

Systemair AB (publ)

Interim Report Q3

1 May 2016 – 31 January 2017

Third quarter, November 2016 – January 2017

- Net sales increased by 21.1 percent to SEK 1,715 million (1,416).
- Organic growth was 12.2 percent (-1.2).
- Operating profit (EBIT) totalled SEK 105 million (30).
- The operating margin was 6.1 percent (2.1).
- Profit after financial items totalled SEK 75 million (25).
- Profit after tax amounted to SEK 51 million (13).
- Earnings per share equalled SEK 0.98 (0.25).
- Cash flow from operating activities amounted to SEK 209 million (38).

Nine months, May 2016 – January 2017

- Net sales increased by 11.4 percent, to SEK 5,130 million (4,604).
- Organic growth was 8.0 percent (2.1).
- Operating profit (EBIT) totalled SEK 391 million (282).
- The operating margin was 7.6 percent (6.1).
- Profit after financial items totalled SEK 367 million (256).
- Profit after tax amounted to SEK 266 million (179).
- Earnings per share equalled SEK 5.11 (3.45).
- Cash flow from operating activities amounted to SEK 490 million (209).

Net sales Q3

SEK 1,715 m

EBIT Q3

SEK 105 m

Significant events during the period under review

- Restructuring programme under way in air conditioning segment.
- In August, Systemair acquired the Czech company group 2VV, which develops and manufactures air handling units for industrial and residential use as well as air curtains.
- In September, Systemair acquired TTL Tür + Torluftschleier Lufttechnische Geräte GmbH, a German high-end manufacturer of air curtains for commercial applications.

	2016/17 Nov-Jan 3 mths	2015/16 Nov-Jan 3 mths	2016/17 May-Jan 9 mths	2015/16 May-Jan 9 mths
Net sales, SEK m.	1,715.4	1,416.3	5,130.4	4,603.9
Growth, %	21.1	-1.1	11.4	5.1
Operating profit, SEK m.	105.1	30.1	391.3	281.8
Operating margin, %	6.1	2.1	7.6	6.1
Profit after tax, SEK m.	50.8	13.0	265.5	179.5
Earnings per share, SEK	0.98	0.25	5.11	3.45
Operating cash flow per share, SEK	4.01	0.74	9.42	4.02

Organic growth in all regions

During the third quarter, organic growth reached 12.2 percent. Growth was healthy in many countries and especially good in Turkey, Norway, Denmark and France. Earnings continued to improve compared with the preceding year, partly explained by a calendar effect. Adjusted operating profit for the quarter was SEK 120 million, compared to SEK 40 million for the same quarter the preceding year. The restructuring costs for the quarter were SEK 15 million.

The market

The market developed strongly in many countries during the third quarter. Price increases were implemented on an ongoing basis to offset increased raw material prices. During the quarter, deliveries were made to several major projects. The Nordic market remains buoyant, as do several markets in Western Europe. The Russian market had its first quarter of weak growth in a long time, although for the most recent nine-month period sales declined. In the Other markets region, Turkey, the Middle East and India achieved healthy growth.

Restructuring programme

The restructuring programme is under way in the parts of the Group affected. The programme focuses on the air conditioning segment, acquired in recent years, and specific lossmaking units in various countries. The programme consists of capacity adjustments and a review of the product range. The cost of the programme will rise to approximately SEK 45 million in total, with estimated annual cost savings of SEK 45 million and full impact within two years. The cost thus far is SEK 26 million, of which SEK 15 million arose in the third quarter. Activities to boost earnings in production, logistics and sales continue apace.

Acquisitions

In August, we acquired the Czech company 2VV, a major local manufacturer of industrial and residential air handling units as well as air curtains. The acquisition creates opportunities for product and manufacturing synergies in our European units. Integration of the company is advancing as planned. Our acquisition of German air curtain maker TTL has also progressed as anticipated.



Investments

Our current investment project in Turkey, a new factory, will provide us with more production capacity at lower cost when it is completed in autumn 2017.

In Skinnskatteberg, we completed major investments in machinery intended to improve productivity in sheet metal forming. A new technical centre is under construction at the plant in Skinnskatteberg. This investment includes a state-of-the-art laboratory for sound and air-flow measurements, a prototype workshop, training facilities and offices. The official opening is scheduled for summer 2017.

Outlook

Growth is strong in several of our major markets. The Russian market is showing positive signs, though sales today are less than half the level they were when the market peaked three years ago.

Leveraging our global presence, we can utilise our resources and our market presence to identify and adapt the applications and opportunities that emerge. Trends in urbanisation, combined with increased demand for energy-efficient solutions, provide good opportunities for future growth.

We will also continue to make acquisitions and invest in production equipment, product development and marketing in order to keep growing.

Roland Kasper
President and CEO

Sales and markets

Group sales for the third quarter of the 2016/17 financial year totalled SEK 1,715.4 million (1,416.3), up 21.1 percent from the same period the preceding year.

Adjusted for both foreign exchange effects and acquisitions, net sales grew 12.2 percent. Growth in acquired operations was 4.1 percent, while foreign exchange effects boosted sales 4.8 percent during the period.

Geographic breakdown of Q3 sales

Nordic region

During the third quarter, sales in the Nordic region increased 31 percent from the preceding year. All Nordic markets performed strongly during the quarter. In Norway, tunnel ventilation has seen positive development. Adjusted for foreign exchange effects and acquisitions, sales rose 22 percent.

Western Europe

During the quarter, sales in the Western European market were 15 percent stronger than in the corresponding period in the preceding year. Adjusted for foreign exchange effects and acquisitions, sales increased 6 percent. Several markets in the region performed well during the period, such as Belgium, France and the Netherlands.

Eastern Europe and CIS

Sales in Eastern Europe and the CIS increased 23 percent during the quarter. Adjusted for foreign exchange effects and acquisitions, sales increased 5 percent. During the period, the Russian market accounted for 5 percent of Systemair's total sales, compared with 6 percent in the preceding year.

North and South America

Sales in the North and South America region rose 14 percent in the quarter compared to the same period the preceding year. The U.S. market advanced during the quarter, once again propelled by major projects related to classroom air handling units. Adjusted for foreign exchange effects and acquisitions, sales increased 5 percent.

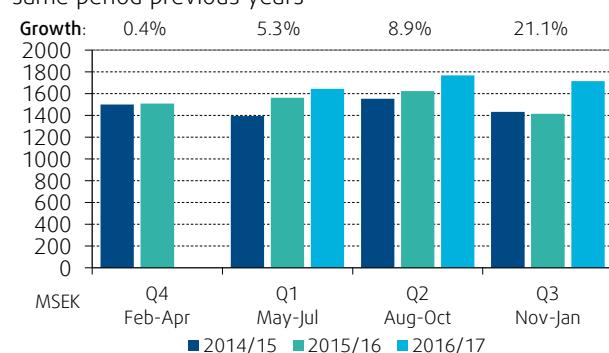
Other markets

Sales in Other markets increased 24 percent compared with the same period the preceding year. The Turkish market continued to perform very well during the quarter. Sales also increased in Malaysia, the Middle East and India.

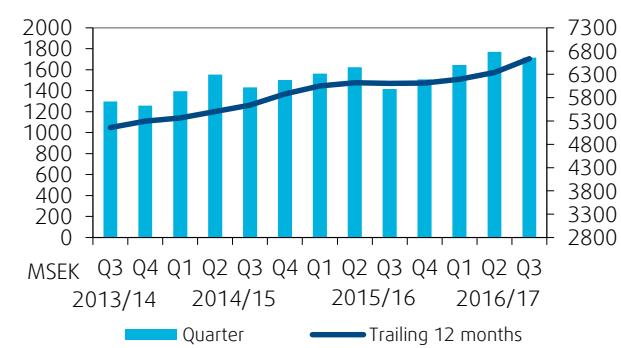
	2016/17 Nov-Jan 3 mths	2015/16 Nov-Jan 3 mths	Sales change	Of which, organic	2016/17 May-Jan 9 mths	2015/16 May-Jan 9 mths	Sales change	Of which, organic
Nordic region	444.5	339.1	31%	22%	1,213.7	1,061.7	14%	11%
Western Europe	649.2	565.8	15%	6%	2,019.2	1,814.5	11%	7%
Eastern Europe & the CIS	253.9	206.4	23%	5%	736.5	737.4	0%	-5%
North and South America	124.0	108.5	14%	5%	440.9	379.1	16%	12%
Other markets	243.8	196.5	24%	24%	720.1	611.2	18%	19%
Total	1,715.4	1,416.3	21%	12%	5,130.4	4,603.9	11%	8%

(Sales figures are based on the geographic domicile of customers.)

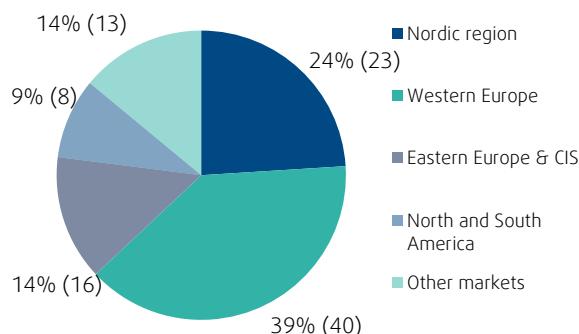
Net sales per quarter compared with same period previous years



Net sales



Sales by market, 9 months 2016/17 (2015/16)



Profit in the third quarter

The gross profit for the third quarter amounted to SEK 578.4 million (477.7), up 21.1 percent from the same period the preceding year. The gross margin was 33.7 percent (33.7). On a full-year basis, the gross margin improved slightly, from 34.5 percent, to 34.6 percent.

The operating profit for the third quarter reached SEK 105.1 million (30.1), an increase of 249 percent from the same period the preceding year. The operating margin was 6.1 percent (2.1). Adjusted for the restructuring programme, the operating profit for the quarter was SEK 120.3 million and the operating margin 7.0 percent.

Selling and administration expenses for the quarter totalled SEK 496.8 million (440.0), up SEK 56.8 million. Companies acquired accounted for SEK 12.1 million of costs in the quarter, so selling and administration expenses for comparable units rose by SEK 44.7 million, or 10.2 percent.

Selling expenses were charged with SEK 8.0 million (1.1) for anticipated and confirmed impairment of trade receivables. No acquisition-related costs were charged to profit for the quarter (0.0). The restructuring programme, launched in the 2015/16 financial year and expected to cost a total of SEK 45 million, accounted for expenses of SEK 15.2 million in the quarter.

Net financial items for the third quarter ended at SEK -29.9 million (-4.7). The net effect of foreign exchange on non-current receivables, loans and bank balances was SEK -25.7 million (-0.3). This was mainly attributable to the depreciation of the Turkish lira and the appreciation of the Russian ruble. Interest expense for the quarter was SEK -6.2 million (-5.0).

Tax expense

The tax expense for the quarter is estimated at SEK -24.4 million (-12.4), corresponding to an effective tax rate of 32.5 percent based on profit after net financial items.

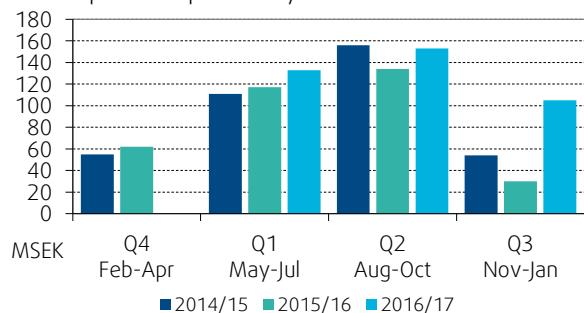
Acquisitions and new operations

In August, Systemair acquired the Czech company group 2VV, a leading developer and manufacturer of air handling units for industrial and residential use. The company also produces air curtains for commercial applications in the region. The company has 189 employees and is based in Pardubice, 120 kilometres east of Prague. In 2015, the company reported sales of around EUR 18 million.

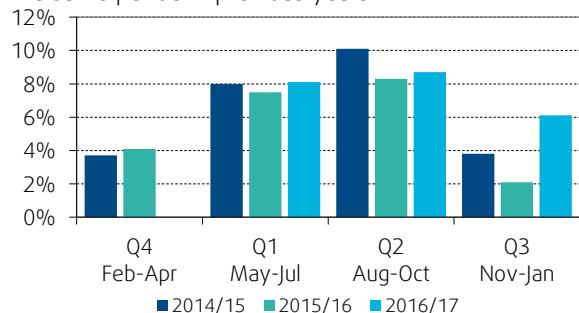
In September, Systemair acquired the assets of TTL Tar + Torluftschleier Lufttechnische Geräte GmbH, a German high-end manufacturer of air curtains for commercial use. TTL is located in Winterbach, west of Stuttgart, and has sales of around EUR 4 million. In addition to the company's assets, Systemair also took over 24 employees and TTL's 4,000 m² leased factory and office building.

If the companies acquired had been consolidated starting 1 May 2016, net sales for the period under review would have been approximately SEK 5,205.3 million. The operating profit for that period would have totalled approximately SEK 395.2 million. Note 1 in this report contains an acquisition analysis and the effects of the acquisitions on the Group's cash and cash equivalents.

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



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



Investments, depreciation and amortisation

Investments for the quarter, excluding divestments, totalled SEK 89.9 million (52.4), including SEK 81.2 million (42.5) in new construction and machinery. Investments consisted primarily of capacity and replacement investments at a number of factories. Acquisitions and additional purchase considerations previously withheld totalled SEK 5.1 million (5.9) for the quarter. Depreciation of property, plant and equipment equalled SEK 47.8 million (43.3).

Personnel

The average number of employees in the Group was 4,772 (4,555). At the end of the period, Systemair had 5,115 employees (4,721), 394 more than one year previous. New hires have mostly been added at Systemair in Turkey (52), Sweden (31), Malaysia (22), Denmark (18), Germany (17), Canada (16), Norway (12) and Lithuania (10). Personnel cutbacks were made in Russia (-36), at Menerga in Germany (-13), and Brazil (-11). Through company acquisitions, 259 employees joined the Group, including 12 at Menerga, Poland, 189 at 2VV, Czech Republic, and 22 at TTL, Germany.

Cash flow and financial position

Cash flow from operating activities before changes in working capital totalled SEK 78.8 million (20.3) for the quarter. Changes in working capital, mainly consisting of a decrease in accounts receivable, had a positive impact of SEK 129.8 million (18.1) on cash flow. Cash flow from financing operations totalled SEK -122.9 million (-24.6) net. At the end of the period, net indebtedness was SEK 1,304.1 million (1,349.5). The consolidated equity/assets ratio was 45.5 percent (43.6) at the end of the period.

Events after the close of the period

No significant events occurred after the end of the period.

Istanbul's new airport chooses Systemair

Systemair has received an order worth about EUR 9.5 million for Istanbul's new airport. The airport is one of Turkey's largest construction projects ever. Systemair will deliver 531 air-conditioning systems and 5,630 fan convectors.

Material risks and uncertainty

Systemair is exposed to operational and financial risks in its business. Operational risks include the international nature of the operations, tough competition and the sensitivity of the construction industry to the business cycle. The financial risks that Systemair has identified in its business consist of foreign exchange risk, borrowing and interest rate risk, and credit and liquidity risk. The material risks and uncertainties affecting Systemair are described in more detail in the company's 2015/16 Annual Report. No significant change occurred in the risk situation during the period.

Related party transactions

Systemair's significant transactions with related parties concern ebmpapst AB and ebmpapst Mulfingen GmbH & Co. KG. Transactions with related parties are described in detail in Note 36 to the accounts in the Annual Report for the 2015/16 financial year. During the period, no change worthy of mention occurred in the scale of these transactions.

Parent Company

Parent Company net sales for the financial year were SEK 72.3 million (66.0). Operating profit was SEK -59.6 million (-38.2). The company had 44 employees (42). The core business of the Parent Company is that of intra-Group services.

Systemair in Brief

Systemair is a leading ventilation company with operations in 49 countries in Europe, North America, South America, the Middle East, Asia and Africa. The company had sales of approximately SEK 6.1 billion in the 2015/16 financial year and approximately 5,000 employees. Systemair has reported an operating profit every year since 1974, when the company was founded. During the past 15 years, the Company's growth rate has averaged about 12 percent.

Systemair has well-established operations in growth



markets. The Group's products are marketed under the Systemair, Frico, VEAB, Fantech, Menerga and Holland Heating brands. Systemair shares have been quoted on the Mid Cap List of the Nasdaq OMX Nordic Exchange in Stockholm since October 2007. The Group comprises about 70 companies.

About Systemair

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

Mission statement

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

Business model

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

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

Strategies

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

- Innovative product development and a broad product range focusing on energy-efficient air handling products.
- High product availability and fast delivery via an efficient production, logistics and IT organisation.
- Development and expansion of Systemair's own sales organisation.

- Good relationships with ventilation contractors, distributors and consultants.
- A highly diversified customer base reduces our vulnerability to fluctuations in the economy.
- Early presence in growth markets.
- Strategy of acquisition and establishment to expand market shares.

Miscellaneous

The information in this Interim Report is information that Systemair is required to disclose in accordance with the Swedish Securities Markets Act (*lagen om värdepappersmarknaden*) and/or the Swedish Financial Instruments Trading Act (*lagen om handel med finansiella instrument*). This information is to be submitted for publication at 8.00 a.m. on 23 February 2017.

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

Skinnskatteberg, 23 February 2017
Systemair AB (publ)

Board of Directors

Calendar

Year-end report Q4 2016/17

8:00 a.m., 8 June 2017

Interim report Q1 2017/18

1:00 p.m., 24 August 2017

Contact

President and CEO Roland Kasper

Telephone: +46 (0)222-440 13, +46 (0)730-94 40 13

E-mail: roland.kasper@systemair.se

Chairman Gerald Engström

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

E-mail: gerald.engstrom@systemair.se

CFO Anders Ulff

Tel. +46 (0)222-440 09, +46 (0)70-577 40 09

E-mail: anders.ulff@systemair.se

Systemair AB (publ)

Corp. reg. no. 556160-4108

SE-739 30 Skinnskatteberg, Sweden

Tel. +46-(0)222-44 000

info@systemair.se

www.systemair.com.

Summary income statement

	Group						Parent Company	
	2016/17 Nov-Jan 3 mths	2015/16 Nov-Jan 3 mths	2016/17 May-Jan 9 mths	2015/16 May-Jan 9 mths	2016/17 Feb-Jan TTM	2015/16 May-Apr 12 mths	2016/17 May-Jan 9 mths	2015/16 May-Jan 9 mths
SEK m.								
Net sales	1,715.4	1,416.3	5,130.4	4,603.9	6,639.0	6,112.5	72.3	66.0
Cost of goods sold	-1,137.0	-938.6	-3,355.4	-3,015.7	-4,350.1	-4,010.4	-	-
Gross profit	578.4	477.7	1,775.0	1,588.2	2,288.9	2,102.1	72.3	66.0
Other operating income	39.5	17.4	85.7	56.2	109.8	80.3	2.3	0.7
Selling expenses	-401.8	-352.6	-1,117.2	-1,035.6	-1,481.4	-1,399.8	-31.4	-39.3
Administration expenses	-95.0	-87.4	-264.0	-249.7	-351.4	-337.1	-60.5	-47.2
Other operating expenses	-16.0	-25.0	-88.2	-77.3	-112.3	-101.4	-42.3	-18.4
Operating profit	105.1	30.1	391.3	281.8	453.6	344.1	-59.6	-38.2
Net financial items	-29.9	-4.7	-24.4	-26.3	-34.9	-36.8	235.7	529.2
Profit after financial items	75.2	25.4	366.9	255.5	418.7	307.3	176.1	491.0
Appropriations	-	-	-	-	-	-	-3.5	29.2
Tax on profit for the period	-24.4	-12.4	-101.4	-76.0	-125.5	-100.1	9.1	-0.9
Profit for the period¹⁾	50.8	13.0	265.5	179.5	293.2	207.2	181.7	519.3
Earnings per share, SEK ²⁾	0.98	0.25	5.11	3.45	5.64	3.98	-	-

Statement of comprehensive income

Profit for the period	50.8	13.0	265.5	179.5	293.2	207.2	181.7	519.3
Other comprehensive income								
<i>Items that have been, or may later be, transferred to profit for the year:</i>								
Translation differences	-96.9	-47.7	42.8	-91.7	48.6	-85.9	1.8	-1.5
Impact of tax	0.0	0.0	-0.4	0.3	-0.2	0.5	-0.4	0.3
<i>Items that cannot be transferred to profit for the year:</i>								
Revaluation of defined-benefit pensions, net after tax	-	-	-	-	8.2	8.2	-	-
Other comprehensive income	-96.9	-47.7	42.4	-91.4	56.6	-77.2	1.4	-1.2
Total comprehensive income for the period¹⁾	-46.1	-34.7	307.9	88.1	349.8	130.0	183.1	518.1

1) The profit for the period is attributable in its entirety to Parent Company shareholders.
 2) There is no dilution effect, because the options programme in operation has been arranged by Färna Invest.

Summary balance sheet

SEK m.	Group			Parent Company	
	31/01/2017	31/01/2016	30/04/2016	31/01/2017	31/01/2016
ASSETS					
Goodwill	676.4	624.8	621.8	0.3	0.4
Other intangible assets	196.1	194.4	189.3	4.0	2.6
Property, plant and equipment	1,377.8	1,284.2	1,273.6	17.9	7.5
Financial and other assets	202.1	182.1	180.5	2,308.2	2,134.0
Total non-current assets	2,452.4	2,285.5	2,265.2	2,330.4	2,144.5
Inventory	1,132.3	1,049.4	1,105.1	-	-
Current receivables	1,283.8	1,204.9	1,255.2	1,120.0	1,131.2
Cash and cash equivalents	212.9	198.6	176.9	-	-
Total current assets	2,629.0	2,452.9	2,537.2	1,120.0	1,131.2
TOTAL ASSETS	5,081.4	4,738.4	4,802.4	3,450.4	3,275.7
EQUITY AND LIABILITIES					
Equity	2,312.1	2,066.3	2,108.2	1,928.6	1,840.5
Untaxed reserves	-	-	-	5.7	9.1
Non-current liabilities, non-interest-bearing	235.2	252.3	238.7	-	-
Non-current liabilities, interest-bearing	372.1	229.5	196.7	526.2	315.8
Total non-current liabilities	607.3	481.8	435.4	526.2	315.8
Current liabilities, interest-bearing	1,086.0	1,245.9	1,309.0	936.8	1,076.6
Current liabilities, non-interest-bearing	1,076.0	944.4	949.8	53.1	33.7
Total current liabilities	2,162.0	2,190.3	2,258.8	989.9	1,110.3
TOTAL EQUITY AND LIABILITIES	5,081.4	4,738.4	4,802.4	3,450.4	3,275.7

Summary consolidated cash flow statement

SEK m.	2016/17	2015/16	2016/17	2015/16	2015/16
	Nov-Jan 3 mths	Nov-Jan 3 mths	May-Jan 9 mths	May-Jan 9 mths	May-Apr 12 mths
Operating profit	105.1	30.1	391.3	281.8	344.1
Adjustment for non-cash items	1.5	48.3	114.1	117.9	143.8
Financial items	-4.3	-4.4	-15.6	-14.2	-18.9
Income tax paid	-23.5	-53.7	-94.3	-99.6	-138.8
Cash flow from operating activities before changes in working capital	78.8	20.3	395.5	285.9	330.2
Changes in working capital	129.8	18.1	94.5	-77.0	-161.3
Cash flow from operating activities	208.6	38.4	490.0	208.9	168.9
Cash flow from investing activities	-87.4	-45.9	-246.2	-171.9	-212.1
Cash flow from financing activities	-122.9	-24.6	-215.8	0.7	53.5
Cash flow for the period	-1.7	-32.1	28.0	37.7	10.3
Cash and cash equivalents at start of period	229.5	242.3	176.9	187.8	187.8
Translation differences, cash and cash equivalents	-14.9	-11.6	8.0	-26.9	-21.2
Cash and cash equivalents at close of period	212.9	198.6	212.9	198.6	176.9

Statement of Changes in Equity – Group

SEK m.	2016/17		2015/16		2015/16	
	May-Jan	Total equity	May-Jan	Total equity	May-Apr	Total equity
Amount at beginning of year	2,108.2	2,108.2	2,082.2	2,082.2	2,082.2	2,082.2
Dividend	-104.0	-104.0	-104.0	-104.0	-104.0	-104.0
Comprehensive income	307.9	307.9	88.1	88.1	130.0	130.0
Amount at end of period	2,312.1	2,312.1	2,066.3	2,066.3	2,108.2	2,108.2

Key ratios for the Group

		2016/17	2015/16	2016/17	2015/16	2015/16
		Nov-Jan 3 mths	Nov-Jan 3 mths	May-Jan 9 mths	May-Jan 9 mths	May-Apr 12 mths
Net sales	SEK m	1,715.4	1,416.3	5,130.4	4,603.9	6,112.5
Growth	%	21.1	-1.1	11.4	5.1	3.9
Operating profit	SEK m	105.1	30.1	391.3	281.8	344.1
Operating margin	%	6.1	2.1	7.6	6.1	5.6
Profit after net fin. items	SEK m	75.2	25.4	366.9	255.5	307.3
Profit margin	%	4.4	1.8	7.2	5.6	5.0
Return on capital employed	%	11.9	9.3	11.9	9.3	10.2
Return on equity	%	12.9	9.9	12.9	9.9	9.8
Equity/assets ratio	%	45.5	43.6	45.5	43.6	43.9
Investments	SEK m	87.4	45.9	246.2	171.9	212.1
Depreciation/Amortisation	SEK m	47.8	43.3	137.7	131.9	178.2
Per share ratios						
Earnings per share	SEK	0.98	0.25	5.11	3.45	3.98
Equity per share	SEK	44.46	39.74	44.46	39.74	40.54
Operating cash flow per share	SEK	4.01	0.74	9.42	4.02	3.25
No. of shares at end of period	no.	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000

Quarterly key ratios – Group

		2016/17				2015/16				2014/15	
		Nov-Jan	Aug-Oct	May-Jul	Feb-Apr	Nov-Jan	Aug-Oct	May-Jul	Feb-Apr	Nov-Jan	
		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Net sales	SEK m	1,715.4	1,769.2	1,645.9	1,508.7	1,416.3	1,624.4	1,563.1	1,502.4	1,431.6	
Growth	%	21.1	8.9	5.3	0.4	-1.1	4.5	12.1	19.4	10.3	
Gross margin	%	33.7	35.2	34.8	34.1	33.7	35.4	34.3	33.5	33.6	
Operating profit	SEK m	105.1	153.2	133.0	62.2	30.1	134.3	117.5	55.1	54.1	
Operating margin	%	6.1	8.7	8.1	4.1	2.1	7.3	7.5	3.7	3.8	
Return on capital employed	%	11.9	10.5	10.1	10.2	9.3	10.5	12.4	12.5	19.8	
Return on equity	%	12.9	11.6	10.6	9.8	9.9	11.4	13.0	15.1	27.4	
Equity/assets ratio	%	45.5	43.9	45.0	43.9	43.6	42.8	44.9	44.4	46.4	
Basic equity per share	SEK	44.46	45.35	43.85	40.54	39.74	40.40	41.61	40.04	39.64	
Basic earnings per share	SEK	0.98	2.22	1.91	0.53	0.25	1.65	1.55	0.56	0.84	
Cash flow from operating activities per share	SEK	4.01	3.22	2.19	-0.77	0.74	2.34	0.94	-0.25	1.49	

General accounting policies and principles

Systemair applies International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report was prepared for the Group in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 and IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and RFR 2. The accounting principles and methods of calculation applied for the Group and Parent Company accord with those used in preparing the most recent Annual Report.

Note 1 – Acquisition analysis

The purchase consideration for the shares in the 2VV Group in the Czech Republic and for the assets of TTL in Germany may be divided as follows:

Total historical cost, less transaction costs	SEK 123.4 million
Identifiable net assets	Total
Goodwill	34.7
Brands and customer relationships	27.4
Buildings and land	22.5
Machinery and equipment	40.4
Financial and other current assets	1.6
Inventory	33.4
Current receivables	23.3
Other current assets	9.1
Cash and cash equivalents	2.6
Non-interest-bearing liabilities (incl. deferred tax liability)	-5.7
Interest-bearing liabilities	-31.8
Other operating liabilities	-34.1
	123.4

Transaction costs in the acquisition of subsidiaries totalled SEK 0.1 million.

The total effect on cash flow from the acquisitions, including payment of a formerly withheld additional purchase consideration for prior years' acquisitions, amounted to SEK -119.0 million. A non-interest-bearing non-current liability relating to the withheld purchase consideration for the above-mentioned acquisitions totals SEK 7.0 million.

Brands and customer relationships have been stated at the net present value of future payment flows. The useful life of these assets has been estimated at 5-10 years.

The goodwill upon acquisition is attributable to the strong market position of the companies acquired, synergy effects expected to arise after the acquisition and the company's estimated future earning capacity.

Note 2 – Financial instruments

Systemair's financial instruments consist of derivatives, trade receivables, cash and cash equivalents, available-for-sale financial assets, trade payables, accrued supplier costs and interest-bearing liabilities. Liabilities to credit institutions carry variable interest rates or, in certain cases, rates fixed for a short period. Derivatives are measured at fair value through profit or loss on the basis of input data corresponding to level 2 as defined in IFRS 13. Available-for-sale financial assets are measured at fair value on the basis of input data corresponding to level 1 as defined in IFRS 13. Other financial assets and liabilities are short-term. For that reason, the fair values of all financial instruments are considered to equate approximately to the carrying amounts. Systemair has not recognised any financial assets or liabilities net.

Note 3 – Segment reporting

Starting from the 2016/17 financial year, Systemair is aggregating the geographical segments Europe and Rest of the World. The market segment Europe accounts for the majority of Systemair's business. Overall, the Europe segment consists of a large number of markets. The legal entities within Europe work with each other in manufacturing and sales. The Company also judges that in every material respect similar economic conditions exist in the region, so the legal entities within the region have been merged. Systemair further judges that accounting for the merged segments Europe and Rest of World presents a clearer picture. The Parent Company is reported as a separate segment, Group-wide. The subsidiaries are aggregated on the basis of their legal domicile, and consolidation is done according to the same principles as for the Group as a whole.

SEK m.	2016/17 Nov-Jan 3 mths	2015/16 Nov-Jan 3 mths	2016/17 May-Jan 9 mths	2015/16 May-Jan 9 mths
Europe				
Net sales, external	1,374.1	1,158.5	4,104.5	3,779.6
Net sales, intra-Group	41.9	34.4	128.3	112.8
Operating profit	78.6	35.3	376.4	281.9
Operating margin, %	5.7	3.0	9.2	7.5
Assets	2,499.4	2,322.5	2,499.4	2,322.5
Investments	72.4	37.4	102.2	107.9
Depreciation/Amortisation	41.0	37.3	117.6	114.0
Rest of World				
Net sales, external	341.3	257.9	1,025.9	824.3
Net sales, intra-Group	1.5	5.7	9.9	19.1
Operating profit	27.3	7.7	74.2	38.0
Operating margin, %	8.0	3.0	7.2	4.6
Assets	790.5	662.7	790.5	662.7
Investments	4.2	2.6	11.1	24.0
Depreciation/Amortisation	5.9	5.3	17.3	15.6
Group-wide				
Net sales, intra-Group	25.1	20.8	72.3	65.9
Operating profit	-0.8	-12.9	-59.3	-38.1
Assets	3,456.3	3,281.4	3,456.3	3,281.4
Investments	10.8	5.9	132.9	40.0
Depreciation/Amortisation	0.9	0.7	2.8	2.3
Eliminations				
Net sales, intra-Group	-43.5	-40.1	-138.2	-131.8
Assets	-1,664.8	-1,528.2	-1,664.8	-1,528.2
Total				
Net sales, external	1,715.4	1,416.4	5,130.4	4,603.9
Operating profit	105.1	30.1	391.3	281.8
Operating margin, %	6.1	2.1	7.6	6.1
Assets	5,081.4	4,738.4	5,081.4	4,738.4
Investments	87.4	45.9	246.2	171.9
Depreciation/Amortisation	47.8	43.3	137.7	131.9

Alternative performance measures

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

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

Definitions of key ratios

Operating profit (EBIT)

Earnings before financial items and tax.

Growth

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

Organic growth

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

Operating margin

Operating profit divided by net sales.

Adjusted operating profit

Operating profit excluding costs for restructuring programme

Profit margin

Profit after financial items divided by net sales.

Return on capital employed

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

Capital employed

Total assets less non-interest-bearing liabilities.

Return on equity

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

Number of employees

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

Earnings per share

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

Operating cash flow per share

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

Equity/assets ratio

Adjusted equity divided by total assets.

Equity per share

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

Glossary

The Ecodesign Directive – Energy-Related Products

The Ecodesign Directive lays down minimum requirements for energy performance in products and prohibits the most energy- and resource-intensive products in the EU market.

Eurovent and AMCA

Organisations that certify products in the ventilation industry in the markets in Europe, the Middle East, Asia and North America, on the basis of impartial third-party inspection.

Low-energy and passive houses

Low-energy or passive houses that are built airtight and are subject to strict demands for effective ventilation and low energy consumption.

Applications

Uses of products in different types of building, for example, single-family homes, apartment blocks, hospitals, industrial buildings and tunnels.

BMS (Building Management System)

In a building, the computerised system that controls and monitors functions such as those for the building's ventilation, lighting, electricity supply, fire safety and security.

ERP (Enterprise Resource Planning) system

An IT system that manages, for example, processes such as financial management, sales and service, logistics, distribution and production.

CRM (Customer Relations Management) system

An IT system that handles control, organisation and administration of customers and customer relations in a business.