. Not only does the operation serve as a production base for several markets, it also functions as a sub-contract supplier to one of Systemair's factories in Germany.

New Delhi, India



Systemair's production facilities in India turn out air distribution products, air conditioning units, fans and fire safety products. The facility at Greater Noida, New Delhi, extends over approximately 12,000 square metres and is located close to sub-contract suppliers and support functions, which is greatly important given the size of the city. It is a modern, well-invested facility that focuses closely on quality and flexibility. The facility is LEED Platinum certified and features an advanced ventilation system that significantly reduces energy consumption. Experienced and highly skilled personnel, including a local research and development unit, ensures a high level in the organisation.

NEW PRODUCTS FOR A BETTER INDOOR CLIMATE

With the focus on innovation and energy efficiency, Systemair strives to be a leading actor in creating a better indoor climate for people around the world.

The purpose of Systemair's products is to create a healthy indoor climate. This means above all two things. Firstly, Systemair's products create a healthy and comfortable indoor climate. This may involve anything from maintaining clean air at the right temperature in schools to effective evacuation of fire gases in buildings or exhaust gases in tunnels. Secondly, we develop products that make this possible with the lowest possible energy consumption. This, in turn, reduces both the burden on the environment and life cycle costs for customers. Simple installation, operation and maintenance of products create further value for our customers.

FOCUSED DEVELOPMENT PROCESS

A successful development process focusing on market need and shortening the time to market for a product represent one of Systemair's competitive advantages. Success depends on both high efficiency in work and ensuring that we set the right priorities in choice of development projects. We have established a standard, Group-wide product development process – from generation of ideas and development to certification, production preparation and launch – to maximise the benefit of the time we invest. 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 most value to Systemair, from the criteria of customer need, strategic importance, potential profitability and the prevailing conditions in terms of expertise and resources.

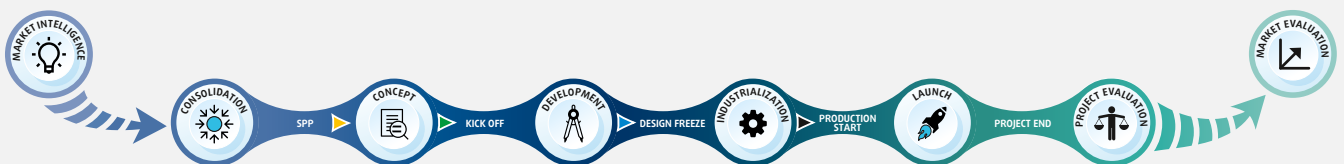
DEVELOPMENT ORGANISATION WITH CUTTING-EDGE EXPERTISE

Systemair's product development organisation consists of 250 engineers and technicians with cutting-edge expertise, including 23 women, across a range of technologies. 24 technology teams in 18 countries perform laboratory tests and measurements during the development process, as well as measurements for technical documentation and certification in accordance with current standards.

KNOWLEDGE AND INSIGHT VITAL TO THE PRODUCTS OF THE FUTURE

Successful product development must meet future needs in the market. This requires insight into customer needs and government requirement, as well as regarding the opportunities created by new technology, both in the products and in product development. Systemair's sales organisation around the world has daily contact with our customers, allowing us 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), and maintain contacts with national and international research institutions and public authorities. Our technology centres continuously monitor technological developments worldwide in their specific area of technology. Altogether, this equips us well for conducting a product development program that is both innovative and relevant to the future.

SYSTEMAIR'S PRODUCT DEVELOPMENT PROCESS



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

Lower energy consumption

2.6
TWh

Equivalent to domestic electricity for 530,000 single-family homes¹⁾

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

Lower carbon dioxide emissions

255,000
tons CO₂ savings

Equivalent to carbon dioxide emissions from on average 140,000 cars per year²⁾

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.

FOUR MAIN AREAS OF FOCUS FOR A SUSTAINABLE INDOOR CLIMATE

Product development at Systemair must meet the expectations and demands of the world around us, for a sustainable indoor climate. At an overarching level, our work is affected by four main trends of development:

- 1. Increased requirements regarding indoor air.** Today, there is increased awareness of how indoor air affects our health 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 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. Against that background, energy efficiency is at the very heart of Systemair’s product development. We are constantly looking at new solutions to reduce energy consumption by components and products and adapt our products to the rules in force in each market.
- 3. System solutions.** When energy requirements for buildings increase, for example through new legislation, greater demands are made of energy efficiency throughout the ventilation system. Demand-led 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 to connect into bigger systems, helping to deliver high efficiency in large and small facilities.
- 4. Connected solutions.** Digitisation is creating new possibilities for connectivity, and the number of devices that are connected to the Internet and communicate with higher-level systems are increasing sharply. In the future, “intelligent buildings” will become increasingly common. The ever-increasing number of software-based functions integrated into control and regulator systems will form an important component of the digital eco-systems for sharing of information being created on the Internet, where people will be able, via computer, tablet PC or smartphone, to ensure optimised functioning and simpler preventive maintenance of their ventilation installation. Systemair is engaged actively in developing competitive products that are fully connectable via these integrated control and regulator systems.



R290
Propane

MINIMISE ENVIRONMENTAL IMPACT WITH SYSAQUA BLUE

With Sysaqua Blue it is possible to achieve optimally tempered indoor air and at the same time minimise environmental impact. The unit is the perfect marriage between new green technology and the tried-and-tested operational reliability and high performance of our existing Sysaqua product range of air conditioning units and heat pumps.

By using propane (R290) instead of traditional refrigerants, it is possible to radically reduce the carbon dioxide equivalent, which is the impact of the greenhouse effect. During operational trials under extreme conditions in Norway, the facility also demonstrated impressive thermodynamic characteristics and was capable of heating water to 45 degrees at an outdoor temperature of lower than -20 degrees.

OUR SUSTAINABILITY WORK

Systemair plays its part in helping to create a sustainable society. Work on sustainability is an integral part of the business as a whole and is about taking social, economic and environmental responsibility.

Our sustainability work starts right at the product development stage and then continues through the entire production and supply chain, including material selection and production method and review of logistics solutions to reduce transport operations, and finally examines how the end-of-life product is best dealt with. By developing energy- and material-efficient products and by focusing continuously on improving our processes, for example with regard to energy consumption, a safe work environment and fair working conditions, we can contribute to a sustainable future.

OUR LONG-TERM GOALS:

- By 2050, we will be a leader in sustainable and healthy indoor climate through our way of doing business, our workplace and our operations.
- By 2030, we will have played our part in helping to achieve the UN's global goals for sustainable development.

FRAMEWORK FOR SUSTAINABILITY WORK

In 2019/20, Systemair continued its work of the previous three years on developing control, follow-up and reporting in the area of sustainability. A framework for sustainability work has been developed, consisting of ten sustainability issues relevant to the Company's operations. These sustainability issues have been classified into four focus areas that balance the three dimensions of sustainable development: economic, social and environmental. The ten sustainability issues are assigned appropriate key measures and processes for follow-up, which – depending on the focus area – are reported on directly to the management function concerned.

In the course of work for the year, a long-term sustainability goal for 2050 was also established, including interim goals for 2025 and 2030. Each focus area is linked to a specific goal and sub-goals. We also conducted an analysis of the UN's Global Sustainable Development Goals to identify the goals where our operations have the greatest impact. These were found to be goals 8, 5, 11 and 12. By actively focusing on these global goals, we will be able to play our part in creating more sustainable development in society.

MATERIALITY ANALYSIS

At the end of 2019 and in early 2020, Systemair carried out a materiality analysis.

The analysis was performed in four stages: an initial benchmark including review of the competition to identify relevant sustainability issues, a working session to decide how Systemair assesses the social, environmental and economic impact of the sustainability issues, interviews and a questionnaire-based survey, and a concluding working session with the Group Management.

The first two stages produced the basis of a questionnaire which was distributed to Systemair's stakeholders. Respondents were asked to rank the sustainability issues that they thought had the greatest impact on decisions and judgements that they make relating to Systemair. In all, 1,154 people participated – including 14 customers, 1,131 employees and ten investors – in the survey and three investors were interviewed. The replies of the stakeholder groups were weighted to provide a fair picture of the results.

In the concluding working session with Group Management, the respondents' prioritisations in the sustainability issues were weighed against Systemair's internal assessment of the economic, environmental and social impact of the sustainability issues.

MANAGEMENT OF SUSTAINABILITY WORK

Systemair's CEO is ultimately responsible for the Company's sustainability work, while day-to-day progress and follow-up is delegated to functions within Group Management. Each area of sustainability, with appropriate key measures, has nominated individuals or functions with defined overarching or operational responsibility for follow-up and reporting.

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. Several of Systemair's factories are certified in accordance with the environmental management system 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 organisation. Audits include health and safety, energy consumption with reference to 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's Business Board and finally by Group Management.





Sustainability framework

LONG-TERM GOALS

By 2050, we will be a leader in sustainable and healthy indoor climate through our way of doing business, our workplace and our operations

By 2030, we have played our part in helping to achieve the UN’s global goals for sustainable development

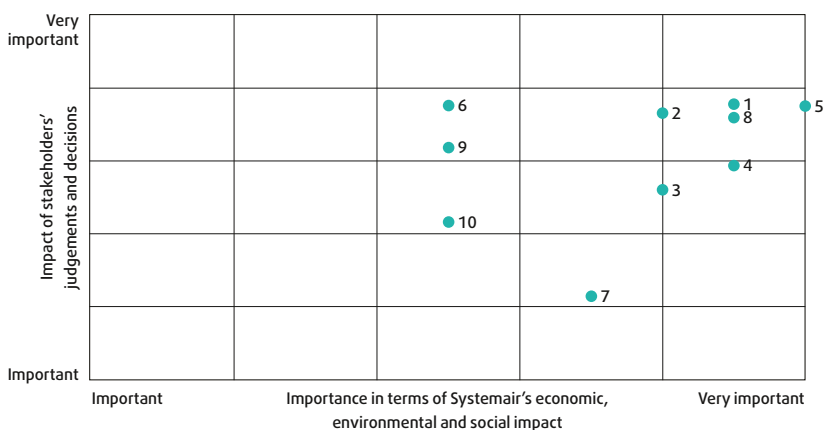
FOCUS AREAS

Responsible enterprise	Sustainable workplace	Sustainable operations	Sustainable products
<ul style="list-style-type: none"> Systemair ensures that business decisions accord with applicable laws and in all cases are taken in an ethical and responsible way. Systemair operates a policy of zero tolerance of bribery and corruption. Systemair applies sustainability requirements to suppliers and partners and manages sustainability risks relating to the supply chain. 	<ul style="list-style-type: none"> With a vision of zero accidents, Systemair’s goal is to achieve an annual reduction in injuries leading to sickness absences. Systemair offers employees the opportunity to advance through competence development, additional training and annual performance and career reviews. Systemair strives to provide a workplace that is free of harassment, with an inclusive culture, and one that actively promotes equal opportunity and diversity. 	<ul style="list-style-type: none"> Systemair strives to reduce its emissions of greenhouse gases from transport and logistics operations. Systemair strives to reduce its energy consumption by using energy-efficient solutions in our facilities and activities. 	<ul style="list-style-type: none"> Systemair strives to improve the indoor climate through energy-efficient solutions. Systemair strives to reduce the negative environmental impact of its products by using sustainable materials and an energy life cycle strategy. 

GOALS FOR 2025

<ul style="list-style-type: none"> 100 percent of strategic suppliers comply with our Code of Conduct Zero incidents of bribery or corruption 	<ul style="list-style-type: none"> Zero injuries leading to sickness absence 25 percent women managers 	<ul style="list-style-type: none"> Lower emissions from transport operations Increased energy efficiency Lower energy consumption in own properties 	<ul style="list-style-type: none"> Continuous improvement in our products as regards climate impact and climate efficiency
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MATERIALITY ANALYSIS



1. Business ethics
2. Bribery and corruption
3. Supplier verification
4. Sustainable products
5. Improved indoor climate
6. Energy-efficient operations
7. Emissions from transport operations
8. Health and safety
9. Competence development
10. Diversity and equal opportunity

RESPONSIBLE ENTERPRISE

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

OUR VALUES

Systemair's fundamental values – prioritise, simplify and inspire trust – shape our corporate climate and guide us 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.

RESPONSIBILITY TO SOCIETY

Good relationships with external partners are decisive to long-term success, wherever in the world we are doing business. We strive to understand the communities and the culture where we live and work and are engaged in local community activities that promote development in the community, benefit local business and support schools and educational organisations.

EXAMPLES OF COMMUNITY PROJECTS SUPPORTED BY SYSTEMAIR

- In Latvia, Poland, Slovenia, North America and Turkey, Systemair supports colleges and universities in promoting engineering courses in ventilation technology.
- Systemair in Sweden is supporting the Tekniskprånget 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.
- 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 climate at DTU, the Technical University of Denmark.

RESPONSIBLE BUSINESS DEALINGS

At Systemair, we conduct our marketing and sales in an ethical and responsible way, on the basis of 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.

SUPPLIER VERIFICATION

Systemair uses around 6,000 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 selected suppliers who we can have a long-term strategic partnership with. Systemair's suppliers are assessed and selected on the basis of their capacity to deliver on commercial 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 tolerate 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 updated on an ongoing basis in response to new requirements and recommendations.

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



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

	2019/20	2018/19
Direct economic value generated		
Revenues	9,083	8,496
Economic value distributed		
Operating costs	6,291	6,011
Employee wages and benefits	2,049	1,850
Tax	200	177
Payments to financiers	158	137
Economic value retained	385	321

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

205-3: INCIDENTS OF CORRUPTION

	2019/20	2018/19
Number of incidents of corruption	1 ¹⁾	0
Number of incidents in which employees were dismissed or subjected to other disciplinary action for corruption	0	0
Number of cases in which contracts with business partners were not renewed due to violations related to corruption.	0	0

¹⁾ Systemair was exposed to fraud and the incident was reported to the appropriate authorities.

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

	2019/20	2018/19
Environmental criteria	94	98
Social criteria	94	98

Number of new suppliers audited regarding environmental factors and employment conditions

206-1: LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST, AND MONOPOLY PRACTICES

	2019/20
Number of cases	0

No legal actions, decisions or court rulings took place during the year.

307-1: NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

	2019/20
Number of cases	0

No incidents of non-compliance took place during the year.

419-1: NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AREA

	2019/20
Total monetary value of fines (SEK)	62,000 ¹⁾
Non-monetary sanctions	0
Number of cases settled via dispute resolution	0

¹⁾ Fines were imposed regarding a facility without a licence for heavy industrial operations. Remedial action has been taken.

SUSTAINABLE WORKPLACE

For Systemair's long-term success, it is critical to attract, develop and retain competent employees, and we continued to focus on this during the year.

HEALTHY AND 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. Our aim is to prevent accidents and minimise sickness absence. Violence, threat, harassment, bullying and similar abuses of employees will not be tolerated. Systemair's employees themselves decide whether to join a labour union in accordance with the prevailing 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, wherever in world we have our production. On that basis, we have chosen to install TiA, a Web-based system that provides excellent support in our efforts to develop the work environment. We measure, follow up and take action against 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 prevention program based on risk analyses, in order to prevent accidents in the first place. A safe and secure work place is a prerequisite for job satisfaction, creativity and commitment.

COURSES IN THE SYSTEMAIR ACADEMY 2019/20

Systemair PolarStar

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

E-Learning

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

3C – Corporate Culture Concept

Course in Systemair's leadership and corporate culture for all employees. The course is based on the "Train the trainer" concept, and has been implemented at the subsidiaries over the past three years.

Finance Controller Academy

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

M3 Academy

Course given via our ERP system.

COMPETENCE DEVELOPMENT

The ability to attract, develop and retain competent employees is vital in assuring Systemair's long-term success. Competence development is a focus area in terms of constantly improving our business and our products, increasing our employees' competence in their interaction with customers and retaining our lead over competitors. By expanding the range of the Systemair Academy program, we have made it easier for employees to acquire new knowledge wherever they work within 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.

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 manager and the employee are together responsible for ensuring that competence development is aligned with the Company's direction of travel and vision.

DIVERSITY AND EQUAL OPPORTUNITY

Research and experience show that diversity and equal opportunity play a key 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 on the basis of sexual orientation, gender, age, ethnicity 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, in addition, we can offer international work with many areas of contact makes us an attractive employer.

Of the Group's approximately 6,200 employees, 23 percent are women. Both the Board of Directors and Group Management have two women members. Systemair's ambition is that the proportion of women in managerial positions will be at least 25 percent by 2025. In 2019/20, the final figure was 21 percent of women in managerial positions (2018/19: 20 percent).

TiA – A TOOL FOR A SAFER WORKPLACE

An attractive workplace is both secure and safe. In order to prevent risks in the work environment, knowledge is essential. By sharing knowledge about accidents, near-accidents and risks that have occurred, via a common information system we can prevent new accidents happening at other workplaces. Against that background, Systemair has introduced TiA, a web-based information system for reporting and analysing near-accidents and occupational injuries. The system is based on a flow concept that takes in the entire process, from reporting of incident via investigation with risk assessment and analysis of cause, to remedial action and follow-up. Managers, safety representatives etc. receive information on incidents that have occurred, via e-mail. Events concerning environmental, quality and safety issues are also supported, as are suggested improvements. The system also includes planned work environment measures. It is also possible for those involved to compose their own, individual checklists that are linked to various risk management categories, such as risk analysis and safety inspections.

During the year, we completed the roll-out of and training in TiA system at 26 out of our 27 factories worldwide. Introduction of the system and its digitisation is one element of a world-class production system that is of major strategic importance to Systemair.

Ola Karlsson, Production Manager at one of our subsidiaries was involved in the implementation of TiA. He describes the process:

“Basically, it’s a good system that’s easy to use. Various types of deviation can be reported. Nothing slips through the net. Everyone involved is registered in the system and receives notifications via e-mail. No one needs to worry about forgetting something and it’s clear what you have to do. But we took it all a step further by also including safety inspections, reviews and individual checks by entering all deviations and we can follow up and take remedial action. We also share our files with other factories in the Group. This current way of working creates increased availability and improved efficiency.”



Ola Karlsson,
Production Manager

102-8: INFORMATION ON EMPLOYEES

Number of employees, by gender and type of employment	Men		Women		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Permanent employment (indefinite-term, part-time and probationary employment)	4,293	4,088	1,328	1,272	5,621	5,360
Fixed-term employment	313	367	84	87	397	454
Total	4,606	4,455	1,412	1,359	6,018	5,814
Agency personnel	220	187	32	15	252	202

Number of employees, by region and type of employment	Nordic region		Western Europe		Eastern Europe & CIS		North & South America		Rest of World	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Permanent employment (indefinite-term, part-time and probationary employment)	1,012	1,028	2,045	2,014	1,365	1,288	432	432	767	598
Fixed-term employment	36	24	125	158	35	38	54	46	147	188
Total	1,048	1,052	2,170	2,172	1,400	1,326	486	478	914	786
Agency personnel	17	0	86	40	44	29	7	13	98	120

Number of employees, by gender and type of employment	Men		Women		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Number of employees (full-time)	4,231	4,029	1,216	1,164	5,447	5,193
Number of employees (part-time)	62	59	112	108	174	167
Total	4,293	4,088	1,328	1,272	5,621	5,360

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

	2019/20	2018/19
Number of employees covered by collective bargaining agreements (%)	39	41

401-1: PERSONNEL MOBILITY

New employee hires and personnel turnover by gender	Men		Women		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Number of new employees	878	1,006	343	311	1,221	1,317
Employment turnover ¹⁾	14.0%	17.7%	0	5.5%	19.5%	23.2%
Number of employees leaving the organisation	770	709	300	205	1,070	914
Personnel turnover ²⁾	12.3%	12.5%	4.8%	3.6%	17.1%	16.1%

¹⁾ Number of new employees/average number of employees

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

New employee hires and personnel turnover by age group	< 30		30-50 years		> 50	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Number of new employees	449	545	596	631	176	141
Employment turnover ¹⁾	7.2%	10.8%	9.5%	11.1%	2.8%	2.5%
Number of employees leaving the organisation	337	276	524	458	209	180
Personnel turnover ²⁾	5.4%	5.3%	8.4%	8.1%	3.3%	3.2%

¹⁾ Number of new employees/average number of employees

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

New employee hires and personnel turnover by region	Nordic region		Western Europe		Eastern Europe & CIS		North & South America		Rest of World	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Number of new employees	131	179	442	407	353	374	139	145	156	212
Employment turnover ¹⁾	2.1%	3.2%	7.0%	7.2%	5.6%	6.6%	2.2%	2.6%	2.5%	3.7%
Number of employees leaving the organisation	146	153	400	317	309	291	111	56	104	97
Personnel turnover ²⁾	2.3%	2.7%	6.4%	5.6%	4.9%	5.1%	1.8%	1.0%	1.7%	1.7%

¹⁾ Number of new employees/average number of employees

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

403-9: WORK-RELATED INJURIES

Employees	2019/20	
	Number	Frequency
Total number of fatalities	0	0.0
Total number of work-related injuries	253	6.1
Total number of hours worked	8,255,398	

Other employees ¹⁾	2019/20	
	Number	Frequency
Total number of fatalities	0	0.0
Total number of injuries	11	19.8
Total number of hours worked	111,258	

¹⁾ All workers not employed by Systemair but whose workplace and/or work are within the control of the organisation

Injuries mainly consist of finger, hand and wrist injuries, together with arm injuries. Systemair uses TiA, a Web-based system that provides excellent support in our development of the work environment. Systemair measures, follows up and takes action on risks, near-accidents and accidents in a methodical process and TiA also enables us to share various solutions from one factory to another.

Normalisation factor = 200,000 hours worked.

403-10: WORK-RELATED ILL HEALTH

Employees	2019/20
Total number of fatalities	0
Total number of injuries (ill-health)	82

Other employees ¹⁾	2019/20
Total number of fatalities	0
Total number of cases of occupational ill-health	3

¹⁾ All workers not employed by Systemair but whose workplace and/or work are within the control of the organisation

Systemair uses TiA, a Web-based system that provides excellent support in our efforts to develop the work environment. Systemair measures, follows up and takes action on risks, near-accidents and accidents in a methodical process and TiA also enables us also share various solutions from one factory to another.

404-1: AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

	2019/20	
	All employees	Of whom, women
Total number of hours	11,665	3,756
Average number of employees	6,270	1,444
Average number of hours	1.9	2.6

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

	2019/20	2018/19
Women	45%	44%
Men	46%	46%
All employees	45%	45%

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

405-1: DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

	2019/20		2018/19	
	Number	Percentage of women	Number	Percentage of women
Board of Directors				
30-50 years	0	0%	1	0%
Over 50 years	7	29%	6	17%
Group Management				
30-50 years	0	0%	1	0%
Over 50 years	7	29%	7	29%
Other employees				
Under 30 years	1,241	20%	1,099	21%
30-50 years	3,134	24%	3,160	24%
Over 50 years	1,586	23%	1,547	23%

The table shows composition of Board of Directors, Group Management and other employees, by gender and age category.

406-1: INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

	2019/20	2018/19
Number of cases of discrimination	4	1

During the year, four cases of discrimination occurred, two of which were referred to courts of law. Two cases of discrimination were dealt with internally and measures have been taken.

SUSTAINABLE OPERATIONS

Sustainability work is an integral part of day-to-day operations, with the emphasis of reduced emissions from transport operations and greater energy efficiency. Our ambition is to work to maintain constant improvement.

FOCUS ON RESOURCE-EFFICIENCY AND LOWERING ENERGY CONSUMPTION

Systemair owns the majority of its factory premises, on the basis that it offers greater opportunities for influencing structure, work environment and environmental performance in production. We are continuously reducing our consumption of energy, water and materials, for example by high-efficiency ventilation and air conditioning with our own products, investing in energy- and water-efficient production equipment and investments in manufacturing technology to reduce the consumption of materials.

Last year, Systemair's newly constructed, ultra-modern factory in Turkey was LEED Gold certified. LEED is the most-used classification system worldwide for green buildings. The factory had been planned and built to minimise environmental impact throughout the production chain. Examples of technical solutions used include high-efficiency air conditioning using Systemair's own products, collection and use of water and rainwater, and energy-efficient production equipment.

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

RENEWABLE ELECTRICITY

As from January 2020, Systemair's factories in Sweden only use wind power generated renewable energy. The greenhouse gas emissions caused, from a life cycle perspective, by the generation of electricity will also be climate compensated via Gold-Standard-marked emission reductions issued for expansion of renewable production.

TRANSPORTATION AND TRAVEL

Transportation of our products from 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.

During 2019, a far-reaching change was made in the logistics flow between Systemair's facilities in the Czech Republic and Sweden, leading to a reduction of 23 percent in carbon dioxide emissions. The change was to transport goods by road direct from Sweden to the Czech Republic, instead of being routed through distribution centre in Germany as previously. The change was possible thanks to ongoing work on monitoring and analysing the logistics flows. Similar changes were made earlier in other flows, such as between Lithuania and the UK and between Lithuania and Norway, which are now operated by direct services rather than via distribution centre in Sweden.

Because Systemair is a global enterprise, business 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, use of this technology has made us more time-efficient. During the year, we started recording the number of virtual meeting in order to be able to monitor the trend. Over the period from 1 May 2019 to 30 April 2020, nearly 12,500 virtual meetings took place via Microsoft Teams and BlueJeans. This has reduced both the cost of travel and environmental impact.

302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION (MWH) / 302-4: REDUCTION OF ENERGY CONSUMPTION

	2019/20	2018/19
Oil	1,677	1,138
Gas	13,896	15,759
Liquefied natural gas (LNG)	3,008	1,251
Electricity	31,716	32,312
Heating	5,402	6,828
Cooling	3	3
Total	55,702	57,291

305-1&2: DIRECT (SCOPE 1) GHG EMISSIONS, INDIRECT (SCOPE 2) GHG EMISSIONS

	Emissions (tons CO ₂ e) 2019/20	Proportion of scope (%)
Scope 1		
Oil	448	39.2%
Gas, LNG	695	60.8%
Gas, CNG	3	0.2%
Total, Scope 1	1,143	100%
Scope 2		
Electricity	8,063	94.4%
Heating	479	5.6%
Cooling	0	0.0%
Total, Scope 2	8,542	100%
Total emissions, Scopes 1 and 2	9,684	

Carbon dioxide emissions (tons)	2019/20	Proportion of total scope (%)
Scope 1	1,143	12.0%
Scope 2	8,542	88.0%
Total	9,684	100%

Systemair has not yet analysed emissions within Scope 3.

SUSTAINABLE PRODUCTS

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

HEALTHY INDOOR CLIMATE

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 effective evacuation of exhaust gases in tunnels. Filtered air in the home is important to help us keep feeling well. Clean air and a pleasant temperature at the office and in schools make us feel and perform better. 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. In multi-storey car parks, good ventilation is a safety issue. Our system of fire gas fans meets strict requirements for carbon dioxide control and evacuation of dangerous smoke gases in the event of fire. It can also deliver a reduction of up to 80 percent in energy consumption in day-to-day operation.

With our extensive product range, we can create an optimal solution that contributes to a healthy indoor climate in all environments. Our solutions help to create a healthy work environment, in turn creating the conditions for better productivity.

Systemair has an ambitious program for reducing the climate impact of its products in air conditioning, both by using refrigerants with lower environmental impact and by designing products to consume lower volumes of refrigerants than before. In some product lines, a natural refrigerant such as propane has been introduced, lowering climate impact considerably. Another focus is on energy efficiency, where Systemair is improving products for example by switching to inverters and EC technology.

During the year, Systemair invested in the development of new generation of products that help to create a better indoor climate with higher energy efficiency. For example, we have stepped up the pace of development in regulator and control systems that contribute to an indoor climate that dynamically adapts to demand.

SUSTAINABLE ENERGY-EFFICIENT PRODUCTS

Systemair is constantly developing the sustainability of its products by adopting a life cycle approach in product design, sub-component purchasing and production. Our participation in various standardisation and stakeholder organisations enable us to maintain a high level of ambition. A commitment that we strengthened and enhanced during the year and that we will expand during the year.

New official requirements – both from the EU and at 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. Against that background, energy efficiency remains at the very heart of Systemair's product development. We are constantly seeking new solutions to reduce energy consumption by components and products, and adapt our products to the rules in force in each market.

Increased energy requirements for buildings, for example through new legislation, mean greater demands for energy efficiency. Demand-led 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 larger systems, help deliver high efficiency in large and small facilities.

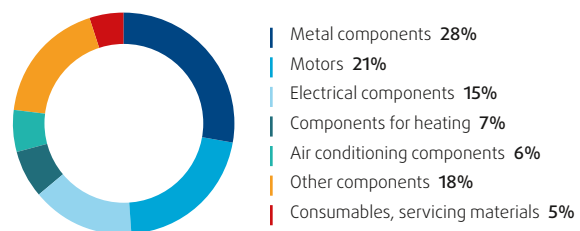
WASTE MANAGEMENT AND METAL RECOVERY

Systemair strives to select materials with favourable sustainability characteristics from the life cycle perspective of the products, and we monitor developments in the rules on sustainable products that emerge from collaboration in the industry, research and via other stakeholder organisations.

Systemair continues to invest in manufacturing technology capable of reducing wastage in sheet metal and aluminium, which represent a high proportion of the materials 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 also focus on sorting and recovering waste in production. Materials recovered include steel, aluminium, packaging materials and paint powder.

We are active in several organisations that are developing new guidelines for sustainable and energy-efficient products in our sector. During the year, we further strengthened and enhanced our participation to ensure that we control product development in line with requirements for higher energy efficient and from a life cycle perspective, now and in the future. We are now extending our involvement in the area of eco-design and are focusing on competence development in issues relating to the circular economy in the work under way in the EU, in which the construction sector in particular is one of seven focus areas.

PERCENTAGE BREAKDOWN OF SYSTEMAIR'S EXTERNAL PURCHASES OF COMPONENTS 2019/20



The diagram shows a percentage breakdown of Systemair's external purchases of components in 2019/20, by product category. The biggest product categories are motors and metal components, but electrical components, heating and air conditioning components etc. are also bought in for use as components in Systemair's products and solutions.



SUSTAINABLE AIR CONDITIONING FROM NEW TECHNOLOGY

Menerga, our brand in Europe for air handling units in the swimming pool, precision ventilation and industrial segments, is at the forefront of technology in innovative air conditioning technology with high demands for energy and operating efficiency.

In the Adconair Adiabatic DX carbon-free range, water is used as a refrigerant, which completely sets the technology apart from those using traditional, climate-polluting refrigerants. Water also has advantages over other recently-developed natural refrigerants, many of which are toxic or flammable. Cooling is effected 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.

Adconair Adiabatic DX carbon-free is a future-proofed air conditioning unit that is not only eco-friendly but also helps to lower energy costs for the customer.



MULTI-COIL UNITS

Six of Systemair's production facilities incorporate multi-coil units. A multi-coil unit consists of up to six separate coils of blank sheet metal. In the manufacturing process, the sheet is cut, stamped and bent. The alternative to buying blank sheet on coils is to buy flat sheet. This is sheet of predetermined dimensions in a specific format. Normally, these dimensions are standardised and rarely offer an optimal fit for what is to

be produced. This leads to high volumes of wastage, that is the proportion of unused sheet.

The multi-coil system and the stamping machines operate under a common, overarching control system that cuts the sheet to the appropriate length and so reduces waste. The amount of sheet saved in this process averages 12 percent.

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 2019/20
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 enables quick action to be taken. Highly diversified sales, with customers in many countries and sectors.
	Macroeconomic trends	The risk of contraction in new building due to level of interest rates, performance of stock market, political decisions etc.	●	Restructuring program 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 established, 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 crisis management plan, drills and communication plan are updated annually.
	Business combinations	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.
3 FINANCIAL RISKS	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 percent of the EUR/SEK exposure.
	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.
4 OTHER RISKS	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.
	Sustainability work	The risk that the Company's sustainability work does not live up to external expectations and requirements.	●	During 2019/20, sustainability work underwent further development, resulting in a new materiality analysis and new focus areas with related long-term goals and key measures.
	Climate	The risk that the Company's climate work does not live up to external expectations and requirements. The risk that our products do not live up to the energy efficiency requirements of customers and governments.	●	Systemair is continuously working on reducing the climate impact of its operations, for example via transport planning and increased use of video conferencing. Energy efficiency is central to Systemair's product development, and the Company is constantly seeking new solutions to reduce energy consumption in components and products.

● Low ● Medium ● High



THE SHARE AND SHAREHOLDERS

THE SYSTEMAIR SHARE

Systemair shares have been listed on the Mid Cap list of the NASDAQ OMX Exchange Nordic 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 30 April 2020 was approximately SEK 7.2 billion (6.0). The share's trading symbol is SYSR.

CHANGES IN SHARE PRICE

At the end of the 2019/20 financial year, the share price was SEK 138.20, a rise of 20.2 percent from the price at the start of the financial year. In the same period, the OMX Stockholm's PI Index fell by 3.3 percent.

The number of Systemair shares traded on the NASDAQ OMX Nordic Exchange Stockholm totalled 7,331,989 (3,771,714), corresponding to a turnover rate of 14 percent (7) in 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 2019, 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 2019 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 financial year. In June 2020, ebm-papst AB sold 5.5 million shares in Systemair. This corresponds to around half of ebm-papst former holding and 10.6 percent of the total number of shares in Systemair. Following the sale, ebm-papst's holding amounts to 10.7 percent and the company remains an important shareholder in Systemair. The change in shareholding does not involve any other commercial changes. ebm-papst is an important supplier of fan motors to Systemair.

Other major shareholders are Nordea Investment Funds with 6.93 percent (3.34), Swedbank Robur Fonder with 5.28 percent (7.51) and Alecta Pensionsförsäkring, Ömsesidig with 4.35 percent (5.55).

The number of shareholders at the end of the accounting period, 30 April 2020, was 4,303 (4,224).

DIVIDEND POLICY AND DIVIDEND

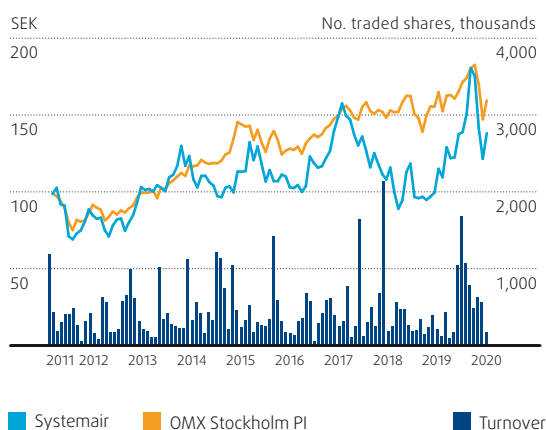
The Board of Directors proposes that the Annual General Meeting, to be held on 26 August 2020 resolve that no dividend (2.00) be paid, citing the current uncertainty surrounding the Covid-19 pandemic. According to the Group's dividend policy, the dividend shall under normal conditions amount to approximately 40 percent of profit after tax.

SHAREHOLDER INFORMATION

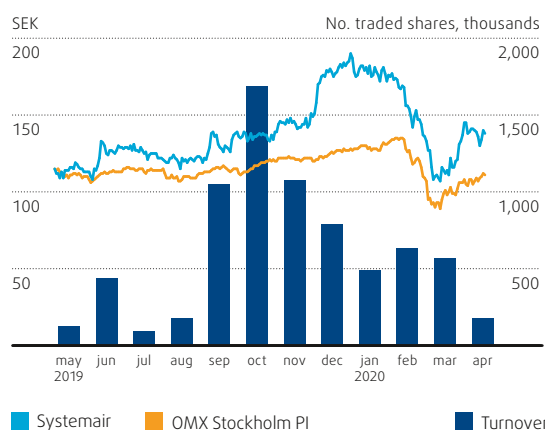
Management participates actively in meetings with analysts, investors, other shareholders and the media. This is crucial for stimulating interest in the Systemair share and to give both current and new shareholders ample opportunity to value the Group as fairly as possible.

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, 9-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	3,631	432,654	0.83%	59,793
501-1,000	306	249,734	0.48%	34,513
1,001-5,000	247	559,776	1.08%	77,361
5,001-10,000	30	236,798	0.46%	32,725
10,001-15,000	9	113,351	0.22%	15,665
15,001-20,000	14	249,602	0.48%	34,495
20,001-	66	50,158,085	96.46%	6,931,847
Total	4,303	52,000,000	100.00%	7,186,400

10 BIGGEST SHAREHOLDERS

	Holding (%)	No. of shares
Färna Invest AB ¹⁾	42.62%	22,164,162
ebm-papst AB	21.27%	11,059,770
Nordea Investment Funds	6.93%	3,604,440
Swedbank Robur Fonder	5.28%	2,745,027
Alecta Pensionsförsäkring, Ömsesidigt	4.35%	2,263,000
Afa Försäkring	1.82%	943,902
Handelsbanken Fonder	1.79%	928,460
Lannebo Fonder	1.74%	904,189
JP Morgan Bank Luxembourg S.A.	1.54%	801,241
Fjärde AP-fonden	0.99%	515,586
	88.33%	45,929,777
Others	11.67%	6,070,223
TOTAL	100%	52,000,000

Shareholders grouped according to Euroclear.

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

Source: Shareholders' register at Euroclear AB, 30 April 2020.

SHARE DATA

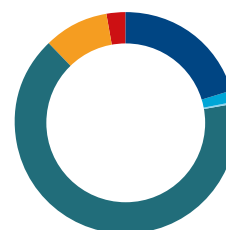
	2019/20	2018/19	2017/18	2016/17	2015/16
No. of shares at 30/4	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000
After tax earnings per share (SEK)	7.34	6.18	4.43	5.66	3.98
Cash flow per share (SEK)	14.16	7.43	4.32	8.93	3.25
Equity per share (SEK)	59.32	54.60	50.39	45.79	40.54
Share price, end of accounting period	138.20	115.00	115.80	157.50	102.50
High during the year (SEK)	190.00	120.80	158.50	160.50	143.50
Low during the year (SEK)	100.50	84.10	99.20	95.25	96.25
Dividend per share, proposed (SEK) ¹⁾	-	2.00	2.00	2.00	2.00
After tax P/E	18.83	18.61	26.14	27.83	25.75
Direct yield (%) ¹⁾	-	1.74	1.73	1.27	1.95
Payout ratio (%) ¹⁾	-	32.36	45.15	35.34	50.25
Trading volume	7,331,989	3,771,714	7,304,636	4,723,445	4,879,431
Turnover rate (%)	14.10	7.25	14.05	9.08	9.38

¹⁾ The Board of Directors proposes that no dividend (2.00) be paid, citing the current uncertainty surrounding the Covid-19 pandemic.

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 **21.00%**
- Social insurance funds **1.81%**
- Stakeholder organisations **0.08%**
- Other Swedish legal persons **64.57%**
- Non-categorised legal persons **0.00%**
- Foreign-domiciled shareholders **9.90%**
- Swedish natural persons **2.64%**

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
Hjalmar Jernström +46 (0)8-463 80 95

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 OMX 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:

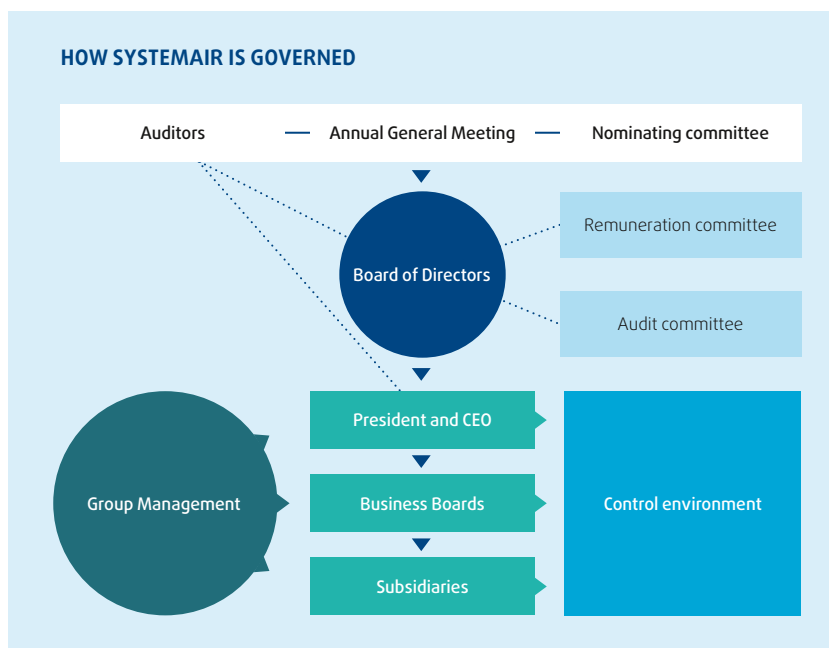
The AGM has appointed a nominating committee consisting of three of the largest shareholders. Following consultation with the Company's three largest shareholders, ebm-papst AB decided to waive representation on the nominating committee. The fourth largest shareholder, Swedbank Robur Fonder, was therefore invited to take up representation on the committee. The following have been appointed members of the committee:

- Gerald Engström, Färna Invest AB
- Björn Henriksson, Nordea Fonder
- Lennart Francke, Swedbank Robur Fonder

The chairman of the nominating committee is the Company's majority shareholder, Gerald Engström, who via his wholly owned company Färna Invest AB owns 42.6 percent of the share capital and votes in Systemair. Gerald Engström also serves as Chairman of the Board. Nordea Fonder holds 6.9 percent of the share capital and votes. It is represented on the nominating committee by Björn Henriksson. Swedbank Robur Fonder holds 5.3 percent of the share capital and votes. It is represented on the nominating committee by Lennart Francke.

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

However, the committee chairman is not independent, which is a deviation from the Code. The Company's judgement is that the arrangement described above is in the interests and to the benefit of the Company and the other shareholders.



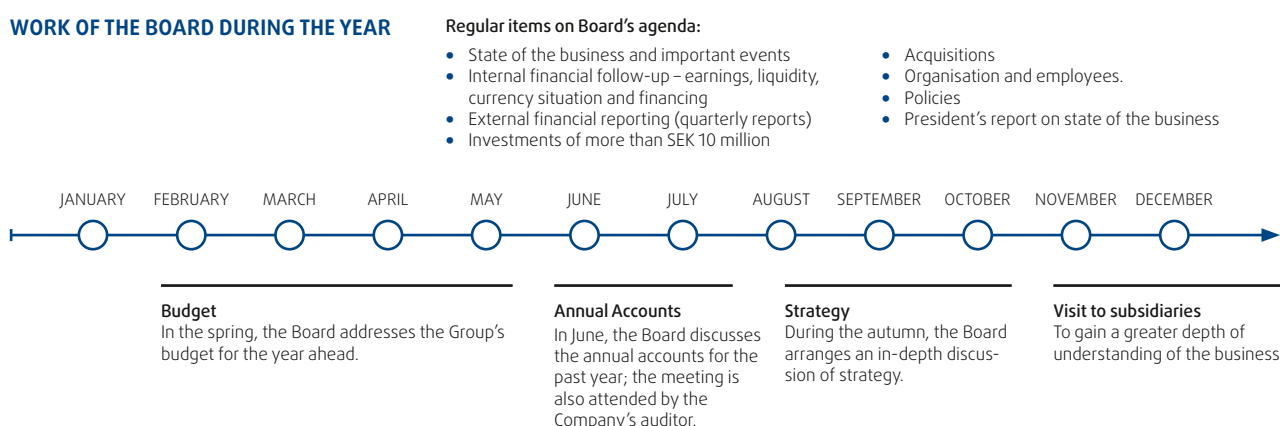
SHAREHOLDERS AND SHARE CAPITAL

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 4,303 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 Board Chairman Gerald Engström. Other major shareholders 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 Nordea Investment Funds, with 6.9 percent. All shares have a quotient value of SEK 1.00. At the financial year-end, 30 April 2020, the total number of shares outstanding was 52,000,000, all of the same class. For more information, see section "The Systemair Share" on page 44.

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/investor/corporate-governance/articles-of-association/.

WORK OF THE BOARD DURING THE YEAR



THE NOMINATING COMMITTEE

The 2019 AGM resolved that the nominating committee shall be made up of representatives of three of the biggest shareholders. The record date for determining the three largest shareholders was 31 January 2020. Following consultation with the Company's three largest shareholders, ebm-papst AB decided to waive representation on the nominating committee. The fourth largest shareholder, Swedbank Robur Fonder, was therefore invited to take up representation on the committee. 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. The nominating committee held one meeting in 2019/20. No remuneration was paid for work on the nominating committee. The proposals of the nominating committee to the 2020 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 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 General Meeting must be independent of the Company and the Company's Management Board. No Board member shall be appointed for a longer

period of time than to the end of the following AGM.

Board's composition during the financial year

In the period until the 2019 AGM, Systemair's Board of Directors comprised five members: Carina Andersson, Gerald Engström (Chairman), Patrik Nolåker, Svein Nilsen and Hans Peter Fuchs, all elected by the AGM. At the 2019 AGM, Carina Andersson, Gerald Engström, Patrik Nolåker and Svein Nilsen were re-elected to the Board. Hans Peter Fuchs declined to stand for re-election. Gunilla Spongh was elected to the Board for the first time. 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 52–53 of this annual report. Anders Ulff, CFO, serves as Board Secretary. As the table shows, all members of the

Board elected by the AGM except for Gerald Engström, are independent of Systemair. Senior executives participate as needed in Board meetings in a reporting capacity.

Work of the Board

During the 2019/20 financial year, the Board held eight meetings and one statutory meeting. According to the Board's rules of procedure, the Board must meet on at least six occasions 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 provided observations.

COMPOSITION OF THE NOMINATING COMMITTEE PRIOR TO THE 2020 AGM

Member	Representative of	Contact (e-mail)
Gerald Engström, Chairman of the nominating committee	Färna Invest AB, and Board Chairman	gerald.engstrom@systemair.se
Björn Henriksson	Nordea Investment Funds	bjorn.henriksson@nordea.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	9	1	5			
Gerald Engström	9	1	–	1974	Dep.	Dep.
Carina Andersson	9	1	5	2015	Indep.	Indep.
Hans Peter Fuchs ¹⁾	3	–	–	2017	Dep.	Dep.
Svein Nilsen	9	–	–	2016	Indep.	Indep.
Patrik Nolåker ²⁾	9	1	3	2016	Indep.	Indep.
Gunilla Spongh ³⁾	4	–	2	2019	Indep.	Indep.
Åke Henningsson ⁴⁾	8	–	–	2015	–	–
Ricky Sten ⁴⁾	8	–	–	2014	–	–

¹⁾ Hans Peter Fuchs resigned from the Board on 29 August 2019.

²⁾ Patrik Nolåker resigned from the audit committee on 29 August 2019.

³⁾ Gunilla Spongh was elected as a member of the audit committee on 29 August 2019. The mandate period is four Board meetings and two audit committee meetings.

⁴⁾ Employee representative.

The Chairman of the Board is responsible for the assessment.

Remuneration committee

The Board appointed a remuneration committee consisting of Carina Andersson, 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 programs 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 own remuneration. Over the financial year, the committee held one minuted meeting, at which all members were present.

Audit committee

The Board appointed an audit committee which, until the AGM held on 29 August 2019, consisted of Board members Carina Andersson (chair) and Patrik Nolåker. With effect from the AGM, Patrik Nolåker resigned from the committee and was replaced by Gunilla Spongh as a new member. The committee’s tasks include:

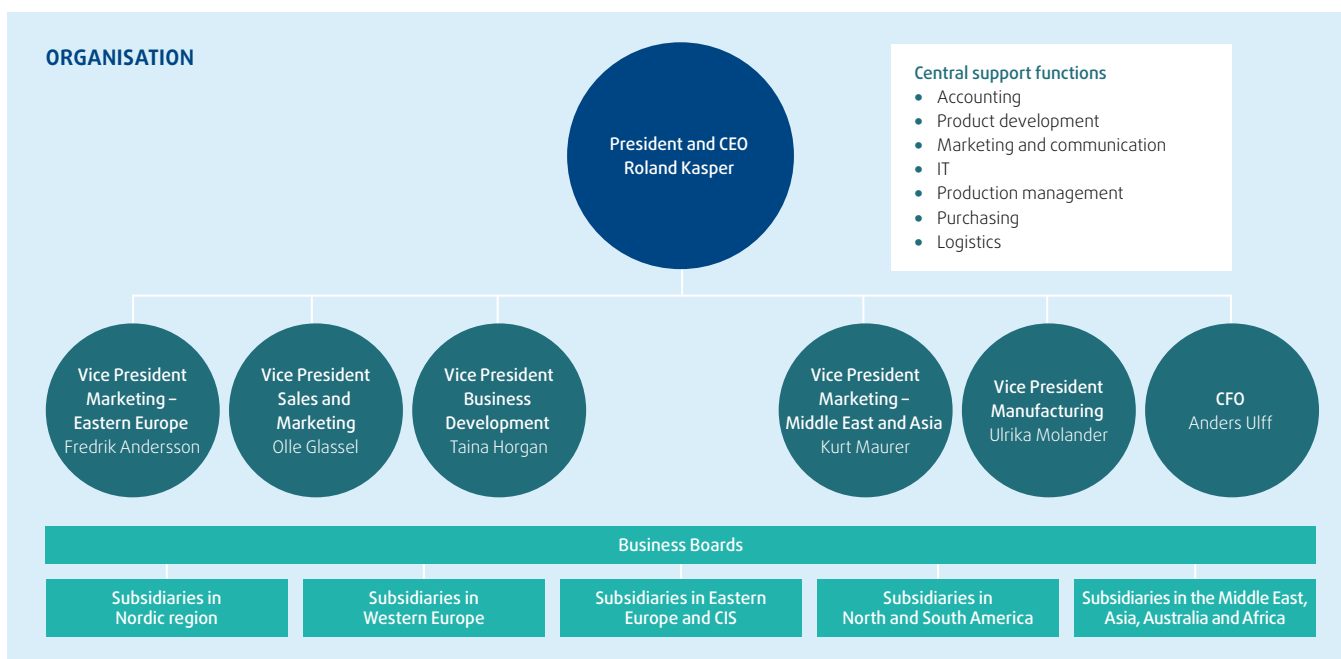
- supervising the Company’s internal controls, risk management and internal audits
- keeping informed about the external audit
- reviewing and monitoring the impartiality and independence of the auditor
- assisting in the preparation of the proposal for the selection of auditors.
- supervising the financial 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 with respect to 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 day-to-day control of the Group. He receives reports from the Group’s Executive Management Team, comprising Vice President Marketing – Eastern Europe and CIS Fredrik Andersson, Vice President Sales and Marketing Olle Glassel, Vice President Business Development Taina Horgan, Vice President Marketing – Middle East and Asia Kurt Maurer, Vice President Manufacturing Ulrika Molander and Chief Financial Officer Anders Ulff. In June, Håkan Lenjesson resigned from his position as Vice President Marketing Middle East and Asia. 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 take decisions on strategic and operational issues within frameworks set by the Board. One of these yearly meetings is wider-ranging, with more detailed discussion and planning for operations and target setting 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, logistics, communication and IT.

BUSINESS BOARDS AND GOVERNANCE OF SUBSIDIARIES

The Systemair Group consists in total of 87 companies, of which 79 are operational. The Parent Company is Systemair AB (co. reg. no. 556160-4108), which owns most of the subsidiaries directly. All subsidiaries are 100 percent-owned, apart from Systemair-HSK of Turkey, which is 90 percent-owned, Systemair Traydus of Brazil, which is 75 percent-owned, Systemair Maroc of Morocco, which is 60 percent-owned, Frico A/S of Denmark, which is 60 percent-owned and Tekadoor of Austria, which is 50 percent-owned.

Operating activities in the subsidiaries are governed at 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 other 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; and

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 that country.

SENIOR EXECUTIVE REMUNERATION Guidelines

At the 2019 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 a variable component and benefits such as, for example, a company car. In addition to the above, special incentive programs 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 remuneration 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 shall be based on the 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 described in Note 11.

Notice of termination and severance payments

The President's employment may be terminated with 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 4.4 million in 2019/20.

ANNUAL GENERAL MEETING 2019

Systemair's Annual General Meeting, held in Skinnskatteberg on 29 August 2019, was attended by 91 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 on the work of the Board's committees. In addition, CEO Roland Kasper reported on Systemair's business during the 2018/19 financial year. Åsa Lundvall, 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, Svein Nilsen and Patrik Nölåker as members of the Board.
- To elect Gunilla Spongh to the Board for the first time.
- To elect Gerald Engström as Chairman of the Board.

- To pay a Board fee of SEK 600,000 to the Chairman and SEK 300,000 to each director not employed by the Company, together with an extra fee of SEK 400,000 to the Chairman of the Board for work in connection with acquisition and strategy issues. In addition, fees shall be paid to the audit committee in a total amount of SEK 90,000, with SEK 60,000 being paid to the committee chairman and SEK 30,000 to the other member. To pay a fee of SEK 30,000 to each employee representative.
- That a dividend of SEK 2.00 per share be paid.
- That the nominating committee shall be made up of representatives of the three biggest shareholders, based on the ownership details on 31 January 2020.
- To authorise the Board, during the period until the 2020 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 2019 AGM are available on Systemair's website at: group.systemair.com/aggm2019/

INTERNAL CONTROL RELATED TO FINANCIAL REPORTING

REPORT OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL FOR FINANCIAL YEAR 2019/20

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 regular 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. With respect to 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 Parent Company'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 for the most part are owned directly by the Parent Company, Systemair AB. The subsidiaries are legal entities with their own comprehensive income statements and balance sheets. Each individual subsidiary reports to the Parent Company every month, where consolidation is performed.

Central controllers are directly responsible for following up a number of 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, wholly-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 final 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.

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 simplicity in its legal and operational structure, and by smoothly functioning and well-established management and control systems. The Board, audit 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 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 a number of 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.

Working procedures for internal audits are being developed continuously, and an annual plan for audit activities has been adopted and is dealt with 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 is 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-mentioned 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 2020/21.

BOARD OF DIRECTORS



PATRIK NOLÅKER

Director

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

GUNILLA SPONGH

Director

Education: M.Sc. Industrial Economics, Institute of Technology at Linköping University.
Formerly: CFO Preem, Head of International Affairs and CFO Mekonomen Group, CFO Enea and CFO CashGuard.
Holding: –
Born: 1966
Year elected: 2019
Independent: Yes

SVEIN NILSEN

Director

Education: Engineering degree in HVAC from the Norwegian University of Science and Technology, Trondheim.
Formerly: Vice President Marketing, Systemair AB.
Holding: 49,261
Born: 1947
Year elected: 2016
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 owned by Färna Invest AB)
 Born: 1948
 Year elected: 1974
 Independent: No

CARINA ANDERSSON*Director*

Director, Beijer Alma AB, BE Group AB, Gränges AB and Detection Technology Oyj.
 Education: Mining Engineering degree from the Royal Institute of Technology Stockholm (KTH)
 Formerly: Senior position at Sandvik AB, CEO, Ramnäs Bruk AB and Scana Ramnäs AB
 Holding: 1,000
 Born: 1964
 Year elected: 2015
 Independent: Yes

RICKY STEN*Employee Representative*

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

ÅKE HENNINGSSON*Employee Representative*

Current position: Technical Consultant
 Holding: 400 shares
 Born: 1957
 Year elected: 2015

EXECUTIVE MANAGEMENT TEAM



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
Born: 1966
Employed since: 2002

KURT MAURER

Vice President Marketing Middle East and Asia.

Education: Mechanical Engineering Diploma, Heilbronn University, Germany
Formerly: Technical Director, Lti Lüftungstechnik; Product Dvpt, Rosenberg; Product Dvpt, ebm-papst
Holding: 77,308
Born: 1959
Employed since: 1994

TAINA HORGAN

Vice President Business Development

Education: Dipl. in Business Economics, IHM Business School.
Formerly: Sales and Marketing Director, Fläkt Group.
Holding: -
Born: 1965
Employed since: 2019

ROLAND KASPER

President and CEO

Education: Energy and Heating Technology Engineering Diploma, University of Applied Sciences, Giessen-Friedberg, Germany
Formerly: Product Manager, Fläkt Woods Group and ABB Ventilation Products GmbH
Holding: 23,200
Born: 1969
Employed since: 2007

**ULRIKA MOLANDER***Vice President Manufacturing*

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

FREDRIK ANDERSSON*Vice President Marketing – Eastern Europe and CIS*

Education: M.Sc. Business Administration – International Business Program (Russian/German), Uppsala University.
 Formerly: Export Manager and Russia Manager Systemair, Managing Director, Fläkt Woods, Russia
 Holding: 19,000
 Born: 1966
 Employed since: 2014, 1997–2012

ANDERS ULFF*CFO*

Education: M.Sc. Business Administration, Uppsala University
 Formerly: Auditor and consultant, Ernst & Young; Financial Director, Systemair
 Holding: 40,600
 Born: 1967
 Employed since: 1999

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, hereby present the Company's annual report and consolidated accounts for the 2019/20 financial year, the Company's 47th 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 terminal devices, air handling units and chillers, with the emphasis on simplifying the task of 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, as well as heat recovery units for single-family homes.

Menerga supplies air handling units for swimming pools, as well as 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 more than 320,000 m², Systemair is an important international player in its product areas.

Systemair's products are marketed via the Group's own sales companies in 50 countries and via agents and distributors in another 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 4,300.

Changes in organisation, Board and Group Management

In the period until the 2019 AGM, Systemair's Board of Directors comprised five members; Carina Andersson, Gerald Engström

(Chairman), Patrik Nolåker, Svein Nilsen and Hans Peter Fuchs, all elected by the AGM. At the 2019 AGM, Carina Andersson, Gerald Engström, Patrik Nolåker and Svein Nilsen were re-elected to the Board. Hans Peter Fuchs declined to stand for re-election. Gunilla Spongh was elected to the Board for the first time. Gerald Engström was elected Chairman of the Board.

In June 2019, Håkan Lenjesson resigned from his position as Vice President Marketing Middle East and Asia to take up a position as Export Manager at EMEA. At the same time, he also resigned from Group Management. Kurt Maurer, formerly a member of Systemair's Group Management with responsibility for the Group's German-speaking market and Frico, was appointed as new Vice President Marketing Middle East and Asia.

Group

Sales and profit

Consolidated sales totalled SEK 8,915 million (8,326), 7.1 percent higher than in the preceding financial year. Organic growth was 1.2 percent. Companies acquired contributed 3.3 percent, or SEK 274 million. Exchange rate effects in the translation of foreign subsidiaries' accounts had a net positive effect of 2.6 percent on sales.

Sales in the Nordic region fell 4 percent over the year. Exchange rate effects and acquisitions had no material impact on sales. The Norwegian market is the biggest in the region and the second-biggest overall, with sales of SEK 714 million. Sales in the Nordic region decreased by 8 percent over the year. The Swedish market, too, declined by 4 percent during the year. In contrast, the Danish and Finnish markets rose over the financial year, the Danish by 6 percent and the Finnish by 2 percent.

In Western Europe, sales were up 7 percent. Acquired companies contributed SEK 163 million, or 5 percent, with last year's acquisition of the Spanish company Koolair having major impact. Adjusted for acquisitions and currency translation effects, sales declined 1 percent, indicating that changes in exchange rates – chiefly the euro – had a positive impact of 3 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 15 percent over the year. Sales in the region totalled SEK 1,473 million (1,282). Adjusted for the currency translation effects and acquisitions, sales in the region rose by 11 percent during the year. The Russian market continued its recovery in the past year, with an increase of 6 percent, stated in Swedish kronor. The Russian market accounts for 29 percent of sales in the region. Other major markets in the region showing growth during the financial year were the Czech Republic, Poland and Slovenia.

Sales – Geographic breakdown	2019/20			2018/19	
	May-Apr	% of total	change	May-Apr	% of total
Nordic region	1,763.5	20%	-4%	1,829.7	22%
Western Europe	3,789.0	42%	7%	3,551.4	43%
Eastern Europe & CIS	1,473.5	17%	15%	1,282.1	15%
North and South America	870.9	10%	18%	736.6	9%
Middle East, Asia, Australia and Africa	1,018.0	11%	10%	926.7	11%
Total	8,914.9	100%	7%	8,326.5	100%

Sales in the North and South American markets increased by 18 percent compared to the preceding year. Sales totalled SEK 871 million (737). Both the USA and Canadian markets performed well during the year. Adjusted for currency translation effects and acquisitions, sales increased by 10 percent.

Sales in the Middle East, Asia, Australia and Africa rose by 10 percent during the year. Adjustments for exchange rates and acquisitions reduced sales by 1 percent. Systemair's major markets in the region are Turkey, India and Morocco.

Profits

Operating profit for the financial year from May 2019 to April 2020 totalled SEK 625.7 million (528.1). The operating margin was 7.0 percent (6.3). During the year, goodwill relating to the acquisitions of Airwell in Italy and Viking in South Africa was written down in the total amount of SEK 37.8 million. Adjusted for the write-downs, the operating margin was 7.4 percent.

Selling and administration expenses for the year totalled SEK 2,411.9 million (2,216.1), an increase of SEK 195.8 million. Company acquisitions during the year accounted for SEK 77.9 million (49.6) of the year's expenses. As a result, selling and administration expenses for like-for-like units rose by SEK 117.9 million, or 5.3 percent. Acquisition-related expenses during the year totalled SEK 0.1 million (0.8). Selling expenses for the full year were charged with SEK 26.2 million (33.7) for anticipated bad debts.

Financial income, consisting of interest income, totalled SEK 3.7 million (2.9). Financial expenses for the year totalled SEK -85.7 million (-73.0). Interest expenses totalled SEK -39.2 million (-33.6), increasing as a result of the adoption of IFRS 16. Adjusted for the impact of adoption of IFRS 16, interest expenses totalled SEK -30.8 million.

The tax expense for the year amounted to SEK -158.4 million (-136.8), corresponding to a tax charge of 29.1 percent (29.9), based on the profit after financial items.

Investments

Total investments for the financial year amounted to SEK 273.1 million (533.1), excluding divestments. Gross investments in new construction and machinery totalled SEK 204.7 million (226.3), excluding divestments. Major investments consisted of investments in machinery in Spain, Germany, Sweden and the Czech Republic. The total paid for acquisitions and formerly withheld purchase considerations in the financial year was SEK 55.7 million (273.9). Depreciation and amortisation of non-current assets totalled SEK 357.8 million (233.3) for the year. Adjusted for the impact of IFRS 16, depreciation/amortisation totalled SEK 246.6 million.

Acquisitions and new businesses

In August 2019, Systemair acquired the ventilation business of Australian company Pacific HVAC Engineering. 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. The company has been renamed Pacific Ventilation.

In August 2019, 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. It has 27 employees. The sales company has its offices and warehouse in Casablanca.

In March 2020, 60 percent of the Danish sales company Tempus Heat A/S was acquired. The company is headquartered in Horsens, Denmark. It has sales of approximately SEK 15 million and also maintains a small sales office just outside Copenhagen. The company is a distributor of Frico's heating products and provides servicing. It has 5 employees and has been renamed Frico A/S.

If the companies acquired had been consolidated as of 1 May 2019, net sales for the period May 2019 through April 2020 would have totalled approximately SEK 8 947.4 million. Operating profit for that period would have totalled approximately SEK 629.0 million. For more detailed information on acquisitions during the financial year, new business establishments and disposals, see Note 32.

Personnel

The average number of employees in the Group was 5,965 (5,672). At the end of the financial year, Systemair had 6,197 employees (6,016), 181 more than a year earlier. New recruitment has taken place mainly at Systemair in India (27), Lithuania (22), Slovakia (16), Spain (19) and Germany (18). Personnel cutbacks were made at Menerga Germany (-22), and in South Africa (-17), Malaysia (-12), Canada (-12) and Italy (-10). The acquisitions of Pacific in Australia, Poly-Rek in Croatia, Systemair Maroc and Frico A/S in Denmark added 98 employees.

Cash flow and financial position

Cash flow from operating activities before changes in working capital during the period totalled SEK 787.5 million (536.0). The increase from the year before was chiefly attributable to a higher operating profit. As a result of decreases in trade accounts receivable, working capital had a positive impact of SEK 56.7 million (-149.5) on cash flow. Cash flow from financing activities totalled SEK -461.2 million net (+161.8), as a result of lower net borrowing. Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 2,273.8 million (2,245.9). Net indebtedness at year-end was SEK 1,980.7 million (2,080.6). Adjusted for the impact of IFRS 16 on interest-bearing liabilities, the Group's net indebtedness was SEK 1,701.2 million. The consolidated equity/assets ratio was 43.4 percent (41.7) at the end of the financial year. Through the adoption of IFRS 16, the equity/assets ratio was 1.7 percentage points lower. The target adopted by the Board for the equity/assets ratio - 30 percent or more - was comfortably achieved. The Company's view is that it is well prepared for the eventuality that the effects of the Covid-19 pandemic persist in 2020/21.

Group's financial policy

Systemair has established subsidiaries with operations in 50 countries, with our own production facilities in 19 of them. Systemair products are sold in around 130 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 overarching 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 function is to ensure that the supply of capital and liquidity is assured. Financial risk exposures 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 such risks should 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 Group accounting systems. Systemair AB has provided short- and long-term loans to its subsidiaries. The value of these loans, translated into Swedish kronor, was SEK 1,756.9 million (1,772.6) on the balance sheet date.

The Soliditet AB credit-rating agency maintained its AAA rating for Systemair AB for the 27th 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. Systemair is affected by pandemics like other global companies, and in 2020/21 the Group will be affected by Covid-19. The Company is taking the necessary steps to reduce its impact and is following WHO's recommendations. 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 summary

Over the past ten years, growth in Group sales has averaged 11 percent. The average annual operating margin (EBIT) has been 7 percent over the same period. The average equity/assets ratio for the past ten years has been 44 percent. Of total Group sales, 94 percent (94) are to customers outside Sweden. Further information on changes in the Group's financial performance 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 102–103 and Systemair's website at: group.systemair.com/investor/financial-data/.

Outlook

The early part of the 2020/21 financial year will be dominated by the effects of Covid-19. After that, the level of demand is very difficult to assess. All of the Group's factories are today in operation and Systemair anticipates a cautious resumption of normal activity in most markets. At the same time, Systemair is a late-cyclical business and construction projects that have not started in the spring are likely to affect the Group during the latter part of the financial year. However, opportunities exist in government recovery programs in areas such as energy upgrading for buildings, which may boost sales of Systemair's energy-saving products.

Systemair is continuing to monitor developments in the Covid-19 situation and is prepared to take the necessary steps to reduce the Group's cost base. At the current stage, it is difficult to judge the extent to which the pandemic will affect Systemair in the 2020/21 financial year.

Demand in the ventilation market is stimulated long-term by global drivers such as increased comfort, health, safety, productivity, energy conservation and sustainability. These drivers offer assurance of continued strong demand for Systemair's products.

Seasonal factors

Systemair's business operations are influenced by seasonal variations arising from cold weather conditions. Usually, activity in the autumn is higher because a great deal of construction work is 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 posts its strongest sales.

Financial targets

At Systemair's capital markets day in September 2019, new financial targets were announced, together with an updated dividend policy.

- Average annual growth in sales over a business cycle should be no less than 10 percent.
- The average operating margin over a business cycle should be no less than 10 percent.
- The Group's equity/assets ratio should be no less than 30 percent.
- The dividend should be approximately 40 percent of profit after tax

Guidelines on remuneration to senior executives

Proposed guidelines on remuneration to senior executives valid for the period until the end of the 2020 AGM are described below.

Remuneration to senior executives shall – in view of 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 programs approved by the AGM may apply. Fixed salary and benefits are to 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 as a proportion of fixed salary and shall be subject to a set limit amounting to no more than 40 percent for the Chief Executive Officer and no more than 25 percent for other managers in the organisation. As a rule, pensions shall be paid through defined contribution plans. The pension contributions shall be based on market conditions in the sector in the particular country and based on the fixed salary.

The Board shall be entitled to depart from these guidelines if justified in any particular case.

Proposed 2020 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 2020 Annual General Meeting.

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. "Senior executives" refers to the President and other members of Group Management.

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 programs approved by the AGM may apply. Fixed salary and benefits are to be determined individually based on the aforementioned criteria and the specific competence of the executive.

Five-year summary	2019/20	2018/19	2017/18	2016/17	2015/16
Net sales	8,915	8,326	7,301	6,864	6,113
EBIT	626	528	350	439	344
Operating margin	7.0%	6.3%	4.8%	6.4%	5.6%
Equity/assets ratio	43%	42%	43%	45%	44%
Return on capital employed	12%	11%	9%	12%	10%
Average number of employees	5,965	5,672	5,249	4,907	4,613

Variable remuneration shall be based on results judged according to personal, clearly defined and measurable qualitative and quantitative goals aimed at promoting the strategy, long-term value-creation and sustainability of the Company. The variable portion is paid as a proportion of the fixed salary and may amount to no more than 40 percent of the annual salary for the Chief Executive Officer and 25 percent for other senior executives.

As a principle, pensions shall be premium-based and shall not exceed 35 percent of the fixed salary. The size of the pension shall adhere to the same criteria as above and shall be based on fixed salary. The Board is entitled to depart from these guidelines if justified in any particular case.

Notice of termination and severance payments

The President's employment may be terminated with 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.

Share-based and share-price-based incentive programs

Share-based and share-price-based incentive programs shall be submitted to the AGM for approval.

Product development

In Systemair's mission, product development plays a prominent role. The Group shall develop high-quality, reliable products with a long service life.

To Systemair, it is vital to develop a steady stream of energy-efficient ventilation products and solutions capable of meeting the market's future needs for an improved indoor climate and increased safety. The core issue is to understand the opportunities in the market and the needs of the customer. To Systemair it is important to develop the "right" product at the "right" time in an efficient way. To do this, Systemair has developed and implemented a product development process to support the technology organisation, which consists of 250 technicians with cutting-edge expertise in different areas. Every year, Systemair invests approximately 450,000 hours in developing new or improved products and services, via 24 technology teams and ten technology centres in 18 countries. Product development costs totalled approximately SEK 225 million (225) in 2019/20. Personnel costs represent the major share of costs recognised under the heading of Cost of goods sold.

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 Hässelholm, 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 Germany, Systemair AC SAS in France, LGB in Germany, Systemair Ltd i. South Africa, Pacific Ventilation in Australia, Poly-REK in Croatia and 2VV in the Czech Republic 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 30–41.

Systemair's production plants in Sweden, Lithuania, Slovakia, Spain, Germany, Croatia, the Czech Republic and Turkey 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. These are Category C activities, and meaning that they are subject to environmental inspection by the Municipality of Skinnskatteberg.

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 148.3 million (131.3). Profit after tax amounted to SEK 144.3 million (-29,7). The company had 58 employees (51).

The balance sheet shows a strong equity/assets ratio of 43 percent (42).

Events since the end of the financial year

In the early part of the 2020/21 financial year, the Covid-19 pandemic continued to have a negative impact on both sales and profits. However, it is currently difficult to assess the magnitude of these effects in the financial year ahead.

In June 2020, ebm-papst AB sold 5.5 million shares in Systemair. This corresponds to around half of ebm-papst former holding and 10.6 percent of the total number of shares in Systemair. Following the sale, ebm-papst's holding amounts to 10.7 percent and the company remains an important shareholder in Systemair. The change in shareholding does not involve any other commercial changes. ebm-papst is an important supplier of fan motors to Systemair.

Sustainability Report

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, Systemair has drawn up a separate sustainability report, the scope of which is described in Index ÅRL Sustainability Report on page 105 of this annual report. The scope of the comprehensive sustainability report is described in the GRI Index on pages 105–107.

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 1,531,400,092
Net profit/loss for the year	SEK 144,319,599
	SEK 1,705,759,197

The Board of Directors proposes that the Annual General Meeting, to be held on 26 August 2020 resolves that no dividend (2.00) be paid, citing the current uncertainty surrounding the Covid-19 pandemic. According to the Group's dividend policy, the dividend shall under normal conditions amount to approximately 40 percent of profit after tax.

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Consolidated income statement

SEK m., 1 May–30 April	Note	2019/20	2018/19
Net sales	4, 5	8,914.9	8,326.5
Cost of goods sold	6	-5,831.3	-5,597.7
Gross profit		3,083.6	2,728.8
Other operating income	9	168.3	169.6
Selling expenses	6	-1,987.5	-1,826.9
Administration expenses	6, 7	-424.4	-389.2
Other operating expenses	10	-214.3	-154.2
Operating profit/loss	6, 8, 11, 12	625.7	528.1
Financial income	13	3.7	2.9
Financial expenses	14	-85.7	-73.0
Profit/loss after financial items		543.7	458.0
Tax	15	-158.4	-136.8
Profit/loss for the year		385.3	321.2
<i>Attributable to:</i>			
Parent Company shareholders		381.5	322.3
Non-controlling interests		3.8	-1.1
Earnings per share ¹	38	7.34	6.20
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	2019/20	2018/19
Profit/loss for the year	385.3	321.2
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	-27.6	30.6
Translation effects, long-term loans to subsidiaries with no settlement planned	-	-1.9
Tax effects on translation effect, long-term loans to subsidiaries with no settlement planned	-	0.4
<i>Items that cannot be transferred to profit for the year</i>		
Change in defined-benefit pensions, gross before tax	-9.9	-13.3
Tax on change in defined-benefit pensions	1.9	2.6
Other comprehensive income, net after tax	-35.6	18.4
Total comprehensive income for the year	349.7	339.6
<i>Attributable to:</i>		
Parent Company shareholders	345.9	340.7
Non-controlling interests	3.8	-1.1

Consolidated Balance Sheet

SEK m.	Note	30/04/2020	30/04/2019
ASSETS	23		
Non-current assets			
<i>Intangible assets</i>	5, 16		
Goodwill		819.9	846.8
Capitalised development costs		5.8	7.5
Brands, customer relationships		178.0	209.7
Other intangible assets		63.9	47.9
		1,067.6	1,111.9
<i>Property, plant and equipment</i>	5, 16		
Buildings and land		1,114.8	1,161.8
Plant and machinery		375.1	379.1
Equipment and tools		152.9	163.1
Construction in progress		69.1	65.4
		1,711.9	1,769.4
Right-of-use assets	8	276.2	-
<i>Financial and other assets</i>			
Other securities held as non-current assets	17	1.4	1.5
Participations in associated companies	31	19.6	22.2
Deferred tax assets	15	209.6	212.9
Other long-term receivables	18	24.3	31.0
		254.9	267.6
Total non-current assets		3,310.6	3,148.9
Current assets			
<i>Inventory</i>	20		
Raw materials and consumables		739.4	747.7
Products in progress		111.6	116.0
Finished products		720.5	645.7
		1,571.5	1,509.4
<i>Short-term receivables</i>			
Trade accounts receivable	21	1,556.3	1,685.0
Taxes recoverable		58.5	53.0
Other receivables		140.8	80.6
Prepaid expenses and accrued income	19	80.6	82.5
Other investments in securities etc.		3.4	1.0
		1,839.6	1,902.1
Cash and bank balances		378.2	250.4
Total current assets		3,789.3	3,661.9
TOTAL ASSETS		7,099.9	6,810.8

SEK m.	Note	30/04/2020	30/04/2019
EQUITY AND LIABILITIES	23		
Equity			
Share capital	22	52.0	52.0
Additional paid-in capital		2.2	2.2
Translation reserve		117.8	145.4
Profit brought forward, incl. profit for the year		2,892.8	2,639.6
Total equity		3,064.8	2,839.2
Attributable to non-controlling interests		19.9	-
Non-restricted equity		3,084.7	2,839.2
Non-current liabilities			
Non-current liabilities, interest-bearing	23	942.3	1,070.0
Long-term portion of lease liability	23	177.5	-
Provisions for pensions	27	88.6	86.2
Provisions for deferred tax liabilities	15	85.4	93.2
Other provisions	28	66.8	66.2
Other non-current liabilities	23	31.1	43.0
Total non-current liabilities		1,391.7	1,358.6
Current liabilities			
Current liabilities, interest-bearing	23	1,052.0	1,175.9
Current portion of lease liability	23	102.0	-
Trade accounts payable		666.1	746.8
Income tax liability		107.9	85.3
Other liabilities		362.1	300.6
Accrued expenses and deferred income	24	333.4	304.4
Total current liabilities		2,623.5	2,613.0
Total liabilities		4,015.2	3,971.6
TOTAL EQUITY AND LIABILITIES		7,099.9	6,810.8
Pledged assets	34		

Statement of Changes in Equity – Group

SEK m.	Attributable to Parent Company shareholders				Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Translation reserve	Profit brought forward, incl. profit for the year		
Equity, 30 April 2018	52.0	2.2	116.3	2,449.8	-	2,620.3
Dividends				-104.0		-104.0
Profit/loss for the year				322.3	-1.1	321.2
Revaluation of purchase options				-17.8	1.1	-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
Dividends				-104.0		-104.0
Profit/loss for the year				381.5	3.8	385.3
Share of acquisitions attributable to non-controlling interests					19.0	19.0
Revaluation of purchase options				-16.3	-2.9	-19.2
Other comprehensive income			-27.6	-8.0		-35.6
Equity, 30 April 2020	52.0	2.2	117.8	2,892.8	19.9	3,084.7

Consolidated Cash Flow Statement

SEK m., 1 May–30 April	Note	2019/20	2018/19
Operating activities			
Operating profit/loss		625.7	528.1
Interest received		3.7	2.8
Interest paid		-42.0	-35.1
Adjustment for non-cash items etc.	36	349.9	193.1
Income tax paid		-149.8	-152.9
Cash flow from operating activities before changes in working capital		787.5	536.0
Changes in working capital			
Inventory		-53.5	-28.3
Short-term receivables		127.4	-243.2
Trade accounts payable		-77.4	107.8
Current liabilities		60.3	14.2
Cash flow from operating activities		844.3	386.5
Investing activities			
Acquisition of subsidiaries	32	-55.7	-273.9
Disposals of subsidiaries	32	3.4	2.2
Acquisition of intangible assets		-6.8	-12.4
Acquisition of property, plant and equipment		-204.7	-226.3
Sale of property, plant and equipment		34.3	15.5
Acquisition of financial assets		-5.9	-20.5
Cash flow from investing activities		-235.4	-515.4
Financing activities			
Borrowings	23	43.6	625.7
Repayment of loans	23	-298.5	-359.9
Amortisation of lease liability	23	-107.9	-
Dividend to shareholders		-104.0	-104.0
Change in non-controlling interest		5.7	-
Cash flow from financing activities		-461.1	161.8
Increase/Decrease in cash and cash equivalents		147.8	32.9
Cash and cash equivalents at start of year		250.4	213.3
Exchange rate difference in cash and cash equivalents		-20.0	4.2
Cash and cash equivalents at end of year		378.2	250.4

Parent Company Income Statement

SEK m., 1 May–30 April	Note	2019/20	2018/19
Net sales	5	148.3	131.3
Cost of goods sold		–	–
Gross profit		148.3	131.3
Other operating income	9	5.8	4.6
Selling expenses		–68.6	–57.4
Administration expenses	7, 8	–109.2	–91.2
Other operating expenses	10	–71.1	–68.0
Operating profit/loss	11, 12	–94.8	–80.7
Result from participations in Group companies	29	205.6	–29.7
Other interest income and similar profit/loss items	13	36.7	29.8
Interest expense and similar profit/loss items	14	–18.3	–32.9
Profit/loss after financial items		129.2	–113.5
Appropriations	25	4.6	86.6
Pre-tax profit		133.8	–26.9
Tax on profit for the year	15	10.5	–2.8
Profit/loss for the year		144.3	–29.7

Parent Company Statement of Comprehensive Income

SEK m., 1 May–30 April	2019/20	2018/19
Profit/loss for the year	144.3	–29.7
Other comprehensive income, net after tax	–	–
Total comprehensive income for the year	144.3	–29.7

Parent Company Balance Sheet

SEK m.	Note	30/04/2020	30/04/2019
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalised development costs	16	5.8	7.5
Licences and other intangible assets		37.9	21.9
		43.7	29.4
<i>Property, plant and equipment</i>			
Plant and machinery	16	7.6	9.9
Equipment and tools		5.9	2.7
Construction in progress		7.0	24.4
		20.5	37.0
<i>Financial assets</i>			
Participations in Group companies	30	2,239.8	2,277.7
Participations in associated companies	31	5.9	9.8
Receivables from Group companies	33	542.8	345.5
Deferred tax assets	15	13.9	8.2
Other long-term receivables	18	14.9	19.7
		2,817.3	2,660.9
Total non-current assets		2,881.5	2,727.3
Current assets			
<i>Short-term receivables</i>			
Receivables from Group companies		1,214.1	1,427.1
Taxes recoverable		17.7	10.5
Other receivables		12.4	2.1
Prepaid expenses and accrued income	19	13.5	14.3
		1,257.7	1,454.0
<i>Cash and bank balances</i>			
		-	-
Total current assets		1,257.7	1,454.0
TOTAL ASSETS		4,139.2	4,181.3

Parent Company Balance Sheet (cont.)

SEK m.	Note	30/04/2020	30/04/2019
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	22	52.0	52.0
Statutory reserve		10.0	10.0
Reserve for development expenditure		4.4	5.7
		66.4	67.7
<i>Non-restricted equity</i>			
Share premium reserve		35.2	35.2
Fair value reserve		-5.2	-5.2
Profit brought forward		1,531.5	1,663.8
Profit/loss for the year		144.3	-29.7
		1,705.8	1,664.1
Total equity		1,772.2	1,731.8
Untaxed reserves	26	1.4	6.0
Non-current liabilities			
Liabilities to credit institutions	23	779.7	856.3
Liabilities to Group companies		602.1	549.7
		1,381.8	1,406.0
Current liabilities			
Bank overdraft facilities	23	886.1	948.5
Liabilities to credit institutions	23	53.5	26.6
Trade accounts payable		8.3	10.7
Income tax liability		2.6	2.3
Liabilities to Group companies		10.2	13.3
Other liabilities		9.5	20.3
Accrued expenses and deferred income	24	13.6	15.8
		983.8	1,037.5
TOTAL EQUITY AND LIABILITIES		4,139.2	4,181.3

Changes in Equity – Parent Company

SEK m.	Share capital	Statutory reserve	Reserve 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 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
Reserve for development expenditure			-1.0			1.0	-
Equity, 30 April 2019	52.0	10.0	5.7	35.2	-5.2	1,634.1	1,731.8
Dividend						-104.0	-104.0
Profit/loss for the year						144.3	144.3
Reserve for development expenditure			-1.3			1.3	-
Equity, 30 April 2020	52.0	10.0	4.4	35.2	-5.2	1,675.7	1,772.2

Dividend paid in 2019 totalled SEK 104 m., corresponding to SEK 2.00 per share.

Parent Company Cash Flow Statement

SEK m., 1 May–30 April	Note	2019/20	2018/19
Operating activities			
Operating profit/loss		-94.8	-80.7
Interest received		36.7	29.8
Interest paid		-21.1	-21.7
Adjustment for non-cash items etc.	36	33.7	17.2
Income tax paid		0.3	11.4
Cash flow from operating activities before changes in working capital		-45.2	-44.0
Changes in working capital			
Short-term receivables		-166.9	-485.1
Trade accounts payable		-5.5	0.7
Current liabilities		-2.0	-13.8
Cash flow from operating activities		-219.6	-542.2
Investing activities			
Acquisition of property, plant and equipment		-13.0	-15.4
Acquisitions/paid-in capital at subsidiaries		-43.8	-42.0
Sale of Group companies		2.7	2.7
Dividends on shares in subsidiaries		359.6	307.3
Group contributions received		87.5	79.4
Acquisition of intangible assets		-0.4	-6.8
Acquisition of financial assets		-5.9	-13.0
Cash flow from investing activities		386.7	312.2
Financing activities			
Dividend to shareholders		-104.0	-104.0
Borrowings		106.3	460.4
Repayment of loans		-169.4	-126.4
Cash flow from financing activities		-167.1	230.0
Increase/Decrease in cash and cash equivalents		0.0	0.0
Cash and cash equivalents at start of year		-	-
Cash and cash equivalents at end of year		-	-

Notes

Note 1 Accounting and valuation policies

Systemair AB's consolidated accounts for the year ended 30 April 2020 were approved on 1 July 2020 by the Board of Directors and the President for publication and will be submitted to the 2020 Annual General Meeting for adoption. 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 possible within the scope of the Swedish Annual Accounts act, taking into account 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. The Parent Company does not apply IFRS 16 Leases, which requires all leases to be recognised via the balance sheet. Instead, lease payments are as previously recognised via the income statement, in the form of their impact on operating profit.

Amended and new accounting policies for the year

The following describes the amended accounting policies applied by the Group since 1 May 2019.

IFRS 16 Leases

IFRS 16 Leases entered into force on 1 January 2019, superseding IAS 17 Leases. Systemair applies the standard, effective 1 May 2019. Systemair has elected to avail itself of the transitional arrangements for this standard in the form of the simplified approach. IFRS 16 requires the lessee, as a principle, to recognise all rental and lease contracts in the balance sheet. As a result, classification into operating and finance leases no longer applies. The underlying asset for the lease contract is recognised in 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 on an ongoing basis at amortised cost less lease payments made. Re-measurement of balance sheet items is performed continuously to reflect 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 in the balance sheet. Such items are recognised in operating income in the same way as for operating leases according to the former standard, IAS 17.

As a practical solution, no re-measurement has been performed in the assessment if a contract is, or includes, a lease contract on the first date of application. In addition, initial expenses have been excluded from measurement of the right-of-use on the first day of application. Assessments have also been made subsequently in determining, for example, the lease term in cases where the contract includes options to extend or terminate the contract.

During the 2018/19 financial year, Systemair analysed the contractual and financial implications to the Group of existing rental and lease contracts. 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). With regards to the discounting of calculated balance sheet values, the Group applies a marginal borrowing rate for the currency and asset category concerned. The Group's weighted average marginal borrowing interest rate was 2.9 percent.

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. With regards to 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 on annualised basis in lease fees, with a higher financial expense of approximately the same amount. The net effect on income after financial items is marginal. The effect on operating profit for the financial year May 2019 – April 2020 was positive, an increase of SEK 5.3 million. The effect on profit after net financial items in the same period was SEK -3.3 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	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

The difference between the future minimum lease payments for the lease contracts on 30 April 2019 and the opening lease liability on 1 May 2019 arises mainly due to the exercise of prolongation options for the building contracts and the effects from discounting. The carrying amount for the future minimum lease payments on 30 April was SEK 286.5 million (operating and finance).

Systemair has not restated figures for comparison. The lease assets are recognised under the heading of Right-of-use assets on the balance sheet. The lease liabilities are recognised as Non-current liabilities, interest-bearing, and Current liabilities, interest-bearing.

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. IFRIC 23 has not had any impact on Systemair's financial statements.

Other new or amended standards

Other new or amended standards or interpretations implemented during 2019 did not have any, or had immaterial, impact on Systemair's financial statements.

Future amendments to accounting policies

Amendments to IAS 1 and IAS 8

IASB has amended IAS 1 Presentation of Financial Statement and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors such as to adapt the definition of what is material across the standards and to clarify certain aspects of the definition. The amendments are intended to clarify that materiality will be determined by the nature or scope of the information, or both. An entity will need to assess whether the information, either in itself or in conjunction with other information, is material. The change enters into force as of 1 May 2020 at Systemair. The changes are not judged to have any material impact on Systemair's financial statements.

>> Note 1 (cont.)

IFRS 3 Business Combinations

IASB has amended the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets represents a business or not. The change enters into force as of 1 May 2020. The changes are not judged to have any material impact on Systemair's financial statements.

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 statements 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 statements 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 of the directly acquired business, is apportioned over the assets acquired and the 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 is recognised as 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 recognised 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 20-50 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' recognised profit after tax, adjusted where appropriate for any depreciation, amortisation, impairment losses or reversals of value adjustments, is recognised under Participations in associated companies' profits. Dividends received from the associated company are deducted from the carrying amount of the investment. Holdings in associated companies are recognised on the Parent Company balance sheet using 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 arising 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 foreign 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 and 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. No exchange rate differences relating to loans regarded as net investments in subsidiaries have been recognised in comprehensive income for the financial year (-1.5).

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, that is, at a specific point in time (usually on physical delivery to the counterparty).

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 the provisions of the contract, and when the customer has obtained control over the product. Any services, such as installation and servicing are generally recognised as revenue when the obligation is discharged.

Warranties

On sale of products, warranties are provided, depending on the product's nature, condition and area of application. The conditions in warranties for the most part cover 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. Systemair's highest executive decision-maker, the President of the Parent Company and CEO of the Group, 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 them 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. Systemair aggregates into the geographical regions Europe and America, the Middle East, Asia, Australia and Africa. The market segment Europe accounts for the major share of Systemair's business. The segment Europe 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 America, the Middle East, Asia, Australia and Africa presents a clearer picture. Net sales, Operating profit, Profit after net financial items, Assets, Investments and Depreciation/amortisation are recognised per aggregated segment. 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.

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.

>> Note 1 (cont.)

The following depreciation/amortisation periods are applied.

Own-developed assets	3-5 years
Brands, customer relationships etc.	3-10 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 development expenditure is expensed as incurred. 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, brands with an indeterminate useful life 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 an asset's net realisable value or its value in use, whichever is the higher. 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 particular asset. In the case of 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 to the extent that the asset's carrying amount after 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 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 applied 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 in the balance sheet include, on the asset side, cash and cash equivalents, trade accounts receivable, financial investments, long-term receivables, derivatives and other receivables. In Systemair's case, the derivatives are not classified as hedging instruments. The liabilities side includes trade accounts payable, loan liabilities, other liabilities and the option to purchase 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 party to the contractual conditions of the instrument. The financial asset is derecognised from the state-

ment 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, has been cancelled or has expired. Trade accounts receivable are 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 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 according to 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 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 liabilities measured at fair value through 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 liabilities measured at fair value via the income statement consist in the main of the liability of the options to purchase the remaining 10 percent of the shares in Systemair HSK, Turkey, and 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 income 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 credit 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 objective 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 then are recognised as current liabilities. Trade accounts payable have a short anticipated maturity and are therefore measured at their nominal amount, undiscounted.

>> Note 1 (cont.)

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.

Provisions

Provisions are recognised in 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 amount of the provision 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 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. In the case of 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. The benefits are charged to income as they are earned.

Share-based remuneration

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

Leasing

Systemair assesses all new contracts to determine whether they include leasing components. The factor deciding whether a contract exists is the right to the mainly economic values arising through use of the asset and the right to control use of the asset, and that the supplier does not have a substantial right of replacement.

Systemair has elected to separate non-leasing components and leasing components in contracts relating to buildings. Expenses relating to non-leasing components are to be expensed. In the case of other asset classes, non-leasing components are to be included in the basis of calculation for right-of-use and lease liability.

On a new lease contract being entered into, a judgement is made as to whether Systemair will opt to extend the contract, purchase the underlying assets or exercise its right to early termination. In cases where the contract is open, that is does not have a set end date, local laws and regulations may provide right of possession to the lessee. This means that Systemair, as lessee, must itself determine which contract terms is to be regarded as reasonable, instead of basing any decision on the termination clause in the contracts. The lessee determines the contract term by assessing factors such as the importance of the property to the business activity, the lessee's own planned or executed investments in the leased property and the situation of the property market. Estimation of the amount of the lease liability and right-of-use is in the first instance based on the interest rate implicit in the lease. In cases where it cannot be determined, the marginal borrowing rate is instead used, which corresponds to the interest rate the company

would have been offered in the acquisition had been financed by a loan from a financial institution. Systemair starts writing off its rights-of-use as of date of commencement of the lease and chooses for period of amortisation either the economic life or lease term, whichever is the shorter.

Systemair applies transitional rules for lease accounting, under which the balance sheet will 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). Short-term leases and low-value leases are expensed.

Leasing before 1 May 2019

At Systemair, leasing is generally 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 were classified previously as operating leases. Fees for such contracts were recognised as costs in the income statement and were distributed on a straight-line basis over the duration of the contract. Systemair classified the majority of its leases as operating. The exception was in the corporate group 2VV in the Czech Republic, which employed finance leases for machinery used in production. For information on operating and finance leases, as accounted for prior to 1 May 2019, 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 pertaining 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, a 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 to the extent that it is probable that future taxable profits will be available against which the temporary differences or unutilised loss carry forwards 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 utilised.

Deferred tax assets and tax liabilities are calculated using the tax rates that are expected to apply in the period when the assets are realised 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.

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 based on assets. Towards the end of the financial year, Systemair received government subsidies to mitigate negative effects on income that were caused by the Covid-19 pandemic.

Systemair received Covid-19-related employment subsidies of SEK 6.2 million in Sweden, SEK 3.5 million in Germany, SEK 0.1 million in Ireland, SEK 0.6 million in Slovenia and SEK 1.3 million in Australia. The subsidies are recognised under the heading of Other operating income.

>> Note 1 (cont.)

In addition to subsidies related to the Covid-19 pandemic, Systemair received product development subsidies of SEK 1.4 million in the Netherlands and SEK 0.4 million in the Czech Republic. The subsidies are recognised under the heading of Other operating income.

In Lithuania, the Company received an investment subsidy. The subsidy includes a tax reduction totalling SEK 0.6 million (0.4).

In Turkey, the Company received a social insurance subsidy of SEK 1.7 million. It also received an export grant of SEK 0.1 million. The subsidies are recognised under the heading of Other operating income.

Material estimates and assumptions

The preparation of financial statements requires sophisticated estimates and assessments for accounting purposes. Management also makes various judgments when applying the Group's accounting policies. Estimates and assessments may affect the income statement, balance sheet and supplementary disclosures provided in the financial statements. 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. A number of 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 past experience and reasonable expectations for the future. In the case of pension obligations, the present-value calculation is based on assumptions described in Note 27.

Deferred tax assets

Systemair benefits from loss carry-forwards that have arisen mainly through the acquisition of companies that made losses on previous operations but also 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 recognised in the Company's accounts may be written down. Tax assets may also be written down if the tax authorities are of the opinion that the losses are not in whole or in part tax-deductible. 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 the scope of 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 anticipated to have any material impact on the business, the financial position or the results of operations.

Anticipated credit losses

Assessment of anticipated credit losses is performed locally at every company in line with a local credit policy in accordance with a standard template. Outstanding trade accounts receivable are monitored and reported on regularly at each company and at Group level. For more information on trade accounts receivable and anticipated credit losses, see Note 21 Trade accounts receivable.

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, based on the probability of their occurring and the possible impact on the business.

Systemair is affected by pandemics like other global companies, and in 2020/21 the Group will be affected by Covid-19. The Company is taking the necessary steps to reduce its impact and is following WHO's recommendations.

The table below illustrates the hypothetical effects of changes in certain factors on Systemair's 2019/20 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 2019/20

SEK m.	30/04/2020	30/04/2019
+/- 5% in selling prices	+/- 446	+/- 416
+/- 5% in material costs	+/- 192	+/- 194
+/- 5% in selling and administration expenses	+/- 121	+/- 111
+/- 5% in balance sheet rates, effect on net assets	+/- 56	+/- 47%
+/- 5% in the SEK/EUR exchange rate	+/- 42	+/- 39
+/- 5% in the SEK/NOK exchange rate	+/- 2	+/- 4
+/- 5% in the SEK/RUB exchange rate	+/- 2	+/- 2
+/- 5% in the SEK/USD exchange rate	+/- 2	+/- 2

Of Systemair's total sales, 92 percent (92) 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 42 million (39) on operating profit for 2019/20. 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 2,181 million (2,046), 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 56 million (47).

Operation-related risks**Competition**

Systemair's markets are fragmented and exposed to competition, so 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 use 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 in 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 as well as in renovations, conversions and additions (ROT). The construction industry normally follows a cyclical pattern, above all in new construction, while ROT projects often mitigate the cyclical effect. The industry are considerably influenced by the state of the economy in general, which in turn 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 an 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 sheet steel, so the Company's operations are to a certain extent 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 the various actors, but there

>> Note 2 (cont.)

is no guarantee that this will continue in 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 on an ongoing basis and registers each brand in the countries in which they are used to any significant extent. However, the Company cannot guarantee that these measures are sufficient 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, production and distribution of Systemair's products could be disrupted or suspended for a certain 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.

The stoppages affecting Systemair as a result of certain production units being closed as a result of Covid-19 are not covered by the insurance policies that Systemair has contracted. The closures adversely affected the Company's results in the last month of the financial year. The Company's view is that it is well prepared for the eventuality that the effects of the Covid-19 pandemic persist in 2020/21.

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 different 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 own 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 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 own operations in 50 countries, some of which are in the process of rapid development and trans-

formation 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, as well as 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 abovementioned risks could adversely affect Systemair's operations, earnings and financial position.

Financial 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 objective 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 on an ongoing basis 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 2019/20, Group companies in Sweden invoiced 43 percent (45) of their business in SEK, 56 percent (54) in EUR and 1 percent (1) in other currencies. The Group also has foreign exchange exposure at Systemair HSK in Turkey, where 80 percent (93) of invoicing was in EUR and 14 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 2,181 million (2,046). Major net assets consisted of SEK 1,232 million (1,149) in EUR, SEK 159 million (156) in CZK, SEK 148 million (135) in DKK, SEK 140 million (110) in USD, SEK 82 million (79) in RUB, SEK 82 million (75) in CAD, SEK 76 million (75) in INR, SEK 68 million (67) in MYR, SEK 72 (89) in TRY and SEK 65 million (99) in NOK.

The impact of foreign currency on equity is recognised as a translation difference and amounted to SEK -27.6 million (29.1).

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 1,980.7 million (2,080.6), 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 2,273.8 million (2,245.9). According to Systemair's financial policy, the fixed-interest term for 2019/20 was 3–12 months. A change of +/-1 percentage point in the interest rate on borrowing would have an impact of about SEK 23 million (22) on the Group's net financial items for the following 12-month period.

>> Note 2 (cont.)

Credit and liquidity risk

Credit risk is the risk that one of Systemair's counterparties may be unable to meet their payment obligations, which may thus cause a loss to the Company. A credit appraisal is made based on 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 in an effective manner. 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. In recent years, Systemair has employed a conscious strategy for increasing the portion of long-term loans, in order thereby to secure long-term liquidity in the Group.

Note 3 Segment reporting

The Group's operations consist for the most part 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 America, the Middle East, Asia, Australia and Africa. The market segment Europe accounts for the major share of Systemair's business. The segment Europe 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 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 based on their legal domicile and consolidation takes place according to the same principles as for the Group as a whole.

Group	Europe	America, the Middle East, Asia, Australia and Africa	Group-wide	Eliminations	Total
2019/20					
Net sales, external	7,037.8	1,877.1	-	-	8,914.9
Net sales, intra-Group	157.1	20.3	148.3	-325.7	-
Operating profit/loss	652.3	77.7	-104.3	-	625.7
Operating margin, %	9.3	4.1	-	-	7.0
Profit after net fin. items	719.2	54.6	-230.1	-	543.7
Profit margin, %	10.2	2.9	-	-	6.1
Assets	4,183.0	1,199.8	4,143.5	-2,426.4	7,099.9
Investments	147.5	16.5	71.4	-	235.4
Depreciation/Amortisation	289.5	52.6	15.7	-	357.8
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

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, the Faroes, Finland, Greenland, Iceland, Norway, Sweden and Åland.

Region Western Europe includes Andorra, Austria, Belgium, Cyprus, France, Germany, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Malta, the Netherlands, Portugal, San Marino, 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, Latvia, Lithuania, Macedonia, Moldavia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

North and South America comprises Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Guatemala, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Puerto Rico, Surinam 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, Ghana, 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, Ruanda, Saudi Arabia, Senegal, Singapore, Sudan, South Africa, South Korea, Swaziland, Syria, Taiwan, Tanzania, Thailand, Tunisia, Turkey, Uganda, the United Arab Emirates, Vietnam, Yemen, Zambia and Zimbabwe.

Sales income is allocated below 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 has limited dependence on individual customers.

Geographical breakdown Group	Net sales		Non-current assets ¹	
	2019/20	2018/19	2019/20	2018/19
Norway	714.2	777.2	73.8	85.9
Sweden	517.1	538.0	268.3	254.6
Denmark	309.0	291.1	154.4	139.7
Rest of Nordic region	223.2	223.5	3.3	1.0
Total Nordic region	1,763.5	1,829.8	499.8	481.2
Germany	1,120.2	1,090.5	492.5	471.5
France	603.3	561.0	117.9	97.9
Netherlands	410.5	391.2	130.9	125.9
United Kingdom	376.1	364.1	49.2	22.9
Rest of Western Europe	1,278.9	1,144.6	556.2	487.6
Total Western Europe	3,789.0	3,551.4	1,346.7	1,205.8
Russia	431.7	406.6	49.8	52.5
Rest of Eastern Europe and CIS	1,041.8	875.4	500.3	475.9
Total Eastern Europe and CIS	1,473.5	1,282.0	550.1	528.4
USA	545.9	461.3	86.7	86.7
Other North and South America	325.0	275.3	149.6	162.2
Total North and South America	870.9	736.6	236.3	248.9
Turkey	337.6	288.6	130.0	149.1
Other Middle East, Asia, Australia and Africa	680.4	638.1	292.8	267.9
Total Middle East, Asia, Australia and Africa	1,018.0	926.7	422.8	417.0
	8,914.9	8,326.5	3,055.7	2,881.3

¹ Non-current assets refers to intangible assets, property, plant and equipment and right-of-use assets.

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

By geographical market Net sales	Parent Company	
	2019/20	2018/19
Nordic region	45.3	43.7
Western Europe	57.6	49.8
Eastern Europe incl. CIS	23.4	18.7
North and South America	9.8	8.3
Middle East, Asia, Australia and Africa	12.2	10.8
	148.3	131.3

Note 5 Revenue analysis

The Group's revenue is generated in the main from the manufacture and sale of ventilation products, as well as from servicing ventilation products. Total revenue for the financial year was SEK 8,914.9 million (8,326.5), of which servicing of ventilation products accounted for SEK 311.6 million (304.7). The table shows a breakdown of revenue per segment.

Group	Europe	Amerika, Middle East, Asia, Australia and Africa	Total
Sales of ventilation and heating products, recognised at a certain point in time	6,581.2	1,594.5	8,175.7
Sales of ventilation and heating products, recognised over time	161.5	266.1	427.6
Servicing recognised at a certain point in time	140.1	0.4	140.5
Servicing recognised over time	155.0	16.1	171.1
	7,037.8	1,877.1	8,914.9

2018/19

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	
	2019/20	2018/19
Contractual assets	23.8	56.3
Contractual liabilities	0.8	2.4

Of contractual assets at the beginning of the year, SEK 53.5 million was recognised as income during the year. 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
2019/20				
Material costs	-3,830.8	-	-	-3,830.8
Employee benefits expense	-1,462.8	-1,102.3	-253.6	-2,818.7
Depreciation/Amortisation costs	-125.7	-101.5	-20.5	-247.7
Other costs	-412.0	-783.7	-150.3	-1,346.0
	-5,831.3	-1,987.5	-424.4	8,243.2
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

Product development costs totalled approximately SEK 225 million (225) in 2019/20. 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	
	2019/20	2018/19	2019/20	2018/19
EY				
Auditing services	-6.2	-5.8	-1.1	-1.5
Other additional auditing services	-0.7	-0.3	-0.5	-0.1
Other services	-0.3	-1.2	-0.3	-1.2
Total, EY	-7.2	-7.3	-1.9	-2.8
Others				
Auditing services	-3.4	-3.1	-	-
Other additional auditing services	-1.1	-0.6	-	-
Tax advice	-1.9	-1.8	-	-
Other services	-1.0	-0.9	-	-
Total, Other	-7.4	-6.4	-	-
Total	-14.6	-13.7	-1.9	-2.8

Note 8 Leases

Systemair has implemented IFRS 16 as of 1 May 2019. Before 1 May 2019, IAS 17 was applied.

Right-of-use assets

Group 2019/20	Buildings and land	Cars and other vehicles	Other rights-of-use assets
Accumulated historical cost			
At start of year	-	-	-
Change of accounting policy IFRS 16	248.2	52.2	13.7
New lease(s)	23.1	50.0	4.6
Cancelled lease(s)	-3.8	-1.5	-0.4
Translation difference	-3.4	0.5	-0.3
	264.1	101.2	17.6

Accumulated depreciation/amortisation

At start of year	-	-	-
Cancelled lease(s)	1.9	0.6	0.1
Translation difference	1.5	0.0	0.2
Depreciation/Amortisation for the year	-77.2	-26.4	-7.4
	-73.8	-25.8	-7.1
Carrying amount	190.3	75.4	10.5

	Group 2019/20
Effect on net profit	
Lease costs reversed	114.7
Depreciation/Amortisation	-109.5
Total operating expenses	5.2
Interest expense	-8.4
Expense before tax	-3.2
Deferred tax	0.9
Total effect on net profit	-2.3

	Group 2019/20
Cash flow	
Interest expense, lease liabilities	-8.4
Amortisation of lease liabilities	-107.9
Total cash flow	-116.3

	Group 2019/20
Contractual future lease fees, maturing leases	
Within a year	101.7
Within 1-2 years	68.4
Within 2-5 years	97.0
More than 5 years	19.2
Total	286.3

	Group 2019/20
Maturity structure of lease liability	
Within a year	102.0
Within 1-2 years	67.4
Within 2-5 years	92.3
More than 5 years	17.8
Total	279.5

>> Note 8 (cont.)

Operating leases, in accordance with IAS 17

No comparative figures are available for the Group as Systemair has implemented IFRS 16.

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Leasing costs recognised				
Operating leases	-	93.1	1.7	1.4

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

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

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Operating leases - nominal value				
Payable within 1 year	-	96.8	1.7	1.4
Payable in 2-5 years	-	151.6	2.8	1.5
Payable within 5 years	-	31.2	-	-
	-	279.6	4.5	2.9

Finance leases, in accordance with IAS 17

No like-for-like figures are available for the Group as Systemair has implemented IFRS 16.

	2019/20	2018/19
Historical cost and accumulated depreciation/amortisation		
Historical cost	-	26.0
Accumulated depreciation/amortisation	-	-13.8
	-	12.2

	Minimum future lease fees		Present value of minimum future lease fees	
	2019/20	2018/19	2019/20	2018/19
Within a year	-	5.1	-	4.9
Within 2-5 years	-	1.8	-	1.7
More than 5 years	-	-	-	-
	-	6.9	-	6.6

Note 9 Other operating income

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Exchange rate gains in operations	95.3	108.2	4.8	3.7
Gain on sale of property, plant and equipment	6.0	4.6	-	-
Revaluation of purchase option, Brazil	-	5.7	-	-
Other miscellaneous income	67.0	51.1	1.0	0.9
	168.3	169.6	5.8	4.6

Note 10 Other operating expenses

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Exchange rate losses in operations	-117.9	-104.1	-2.1	-1.4
Intra-Group expenses	-	-	-53.7	-46.2
Loss on sale of property, plant and equipment	-0.5	-1.4	-	-
Other miscellaneous expenses	-95.9	-48.7	-15.3	-20.4
	-214.3	-154.2	-71.1	-68.0

Note 11 Employees and personnel costs

	2019/20		2018/19	
	Average number of employees	Of whom, men	Average number of employees	Of whom, men
Parent Company	54	35	51	33
Subsidiaries in:				
Nordic region	911	761	942	723
Sweden	520	432	560	401
Denmark	211	188	202	181
Finland	18	11	16	11
Norway	162	130	164	130
Western Europe	2,140	1,724	1,979	1,606
Belgium	33	26	35	30
England	90	68	87	67
Greece	9	6	8	5
France	231	178	223	164
Netherlands	204	168	187	167
Ireland	8	7	8	7
Italy	163	118	195	142
Portugal	22	12	22	13
Switzerland	54	45	51	43
Spain	494	413	333	285
Germany	807	661	799	657
Austria	25	22	31	26
Eastern Europe incl. CIS	1,414	975	1,345	928
Azerbaijan	7	6	5	5
Estonia	13	8	12	8
Croatia	12	11	5	5
Latvia	7	6	8	7
Lithuania	276	177	262	170
Poland	56	43	55	44
Romania	7	6	7	6
Russia	285	167	275	157
Serbia	9	5	7	4
Slovakia	275	181	259	163
Slovenia	152	137	147	134
Czech Republic	301	222	289	219
Ukraine	3	1	3	1
Hungary	5	4	5	4
Belarus	6	1	6	1
North and South America	479	343	458	317
Brazil	78	71	64	60
Chile	4	3	4	3
Canada	247	161	254	157
Mexico	2	2	2	2
Peru	6	5	4	4
USA	142	101	130	91
Middle East, Asia, Australia and Africa	967	888	897	802
Australia	54	46	-	-
United Arab Emirates	14	12	15	12
India	399	390	378	363
China	5	4	6	4
Morocco	20	9	-	-
Malaysia	124	101	139	115
Singapore	11	6	11	6
South Africa	77	60	80	70
Taiwan	1	1	1	1
Turkey	248	246	256	220
Qatar	14	13	11	11
	5,965	4,726	5,672	4,409

>> Note 11 (cont.)

Percentage of women on boards and in management	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Board, excluding employee representatives			40%	20%
Group Management			29%	25%
Company managements	9%	9%		

Salaries, other remuneration and social security expenses	Salaries and remuneration		Social security expenses	
	2019/20	2018/19	2019/20	2018/19
Board and President				
Parent Company	6.4	6.3	2.7	2.5
Subsidiaries in the Nordic region	13.3	10.1	5.1	4.2
Western Europe	47.2	39.9	9.1	9.5
Eastern Europe incl. CIS	18.8	17.0	5.6	4.0
North and South America	5.9	5.5	1.2	0.8
Rest of World	11.9	9.3	0.8	0.3
Total, Board and President	103.5	88.2	24.5	21.2

Senior executive remuneration recognised during the year	Basic salary/ Fee	Variable pay	Other benefits	Pension cost	Total
2019/20					
Gerald Engström – Chairman of the Board	1.0	–	–	–	1.0
Carina Andersson – Member	0.4	–	–	–	0.4
Hans Peter Fuchs – Member ¹	0.2	–	–	–	0.2
Svein Nilsen – Member	0.3	–	–	–	0.3
Patrik Nolåker – Member	0.3	–	–	–	0.3
Gunilla Spongh – Member ²	0.2	–	–	–	0.2
Roland Kasper – Chief Executive Officer	3.9	0.8	0.1	0.7	5.5
Other senior executives ³	11.1	1.4	0.6	3.7	16.8
Total	17.4	2.2	0.7	4.4	24.7

¹ Hans Peter Fuchs resigned from the Board on 29 August 2019.

² Gunilla Spongh was elected to the Board on 29 August 2019.

³ Håkan Lenjesson resigned from Group Management on 20 June 2019.

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

Fees to the Board of Directors total SEK 2,290 thousand (2,250); SEK 600 thousand (550) to the Chairman, SEK 300 thousand (275) to each of the other members elected by the AGM, and an extra fee of SEK 400 thousand (600) to the Chairman of the Board for work on the Company's acquisition and strategy matters. In addition, remuneration shall be paid to the audit committee in a total amount of SEK 90 thousand (75), with SEK 60 thousand (50) being paid to the committee chairman and SEK 30 thousand (25) to the other member.

Salaries, other remuneration and social security expenses	Salaries and remuneration		Social security expenses	
	2019/20	2018/19	2019/20	2018/19
Other employees				
Parent Company	38.3	36.0	22.2	20.1
Subsidiaries in the Nordic region	473.4	453.9	136.1	136.8
Western Europe	892.5	822.6	212.9	205.0
Eastern Europe incl. CIS	265.3	221.3	61.1	60.2
North and South America	165.0	141.6	31.5	27.7
Rest of World	111.3	86.1	11.2	10.8
Total, other employees	1,945.8	1,761.6	475.0	460.7

Of social security expenses in the Parent Company, pension expenses accounted for SEK 10.6 million (9.4), including SEK 0.7 million (0.6) for the Board and the President. In other Group companies, pension expenses totalled SEK 68.2 million (59.0), including SEK 5.8 million (3.9) 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 30 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 Kurt Maurer, Vice President Manufacturing Ulrika Molander and Chief Financial Officer Anders Ulff.

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 programs 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 remuneration 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 no more than 40 percent of annual salary and for other senior executives 25 percent.

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

The President's employment may be terminated with 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. Agreements are in place with MDs of subsidiaries such that benefits will be paid for 6–12 months upon termination of employment by the Company.

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

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Goodwill	-	-	-	0.1
Capitalised development costs	1.8	1.5	1.8	1.5
Brands, customer relationships	43.6	42.5	-	-
Other intangible non-current assets	20.1	15.1	8.8	5.9
Buildings and land improvements	51.3	52.2	-	-
Plant and machinery	79.0	74.3	2.3	1.7
Equipment and tools	50.8	47.7	2.7	2.1
Right-of-use assets	111.2	-	-	-
	357.8	233.3	15.6	11.3
Straight-line depreciation/amortisation, by function				
Cost of goods sold	166.0	120.2	-	-
Selling expenses	155.8	86.6	9.4	6.0
Administration expenses	29.5	21.1	5.8	5.0
Other operating expenses	6.5	5.4	0.4	0.3
	357.8	233.3	15.6	11.3

Note 13 Financial income

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Interest income, external	3.7	2.9	0.1	-
Interest income, related companies	-	-	36.6	29.8
	3.7	2.9	36.7	29.8

Note 14 Financial expenses

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Interest expenses, external	-39.3	-33.6	-21.0	-21.6
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	-43.4	-39.4	12.7	-10.2
Other financial expenses	-3.0	-	-9.9	0.9
	-85.7	-73.0	-18.3	-32.9

Note 15 Tax on profit for the year

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Current tax	-165.0	-129.6	-	-2.4
Deferred tax	6.6	-7.2	10.5	-0.4
	-158.4	-136.8	10.5	-2.8

The Group's tax expense represents 29.1 percent (29.9) 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 21.4 percent (22.0).

At financial year-end, the Systemair Group had deferred tax assets totalling SEK 152.4 million (152.3) comprising loss carry-forwards that were not taken into account in calculation of deferred tax assets. Deferred tax assets are recognised provided that it is probable that the loss carry-forwards can be used against future taxable surpluses based on assessments in each individual 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 210.8 million not taken into account.

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Pre-tax profit	543.7	458.0	133.8	-26.9
Tax at current tax rate for Parent Company	-116.3	-100.8	-27.7	6.0
Effect of foreign tax rates	0.1	-0.9	-	-
Non-deductible expenses	-17.2	-5.3	-0.3	-0.4
Tax-exempt income	2.9	4.6	-	-
Tax effect of uncapitalised loss carry-forwards	-32.7	-33.5	-	-
Dividends from subsidiaries	-	-	77.0	67.3
Adjustment for previous years' taxes	2.3	-1.7	-	-
Tax effect of amortisation of receivables in subsidiaries	-	-	-35.3	-73.8
Miscellaneous	2.5	0.8	-3.2	-1.9
	-158.4	-136.8	10.5	-2.8

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Deferred tax assets				
Property, plant and equipment	2.0	0.9	-	-
Inventory	27.6	27.3	-	-
Short-term receivables	1.5	3.0	-	-
Pension provisions	15.5	17.0	-	-
Loss carry-forwards	152.4	152.3	12.9	4.8
Miscellaneous	10.6	12.4	1.0	3.4
	209.6	212.9	13.9	8.2
Deferred tax liabilities				
Intangible assets	45.6	53.9	-	-
Property, plant and equipment	19.1	17.1	-	-
Inventory	0.0	0.7	-	-
Untaxed reserves	17.1	17.4	-	-
Miscellaneous	3.6	4.1	-	-
	85.4	93.2	-	-

>> Note 15 (cont.)

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

Group 2019/20	Opening balance, 1 May 2019	Recognised via income statement	Recognised via other comprehen- sive income	Acquisition/disposal of business	Translation difference	Closing balance, 30 April 2020
Non-current assets	-70.1	7.6	-	-2.7	2.5	-62.7
Current receivables and liabilities	29.6	-0.6	-	-	0.1	29.1
Provisions and non-current liabilities	17.0	-2.4	1.9	-	-1.0	15.5
Untaxed reserves	-17.4	0.3	-	-	-	-17.1
Loss carry-forwards	152.3	-0.6	-	-	0.7	152.4
Miscellaneous	8.3	-0.8	-	-	-0.5	7.0
	119.7	3.5	1.9	-2.7	1.8	124.2

Group 2018/19	Opening balance, 1 May 2018	Recognised via income statement	Recognised via other comprehen- sive income	Acquisition/disposal of business	Translation difference	Closing balance, 30 April 2019
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

Note 16 Intangible assets and property, plant and equipment

Group 2019/20	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 start of year	868.8	12.9	453.2	176.6	1,759.7	1,049.3	583.6	65.4
Acquired in business combinations	24.3	-	11.1	5.1	8.9	0.5	0.6	-
Acquisitions for the year	-	0.1	-	6.7	11.4	66.2	55.7	71.4
Sales/Disposals	-	-	-	-3.6	-29.1	-34.7	-70.1	-1.2
Reclassifications	-	-	-	24.5	9.9	23.4	7.1	-64.9
Translation difference	-15.2	-	-3.0	-0.2	-19.9	-8.0	-9.3	-1.6
	877.9	13.0	461.3	209.1	1,740.9	1,096.7	567.6	69.1
Accumulated depreciation/amortisation								
At start of year	-	-1.5	-243.5	-128.7	-592.4	-669.7	-420.5	-
Sales/Disposals	-	-	-	4.0	16.2	23.8	50.5	-
Translation difference	-	-	3.8	-0.4	4.2	3.3	6.1	-
Depreciation/Amortisation for the year	-	-1.8	-43.6	-20.1	-51.3	-79.0	-50.8	-
	-	-3.3	-283.3	-145.2	-623.3	-721.6	-414.7	-
Accumulated impairment								
At start of year	-22.0	-3.9	-	-	-5.5	-0.5	-	-
Translation difference	1.8	-	-	-	0.2	-	-	-
Sales/Disposals	-	-	-	-	2.5	0.5	-	-
Impairment for the year	-37.8	-	-	-	-	-	-	-
	-58.0	-3.9	-	-	-2.8	-	-	-
Carrying amount	819.9	5.8	178.0	63.9	1,114.8	375.1	152.9	69.1

>> Note 16 (cont.)

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 start of 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 start of 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 start of 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

Impairment testing for goodwill and brands with 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 a five-year period. 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 percent annually. The discount rate before tax varies between 9 and 15 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.

Cash-generating unit	Country	2019/20				
		Goodwill, 30 April	Brand subject to testing for impairment	Average estimated growth	Average estimated gross margin	Discount rate before tax
Menerga GmbH	Germany	74.9	-	4%	27%	10%
Systemair B.V.	Netherlands	64.6	-	8%	23%	9%
Koolair	Spain	61.1	62.2	4%	25%	12%
Systemair India Pvt. Ltd	India	57.3	-	15%	20%	13%
Systemair Inc.	Canada	45.1	-	9%	21%	10%
OOO Systemair	Russia	40.8	-	0%	30%	13%
Systemair Italy s.r.l.	Italy	31.6	-	7%	29%	14%
Recutech s.r.l.o	Czech Republic	29.1	-	9%	26%	10%
Systemair Schweiz AG	Switzerland	28.7	-	11%	44%	10%
Systemair HSK	Turkey	26.2	-	15%	20%	15%
Others		360.5	-			
		819.9	62.2			

>> Note 16 (cont.)

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

Impairment testing established that write-down of goodwill was justified in two of the Group's units. In Systemair South Africa, a goodwill write-down of SEK 12.8 million was applied. At the financial year-end, the residual value of goodwill in Systemair South Africa was SEK 10.9 million. In Systemair AC Italy, a goodwill write-down of SEK 25.0 million was applied. This represented the total value of the goodwill item. The recoverable amount for other units tested exceeds their carrying amounts and as a result no further 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, with the exception of Menerga, Germany. At Menerga, the recoverable amount exceeded the book value by EUR 7.6 million (4.5) on 30 April 2020. In the event of a change in the discount rate from 10.5 percent to 12.9 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 2019/20	Goodwill	Capitalised development costs	Licences etc.	Plant and machinery	Equipment and tools	Construction in progress
Accumulated historical cost						
At start of year	0.7	12.9	43.9	11.6	9.8	24.4
Acquisitions for the year	-	0.1	0.3	-	1.4	11.6
Reclassifications	-	-	24.5	-	4.5	-29.0
	0.7	13.0	68.7	11.6	15.7	7.0
Accumulated depreciation/amortisation						
At start of year	-0.7	-1.5	-22.0	-1.7	-7.1	-
Depreciation/Amortisation for the year	-	-1.8	-8.8	-2.3	-2.7	-
	-0.7	-3.3	-30.8	-4.0	-9.8	-
Accumulated impairment						
At start of year	-	-3.9	-	-	-	-
Impairment for the year	-	-	-	-	-	-
	-	-3.9	-	-	-	-
Carrying amount	-	5.8	37.9	7.6	5.9	7.0

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

Note 17 Other securities held as non-current assets

This consists for the most part 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	
	2019/20	2018/19	2019/20	2018/19
Opening balance	1.5	1.5	-	-
Translation difference	-0.1	0.0	-	-
	1.4	1.5	-	-

Note 18 Other long-term receivables

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Opening balance	31.0	25.5	19.7	15.7
Additional receivables	4.1	7.4	3.2	4.6
Receivables settled	-8.7	-1.1	-7.1	-
Impairment losses	-2.1	-1.7	-2.1	-1.6
Reclassifications	-0.1	0.8	1.2	1.0
Translation differences	0.1	0.1	-	-
Closing balance	24.3	31.0	14.9	19.7

The item consists for the most part of a receivable of SEK 3.0 million from Skanska, which falls due for payment in 2022, a long-term loan of SEK 1.7 million to former subsidiary Reftec, Norway, and a long-term trade receivable of SEK 7.1 million from a customer in Morocco.

Note 19 Prepaid expenses and accrued income

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Prepaid rent	9.0	8.8	-	-
Prepaid insurance premiums	8.0	8.8	-	-
Servicing agreements and software licences	10.9	11.6	10.9	11.6
Miscellaneous	52.7	53.3	2.6	2.7
	80.6	82.5	13.5	14.3

Note 20 Inventory

The direct cost of materials during the year totalled SEK 3,830.8 million (4,112.8). The provision for obsolescence decreased by SEK 1.0 million. In all, the provision for obsolescence amounts to SEK 82.1 million (83.1), corresponding to 5 percent of the inventory value before deductions for obsolescence.

Note 21 Trade accounts receivable

Age breakdown of trade accounts receivable, including reserve	Group	
	2019/20	2018/19
Not yet due	1,210.4	1,352.6
< 90 days	237.8	240.6
90-180	58.6	47.1
181-360	24.8	17.6
> 360	24.7	27.1
Total	1,556.3	1,685.0

In accordance with IFRS 9, Systemair employs a valuation methodology for calculation of credit loss provision for trade accounts receivable in which the anticipated credit loss for the whole duration of the trade account receivable is taken into account in 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 anticipated credit losses is based on five different levels of maturity, from trade 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 basis loss provisions for accounting purposes are made, unless a

case-by-case assessment indicates otherwise. The grading of credit loss per level is based on historical patterns of losses over a five-year period, 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 degrees of credit losses in the different categories on 30 April 2020 were in the range of 0.1-81.2 percent (0.1-80.4). Systemair does not as a rule use credit insurance, but if by way of exception it does, 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.

In the 2019/20 financial year, profits were charged with SEK 26.3 million (33.7) in expected bad debts. Provisions for impairment of trade accounts receivable in the Group totalled 7.5 percent (6.8) of total trade accounts receivable. The Parent Company has no external trade accounts receivable.

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

Provision for estimated credit losses	Group	
	2019/20	2018/19
Opening balance	123.4	101.7
Provision for anticipated losses	27.0	45.0
Reversal of amount unused	-7.2	-9.1
Bad debts	-17.0	-13.9
Translation difference	-0.2	-0.3
Closing balance	126.0	123.4

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

Provision for impairment of trade accounts receivable	Group	
	2019/20	2018/19
Not yet due	1.3	1.4
Due < 90 days	4.1	2.6
Due 90-180 days	7.3	2.8
Due 181-360 days	6.9	5.3
Due > 360 days	106.4	111.3
Provision for impairment of trade accounts receivable, total	126.0	123.4

Group 2019/20	Gross amount, trade accounts receivable	Provision for losses	Expected loss rate, %
Not yet due	1,211.7	1.2	0.1%
Due < 90 days	242.0	4.1	1.7%
Due 90-180 days	65.9	7.3	11.1%
Due 181-360 days	31.7	6.9	21.9%
Due > 360 days	131.0	106.4	81.2%
	1,682.3	126.0	7.5%

Group 2018/19	Gross amount, trade accounts receivable	Provision for losses	Expected loss rate, %
Not yet due	1,354.0	1.4	0.1%
Due < 90 days	243.2	2.6	1.1%
Due 90-180 days	49.9	2.8	5.6%
Due 181-360 days	22.9	5.3	23.1%
Due > 360 days	138.4	111.3	80.4%
	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 2020		1	–	52.0	–	–	52,000,000

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

On 30 April 2020, the registered share capital totalled SEK 52,000,000, represented by 52,000,000 shares, each entitled to one vote and of one and the same class. All shares are fully paid up.

Systemair's Board of Directors has determined that dividend shall amount to approximately 40 percent of profit after tax. The Board of Directors proposes that the Annual General Meeting, to be held on 26 August 2020 resolves that no dividend (2.00) be paid, citing the current uncertainty surrounding the Covid-19 pandemic.

Capital management

The Systemair Board has set a target of no less than 30 percent for its equity/assets ratio. In the 2019/20 financial year, an equity/assets ratio of 43.4 percent (41.7) was achieved. Adoption of IFRS 16 has reduced the equity/assets ratio by 1.7 percentage points.

Other financial covenants 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 12.6 (10.9). Adoption of IFRS 16 has reduced the interest coverage ratio by 0.3. The target for net debt ratio is no more than 3.50. Over the 2019/20 financial year, the ratio was measured at 1.8 (2.6). Adoption of IFRS 16 has increased the net debt ratio by 0.1. 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 2019/20 financial year, the translation difference in equity was SEK -27.6 million (29.1).

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 in equity, the reserve for development expenditure. The reserve is to be drawn down at depreciation/amortisation, impairment or disposal. The Parent Company reports a reserve for development expenditure totalling SEK 5.8 million (7.7) in the 2019/20 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 1,531,400,092
Net profit/loss for the year	SEK 144,319,599
	SEK 1,705,759,197

The Board of Directors proposes that the Annual General Meeting, to be held on 26 August 2020 resolve that no dividend (2.00) be paid, citing the current uncertainty surrounding the Covid-19 pandemic, and that all unappropriated profit be carried forward. According to the Group's dividend policy, the dividend shall under normal conditions amount to approximately 40 percent of profit after tax. The number of shares entitled to a dividend is 52,000,000.

List of shareholders

Systemair's 10 largest shareholders on 30 April 2020.

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%
Nordea Investment Funds	3,604,440	6.93%
Swedbank Robur Fonder	2,745,027	5.28%
Alecta Pensionsförsäkring, Ömsesidigt	2,263,000	4.35%
Afa Försäkring	943,902	1.82%
Handelsbanken Fonder	928,460	1.79%
Lannebo Fonder	904,189	1.74%
JP Morgan Bank Luxembourg S.A.	801,241	1.54%
Fjärde AP-fonden	515,586	0.99%
Others	6,070,223	11.67%
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	
	2019/20	2018/19	2019/20	2018/19
Non-current liabilities				
Bank loans of one to five years	914.9	1,019.9	779.7	856.3
Bank loans longer than five years	27.4	50.1	–	–
	942.3	1,070.0	779.7	856.3
Current liabilities				
Bank overdraft facilities	930.4	959.5	886.1	948.5
Current portion of bank loans	121.6	216.4	53.5	26.6
	1,052.0	1,175.9	939.6	975.1
Total borrowing	1,994.3	2,245.9	1,719.3	1,831.4
Distribution among banks				
Nordea Bank AB	802.5	1,005.7	757.1	923.7
Svenska Handelsbanken AB	962.2	1,026.9	962.2	907.7
Other banks	229.6	213.3	–	–
	1,994.3	2,245.9	1,719.3	1,831.4

>> Note 23 (cont.)

Loans, by currency	SHB		Nordea		Others		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
EUR	552.6	775.1	310.3	124.1	179.2	184.1	1,042.1	1,083.3
SEK	410.8	223.1	358.3	531.1	-	-	769.1	754.2
USD	-	-	57.9	152.7	-	-	57.9	152.7
NOK	-	-	-48.3	-14.2	-	-	-48.3	-14.2
DKK	-	-	32.7	87.7	-	-	32.7	87.7
Other currencies	-1.2	28.7	91.6	124.3	50.4	29.2	140.8	182.2
Total	962.2	1,026.9	802.5	1,005.7	229.6	213.3	1,994.3	2,245.9

	2019/20		2018/19	
	Loan amount	Weighted interest rate	Loan amount	Weighted interest rate
Long-term loans				
Group	942.3	0.82%	1,070.0	1.18%
Parent Company	779.7	0.73%	856.3	1.11%
Short-term loans				
Group	1,052.0	1.14%	1,175.9	1.74%
Parent Company	939.6	1.07%	975.1	1.35%

External facilities granted for bank overdrafts totalled SEK 1,290.9 million (1,257.8) 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 360.5 million (298.3). The overdraft facility carries a variable interest rate. The RCF for the Parent Company amounted to SEK 1,021.2 million (1,019.1). The unutilised amount in the Parent Company totalled SEK 455.6 million (455.4).

The Group's financing agreements with Nordea Bank AB and Svenska Handelsbanken AB include financial covenants. New financial covenants are also operating with EBRD for borrowing at the subsidiary Systemair HSK, Turkey. The key performance measures are interest coverage ratio and net debt/equity ratio, which are 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

	30/04/2019	Change of accounting policy IFRS 16	Cash flow	Acquisitions/disposals	New lease(s)	Translation differences	30/04/2020
Group							
Non-current financial liabilities	1,070.0	-	-90.8	-	-	-36.9	942.3
Lease liability	-	314.0	-107.9	-	74.7	-1.3	279.5
Current financial liabilities	216.4	-	-90.1	-	-	-4.7	121.6
Bank overdraft facilities	959.5	-	-79.5	40.4	-	10.0	930.4
Total financial liabilities	2,245.9	314.0	-368.3	40.4	74.7	-32.9	2,273.8
Parent Company							
Non-current financial liabilities	856.3	-	-76.6	-	-	-	779.7
Current financial liabilities	26.6	-	26.9	-	-	-	53.5
Bank overdraft facilities	948.5	-	-62.4	-	-	-	886.1
Total financial liabilities	1,831.4	-	-112.1	-	-	-	1,719.3
	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

Maturity structure

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

	2020/21	2021/22	2022/23	2023/24	2024/25	Later
Interest payments on loans	8.7	6.8	1.7	1.0	0.5	0.7
Bank overdraft facilities	12.0					
Total interest expense	20.7	6.8	1.7	1.0	0.5	0.7
Repayments						
Loans	121.6	836.3	29.0	26.3	23.2	27.4
Operating credit	930.4					
Lease liabilities	279.5					
Non-current liabilities	21.8					
Other liabilities	798.6					
Total undiscounted payments	2,172.6	843.1	30.7	27.3	23.7	28.1

>> Note 23 (cont.)

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).

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 financial year and the anticipated profit after tax for the 2020/21 financial year. 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. The liability has been measured at SEK 0 and was not adjusted in 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. For the period under review, May 2019–April 2020, the liability has been revalued by the amount of SEK 19.3 million. Liabilities relating to the acquisition options are recognised as Current or Non-current liabilities, not interest-bearing on the balance sheet, depending on the maturity date. Liabilities maturing within 12 months are recognised as current.

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.

2019/20 Assets	Derivatives	Measured at amortised cost	Measured at fair value via income	Total financial assets	Non-financial assets	Total
Intangible assets	-	-	-	-	1,067.6	1,067.6
Property, plant and equipment	-	-	-	-	1,711.9	1,711.9
Right-of-use assets	-	-	-	-	276.2	276.2
Participations in associated companies	-	-	-	-	19.6	19.6
Financial investments	-	-	1.4	1.4	-	1.4
Non-current receivables	-	14.9	-	14.9	9.4	24.3
Deferred tax assets	-	-	-	-	209.6	209.6
Inventory	-	-	-	-	1,571.5	1,571.5
Other receivables	-3.9	1,618.7	-	1,614.8	224.8	1,839.6
Cash and cash equivalents	-	378.2	-	378.2	-	378.2
Total assets	-3.9	2,011.8	1.4	2,009.3	5,090.6	7,099.9

Equity and liabilities	Financial assets measured at amortised cost	Financial liabilities measured at fair value via the income statement	Total financial liabilities	Non-financial liabilities	Total
Equity	-	-	-	3,084.7	3,084.7
Provisions for pensions	-	-	-	88.6	88.6
Deferred tax liabilities	-	-	-	85.4	85.4
Other provisions	-	-	-	66.8	66.8
Other non-current liabilities	-	21.8	21.8	9.3	31.1
Interest-bearing liabilities	1,994.3	-	1,994.3	-	1,994.3
Lease liabilities	279.5	-	279.5	-	279.5
Other liabilities	798.6	-	798.6	670.9	1,469.5
Total equity and liabilities	3,072.4	21.8	3,094.2	4,005.7	7,099.9

The option for purchases of the remaining 10 percent of the shares in HSK Turkey is made up of a current other liability of SEK 24.6 million and a non-current other liability of SEK 21.8 million. The current portion falls due in 2020.

>> Note 23 (cont.)

2018/19 Assets	Derivatives	Measured at amortised cost	Measured at fair value via income	Total financial assets	Non-financial assets	Total
Intangible 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	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

On the balance sheet date, the Group had outstanding EUR currency derivatives. The market value of the forward contracts was SEK -4.7 million (-15.6) for the Parent Company and SEK -5.8 million (SEK -32.7 thousands) for other companies in the Group. The total hedged value was EUR 62.6 million (49.5). Revaluation of the derivatives is charged to Other operating expenses.

Currency derivatives – hedged values Group	EUR/CZK EUR m.	EUR/CZK EUR m.
Maturity of forward contracts		
< 1 year	7.8	40.0
May 2021–July 2021	2.0	7.5
Aug. 2021–Oct. 2021	1.3	3.5
Nov. 2021–Dec. 2021	-	0.5
Total outstanding	11.1	51.5

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 of time. At the financial year-end, 82 percent of forward contracts had been taken out by the Parent Company and 18 percent by subsidiaries. The forward contracts are measured at fair value. Hedge accounting is not applied. 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	
	2019/20	2018/19	2019/20	2018/19
Salary and holiday pay liability	166.5	147.9	8.8	7.7
Employer's social security contribution liability	34.8	34.9	3.9	3.4
Commission payments and bonuses	29.6	23.7	-	-
Other ¹	102.4	97.9	1.0	4.7
	333.4	304.4	13.6	15.8

¹ Consists in the main of accrued expenses for customers bonuses, auditing fees and deferred income in the form of warranty/servicing work.

Note 25 Appropriations, other

	Parent Company	
	2019/20	2018/19
Group contributions received	-	87.5
Reversal of tax allocation reserve	4.8	0.2
Difference between depreciation and amortisation charged and according to plan	-0.2	-1.1
	4.6	86.6

Note 26 Untaxed reserves

	Parent Company	
	2019/20	2018/19
Difference between depreciation and amortisation charged and according to plan	1.4	1.2
Tax allocation reserve, provision for tax 2016	-	4.8
	1.4	6.0

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. Regarding the 2019/20 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 family pensions are individually calculated on the basis, for example, of salary, pension earned earlier and anticipated remaining period of service. Contributions during the year for defined-benefit pension insurance policies contracted with Alecta totalled approximately SEK 7.1 million (6.8). The contributions for 2020/21 are expected to be in line with those for 2019/20.

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 consolidation 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 2019, Alecta's surplus in the form of the collective consolidation level was 148 percent (142).

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 employee decides to retire, normally between the ages of 62 and 75 years. The pension is calculated on the basis of 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 separately 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 with reference to the investment. Otherwise, the foundation is responsible for overseeing how the plan assets are invested.

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 to 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 2020 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.

>> Note 27 (cont.)

Information per country, 30 April 2020

Amounts shown on the balance sheet – defined-benefit pension plans	Norway	Switzerland	Italy	France	Others	Total
Present value of obligations, including payroll tax	139.6	46.9	19.4	21.4	2.6	229.9
Fair value of plan assets	-105.6	-35.7	-	-	-	-141.3
Pension provision, net	34.0	11.2	19.4	21.4	2.6	88.6
Expense recognised in income statement						
Expenses based on service	9.0	1.7	-	1.0	0.2	11.9
Interest expense/(gain)	0.8	0.1	0.3	0.5	-	1.7
Administration expense	0.3	-	-	-	-	0.3
Net expense recognised in income statement	10.1	1.8	0.3	1.5	0.2	13.9
Maturity profile, defined-benefit obligations						
Weighted average duration, defined-benefit obligations	22	17	17	9	8	
Major actuarial assumptions, weighted average, %						
Discount rate	1.70	0.60	1.63	1.50	2.00	-
Anticipated return on assets	1.70	0.60	-	-	-	-
Anticipated rate of increase in salaries	2.25	0.50	2.00	0.50	1.00	-
Anticipated rate of inflation	2.00	0.50	2.00	1.50	1.00	-

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	

Effect of pension expenses on profit

	2019/20	2018/19
Operating expenses – defined-benefit plans	12.3	12.2
Operating expenses – defined-contribution plans	69.4	63.4
Total operating expenses	81.7	75.6
Interest expense – defined-benefit plans	1.7	1.5
Expense before tax	83.4	77.1

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

Defined-benefit obligations	2019/20	2018/19
Defined-benefit plans – obligation, 1 May	229.4	206.8
Current expense	12.0	12.2
Interest expense	4.0	4.0
Benefits paid	-8.8	-9.2
Actuarial gains/losses (financial assumptions)	7.2	10.9
Actuarial gains/losses (demographic assumptions)	-0.5	-
Actuarial gains/losses (experience-based adjustments)	1.6	0.7
Deduction (others)	-0.1	-0.3
Exchange rate differences	-14.9	4.3
Defined-benefit plans, obligations as per 30 April	229.9	229.4

Changes in plan assets

	2019/20	2018/19
Fair value of plan assets as per 1 May	143.2	132.0
Funds invested by employers	11.0	11.4
Funds invested by employees	1.2	1.1
Benefits paid	-2.7	-5.7
Interest income	2.3	2.6
Actuarial gains/losses	-1.6	-1.1
Deduction (others)	-0.2	-0.2
Exchange rate differences	-11.9	3.1
Fair value of plan assets as per 30 April	141.3	143.2

	2019/20	2018/19
Best estimate of contributions next year	12.4	11.8

>> Note 27 (cont.)

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	-37.7	-1.0	42.2
Rate of inflation	+0.5	-3.7	-0.5	15.7
Future salary increases	+0.5	19.7	-0.5	-15.1
Estimated service life	+1.0	1.0	-1.0	-1.0
Personnel turnover**	+0.5	0.0	-0.5	0.0

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

Fair value of plan assets

	2019/20	2018/19
Shares and similar financial instruments	26.5	23.5
Fixed-income securities, etc.	89.6	98.9
Real estate	17.0	14.4
Others	8.2	6.5
Total	141.3	143.2

Amounts recognised in other comprehensive income

	2019/20	2018/19
Actuarial gains/losses, gross	-9.9	-13.3
Impact of tax	1.9	2.6
Net in equity	-8.0	-10.7

Note 28 Other provisions

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Amount at beginning of year	66.2	73.1	-	-
Investments during the year	20.4	14.0	-	-
Provisions acquired	3.0	1.2	-	-
Provisions disposed of	-	0.7	-	-
Utilisation during the year	-11.6	-21.6	-	-
Provisions reversed	-8.3	-8.5	-	-
Translation differences	-2.9	7.3	-	-
Amount at year-end	66.8	66.2	-	-

Provisions totalling SEK 39.9 million (47.3) relate to warranty costs, SEK 1.2 million (0.7) to restructuring costs and SEK 16.1 million (7.6) to other personnel-related items.

Note 29 Result from participations in Group companies

	Parent Company	
	2019/20	2018/19
Dividends from subsidiaries	361.9	307.4
Write-down on shares in subsidiaries	-156.3	-337.0
	205.6	-29.7

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
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
Pacific Ventilation Pty. Ltd		Australia	100	-	0.0
Systemair Trading LLC		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
Frico A/S		Denmark	60	-	4.3
Systemair Trading LLC		Dubai, United Arab Emirates	100	-	2.1
Systemair 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 Trading LLC		Georgia	100	-	0.2
Systemair Hellas S.A.		Greece	100	15,000	8.7
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 S.r.l.		Italy	100	-	0.0

>> Note 30 (cont.)

Subsidiary	Org. reg. no.	Registered office	% equity	No. of shares	Carrying amount
Systemair Inc.		Canada	100	44,600	29.6
Systemair (Suzhou) Co. Ltd		China	100	-	0.0
Systemair d.o.o.		Croatia	100	-	0.0
Poly-Rek d.o.o.		Croatia	100	-	3.2
Systemair SIA		Latvia	100	2,500	1.1
Systemair UAB		Lithuania	100	500	10.9
UAB Menerga		Lithuania	100	-	25.5
Systemair Sdn Bhd		Malaysia	100	1,500,000	20.6
Systemair Maroc SARL		Morocco	100	-	36.1
Systemair Mexico		Mexico	100	-	3.3
Systemair B.V.		Netherlands	100	-	119.2
Frico B.V.		Netherlands	100	40	11.0
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
Menerga GmbH		Switzerland	100	210	11.7
Systemair (SEA) PTE Ltd		Singapore	100	1,000,000	6.2
Systemair Production a.s.		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	11.0
Systemair SA		Czech Republic	100	-	21.5
2VV s.r.o		Czech Republic	100	-	110.1
Recutech s.r.l.o		Czech Republic	10	-	4.8
Systemair Co. Ltd		Taiwan	100	-	0.0
Systemair HSK Hav. Ekip. San. ve Tic. Ltd		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 GmbH		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	-	39.8
					2,239.8

>> 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
Recutech s.r.o.	2VV s.r.o	Czech Republic	90
Frico GmbH	Frico AB	Germany	100
Systemair IOOO	UAB Menerga	Belarus	100
Frico GmbH AT	Frico AB	Austria	100
Frivent CZ s.r.o.	Systemair GmbH	Austria	100
Tekadoor Lufttechnische Geräte GmbH	Tekadoor GmbH	Austria	50

Change in Group companies

	Parent Company	
	2019/20	2018/19
At start of year	2,277.7	2,417.0
Acquisitions during the year	43.8	42.0
Disposals during the year	-2.7	-2.7
New share issues during the year	77.3	158.5
Impairment for the year	-156.3	-337.0
	2,239.8	2,277.7

Note 31 Participations in associated companies

Group's participations in associated companies	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
At start of year	22.2	-	9.8	-
Acquisitions during the year	5.9	20.5	5.9	8.9
Impairment for the year	-9.8	-	-9.8	-
Share in profits of associated companies during the year	1.3	1.7	-	0.9
	19.6	22.2	5.9	9.8

Specification of values and ownership share

2019/20	Country	Revenues	Comprehensive income	Assets	Liabilities	Equity	Ownership share, %
Burda Worldwide Technologies GmbH	Germany	28.5	2.1	19.4	9.4	10.0	49.9
MR Studios	Czech Republic	0.8	-0.3	3.1	0.5	2.6	40.0

2018/19	Country	Revenues	Comprehensive income	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 is 31 December. 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 MR Studios is 31 December. The ownership share in the company was acquired in August 2019. The company reports with a delay of one month. The company is owned by Systemair AB.

The associated company Pacific HVAC was wound up in August 2019. As a result, the participation in the company has been written down to zero. The write-down was charged to Financial expenses in the Parent Company and Other operating costs in the Group. The company is owned by Systemair AB.

No dividend was received from any of the companies during the financial year.

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

Companies acquired

In August 2019, Systemair acquired the ventilation business of Australian company Pacific HVAC Engineering. 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. The company has been renamed Pacific Ventilation.

In August 2019, 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. It has 27 employees. The sales company, which has its office and warehousing facilities in Casablanca, had prior to the acquisition held a licence to operate under the Systemair brand.

In March 2020, 60 percent of the shares in Danish sales company Tempus Heat A/S was acquired. The company is headquartered in Horsens, Denmark, and has annual sales of around SEK 15 million. The company operates a small sales office just outside Copenhagen. Tempus Heat is a distributor of Frico's heating products and offers servicing. The company has 5 employees. Tempus Heat has been renamed Frico A/S.

Net sales for the acquired companies between the time of acquisition and the end of the period under review totalled SEK 114.4 million. During the period, an operating profit of SEK 0.2 million was recorded. If the companies acquired had been consolidated as of 1 May 2019, net sales for the period May 2019 through April 2020 would have totalled approximately SEK 8 947.4 million. Operating profit for that period would have totalled approximately SEK 629.0 million.

The purchase consideration paid for company acquisitions was made up as follows:

2019/20 SEK m.	Pacific Ventilation	Systemair Maroc	Poly-Rek	Frico A/S	Total
Total historical cost, less costs of acquisition	21.9	27.4	3.1	4.3	56.7
Assets acquired					
Fair value of assets acquired, net	12.9	19.8	-0.1	-0.3	32.3
Goodwill	9.0	7.6	3.2	4.6	24.4
Identifiable net assets					
Goodwill	9.0	7.6	3.2	4.6	24.4
Brands and customer relationships	-	8.3	1.1	1.7	11.1
Other intangible assets	4.4	0.2	0.5	-	5.1
Buildings and land	-	8.9	-	-	8.9
Machinery and equipment	-	0.3	0.5	0.3	1.1
Financial and other assets	-	-	-	0.1	0.1
Inventory	12.9	18.7	0.2	1.6	33.4
Trade accounts receivable	-	66.1	-	2.8	68.9
Other current assets	2.8	9.5	0.2	0.3	12.8
Cash and cash equivalents	-	0.8	-	0.3	1.1
Minority interest	-	-13.3	-	-	-13.3
Non-interest-bearing liabilities	-	-11.1	-0.4	-	-11.5
Deferred tax liability	-	-4.6	-0.2	-2.4	-7.2
Interest-bearing liabilities	-	-33.5	-	-	-33.5
Other operating liabilities	-7.2	-30.5	-2.0	-5.0	-44.7
	21.9	27.4	3.1	4.3	56.7

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

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

Impact of acquisitions on cash flow	2019/20	2018/19
Purchase considerations	-56.7	-300.9
Purchase consideration not paid	-	-
Cash and cash equivalents in companies purchased	1.1	30.9
Purchase consideration paid for prior years' acquisitions	-	-3.1
Transaction costs, acquisition of subsidiaries	-0.1	-0.8
Change in consolidated cash and cash equivalents after acquisitions	-55.7	-273.9

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, synergies expected to emerge after acquisition and the companies' estimated future earning capacity. Goodwill acquired in Greentek and Koolair is tax-deductible locally in the country concerned.

>> Note 32 (cont.)

Companies divested

In February 2020, Systemair signed an agreement to sell its Swedish subsidiary Animac AB. Animac, which conducts property management and allied activities reported an operating loss, SEK -0.2 million, in the 2019/20 financial year.

2019/20

The disposal of the shares in Animac AB, Norway, may be calculated as follows:

Asset and liability disposals	Total
Buildings and land	10.4
Other current assets	0.1
Interest-bearing liabilities	-7.1
Other operating liabilities	-0.1
	3.4
Effect on cash flow of company disposals	
Purchase consideration	12.2
Assumption of internal liabilities	-7.3
Change in Group's cash and cash equivalents at sale	4.9

2018/19

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

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	
Purchase considerations	2.7
Cash and cash equivalents in company sold	-0.5
Change in consolidated cash and cash equivalents after acquisitions	2.2

Note 33 Receivables from Group companies

	Parent Company	
	2019/20	2018/19
Changes in receivables from Group companies		
At start of year	345.5	158.2
Lending	212.6	231.4
Repayments	-18.6	-50.3
Reclassifications	1.7	-
Foreign exchange adjustments	1.6	6.2
	542.8	345.5

Note 34 Pledged assets

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Assets pledged to credit institutions for own liabilities				
Chattel mortgages	129.5	132.6	-	-
Real estate mortgages	224.3	279.0	-	-
Pledged shares in subsidiaries	173.0	145.8	97.7	97.7
	526.8	557.4	97.7	97.7
Pledged assets, per bank				
Nordea Bank AB	279.6	305.6	97.7	97.7
Svenska Handelsbanken AB	48.0	47.9	-	-
Other banks	199.2	203.9	-	-
	526.8	557.4	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	
	2019/20	2018/19	2019/20	2018/19
Guarantees on behalf of subsidiaries	-	-	497.9	684.1
Guarantees and other contingent liabilities ¹	172.8	145.6	93.9	75.9
	172.8	145.5	591.8	760.0

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 93.9 million on behalf of the subsidiaries. The subsidiaries have issued local bank guarantees for a total amount of SEK 78.9 million.

Note 36 Supplementary information on cash flow statement

	Group		Parent Company	
	2019/20	2018/19	2019/20	2018/19
Adjustment for non-cash items etc.				
Depreciation/Amortisation of non-current assets	246.6	233.3	15.6	11.3
Amortisation of right-of-use assets	111.2	-	-	-
Impairment losses	47.6	-	-	-
Changes in provisions	2.6	-8.0	-	-
Unrealised exchange gains and losses	-48.2	-23.2	15.8	5.9
Provisions for pensions	-1.9	-0.8	-	-
Gain/Loss on divestment of non-current assets	-6.6	-3.3	2.3	-
Other items	-1.4	-4.9	-	-
	349.9	193.1	33.7	17.2

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 2019/20 financial year include the Parent Company and its subsidiaries, jointly referred to as the Group.

Note 38 Earnings per share

Group	2019/20	2018/19
Basic earnings per share (SEK)	7.34	6.18
Diluted earnings per share (SEK)	7.34	6.18
Profit/loss for the period	385.3	321.2
Profit for the year attributable to Parent Company shareholders	381.5	322.3
Non-controlling interests	3.8	-1.1
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 1.4 million (1.5) to ebm-papst AB. Product purchases from ebm-papst AB totalled SEK 1.3 million (1.1). The Group's purchases of products during the year from ebm-papst AB's parent company in Germany, ebm-papst GmbH, totalled SEK 281.6 million (275.1). 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 3.1 (3.0) million 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 million (0.4) to WG Hotelldrift AB.

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

Parent Company purchases from other Group companies totalled SEK 63.5 million (61.9). Parent Company sales to Group companies are described in Note 4. For more information on Parent Company receivables from Group companies, see Note 33. Liabilities to Group companies total SEK 612.3 million (563.1).

Note 40 Events after the financial year-end

At the beginning of the 2020/21 financial year, it remains clear that the Covid-19 pandemic will negatively affect both sales and earnings. It is currently very difficult to assess the magnitude of these effects in the financial years ahead.

The undersigned declare that the consolidated accounts and annual accounts were prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union, as well as generally accepted accounting practices 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. The annual report also includes the group's and the parent company's sustainability reporting in accordance with Chapter 6, subsection 11 of the Swedish Annual Accounts Act, see page 104, and a sustainability report in accordance with the Global Reporting Initiative, see GRI Index on pages 105-107.

Skinnskatteberg, 1 July 2020

Roland Kasper
President and CEO

Gerald Engström
Chairman of the Board

Carina Andersson
Director

Patrik Nolåker
Director

Svein Nilsen
Director

Gunilla Spongh
Director

Ricky Sten
Employee Representative

Åke Henningsson
Employee Representative

Our Auditor's Report concerning this annual report was submitted on 8 July 2020.

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 2019–30 April 2020, with the exception of the corporate governance report on pages 46–55. The company's annual report and the consolidated accounts are included on pages 56–98 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 2020 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 2020 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 46–55. 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 report 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 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 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, with regard to these matters, the obligations described in the section *Auditor's responsibilities* 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 report 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 819 million on the consolidated balance sheet and participations in group companies are stated at SEK 2,240 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 event that there are indications of impairment of participations in group companies, the company tests whether the carrying amount of the participations does not exceed their recoverable amount. 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 Note 16 indicates, the cash flows for the financial plans have been approved by management and extend to a five-year period. The plans include for example assumptions as to trend of prices, sales volumes and trend of costs. In addition, assumptions have been made as to discount rate and growth beyond the five-year period. In the group, goodwill has been written down by SEK 38 million during the financial year, as described in Note 16. In the parent company, participations in group companies have been written down by SEK 156 million in the financial year, as described in Note 30.

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 participations in group companies 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 its impairment test for goodwill and the company's routines for identifying indications of impairment in participations for group companies. We examined how cash-generating units are identified, assessed the company's valuation methods and calculation models with the support of our valuation specialists 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 assessed the company's process to identify indications of impairment. We also judged whether disclosures made are appropriate.

>> Auditor's Report (cont.)

Information other than the annual report and the consolidated accounts

This document also contains information other than the annual report and consolidated accounts and is found on pages 56–98. The board of directors and the president are responsible for this other 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 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 that they determine is necessary to enable the preparation of an annual report and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual report 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.

Responsibilities of the auditor

Our objectives are to obtain reasonable assurance about whether the annual report 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 this annual report 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 report and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those and other risks, and obtain audit evidence that is sufficient 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 report 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 report and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual report 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 report and consolidated accounts, including the disclosures, and whether the annual report 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 advise 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 report 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 report, 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 1 May 2019–30 April 2020, 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 in view of 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 organisation is designed such that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. 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 ensure that the company's accounting is conducted in accordance with 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, or
- In any other way has acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's 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 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 practices 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 practices 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 on the basis of 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 appropriations of 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 46–55 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 RevU 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 practices 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, subsection 6, paragraphs 2–6 of the Swedish Annual Accounts Act and Chapter 7, subsection 31, paragraph 2 of the same Act are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

Stockholm, 8 July 2020
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 measures 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. A number of definitions and calculation appear below, the majority of which are alternative performance measures.

DEFINITIONS OF KEY PERFORMANCE MEASURES

	2019/20 May-Apr	2018/19 May-Apr	2017/18 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.	6,197	6,016	5,465
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.	385.3	321.2	230.1
Average equity, SEK m.	3,065.1	2,710.7	2,479.9
Return on equity	12.6%	11.9%	9.3%
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.	639.8	557.4	390.4
Average capital employed, SEK m.	5,493.3	4,934.6	4,290.6
Return on capital employed	11.6%	11.3%	9.1%
EBITDA			
Operating profit before depreciation/amortisation and impairments			
Operating profit, SEK m.	625.7	528.1	349.6
Depreciation/amortisation and impairments, SEK m.	405.4	233.3	219.6
EBITDA, SEK m.	1,031.1	761.4	569.2
Equity per share			
Equity divided by the number of shares at the end of the period			
Equity, SEK m.	3,084.7	2,839.2	2,620.3
Number of shares, millions	52.0	52.0	52.0
Equity per share, SEK	59.32	54.60	50.39
Cash generation			
Operating profit before depreciation/amortisation and impairments, TTM, SEK m.	1,031.1	761.4	569.2
Provisions in working capital not affecting cash flow, TTM, SEK m.	2.6	-8.0	-17.5
Changes in working capital, TTM, SEK m.	56.7	-149.5	-173.9
Investments in machinery and equipment, TTM, SEK m.	-204.7	-226.3	-403.7
Total	885.7	377.6	-25.9
Operating profit, TTM, SEK m.	625.7	528.1	349.6
Cash generation	141.6%	71.5%	-7.4%

	2019/20 May-Apr	2018/19 May-Apr	2017/18 May-Apr
Net indebtedness			
Interest-bearing liabilities + provision for pensions, less cash and cash equivalents and short-term investments.			
Interest-bearing liabilities, SEK m.	2,273.7	2,245.8	1,978.5
Provisions for pensions, SEK m.	88.6	86.2	74.7
Cash and cash equivalents, short-term investments, SEK m.	381.6	251.4	215.5
Net indebtedness, SEK m.	1,980.7	2,080.6	1,837.7
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.	844.3	386.6	224.8
Number of shares, millions	52.0	52.0	52.0
Operating cash flow per share, SEK	16.24	7.43	4.32
Organic growth			
Changes in sales by like-for-like units, adjusted for acquisitions and foreign currency effects.			
Net sales for like-for-like units, SEK m.	8,428.3	7,853.1	7,107.6
Net sales for preceding year, SEK m.	8,326.5	7,301.2	6,863.6
Organic growth	1.2%	7.6%	3.6%
Earnings per share			
Profit for the period attributable to Parent Company shareholders, divided by the average number of shares during the period.			
Profit attributable to Parent Company shareholders	381.5	321.2	230.5
Number of shares, millions	52.0	52.0	52.0
Earnings per share	7.34	6.18	4.43
Operating margin			
Operating profit divided by net sales.			
Operating profit, SEK m.	625.7	528.1	349.6
Net sales, SEK m.	8,914.9	8,326.5	7,301.2
Operating margin	7.0%	6.3%	4.8%
Operating profit (EBIT)			
Earnings before financial items and tax, SEK m.	625.7	528.1	349.6
Equity/assets ratio			
Adjusted equity divided by total assets			
Adjusted equity, SEK m.	3,084.7	2,839.2	2,620.3
Total assets, SEK m.	7,099.9	6,810.8	6,161.1
Equity/assets ratio	43.4%	41.7%	42.5%

	2019/20 May-Apr	2018/19 May-Apr	2017/18 May-Apr
Capital employed			
Total assets less non-interest-bearing liabilities			
Total assets, SEK m.	7,099.9	6,810.8	6,161.1
Non-interest-bearing liabilities, SEK m.	1,710.4	1,682.6	1,524.9
Capital employed	5,389.5	5,128.2	4,636.2
Growth			
Growth is defined as the change in net sales, relative to net sales for the preceding period.			
Net sales, SEK m.	8,914.9	8,326.5	7,301.2
Net sales for preceding year, SEK m.	8,326.5	7,301.2	6,863.6
Growth	7.1%	14.0%	6.4%

	2019/20 May-Apr	2018/19 May-Apr	2017/18 May-Apr
Profit margin			
Profit after financial items divided by net sales			
Profit/loss after financial items, SEK m.	543.7	458.0	333.2
Net sales, SEK m.	8,914.9	8,326.5	7,301.2
Profit margin	6.1%	5.5%	4.6%

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 management, organisation and administration of customers and customer relations in a business.

ABOUT THE SUSTAINABILITY REPORT

Systemair's sustainability report is published annually as an integral part of the Company's annual report. The annual report presents a summary of the Company's accounts and administration, and describes how the Company has worked on the most important sustainability issues during the year. In deciding upon the content of its sustainability report, Systemair has applied the GRI principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Systemair's materiality analysis is described on page 31. 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 is described in the GRI Index on page 106. The scope of the statutory sustainability report is shown in the table on page 105. The sustainability report has not been examined by Systemair's auditors. We continuously assess the need for that type of examination but have not as yet taken any decision to change the method currently used. On page 108, it is confirmed that the auditors have noted that Systemair has drawn up a statutory sustainability report. The sustainability report accords with Systemair's financial year and thus covers the period 1 May 2019–30 April 2020. The previous report was published in August 2019.

CONDITIONS AND BOUNDARIES

The information presented in the sustainability report refers to all companies listed in Note 1 on pages 71–75; any organisational boundaries are mentioned alongside the information provided. Many of our sustainability aspects have an impact outside Systemair's legal frameworks, for example at our customers and suppliers and in local communities. We describe regularly, via our sustainability report, where each sustainability aspect has a direct impact, both in and outside the Company's boundaries.

BACKGROUND DATA FOR GRI INDICATORS

The following is a description of any assumptions and conversion factors used to obtain Systemair's GRI indicators.

Labelling of products and services

Customer satisfaction is a fundamental requirement to Systemair's continued expansion. On that basis, we have decided that labelling of products and services is a material sustainability aspect. We do not today have any Group-wide summary of data on customer satisfaction, but we are now looking into the possibilities for reporting such data in future.

Product liability

Taking responsibility for the products we sell and making sure that they comply with laws and regulation is a natural part of the Systemair process. As a result, we have decided that product liability is a material sustainability aspect. We do not have any way of reporting on any related indicator this year, but we are looking into the possibility of doing so in future.

Energy

We follow up energy consumption in our activities annually. We use the following conversion factors for the energy content of the various types of fuel.

Conversion factors	kWh/m ³
Oil	10,165
Diesel	10,165
Liquified natural gas	6,654
Natural gas	11

The table shows the energy content of the different fuels used in Systemair's activities. To convert energy consumption from MWh to GJ, the conversion factor 3.6 is used. The conversion factors are obtained from SEAI (Sustainable Energy Authority of Ireland).

Direct and indirect emissions of greenhouse gases according to the GHG protocol

Scope 1

Includes emissions from purchased oil and gas. Emission factors: IPCC 2006.

Scope 2

Includes electricity, district heating and district cooling. Emission factor, electricity: Carbonfootprint, country specific electricity grid greenhouse gas emission factors 2019, and Ecometrica, Electricity-specific emission factors for grid electricity 2011. Emission factor, district heating: Environmental Fact Book 2011. Emission factor, district cooling: SLU 2010.

Scope 3

Data for Scope 3 is not currently available.

Index Swedish Annual Accounts Act, Sustainability Report

The table below includes page references regarding strategic elements of Systemair's work on sustainability, which also constitutes 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, 12–13, 14–15				
Policy and its outcomes		30–33, 38–41, Code of Conduct	30–37, Code of Conduct	30–35, Code of Conduct	30–33, Code of Conduct
Risk and risk management		42	42	42	42
Goals and outcomes		11, 30–33, 38–41	11, 30–37	11, 30–35	11, 30–33

Systemair's Code of Conduct is available at: group.systemair.com/investor/corporate-governance/code-of-conduct/

GRI Index

Systemair reports on its work on sustainability in accordance with the international guidelines in the Global Reporting Initiative (GRI) Standards: Core level.

GRI Standard / Disclosure	Section, page	Remarks
GRI 102: GENERAL STANDARD DISCLOSURES		
Organisational profile		
102-1	Name of organisation	• Note 1, page 71
102-2	Activities, brands, products and services	• Our brands, inside cover • Systemair in Brief, page 1 • Systemair products in the community, pages 6-7 • Our value creation model, pages 14-15
102-3	Location of headquarters	• Directors' Report, page 56 • Note 37, page 98
102-4	Location of operations	• Systemair's market regions, pages 20-23 • Modern and well-invested production facilities, pages 26-27 • Directors' Report, page 56 • Note 4, page 78 • Note 30, page 93
102-5	Ownership and legal form	• The share and shareholders, pages 44-45
102-6	Markets served	• Systemair's market regions, pages 20-23 • Note 4, page 78
102-7	Scale of the organization, including total number of employees, operations, net sales, and capitalization	• The Year in Brief, pages 1, 3 • Our value creation model, pages 14-15 • Systemair – a global company, page 22 • 102-8 Information on employees, page 36 • Directors' Report, page 56 • Note 11, page 80 • Note 30, page 93
102-8	Information on employees and other workers	• 102-8 Information on employees, page 36
102-9	Supply chain	• Our value creation model, pages 14-15 • Sustainability framework, page 31 • Responsible enterprise, page 32
102-10	Significant changes to the organisation and its supply chain	• The Year in Brief, page 2 • Directors' Report, pages 56-59
102-11	Precautionary Principle or approach	Systemair complies with Swedish environmental legislation. In order to identify and prevent negative environmental impact, Systemair performs mandatory risk analyses based on the precautionary principle.
102-12	External initiatives	• New products for a better indoor climate, page 28 • Our sustainability work, page 30 • Sustainable products, page 40
102-13	Membership of associations	• Interview with Morten Schmelzer, pages 16-17 • New products for a better indoor climate, page 28
Strategy and analysis		
102-14	Statement from senior decision-maker	• CEO'S Statement, pages 4-5
102-15	Key impacts, risks and opportunities	• World class production and logistics, pages 24-25 • Modern and well-invested production facilities, pages 26-27 • New product for a better indoor climate, pages 28-29 • Our sustainability work, pages 30-31 • Risk management, page 42 • Note 2, page 75-76
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	• Responsible enterprise, pages 32-33 See also Systemair's Code of Conduct, which is available at group.systemair.com/investor/corporate-governance/code-of-conduct/
102-17	Mechanisms for advice and concerns about ethics	A whistle-blower function has been established through which matters can be reported anonymously.
Corporate Governance		
102-18	Governance structure	• Corporate Governance Report, pages 46-49
102-19	Delegating authority	• Our sustainability work, page 30 • Corporate Governance Report, pages 46-49
102-20	Executive-level responsibility for economic, environmental, and social topics	• Our sustainability work, page 30
102-21	Consulting stakeholders on economic, environmental, and social topics	• Our sustainability work, pages 30-31

GRI Standard / Disclosure		Section, page	Remarks
102-22	Composition of the highest governance body and its committees	• Corporate Governance Report, pages 46–49	
102-23	Chair of the highest governance body	• Corporate Governance Report, pages 46–49	
102-24	Nominating and selecting the highest governance body	• Corporate Governance Report, pages 46–49	
102-25	Conflicts of interest	• Corporate Governance Report, pages 46–49	
102-26	Role of highest governance body in setting purpose, values, and strategy	• Corporate Governance Report, pages 46–49	
102-27	Collective knowledge of highest governance body	• Corporate Governance Report, pages 46–49 • Board of Directors, pages 52–53	
102-28	Evaluating the highest governance body's performance	• Corporate Governance Report, pages 46–49	
102-29	Identifying and managing economic, environmental and social impacts	• Our sustainability work, pages 30–31 • Corporate Governance Report, pages 46–49	
102-30	Effectiveness of risk management processes	• Risk management, page 42 • Corporate Governance Report, pages 46–49	
102-31	Review of economic, environmental and social topics	• Our sustainability work, page 30 • Corporate Governance Report, pages 46–49	
102-32	Highest governance body's role in sustainability reporting	• Corporate Governance Report, pages 47–48 • Directors' Report, page 98	
102-33	Communicating critical concerns	• Corporate Governance Report, pages 46–49	
102-34	Nature and total number of critical concerns	• 205-3 Incidents of corruption, page 33	
102-35	Remuneration policies	• Remuneration policy, page 81	
102-36	Process for determining remuneration	• Corporate Governance Report, pages 46–49	
102-37	Stakeholders' involvement in remuneration	• Corporate Governance Report, pages 46–49	
102-38	Annual total compensation ratio	• Note 11, page 80–81	Systemair has not fully determined the compensation ratio in the Group.
102-39	Percentage increase in annual total compensation ratio		Systemair has not fully determined the compensation ratio in the Group.
Stakeholder engagement			
102-40	List of stakeholder groups	• Our value creation model, page 15	Systemair has identified customers, owners and investors, along with employees, as our most important stakeholders, on the basis of how much they are affected by, or affect, Systemair.
102-41	Collective bargaining agreements	• 102-41 Percentage of employees covered by collective bargaining agreements, page 36	
102-42	Identifying and selecting stakeholders	• Our sustainability work, pages 30–31	In the course of our work on producing a materiality analysis, a questionnaire-based survey of Systemair's stakeholders was conducted during the year. In addition to these specific questionnaires, there are many other forums where we engage in dialogue with our stakeholders on sustainability issues. Shareholders have the opportunity to express viewpoints to Management and Board of Directors at the Annual General Meeting. Via our employee survey and our intranet, Systemair's employees can make comments and put questions to Management. Employees can also discuss and obtain information on work environment and Company-related issues via work environment committees and consultation with their immediate superior. We also maintain ongoing dialogue with our customers on sustainability-related issues, an area that is becoming more and more important to many of our customers.
102-43	Approach to stakeholder engagement		
102-44	Key topics and concerns raised		
Reporting practice			
102-45	Entities included in the consolidated financial statements	• Note 1, pages 71–75	
102-46	Defining report content and topic Boundaries	• Note 1, pages 71–75	
102-47	List of material topics	• Materiality analysis, page 31	
102-48	Restatements of information	• Note 1, pages 71–75	
102-49	Changes in reporting	• Note 1, pages 71–75	
102-50	Reporting period	• About the Sustainability Report, page 104	
102-51	Date of most recent report	• About the Sustainability Report, page 104	
102-52	Reporting cycle	• About the Sustainability Report, page 104	
102-53	Contact point for questions regarding the report		Anders Ulff, CFO, anders.ulff@systemair.se
102-54	Claims of reporting in accordance with the GRI Standards	• About the Sustainability Report, page 104	
102-55	GRI content index	• Page 105	
102-56	External assurance	• About the Sustainability Report, page 104	Systemair's sustainability report has not been externally audited.

GRI Standard / Disclosure	Section, page	Remarks
GRI 103: MANAGEMENT APPROACH (2016)		
103-1	Explanation of the material topic and its Boundary	• Our sustainability work, pages 30–31
103-2	The management approach and its components	• Our sustainability work, pages 30–31
103-3	Evaluation of the management approach	• Our sustainability work, pages 30–31
SPECIFIC STANDARD DISCLOSURES – GRI 200 Economic performance		
GRI 201: Financial results (2016)		
201-1	201-1: Direct economic value generated and distributed	• Page 33
201-2	Financial implications and other risks and opportunities due to climate change	• Risk management, page 42
201-3	Defined benefit plan obligations and other retirement plans	• Directors' Report, pages 58–59 • Note 1, page 74 • Note 11, page 81 • Note 27, page 91
201-4	Financial assistance received from government	• Note 1, page 75
GRI 205: Anti-corruption (2016)		
205-3	Confirmed incidents of corruption and actions taken	• Page 33
GRI 206: Anti-competitive behaviour (2016)		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	• Page 33
SPECIFIC STANDARD DISCLOSURES – GRI 300: Environment		
GRI 302: Energy (2016)		
302-1	Energy consumption within the organisation	• Page 39
302-4	Reduction of energy consumption	• Page 39
		Energy consumption has decreased compared with the preceding period. The reason for the decrease has not been established. Systemair will henceforth develop routines and processes to monitor its energy consumption more closely.
GRI 305: Emissions (2016)		
305-1	Direct (Scope 1) GHG emissions	• Page 39
305-2	Indirect (Scope 2) GHG emissions	• Page 39
GRI 307: Environmental compliance (2016)		
307-1	Non-compliance with environmental laws and regulations	• Page 33
GRI 308: Supplier environmental assessment (2016)		
308-1	New suppliers that were screened using environmental criteria	• Page 33
SPECIFIC STANDARD DISCLOSURES – GRI 400: Social		
GRI 401: Employment (2016)		
401-1	New employee hires and employee turnover	• Page 36
GRI 403: Occupational health and safety (2018)		
403-9	Work-related injuries	• Page 37
403-10	Work-related ill health	• Page 37
GRI 404: Training and education (2016)		
404-1	Average hours of training per year per employee	• Page 37
404-3	Percentage of employees receiving regular performance and career development reviews	• Page 37
GRI 405: Diversity and equal opportunity (2016)		
405-1	Diversity of governance bodies and employees	• Page 37
GRI 406: Non-discrimination (2016)		
406-1	Incidents of discrimination and corrective actions taken	• Page 37
GRI 414: Supplier social assessment (2016)		
414-1	New suppliers that were screened using social criteria	• Page 33
GRI 416: Customer health and safety (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.
GRI 419: Socioeconomic compliance (2016)		
419-1	Non-compliance with laws and regulations in the social and economic area	• Page 33

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 2019/2020, on pages 30–41, 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 recommendation 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 practices in Sweden. In our view, this examination provides us with sufficient grounds for our opinion.

Opinion

A sustainability report has been prepared.

Stockholm, 8 July 2020
Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

ANNUAL GENERAL MEETING

Systemair will hold its Annual General Meeting (AGM) at 3.00 p.m. on Wednesday 26 August 2020 in the Aula at Systemair Expo, Skinnskatteberg, Sweden

As a precaution to reduce the risk of spreading Covid-19 it has been decided that no drinks or food will be served, customary speeches will be minimised and certain restrictions will be applied regarding the number of non-shareholders attending. In addition to the Chairman and CEO, members of the Board and of Group Management will attend the meeting in limited numbers.

Against the background of official regulations, Systemair wishes to encourage all shareholders to consider carefully the option of using postal voting instead of attending the AGM in person. If, having registered of attendance at the AGM, you experience symptoms of illness, such as a cold, coughing, a sore throat or a temperature, Systemair requests that you abstain from attending. In doing so, you would be helping to prevent any further spread of infection. Systemair is closely monitoring developments, and will if and when appropriate provide information updates on the Company's website.

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 Thursday, 20 August 2020 and must notify the Company of their intention to participate no later than 3.00 p.m. on Thursday, 20 August 2020.

Application shall be made either by completing the form at: group.systemair.com/registration/; by telephone on +46-(0)222 440 00; or by post to Systemair AB, Receptionen, 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 number of shares. 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. A power of attorney form is available on the Company's website, group.systemair.com/registration/ or may be requested by writing to the address above.

Anyone representing a legal entity must present a registration certificate, or the equivalent, confirming the person's authority to sign for the organisation. Powers of attorney, registration certificates and other authorisation 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 Thursday, 20 August 2020. 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, Thursday, 20 August 2020. 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.

POSTAL VOTING

Shareholders may exercise their voting rights at the AGM by postal voting. To cast a postal vote, a special form must be used. The form may be downloaded from the Company's website, group.systemair.com.

The postal vote form is also available by application to the Company. In the case of items for resolution on the AGM agenda where the Board of Directors or nominating committee has made a recommendation, options for voting Yes or No are clearly shown on the postal voting form. It is also possible to abstain from voting on any individual item for resolution. Postal votes must be received by the Company no later than 21 August 2020.

Completed forms, including any attachments, should be emailed to agm@systemair.se. Alternatively, the original voting document(s), completed, should be sent by post to Systemair AB, "Årsstämma", Industrivägen 3, SE-739 30 Skinnskatteberg, Sweden. If the shareholder is a legal entity, a copy of the entity's registration certificate or equivalent authorisation document for the legal entity should be attached to the form. The same applies to postal voting by a proxy on behalf of the shareholder. Shareholders may not attach special instructions or conditions to their postal vote. If they do so, their vote will be declared invalid in its entirety. Further instructions are provided on the postal voting form.

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

26 August 2020	Q1 Interim Report (May-July 2020/21)
10 December 2020	Q2 Interim Report (August-October 2020/21)
11 March 2021	Q3 Interim Report (November-January 2020/21)
10 June 2021	Q4 Interim Report (February-April 2020/21)
27 August 2021	Annual General Meeting, simultaneous publication of Q1 Interim Report 2021/22

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