

ANNUAL REPORT  
2011/12



CONTENTS

- 1 The Year in Brief
- 2 CEO's Statement
- 4 Business Concept, Goal and Strategy
- 6 Operations
- 12 Market
- 18 The Group's Brands
- 20 Products
- 24 Product Development
- 27 Logistics
- 28 Production Facilities
- 30 Sustainability
- 33 Personnel
- 36 The Systemair Share
- 38 Directors' Report
- 43 Corporate Governance Report
- 48 Board of Directors
- 49 Group Management
- 50 Consolidated Income Statement
- 51 Consolidated Balance Sheet
- 53 Statement of Changes in Equity – Group
- 54 Consolidated Cash Flow Statement
- 55 Parent Company Income Statement
- 56 Parent Company Balance Sheet
- 58 Statement of Changes in Equity – Parent Company
- 59 Parent Company Cash Flow Statement
- 61 Accounting Policies and Notes to the Accounts
- 77 Audit Report
- 78 Key Ratios and Definitions
- 79 Our Companies
- 80 Annual General Meeting

# Simple, effective and reliable

Systemair is a leading ventilation company with operations on four continents. Systemair manufactures high-quality standardised ventilation products. Our main focus is to develop products which are simple, robust and that supply, extract, convey, heat, cool and distribute air energy-efficiently in a building. Our products are robust and easy to select, install and use.

## Facts in brief

- Sales for financial year 2011/12 totalled SEK 4 billion.
- Established in 1974 by Chief Executive Officer Gerald Engström and others.
- The Company has its registered office and headquarters in Skinnskatteberg, Sweden.
- Operations in 44 countries in Europe, North and South America, the Middle East, Asia and South Africa.
- The Group is made up of 53 operating companies with a total of 3,127 employees.
- 17 factories with warehouse and production facilities extending over more than 200,000 m<sup>2</sup>.
- Systemair shares have been quoted on NASDAQ OMX Stockholm (Mid Cap List) since October 2007.

## Our strengths

### High quality at best possible price

Systemair is a well-known brand in the ventilation industry. We offer the market what is needed: consistently high-quality products at the best possible price.

### Trust our most important watchword

Trust - Reliability, is our most important watchword. Our customers can trust that they will receive the right products, with the correct performance, and delivered on time.

### Growth is part of our culture

We will continue to grow organically and by acquisitions. Credibility and constant product development create a framework for stable growth.

SEK 4 bn

Sales in 2011/12

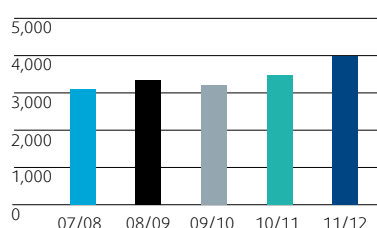
» We identify excellent prospects for a good return from acquisitions, product development and the market investments we carried out during the year. «

# 2011/2012 in brief

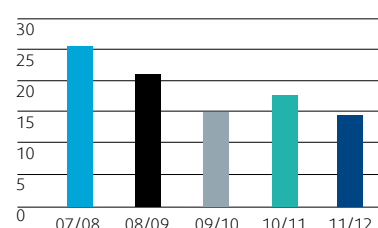
## Significant events

- In March 2012, Systemair acquired sales company DT Termo, based in Serbia and Montenegro.
- In mid-January 2012, Systemair completed its acquisition of Airwell's chiller factory in Italy.
- A new sales office in Taiwan was opened in December 2011.
- In December, Systemair secured a major order for University Hospital New Karolinska Solna, Stockholm. The order is valued at around SEK 60 million.
- The acquisition of air handling unit manufacturer IAPL, India, was finalised in December 2011.
- German sales company Frivent was acquired in November 2011.
- In August 2011, Systemair acquired cooling company Kryotherm in Piteå, Sweden.
- In June 2011, Systemair acquired Ventrade, a Russian ventilation distributor.
- In May 2011, Systemair was nominated as winner of The Indoor Climate Prize 2010.

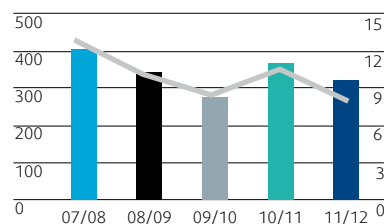
Net sales, SEK m.



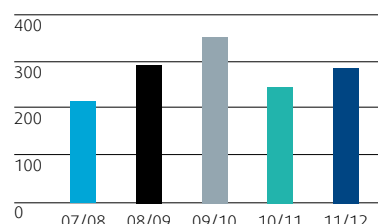
Return on capital employed, %



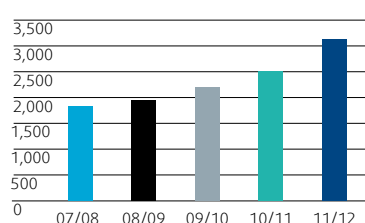
Operating profit (EBIT), SEK m./ EBIT margin, %



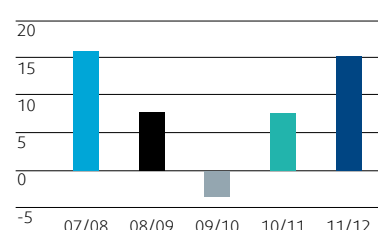
Cash flow from operating activities, SEK m.



Number of employees at end of period



Growth in sales, %



### Key Ratios

	2011/12	2010/11	2009/10	2008/09
Net sales, SEK m.	3,996.9	3,467.3	3,218.6	3,333.1
Growth, %	15.3	7.7	-3.4	7.8
Operating profit, SEK m.	319.8	367.0	274.7	341.0
Operating margin, %	8.0	10.6	8.5	10.2
Profit margin, %	7.4	9.8	7.6	9.0
Return on capital employed, %	14.7	18.0	15.2	21.3
Earnings per share, SEK	4.1	5.3	3.7	4.5
Equity per share, SEK	26.9	24.4	22.2	19.7
Equity/assets ratio, %	45.1	48.6	49.0	43.3
Dividend per share, SEK	1.25*	1.75	1.25	0.75
Number of employees at year-end	3,127	2,506	2,208	1,945

\*Dividend to be recommended by the Board at the AGM on 29 August in Skinnskatteberg.

+15%

Growth in sales

# Investing for the future

During the year, we achieved growth of 15 percent, 6.4 percent of which was organic. We are reasonably satisfied with our sales growth, but had expected a higher profit figure. The slightly poorer profit was attributable primarily to restructuring costs within newly acquired companies, as well as to weaker growth than expected in certain markets.

**» As evidence of the high quality of our product development process, we secured a major break-through order for air handling units for the New Karolinska Solna University Hospital. «**

## The market

In the Nordic countries, we recorded our highest sales to date. In particular, the Group performed very strongly in the Norwegian and Danish markets. The Swedish market was stable. As before, the Western Europe market was uneven, with firm growth in the north and a considerably weaker trend in the south. Our Italian and Spanish operations reported losses during the year. In Eastern Europe, growth was satisfactory, largely thanks to the acquisition of Ventrade, now renamed Systemair Russia. We recorded strong sales growth in the Baltic States. In North America, we had a tough year. The USA operation suffered losses, although the Canadian business delivered better results. We foresee an improved situation over the year ahead, with growth and better profitability in the region.

## Product Development

More than 110 engineers are at work developing new, better products. Over the year, we launched many new products, with the emphasis strongly on energy-efficient air handling units and fans. We expanded our product range and sales of the new products are under way. A high proportion of our new products incorporate EC motors, which offer both higher efficiency and loss-free speed regulation. This type of motor enables improved control of air flows and therefore substantial energy savings.

As evidence of the high quality of our product development process, we secured a major break-through

order for air handling units for the New Karolinska Solna University Hospital. We obtained this order - despite fierce international competition - due to the fact that we were able to offer the most energy-efficient unit design.

As a result of two strategic company acquisitions during the year - Kryotherm in Piteå, northern Sweden, and Airwell's chiller factory in Milan - we now have both products and expertise to combine ventilation with cooling. This has enabled us to widen our product range by adding integrated cooling, and we see great potential for expansion in this area with both chillers and heat pump systems.

Our business model of keeping the majority of our products in inventory for prompt delivery is continuing to deliver excellent results. Most markets are still largely characterised by a lack of major projects and when the market consists of a large number of small projects, the capacity to deliver mostly determines who wins the order. It is also an advantage to be able to produce the same series, which creates the scope for lower production costs.

## Good acquisitions driving continued growth

Throughout the year, we completed an unusually high number of company acquisitions, many of them fairly major in our terms. Early in the financial year, we acquired the Russian company Ventrade, which sells ventilation and AC products in Russia. This has created a strong market position for us, with 12 offices and warehouses in Russia's



main cities. In 2011, the company had sales of approximately SEK 350 million and so far we are highly satisfied with the acquisition. Both sales and profit exceeded our expectations. We see further strong potential for growth in the company and will also be increasing the proportion of Systemair products in its range.

The acquisition of Airwell's factory in Barlassina, just outside Milan, is a strategic move that provides us with a supply of chillers. We see it as a strength to be able to offer both ventilation and cooling in projects. We also identify a trend in which this development will continue. At Barlassina, we have a modern, high-quality production facility with a high production capacity and a development centre employing 15 experienced development engineers.

In India, we acquired IAPL, a leading manufacturer of air handling units. The acquisition included an industrial property measuring 23,000 m<sup>2</sup>, in the Greater Noida Ecotech Park. There, we started work on a new 5,000 m<sup>2</sup> building to allow us to merge three production operations into one. On the site, we will also be building a new R&D centre focusing on air distribution products. We will be keeping our facility in Hyderabad, southern India.

#### Investments

We completed our substantial investments in the Group's production facilities in Lithuania, Denmark and Sweden during the year. In Lithuania, we expanded our facility by a further 8,000 m<sup>2</sup>. We

also invested in machinery for the production of air handling units complete with integrated control and regulation equipment, for the markets in Russia, Eastern Europe and parts of the Nordic region. Production, now in progress, is showing cost advantages and further clear opportunities for growth through being close to our markets.

In Denmark, we completed a major relocation and substantial investments in the production facilities. Efficient production of air handling units now takes place in two connected buildings with two robot-equipped production lines. In Skinnskatteberg, we carried out both new and replacement investments, including stamping presses, nibbling machines and edging presses etc. We have renovated and commissioned a further 5,700 m<sup>2</sup> of industrial premises.

#### Excellent future potential

During the 2011/2012 financial year, we carried out major investments and made sound company acquisitions, which have not yet shown through in sales or profits. We see excellent prospects for a good return from the acquisitions, product development and market investments that we made during the year. The acquisitions we made after the end of the financial year, in Canada and Turkey, will also contribute to further synergy and growth.

Gerald Engström  
Chief Executive Officer

## Facts Gerald Engström

Chief Executive Officer

In 2005, he was named Entrepreneur of the Year in Sweden. In 2011, he was honoured by the award of H.M. the King's Medal, 12th size with the ribbon of the Order of the Seraphim, for outstanding contributions to Swedish business.

» Our business model of keeping a majority of our products in inventory for prompt delivery is continuing to deliver excellent results. «

# Our vision is to be a world leader

Our vision is to be a world leader in the global ventilation industry. With our business concept and a strategy of attack, we will take a clear position at the top.

## Vision

We will be world leading in the global ventilation industry, by being perceived at all times as the most reliable company where quality, availability and delivery reliability are concerned.

## Mission statement

Our business concept is to develop, manufacture and market high-quality ventilation products. With the focus on our customers, we will be the most reliable company where quality, availability and delivery reliability are concerned. In addition, dealing with Systemair as a customer must not be complicated.



## Strategy

To secure this goal and retain our position as one of the leading players in the global ventilation industry, we have adopted the following strategies:

---

Innovative product development and a broad product range focusing on energy-efficient ventilation products.

---

High product availability and fast delivery via efficient production, logistics and IT systems.

---

Development and expansion of Systemair's own sales organisation.

---

We will be the most reliable company where quality, availability and delivery reliability are concerned. Through this, our aim is to create good relationships with ventilation contractors, distributors and consultants, and to become the first choice for our customers.

---

A highly diversified customer base reduces our vulnerability to fluctuations in the economy.

---

We have an early presence in growth markets.

---

Strategy of attack in acquisition and establishment to assure continued growth.

---

## Overall goals

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

- By being a major player, we will influence and contribute to trends and development in the ventilation sector.
- We will consistently exploit benefits of scale within production, product development, logistics and sales.
- Our clear financial goals create the strength to enter a new market through acquisition or establishment. A local presence in priority markets is a corner-stone of our efforts to achieve our goal. In addition, our operations will be expanded in priority markets in Western Europe, Eastern Europe and the CIS.



## Goal

## Description

## Achievement

### Growth

To achieve average annual growth of at least 12% in sales over a business cycle.

12%

The goal is to be achieved through organic growth and acquisitions. Sales growth has averaged 9% per year over the past ten years. Organic growth is to be achieved through product development and expanded market share. New geographic markets will be entered through acquisitions or the establishment of new ventures.

Net sales for the financial year increased by 15% to SEK 3,997 million (3,467).

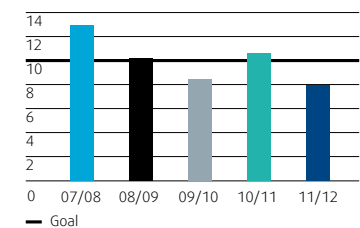
### Profitability

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

10%

The operating margin has averaged 9.1% over the past ten years and 10.1% over the past five years. The Company deems that the conditions for achieving this goal are favourable, given its current structure and product programme.

Operating margin, %



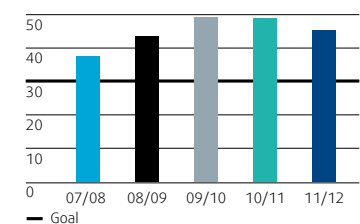
### Financial position

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

30%

The Group's financial position is sound, and its equity/assets ratio was 45% on 30 April 2012. The Company continually evaluates opportunities for strategic acquisitions and our financial position allows scope for acquisitions and investments.

Equity to assets ratio %



### Dividend policy

Based on Systemair's growth objectives, the dividend target is approximately 30% of the Company's profit after tax

30%

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.

The Board of Directors has proposed a dividend of SEK 1.25 (1.75) per share, corresponding to 30% of profit after tax.

# A business concept that focuses on the customer

Systemair's business concept is to develop, manufacture and market high-quality ventilation products. Our customers will perceive us as the most reliable company where quality, availability and delivery reliability are concerned. In addition, dealing with Systemair as a customer must not be complicated. Trust is our most important watchword. This means that our customers can always trust that they will receive the correct products, with the right performance, on time, and that the products are of high quality. We mean to live up to this aim 24 hours a day, 365 days a year, on four continents.

**» The driving force is constantly to discover new ways of making our products even more attractive to our customers. «**



## Comfort ventilation

Comfort ventilation comprises fans, air handling units, air distribution products, air curtains and heating products. The products are used in new building, renovation and conversion projects. To save energy, buildings need to be insulated better, triple- and quadruple-glazing has to be installed and buildings must be made as airtight as possible. In that case, balanced ventilation with energy recovery will also be necessary for both people and buildings to stay healthy.

Via two acquisitions during the past year, Systemair has also procured its own expertise in cooling technology, with a strong and extensive product range.



## Safety ventilation

Safety ventilation consists of Fire gas ventilation as well as Car park and tunnel ventilation. Fire gas ventilation requires ventilation products capable of quickly removing dangerous gases and must be able to handle high temperatures for long periods. Smoke gases often pose a greater threat of personal harm than the fire itself.

In car parks and tunnels, it is important to extract vehicle emissions, especially during traffic jams or fires. Tunnel fans are part of infrastructure projects and our customers are usually large construction companies.



“To simplify” was our principal objective when Systemair entered the market in 1974 with the circular duct fan, a product that considerably simplified installation. “The Straight Way” soon became a concept for work in the Group and the basis of our values. Since then, it has developed into a business philosophy. The driving force is constantly to discover new ways of making our products even more attractive to our customers. At our test centres, our technicians and engineers develop, test and document the products.

In order to meet the various requirements of customers, Systemair has built up an efficient organisation over the years. The production and logistics operations are supplemented by owned sales companies that offer effective control and direct communication with the market. Through our local companies, we have good insight into the requirements and trends of various markets and can respond quickly to change.

#### Focus always on the customer

Whatever we do, the customer is always the focus of our work. This may mean developing the product so

that it becomes even simpler to install and use. Or it may mean lifting energy efficiency another notch in order to drive down energy costs. Alternatively, we can apply our expertise in logistics to ensure that customers benefit from even faster deliveries, wherever they may be in the world.

#### Business Development

To ensure smooth information transfer between subsidiaries and head office, we have “Business Boards”. These are informal boards made up of the local managing director plus one or two senior individuals representing the Group. We also have Centres of Excellence, which serve as centres for knowledge transfer between product managers and sales staff.

#### Availability

Availability is an important parameter in terms of our competitiveness, and we ensure effective control of our flow of goods via owned production units, central and local warehouses and an efficient ERP system. When a subsidiary sells an article that the company stocks itself, the inventory is topped up

automatically as it nears depletion. If the item is not an inventory article, it will be sent with the next dispatch from one of our central warehouses.

#### Energy-efficient

Our product range has expanded at a rapid pace since 1974, when the circular duct fan first saw the light of day. Today, Systemair focuses on developing energy-efficient air handling units with energy recovery and EC-technology fans, which are simple to install and use. Ventilation accounts for a considerable share of energy consumption, in the form of heating and energy losses as heated air is replaced by cold air. Energy-efficient products with energy recovery are becoming increasingly important in reducing energy consumption and at the same time creating a healthy indoor climate.

In recent years, our product portfolio has grown also to include fire gas, car park and tunnel ventilation. These areas each have a somewhat different emphasis and target group, and so we have divided our products into Comfort ventilation and Safety ventilation.



Carina Wallberg, sales engineer,  
Söderköping, Sweden

# Business model with three core values

Systemair has three core values that permeate through to all parts of the organisation. These are three key elements of our business model which are crucial to our competitiveness, in which trust is the all-embracing concept:

- Quality
- Availability
- Delivery reliability



## Quality

Quality means not only high quality in the products themselves, but also that the products should be easy to choose, install and maintain. Our aim is to be the first choice for our customers, and we have therefore developed a broad, well-balanced product portfolio of standardised quality products. At the same time, we are at the forefront with our energy-efficient products.



## Availability

Availability means we have decided to produce a substantial proportion of our product range for inventory. Instead of starting to produce when we receive an order, we can deliver right away from a local or central warehouse. The strategy of producing for inventory, rather than in response to customer orders also translates into higher productivity and secure control over the entire flow of goods.



## Delivery reliability

Delivery reliability means the ability to deliver, without delay, products and solutions which the customer needs. The standard range is delivered directly from inventory. Ventilation systems are installed late in the construction process, and the installation contractor mostly needs the products at short notice. Against that background, we have built up an efficient production and logistics organisation in which the local and central warehouses are integrated with each other via a shared ERP system.

Customer

**» Our aim is to be the first choice for our customers, and we have therefore developed a broad, well-balanced product portfolio of standardised quality products. «**

# Aggressive acquisition strategy

Systemair’s overall aim is to be one of the leading players in the global ventilation industry. An aggressive and consistent acquisition and establishment strategy is the corner-stone of achieving this goal.

## Our overall goal determines our course:

- We shall be part of and influence trends and developments in the ventilation sector
- Clear financial goals provide us with the financial strength to enter new, attractive markets while at the same time consistently exploiting the benefits of scale in production, product development and logistics.
- A local presence in priority markets is a precondition for achieving our goal of becoming a leading global player. Against that background, our ambition is to acquire or establish at least two new sales companies each year, with the aim of operating owned sales companies in all significant European markets. In addition, we remain interested in acquisitions in the Balkan region and in West European countries where our market shares are low. In addition, operations will be developed in markets in Asia, the Middle East and South America.

Systemair expands by combining organic growth and acquisitions. A number of areas are evaluated in each acquired company: corporate culture and funda-

mental values; customers and suppliers; organisation; and costs and margins.

A shared corporate culture and fundamental values are essential to the successful integration of the new company. We devote substantial resources to this process. For example, Group management reviews the situation with the personnel of the company acquired. This may take place, for example, in the form of seminars and Group-wide activities lasting several days at Systemair headquarters.

When the opportunity arises, all members of personnel are invited to Skinnskatteberg. We see this as an effective means of quickly establishing contacts at different levels of the company. During each of these visits – whether they involve management only or all employees – we review our values, or “tablets of stone” as we call them. They describe how each and every employee at Systemair should, may and can act in his or her work (see page 35).

This integration is further reinforced through Systemair Academy, our in-house training programme that offers basic courses and further professional training in ventilation technology, products, finance, IT and sales.

## Acquisitions in 2011/12

- **DT Termo, of Serbia and Montenegro.** Formerly Systemair resellers, the companies ranked among the leaders in the ventilation sector in their markets.
- **Airwell, Italy.** Factory manufacturing chillers for comfort cooling. The company’s product range, one of the most comprehensive in the market, comprises chillers rated at between 20 and 1,200 kW.
- **IAPL, India.** Manufacturing of air handling units for the Indian market. The acquisition also included an industrial property covering 23,000 m<sup>2</sup> in the Greater Noida Ecotech park.
- **Frivent, Germany.** Sales company that formerly served as a Systemair agent. This acquisition enables Systemair to conduct sales via its own personnel throughout Germany.
- **Kryotherm, Sweden.** Founded in 1967, the company has wide experience of products combining cooling and ventilation, which complements the Systemair product range.
- **Ventrade, Russia.** Ventilation distributor selling ventilation and comfort cooling products. Formerly Systemair’s biggest customer, with headquarters in Moscow and sales offices and warehouses in another 11 cities employing more than 200 people.

## The acquisition process

Search process	Analysis	Agreement	Integration	Follow-up
<ul style="list-style-type: none"> <li>• Group Management</li> <li>• Subsidiaries/ representation office</li> <li>• Collaborative partners</li> <li>• Customers</li> <li>• Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Market position</li> <li>• Profitability</li> <li>• Customers</li> <li>• Corporate culture</li> <li>• Competitors</li> <li>• Financial position</li> <li>• History</li> <li>• Management</li> <li>• Product portfolio</li> <li>• Possible improvements</li> <li>• Integration into Group</li> <li>• Legal due diligence</li> </ul>	<ul style="list-style-type: none"> <li>• Price</li> <li>• Continued support from management</li> <li>• Products</li> </ul>	<ul style="list-style-type: none"> <li>• Seminars in Group-wide values</li> <li>• Management and Business Board</li> <li>• Introduction of:                             <ul style="list-style-type: none"> <li>– Reporting routines</li> <li>– Common ERP system</li> </ul> </li> <li>• Review of:                             <ul style="list-style-type: none"> <li>– Customer and suppliers</li> <li>– Organisation</li> <li>– Costs and margins</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Budget</li> <li>• Key financials</li> <li>• Strategic development</li> <li>• Training</li> <li>• Sales activities</li> </ul>



## RUSSIA

# Systematic attention to customers is paving the way to success

The Russian market is in a phase of dynamic expansion. An early presence, hard work, consistent marketing to contractors and support for consultants are among the most significant factors that have paved the way to our successes. In other words, systematic attention to customers, backed by a strong product portfolio, has again proved to be a winning concept. Today, Russia is Systemair's biggest market.

Since 1997, Systemair has had a representative office in the megacity of Moscow, which today has a population of more than 13 million. But the Company had been exporting products to Russia - albeit on a modest scale - long before this.

A year after the office opened, the Russian rouble was sharply devalued in the wake of the Asian crisis, disadvantaging Systemair and other exporters. The devaluation had the positive effect of boosting the Russian economy, which showed economic growth of 6% annually in the subsequent years.

### Solid footwork

During the present economic turbulence, Systemair has succeeded in progressively advancing its positions year on year. A strong product portfolio, along with solid footwork comprising regular visits to consultants and installation contractors, trade fair participation and a series of customer seminars, have slowly but surely raised the brand profile. Through comprehensive sales activities via distributors and resellers, the brand

has been rolled out across Russia, with its 142 million inhabitants, some 15 languages and nine time zones.

The financial crisis of 2008 hit Russia very hard, and Systemair had to witness half of its sales disappear as the construction industry declined. The Russian market has recovered and demand for quality products is again on the rise. Systemair is strongly positioned in this segment. In 2011, Systemair acquired its joint venture partner and biggest customer, Ventrade, a ventilation and A/C distributor, with 11 branches across Russia and 220 employees.

### Increased availability

The branches are backed by resellers, providing Systemair with representation from Kaliningrad in the west to Vladivostok in the east. Comfort cooling accounts for just over half of Ventrade's sales. Today, Systemair products comprise roughly a third of the company's sales. The aim is to increase that proportion. The Russian business has now been renamed Systemair and the workforce increased to

250 employees. Access to 11 offices means increased availability of Systemair products, and quality of service will rise now that the Company has moved even closer to its customers.

### Short lead times

The Russian market, which has gained real momentum in recent years, is characterised by increased activity - not least in the construction sector. The Systemair brand is ranked among the best known in the ventilation industry, standing for quality products, good service, high availability, good technical documentation and an efficient web-based service. Systemair's logistics systems operate very efficiently - a factor that cannot entirely be disregarded in this gigantic country. The acquisition of Ventrade has further reduced lead times.

Despite a strong economic recovery, the country still lags behind Europe where attitudes to energy consumption are concerned. Russia has huge volumes of cheap gas and oil. However, poor infrastructure means that the availability of gas and electricity is nevertheless limited in large areas of the country. As a result, interest in energy-efficient solutions is growing.

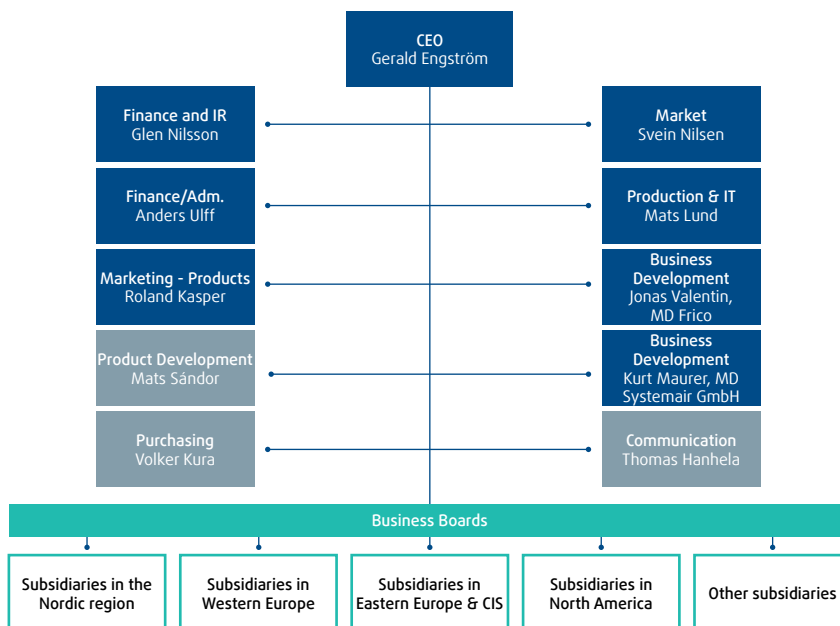
**» Systemair is ranked among the best known in the ventilation industry in Russia, standing for quality products, good service and high availability. «**



# Organisation

Owned sales companies offer effective control and direct communication with the market. Through our local companies, we are familiar with the requirements and trends in various markets and can respond quickly to change.

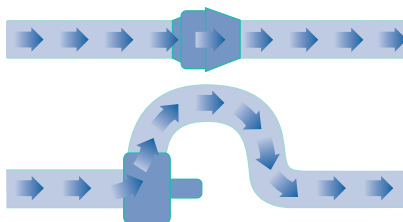
To ensure smooth information transfer between subsidiaries and head office, we have Business Boards. These are informal boards made up of the local managing director plus one or two senior individuals representing the Group. We also have Centres of Excellence, which serve as centres for knowledge transfer between product managers and sales staff.



# History

## 1970s and 1980s

The circular duct fan



Former design solution

**1974** The Company was founded as LHG Kanalfäkt, and production started in Skinnskatteberg. More than 50% of production was exported to Norway.

**1976** First sales subsidiary, LHG Kanavapuhallin, Finland.

**1985** The German fan motor manufacturer Ziehl-Abegg and ebmpapst were suppliers initially, then became partners through their Swedish subsidiary Ziehl-ebm, which today is ebmpapst AB, the second largest shareholder in Systemair.

**1986** Gerald Engström took over as CEO.

**1987** Acquisition of 50% of the shares in RB Kanalfäkt, USA; the remaining 50% was acquired in 2001/2002.

**1989** Sales company acquired in Denmark.

**1989/91** Norwegian sales company Jolin Produkter A/S acquired in stages.

## 1990s

**1992** Acquisition of then OTC-listed Frico AB, a specialist in air curtains and fan heaters.

**1995** Environment Air, Canada, manufacturer of residential air handling units, acquired.

**1996** Acquisition of factory in Bouctouche, Canada, a production facility for the North American market.

**1997** Own representative office in Moscow, Russia.

Acquisition of SCIE Systemair, previously sales agent in France. The name was later adopted as the name for the Group.

**1998/99** Acquisition of Europair, Södertälje, manufacturer of air terminal devices. LTI Lüftungstechnik, Windschbuch, Germany, now the second largest production unit and central warehouse. LTI's sales companies in the UK, Poland and Singapore became the first subsidiaries to be renamed Systemair.

**1999/00** Acquisition of the sales company APF Group, Estonia, with subsidiary in Latvia.

Establishment of representative office in Shanghai, China.

## 2000s

**2000/01** New distribution centre in Skinnskatteberg.

Acquisition of Danvent, Denmark, which produces air handling units, and 75% of the shares in UAB Alitas, Lithuania.

Sales subsidiary in Turkey under the Systemair name.

**2001/02** Systemair adopted as the common name for the entire Group.

Acquisition of VEAB Heat Tech, Hässleholm, Auranor Aggregater of Eidsvoll, Norway, and sales company Bivent, Austria.

Sales companies founded in Hong Kong, Hungary and Ireland.

**2002/03** Acquisition of sales company Meijdijk Ventilatietechniek of the Netherlands, Klockargården in Skinnskatteberg, 26,000 m<sup>2</sup> of buildings and 30 ha of land.

**2003/04** Acquisition of Fans & Spares, UK, Gelu, a German manufacturer of air curtains, Antlia, a distributor in Switzerland; establishment of a new sales company in Belgium.

**2004/2005** Sales companies in Romania and South Africa established. Start-up of production facility in Ukmergė, Lithuania.

**2005/06** Acquisition of Marvent, Slovenia, Multiventilacao, a sales company in Portugal; establishment of sales companies in the United Arab Emirates, Spain and India.

Gerald Engström, CEO, Systemair, named Entrepreneur of the Year in Sweden.

**2006/07** Acquisition of Altexa, Austria and Imos, Slovakia, as well as the assets of Matthews & Yates, United Kingdom.

**2007/08** Acquisition of Koolclima, Spain, Climaproduct, Italy and establishment of Systemair Software, India.

Systemair awarded the Swedish Trade Council's Export Prize.

Systemair listed on the NASDAQ OMX Stockholm Exchange.

**2008/09** Acquisition of Megcool Industries, Malaysia, and the assets of Emerson Ventilation Products, United States.

**2009/10** Acquisition of Energo Plus, Slovenia, W.C. Wood, Air Humidifier Dept, Canada, and Ravistar, India.

**2010/11** Acquisition of Polish sales company Foko, Czech sales company VKV, Dutch ventilation company Rucon and companies in the Aaldering Group engaged in the production and sales of air curtains in Germany and the Netherlands. In January, minority stakes in Systemair AS, Estonia, and IMOS-Systemair, Slovakia, were acquired.

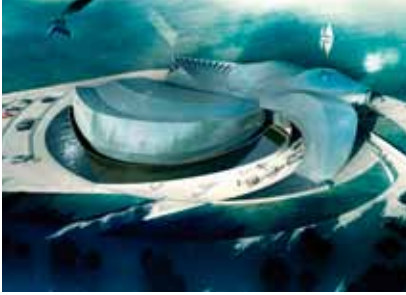
Establishment of sales company in Chile.

# Growth in several markets

Systemair has strengthened its position in the European market. Our business is performing well in neighbouring Norway and Denmark. Germany, Poland and France are also on the march forward. A look at Eastern Europe indicates that Russia is advancing very strongly, while Systemair continues to expand in Asia. Although the level in Southeast Asia is low, demand is buoyant, particularly in India, where the business has been restructured in order to meet the market's growing needs.







**THE BLUE PLANET, DENMARK**

The Blue Planet is Denmark's new national aquarium in Copenhagen. The architects behind The Blue Planet were inspired by the whirlpools in the oceans. The building has an area of 9,000 m<sup>2</sup>, plus an outdoor facility of 2,000 m<sup>2</sup>. Systemair Denmark delivered 10 air handling units.



**TAIPEI METRO, TAIWAN**

The Taipei Metro Luzhou (Lujhou) is a branch of the Xinzhuang (Sinjhuang) metro system. Part of the orange line, it takes its name from the town of Luzhou, where the line starts. Systemair delivered tunnel ventilation and exhaust fans for the Taipei Metro.

100

Exports to more than 100 countries

44

Owned sales companies in 44 countries

In the EU zone, stricter demands for lower-energy products have favoured Systemair, which offers a highly-developed product range aimed at satisfying the new requirements.

The situation varies country by country, but overall Systemair has consolidated its positions in its priority markets.

**Less vulnerable**

Systemair is dependent on the business cycle in the construction industry. By consistently focusing on holding stocks of standardised quality products and avoiding costly customised systems, the Company also succeeds in maintaining good profitability when times become tough. Even if in a recession expensive building projects are shelved or postponed, there is always a constant need for renovations of and modifications to existing buildings.

Systemair successfully competes here through a broad portfolio of standardised products that offer decent margins. Taken in combination with a highly diversified customer base, this makes Systemair considerably less vulnerable to fluctuations in the business cycle.

The most important key to success for Systemair is its consistent focus on standardisation over the years. By industrialising and standardising, allied to cost-efficient logistics solutions, Systemair has succeeded in creating long-term profitability that allows the Company to establish itself in new

markets and still generate earnings. This and a long-term approach are the main reasons for an independent presence on four continents and in all 44 countries.

**Priority markets**

Western Europe and Eastern Europe & CIS are our priority markets, while Systemair is at the same time continuing to gear up in Southeast Asia, especially India. We are monitoring developments in Africa and South America, where Systemair is established.

**Trust the most important watchword.**

Trust is the Group's most important watchword. This is especially true in marketing, where customers must feel that they can always place their trust in Systemair. Dealing with Systemair as a customer must not be complicated. We offer products which are easy to select, install and maintain.

**Expanded role**

In brief, the point is to simplify the day-to-day work of the customer in choosing a solution, whether the requirement is for a single fan or a complete solution.

Our launch pad for the future is promising. Systemair has a very strong global product range that is combined with a high level of quality. In addition, via its acquisition of two companies in cooling technology, Systemair has expanded its role as a turnkey supplier.

**Strong growth**

We see continued potential in different segments. Through a growing interest in low-energy and passive houses, demand for improved residential ventilation is rising. Systemair's compact units with energy recovery and energy-efficient fans are showing very strong growth and our product range is constantly expanding. In response to demands for lower energy consumption in buildings, our houses are becoming more and more airtight. In turn, this is creating stronger demand for balanced, energy-efficient ventilation that also minimises the risk of damage from damp and mould. The trend is favouring System-air, which is at the leading edge in development of more efficient fans and recycling systems.

In that situation, our judgement is that growth in the ventilation industry will be strong over the years ahead.

**» Dealing with Systemair as a customer must not be complicated. We offer products which are easy to select, install and maintain. «**

## Market areas

Our broad and geographically diverse customer base offers considerable stability and reduces our exposure to fluctuation in individual economies.

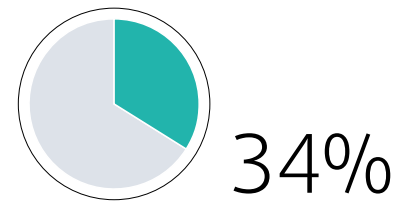
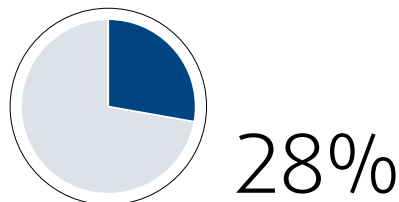


### Market description

In the Nordic countries, we achieved our highest sales to date. Sales rose by 14% during the year. The Norwegian market is the biggest in the region, with sales of SEK 519 million. In Denmark, sales of primarily large air handling units increased.

In Western Europe, sales were up 9%. In Spain, sales fell by 35%. The biggest market in the region is Germany. France, the UK and the Netherlands reported satisfactory sales growth during the financial year.

### Percentage of Systemair sales



### Highlights 2011/2012

- Systemair Sweden secured the Group's biggest-ever order: 115 air handling units for the New Karolinska Solna University Hospital. The order is valued at around SEK 60 million.
- Norway broke its sales record with a 22% increase; it is the biggest single market for our in-house products.
- In Denmark, sales advanced 26%.

- Despite a slow market, our company in Portugal is delivering good results.
- UK sales are continuing to grow, thanks to a successful concept.
- Germany remains our engine of growth.

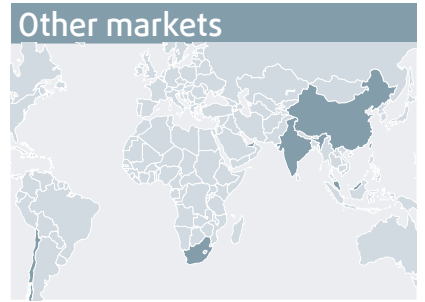
### Focus

- To sell more products from our extensive product portfolio to every customer.
- To develop project sales.

- To reverse the negative trend at our Spanish subsidiary by investing in a new product line and a new product range.
- To expand and develop the sales organisation for chillers.

# 47%

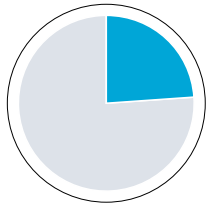
Increase in sales in Eastern Europe & CIS



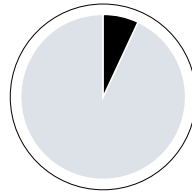
The market in Eastern Europe & CIS showed an increase of 47% over the year. Sales in the region totalled SEK 951 million (646) during the year. Other major markets for Systemair in the region are Poland, Slovenia and the Czech Republic.

Sales in the North American market were down 2% on those in the preceding year. At the end of the last quarter of the financial year, sales increased by 13%.

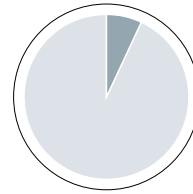
Sales in other markets were 5% down over the year. Major markets for Systemair in the region are India, Turkey and China.



24%



7%



7%

- All of the Baltic markets recorded excellent growth in sales.
- Excluding the acquisition of Ventrade, sales in Russia rose by 25%.

- In January, we launched our Systemair product range with great success at the ASHRAE Congress in Chicago.
- Restructuring measures at the Lenexa factory are expected to deliver improved earnings.

- We consolidated our Indian operations, and now have 30 sales engineers working in eight cities.
- We established a sales office in Taiwan.
- After the end of the financial year, we reached an agreement to acquire 70% of the shares in HSK, the leading manufacturer of air handling units in Turkey.

- To continue to grow sales in the Russian market by raising the proportion of Systemair products and opening more offices.

- To expand in the commercial construction market.
- To reinforce the Systemair brand in North America by coordinating sales with the sales agents of the recently acquired Change Air.
- To coordinate production in Canada.

- To coordinate our three operations in India, where we are adding 5,000 m<sup>2</sup> of production area at our facility in Greater Noida.
- Merger of HSK with our own Systemair sales company in Turkey and opportunities for expansion in the neighbouring countries.

## Strengths and competitive advantages

- An early presence in growth markets has proven to be an excellent platform for continued growth.
- High product availability and prompt delivery via an efficient production, logistics and IT organisation.
- Focused product development and a broad, standardised product range. We devote substantial resources to the development of energy-efficient and user-friendly ventilation products.
- We have a structured acquisition process and considerable experience of integrating businesses.
- A highly diversified customer base reduces our vulnerability to fluctuations in the business cycle and to lower demand from individual customers.
- Good relationships with leading suppliers have strongly aided the Group's growth and product development, confirming the perception of Systemair as a leading supplier of high-quality ventilation products.

### Customers

The Group's customers are primarily ventilation contractors and distributors of ventilation and electrical products. Ventilation consultants are a key target group indirectly, as they specify which products are to be installed. In infrastructure projects, customers are mainly large construction firms.

Systemair has an extensive customer base with customers of different sizes in a number of markets. We sell to more than 100 countries worldwide. Our 10 biggest customers together account for just 7% of sales. This broad and geographically diverse customer base offers considerable stability and reduces our exposure to fluctuation in individual economies.

### Trends

Health issues will gain in priority, increasing the need for ventilation systems. More and more houses that are being built - above all in Europe and North America - are low-energy or passive houses, which are built airtight, subject to strict demands for effective ventilation and low energy consumption. Calls for low energy consumption are fuelling the need for demand-led ventilation and building management systems, which govern ventilation and energy use. We also anticipate more comprehensive regulations on safety ventilation.



### WINTER GARDENS, BLACKPOOL, UNITED KINGDOM

The Winter Gardens is the second largest theatre and opera house complex in Europe. The centre has 12 individual venues, each with its own character and unique style. The building was inaugurated in 1878. Systemair UK delivered air handling units for the Winter Gardens in Blackpool.

## Competitors

Company	Product areas								Presence in our nine biggest markets in Europe								
	Fans	Central units	Residential units	Compact units	Chillers	Air terminal devices	Air curtains	Fire gas ventilation	SE	NO	DK	UK	DE	PL	FR	ES	RU
Systemair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
FläktWoods, CH	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	-	✓	-	✓	✓	-	-
Flexit, NO	(✓)	-	✓	✓	✓	✓	-	-	✓	✓	-	✓	✓	✓	✓	✓	-
Swegon, SE	-	✓	✓	✓	✓	✓	-	(✓)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Exhausto, DK	✓	✓	✓	✓	-	-	-	-	✓	✓	✓	-	-	-	-	-	-
Östberg, SE	✓	✓	✓	✓	-	-	-	-	✓	✓	-	-	-	-	-	-	✓
Trox, DE	-	✓	-	✓	-	✓	-	✓	-	✓	-	✓	✓	✓	✓	✓	-
VTS, PL	-	✓	-	✓	-	-	-	✓	-	-	-	-	-	✓	-	-	✓
Nuair, UK	✓	✓	✓	✓	-	-	-	✓	-	-	-	✓	-	-	-	-	-
Vent-Axia, UK	✓	-	✓	✓	-	-	-	✓	-	-	-	✓	-	-	-	-	-
GEA, DE	✓	✓	-	✓	✓	-	-	-	✓	-	-	-	✓	✓	✓	✓	-
TLT, DE	✓	-	-	-	-	-	-	✓	-	-	-	✓	✓	✓	-	-	-
Gebhardt, DE	✓	-	-	-	-	-	-	✓	✓	-	-	✓	-	✓	-	✓	-
Rosenberg, DE	✓	✓	-	✓	-	-	✓	✓	-	-	✓	-	✓	✓	✓	-	✓
S&P, ES	✓	-	✓	✓	-	-	✓	✓	-	-	-	✓	✓	✓	✓	✓	-
Wolf, DE	-	✓	(✓)	✓	(✓)	-	-	-	✓	-	-	✓	✓	✓	✓	-	-
CIAT, FR	-	✓	-	✓	✓	-	-	-	-	-	-	✓	-	✓	✓	✓	-
Aldes, FR	✓	-	✓	-	-	✓	-	✓	-	-	-	-	-	-	✓	✓	-
Novenco, DK	✓	✓	-	-	-	-	-	✓	-	✓	✓	-	-	-	-	-	-
Zehnder Group, CH	-	-	✓	✓	(✓)	(✓)	-	-	-	-	✓	✓	✓	✓	✓	-	-



## ASIA

# Tough competition in a hot market

Asia is becoming an increasingly hot market for Systemair, which is gearing up at full speed for gaining new market share - not least in the Indian market, which has huge potential. Generally speaking, competition is tougher than in Europe. Demands for low-energy solutions have not made as much progress, while the pressure on prices and the degree of competition in traditional fan systems is high.

**T**he Indian business has developed rapidly from a modest start in 1999. Today, it comprises of owned production units and eight representative offices with 30 sales engineers covering this huge country of 1.2 billion inhabitants. India is currently the second most populous country in the world.

In terms of local presence, India is different from other major markets; to succeed the market has to be supplied from local production. This is vital in being able to stand up to domestic competitors, since import duties make all imports more expensive.

### Benefits of scale

Systemair is methodically building up expertise among its 380 employees, while production methods are constantly being refined in the production units. Today, production takes place in the cities of Alwar, Noida, Greater Noida and Hyderabad. To streamline production and better exploit the benefits of scale, the production units at Alwar and Noida will be merged into a larger production unit in Greater Noida. At the same time, all activities will in future be conducted under the single brand of Systemair India. The factory at Hyderabad has also been expanded to meet the demand for ADPs (Air

Distribution Products) in southern India, a region of strong growth. The merger is expected to create major synergies in investment, resource utilisation and distribution. With the current premises being leased, we identify a potential cost efficiency gain from transferring production to owned premises.

### Expansion

The latest acquisition took place in December 2011, when Systemair bought IAPL, a manufacturer of air handling units. The acquisition included land with a total area of 23,000 m<sup>2</sup> and a production building measuring 2,500 m<sup>2</sup>. Systemair has started work on a 5,000 m<sup>2</sup> extension of production facilities in Greater Noida. An R&D centre is also being established on the site, for product development of fans and products for air distribution.

As far as distribution is concerned, the factory in southern India deals with the demand for ADPs for the southern and western regions of India, while other units meet the demand for fans and other units throughout India. As a result of investments in the production units, combined with development of in-house product expertise, Systemair is well equipped to meet the challenges in this huge, fast-growing market of rising living standards.

Should developments in India and the rest of Asia lag a few years behind the European and North American markets, we will have to equip ourselves to meet the increased competition. Our starting position is good - Systemair has experience, expertise, products and a strong service concept with a presence throughout India. Systemair today is the market leader volume-wise in ADPs, backed by a strong position in fans and air handling units.

### Major opportunities

Systemair is active in several other markets in Southeast Asia, including Malaysia, Hong Kong, Singapore and Taiwan. Vietnam, Thailand, the Philippines and Indonesia which are other markets that offer interesting prospects for Systemair.

Systemair's distribution strategy is based on using the production unit in Malaysia to supply the market in Southeast Asia where substantial opportunities for higher exports are identified. Production in India may also be used for exports to neighbouring countries.

The Middle East, is also a market where Systemair has identified major potential for seizing higher market shares and consolidating its position.



# Unique solutions for every market

The Group's brand strategy is based on consolidating operations globally under the Systemair hat. Businesses with strong brands already established in specific areas continue to operate under their particular brand. Meet a quartet of leading brands!

## Tougher requirements and rising demands favour Systemair

The Systemair brand encompasses a wide range of high-quality ventilation products, including fans, air distribution products, chillers and air handling units for both comfort and safety ventilation. We have a strong position as a leading manufacturer of energy-efficient ventilation products in several geographic markets.



In the European market, we discern a clear trend in which ventilation with energy recovery is increasingly breaking through, while the market for traditional fans will grow at a slower pace. Systemair maintains a strong position in the market as a supplier of air handling units and is at the forefront of development of supply and exhaust air systems with heat recovery - a market which is expected to show strong growth.

Safety ventilation, including fire gas fans and systems, car park ventilation systems and tunnel ventilation, is another market that is expected to expand rapidly over the next financial year.

The new EU standard (ErP, Energy related Products) for fans, scheduled to take effect from 1 January 2013, has boosted demand for products with high-efficiency motors (EC motors). In addition, the new EU standard will be combined with new requirements within two years. Systemair has a very strong position in this area compared to its competitors.

Via active cooperation through vari-

ous stakeholder organisations in the ventilation sector (see section on product development, page 24), Systemair works systematically on influencing new standards. We are an international player in different markets and of course benefit from harmonisation of the standards that apply in several countries. There is always risk that countries outside the EU will establish their own standards, but the hope is that countries, such as Russia for example, will eventually adopt the same standards that apply within the EU.

Business Area Fans regularly updates its products to meet higher demands from customers. By continually sharing experiences via three internal "Fan Councils" in Europe, Asia and North America, the Business Area receives early signals about the latest discoveries. New standards are playing a part in advancing the trend towards more energy-efficient products.

Given its systematic focus on quality and its extensive product portfolio, Systemair is well equipped to meet new challenges in and outside the EU.



Kurt Maurer, MD Systemair GmbH, heads Business Area Fans and Accessories.

## Systems for buildings in North America

Fantech develops, designs and markets solutions for properties in North America. Products are sold to resellers in the United States and Canada by the Group's own sales staff and agents.



Alongside Fantech, the Systemair brand has been established as a new sales channel in North America.

Fantech concentrates its operations largely on the residential sector, while Systemair focuses on commercial projects where the demand for energy-efficient systems is strong.



## Market leader thanks to efficient and low-energy heating products

Frico is the market leader in air curtains and heating products in Europe. The brand represents 80 years of accumulated experience in developing climate-smart products which offer customers a comfortable indoor climate.



Frico combines many years of knowledge of heating technology with a highly developed sales and distribution organisation around the world. These products are distributed in 70 countries via owned subsidiaries in Sweden, Norway, France and the Netherlands, and via independent distributors and Systemair subsidiaries in other markets. Under the Group's brand strategy, the Systemair brand represents ventilation and fan products while Frico represents air curtains and heating products.

In the past, product development was spread over a number of units. Frico is now concentrating product development at its headquarters in Gothenburg. Despite a mild winter in 2011/12, Frico consolidated its positions in Sweden. A look at the

European market indicates continued good growth. Poland, with its population of 38 million, is developing strongly while growth in important markets such as the UK and Germany remains favourable. A new generation of air curtains is currently in the process of being launched. The products are equipped with a control system, unique in the market, which in combination with Thermozone technology assists in creating low energy consuming air curtains for the market. Frico is therefore well equipped to meet the new EU Ecodesign directives set to take effect from the start of 2013, with even stricter requirements to apply from 2015.

The Russian market is also on the way forward. The Middle East is in an expansive phase and Frico has identified a total of 16 highly attractive



Jonas Valentin, MD, Frico

markets, including Iraq and countries in Africa. Frico's most important customers are accessed via wholesalers, major contractors and retail chains.

One important factor in the company's success is a highly developed marketing organisation that supports the local sales channels through training, market communication and an ongoing consultancy service. This may consist of technical support but also advice on issues such as energy efficiency and indoor climate control. Several channels are used - to make contact. All technical support and documentation is posted on the web and, with ten different languages, makes it possible to communicate with customers throughout the world.

## Europe's leading manufacturer of coils, with strong international presence

VEAB Heat Tech AB, Hässleholm, specialises in the development, manufacture and marketing of heating products for ventilation systems, movable and stationary fan heaters and dehumidifier systems. The product range includes both electric and water heaters, as well as cooling coils for residential, industrial and commercial premises etc. It also includes hygiene-certified cooling coils for hospitals, food halls and catering establishments with exacting requirements for a healthy environment.



Despite a very mild winter, VEAB posted yet another record year for its business. The market is gradually recovering from the latest recessionary period, while at the same time VEAB has invested both in product development and marketing, which has fed through into higher market shares. One important outcome of the latest recession is that all parts of the business have been pruned back regularly, creating a more efficient organisation.

VEAB has a strong international brand in a niche market. VEAB operates above all in the European market, but also sells in Russia, the Middle East, Asia and Australia.

VEAB's high quality products incorporate a major element of engineering technology. An important factor in VEAB's success is high-quality products combined with reliable deliveries and efficient service all along the way.

VEAB products are exported to around 35 countries worldwide, although Europe is its home base. The brand is disseminated internationally at the trade fairs, chiefly in Milan and Frankfurt. The company also takes part in other fairs considered important in a particular niche. Through its participation in the Abu Dhabi International Petroleum Exhibition & Conference in autumn 2010, VEAB boosted its sales of EX-rated (explosion-rated) electrical duct and equipment heaters especially



Björn Walther, MD, VEAB

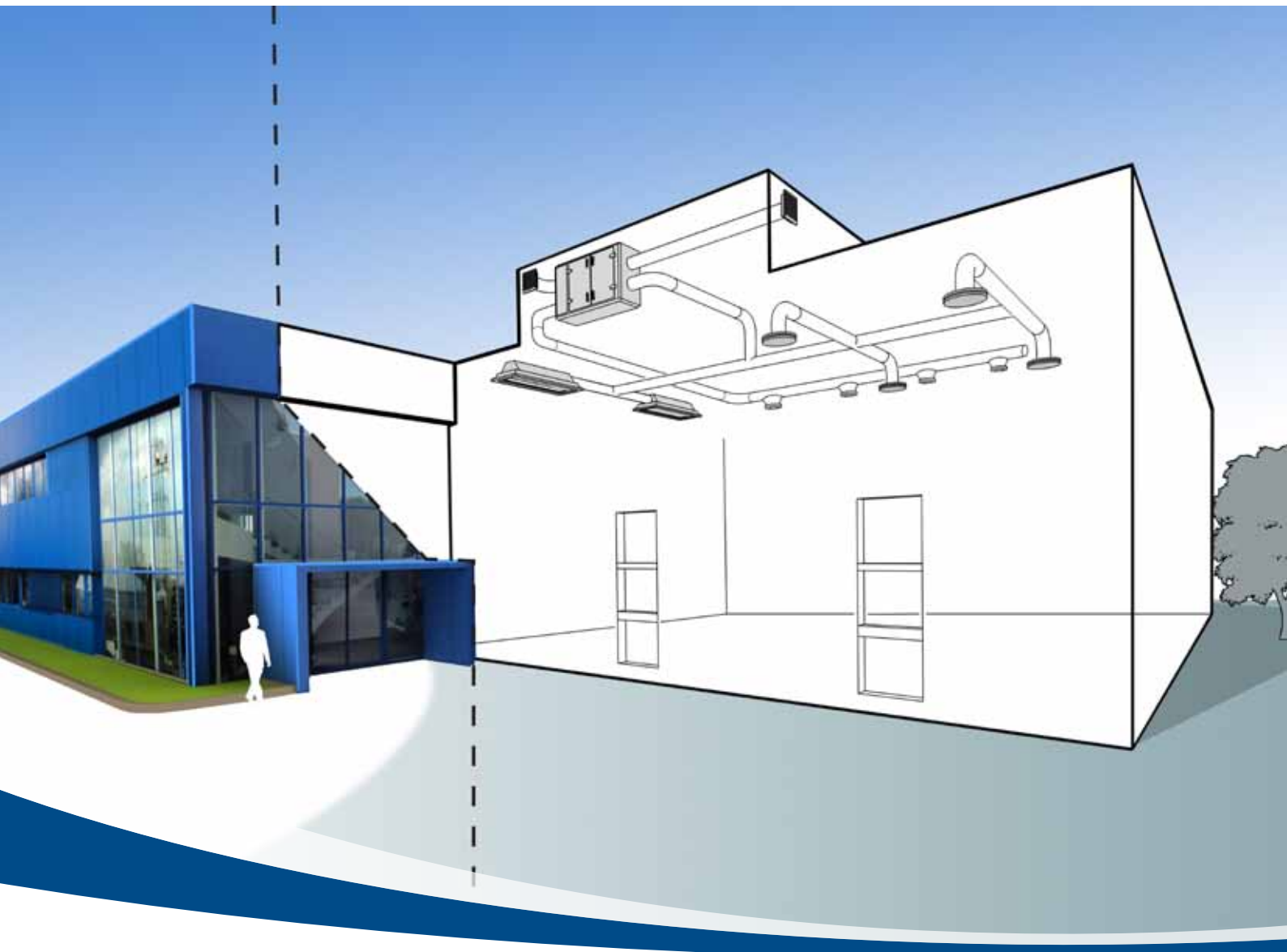
designed for the oil and gas industry.

The ventilation industry is affected late in the business cycle. Even if new construction is adversely affected during a downward spiral, falling demand in this sector is balanced by higher demand for improvements in the existing stock (i.e. in the renovation, conversion and extension sector). VEAB has well-adapted products for that particular segment.

The outlook for the financial year is deemed to be good - not least in view of the importance of the ventilation industry to the indoor climate, health and energy conservation.

# An extensive portfolio of energy-efficient products

The focus of the product area is optimisation aimed at developing high efficiency products with lower energy consumption. A series of new products is helping to underpin Systemair's offering as a turnkey supplier.



## Product overview

**Comfort ventilation** comprises of fans, air handling units, air distribution products, air curtains, heating products and cooling products.

**Safety ventilation** comprises of fire gas, car park and tunnel ventilation.

### Fans and accessories



Fans and accessories, Systemair's largest product area, include circular and rectangular duct fans, ceiling fans and box fans, as well as axial fans.

### Air handling units



The Air Handling Unit product area covers a wide area, from small units for apartments and single-family homes, up to large, container-sized units designed for industry and commerce.

### Cooling



The Cooling product area spans a wide range of liquid- and air-cooled products and heat pumps for comfort cooling.

### Air distribution products



Air distribution products include supply and exhaust diffusers, iris dampers and grilles. The function of these devices is to supply and distribute fresh air to rooms, or to extract used air from rooms.

### Air curtains and heating products



Air curtains, fan heaters and radiant heaters are marketed under the Frico brand.

### Fire gas ventilation



Fire gas ventilation includes products that have been tested and certified to withstand high temperatures for a long period.

### Car park and tunnel ventilation



Car park and tunnel ventilation include fans for ventilating all kinds of tunnels, for roads, railways and metro systems, as well as car park ventilation systems.

## Comfort ventilation

### Fans

Fans is a product area with a wide variety of applications and a large target group. As a result of the European initiative Energy Performance of Buildings Directive (EPBD), demand for energy-conserving products is steadily rising, and will in the near future emerge into a defined standard. Development activities continue to be focused above all on optimisation to ensure higher efficiency and lower energy consumption. We are implementing EC technology and producing more high-efficiency fans and other products.

### Air handling units

The demands on energy-optimised turnkey solutions are rising all the time. Systemair offers an advanced product range to meet this demand. Our air handling units are the beating heart of installations, communicating with the component systems to ensure optimal operation.

We now see that the same trend is gathering pace in the USA and Asia.

### Residential units

During the year, we launched a new series of counter-flow exchanger units, which is to be gradually expanded. This enables us to offer a product range covering all needs for efficient ven-

tilation, combined with good energy optimisation. The core of the development process is counter-flow exchanger technology and simple, intelligent control platforms.

### Compact units

We are also launching a new generation of compact counter-flow exchanger units, providing us with a unique position where energy optimisation and well-conceived applications are the watchwords. Key elements include by-pass technology, supply and exhaust air, as well as filters.

### Central units

In this sector, we are well positioned in most markets. For the East European market, we specially developed the DV Compact unit, which is produced in Systemair's new factory in Lithuania. We also invested in the Danish facility in order to be able to expand in the West European market, offering a combination of high-quality systems and fast deliveries. At the same time, the recent acquisition of IAPL, India, is an exciting development. At IAPL, we restructured the company's range of units, creating an excellent platform for further expansion in India and priority neighbouring countries.

### Air terminal devices – air distribution products

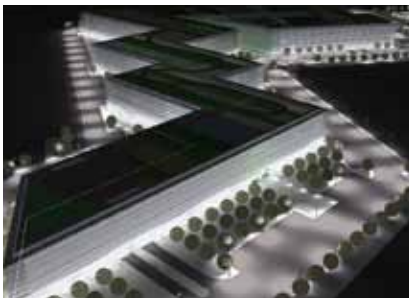
During the year, we focused on our systems in order to make our products more readily available. We developed a product selection programme, an easy-to-use and secure facility enabling customers to choose the right products with the right performance characteristics for the right application.

### Heating products

The product range includes products featuring intelligent control for more efficient energy consumption and simpler solutions, as well as a wide range of accessories. A new generation of air curtains is currently in the process of being launched. These products are equipped with a control system, unique in the market, that in combination with Thermozone technology helps to create the lowest energy consumption air curtains on the market.

### Cooling

Systemair AC, Italy, provides us with an extra strategic resource, along with the earlier acquisition Kryotherm AB, Piteå, northern of Sweden. We now can offer the complete system in all capacity ranges for integral and standalone systems covering most applications.



#### KARELLA, GREECE

Greece has few major projects in progress. One is Karella, an office building for the country's largest telecom company. Karella will be one of the first in Greece to be certified under LEED. Systemair Greece is supplying systems for car park ventilation, incorporating jet and axial fans, among other products. We are also supplying a quantity of duct and box fans.



#### RAFFLES HOTEL & RESORT, DUBAI

This prominent landmark, designed in the form of a pyramid, is located just 10 minutes from Dubai Airport. The hotel boasts 248 large rooms and suites, 11 food and drink markets and the Raffles Amrita Spa. Systemair supplied fans for the Raffles Hotel car parking facility and exhaust fans for the hotel's cellars and kitchens.

90%  
of people's time is spent indoors

## Safety ventilation

### Fire gas ventilation

Fire gas fans are used to extract fire gases and smoke from buildings in the event of fire. We focus to a large extent on standardisation, which is important in this type of ventilation.

We spend a great deal of time on certification of our products in different markets. Every country has its own regulations and requirements for specific certification tests. Products are tested for function and durability at different temperatures and for different periods of time. Once all certifications are in place, we have a comprehensive product offering.

During the year, we recorded market

successes for fire dampers in Denmark, where the existing local legislation was brought into line with current EU regulations.

### Car park and tunnel ventilation

Our factory in Germany developed new, smaller, less space-consuming tunnel fans with aerodynamic characteristics that deliver improved energy efficiency, as well as a new range of car park fans. We will also be offering comprehensive system solutions for car park ventilation.

In addition, we launched a software product, AXC Selection, as an aid in the choice of axial fans.

» The key to continued success are energy- and cost-efficient standardised products offering high quality and availability. «



**ROLAND KASPER**  
VICE PRESIDENT  
MARKETING - PRODUCTS

**A very strong global product range allied to a high level of expertise and an expanded role as turnkey supplier creates a stable platform for the future.**

That's how Roland Kasper, Vice President Marketing - Products, summarises the Company's position in the market.

Several important business events, in conjunction with EU decisions, have created a better starting position for our product range than in previous years.

By acquiring Kryotherm of Piteå, northern Sweden and Systemair AC of Barlassina, Italy, Systemair has obtained at a stroke both products and expertise in the important area of cooling technology. This strengthens our position when competing for major projects.

Another important business event was a decision that the North American market should be developed via two marketing and sales channels. The Fantech subsidiary continues to focus on the market in existing property stock (the replacement market) under its own brand, while Systemair is responsible for the market in new, commercial premises, where there is a considerable demand for high-efficiency energy systems.

In this market, Systemair intends in future to play a decisive role with a comprehensive range of energy-efficient products.

Another important event affecting activities in a positive way was the EU decision in September 2011 to harmonise legislation on fire dampers.

In the past, each country has itself been able to set its own requirements and regulations. With the new EU standard, all countries are compelled to adapt to EU legislation, which helps to level the playing field among suppliers. Simplicity and clarity in legislation will of course favour suppliers who operate on several markets at the same time.

The keys to continued success are energy- and cost-efficient standardised products offering high quality and availability.



# To stay one step ahead at all times - a winning concept

Product development at Systemair is ruled by an overriding mission - to improve the indoor climate for us all. For that reason, Systemair products have to be energy-efficient and simple to understand, install and use. Systemair's watchword - trust - must be a cornerstone in all product development. To stay one step ahead at all times - always to be driving development - is the guiding principle for around 100 engineers worldwide, who are constantly testing Systemair's products and seeking out new ways forward, using smarter and more efficient solutions. Against that background, it is not an option merely to follow developments. We have to be part of shaping the trend.

24 hours a day, in different time zones across three continents around the world, intensive work is under way on development, enhancement and moving boundaries. Product development people are divided into 17 separate groups of technicians in 13 different countries in

the Indian subcontinent, Southeast Asia, North America and Europe. There are a total of six different "Technical Centres" and one more is under construction in India. The development centre in Skinnskatteberg is, incidentally, one of Europe's most modern facilities for

measuring air flow, sound levels, pressure and energy consumption. The capacity, efficiency and fitness for purpose of the products are carefully documented in order to provide customers with the most comprehensive information possible for their peace of mind.

Jenny Berglund,  
designer,  
design department,  
Skinnskatteberg,  
Sweden





» With extensive geographical coverage on four continents, Systemair is able both to follow and influence trends and standards. With its global operations, it is important for Systemair to drive developments, not just to follow them. «

# 80%

It is estimated that more than 80% of all product-related environmental impact is decided in the design phase.

The hub linking all of the different centres together is to create a common technical platform. Having the same processes, software and specifications for how a project is to be conducted makes it considerably simpler to acquire and share research findings and knowledge within the Group. To shorten the time taken between idea and product, a lean-based model is used that focuses on benefit to the customer and eliminates unnecessary time drains.

#### Valuable observations

The overall goal of improving the indoor climate demands constant updating with the latest research discoveries both in and outside Systemair. The framework for all product development is Group Management's ongoing strategic planning for the specific product areas. Customers contribute valuable observations while at the same time the Group keeps abreast of political developments in the form of new Parliamentary bills and regulations that may affect product development.

With extensive geographic coverage on four continents, Systemair is able both to follow and influence trends and standards. Operating globally, it is important for Systemair to drive developments, not just to follow them.

#### Health issues important

Product development is a constantly ongoing process with influences from both the inside and the outside world. It is quite clear that improving energy efficiency will continue to remain in focus, going forward. At the same time, health issues will come more and more to the forefront. People spend 90% of their time indoors, a statistic that suggests growing pressure on the capacity of suppliers to ventilate not only more energy-efficiently but also with clean air in order to minimise pollution.

#### Broadly-based collaboration

Collaboration with universities and other institutes of higher education provides valuable experience in a

series of research sectors. Systemair is engaged in close, active collaboration with universities and other institutes of higher education in Sweden, the Technical University of Denmark, Copenhagen, the Norwegian University of Science and Technology, Trondheim, and SINTEF, an independent research organisation in Norway.

Systemair takes part in and influences developments in a number of areas where national and international standards are set. For example, Systemair participates in several separate organisations and joint committees, including SIS (Swedish Standard Institute), CEN (European Committee for Standardization) and ISO (International Standards Organization), in order above all to influence and monitor forthcoming standards.

Systemair is also active in Eurovent, the certification organisation for the industry. In this area, Systemair is active in various product sectors in certification of products on the basis of the Trust concept. The concept requires Eurovent, as an independent organisation, to verify and certify that the performance characteristics delivered by our ventilation products correspond to those described to the customer. To us, it is extremely important that customers can rely on the data we provide.

#### Energy conservation

EU requirements for more efficient energy consumption in a number of areas harmonise closely with Systemair's business concept of offering high-quality, energy-efficient products capable of meeting the demands of tomorrow. The Eco-Design and Energy Declaration Directives are important tools in the work of the EU to achieve a 20% reduction in energy consumption by 2020. These requirements require products in the future to show a certain energy efficiency if they are to be used in the EU. On the other hand, the energy declaration requirement makes clear to consumers how energy-efficient buildings must be designed.

The eco-design requirements offer major energy savings, since they prohibit the most energy-wasteful products and at the same time make products cheaper to run for the consumer.

#### Major requirements

To achieve this goal, regulations concerning both existing and new buildings are continually being tightened. It will become necessary to become "climate smart".

Climate-smart buildings are either energy-conserving buildings that mainly use recoverable energy, or they are "passive houses" that dispense with traditional heating systems. These airtight buildings place huge demands on efficient ventilation.

## Facts Eco-design

The Eco-Design Directive was adopted by the EU in July 2005. The aim is to reduce the environmental impact of energy-consuming products and in that way help move towards more sustainable development. It is a framework directive that encompasses practically all energy-consuming products other than means of transport. Air-conditioning, air curtain and fan products make up one of a total of 13 product categories to be scrutinised. This also includes lighting, washing machines and dish-washers, electric motors, refrigerators, TV sets, power sources etc.

It is estimated that more than 80% of all product-related environmental impact is decided in the design phase. The primary purpose of the EU directive is to improve the energy efficiency of products throughout their lifecycle, by systematically and at an early stage integrating environmental issues into product development. In the EU, it will be possible to save 383 TWh every year simply through the 13 product categories in which the EU has already approved requirements for eco-design and energy labelling. To place this in context, Sweden consumed electricity totalling 132 TWh in 2010 (source: Swedish Energy Agency).



## THE NEW KAROLINSKA SOLNA UNIVERSITY HOSPITAL

# Strong interest in energy-efficient ventilation products

Systemair products provide healthy air and a healthy indoor climate at work, at home and in tunnels around the world. And the trend is clear - demand for smart, low-energy products with energy recovery is growing. Our products are playing a part in creating the most energy-efficient hospital in the world – the New Karolinska Solna University Hospital.

In late 2011, Systemair won its largest order ever when Skanska Healthcare AB placed a contract for purchase of 115 air handling units. The order is valued at around SEK 60 million and represents an important element in creating the most energy-efficient hospital in the world - the New Karolinska Solna University Hospital. .

### Sweden's first PPP construction project

The building is the world's largest PPP (Public-Private Partnership) hospital and is to be certified under the LEED (Leadership in Energy and Environmental Design) system, which sets stringent requirements for a building's environmental characteristics in terms of both energy conservation and other environmental impact.

"LEED is a globally accepted environmental certification system that is awarded only to buildings that satisfy especially demanding environmental criteria. This is acknowledgement that our efforts in energy efficiency have borne fruit", says Pär Johansson, Sales Manager, Systemair Sweden.

Systemair was selected from a total of 73 air handling equipment suppliers. One important criterion was the ability of the suppliers to cut operating costs. "Swedish Hospital Partners will be responsible for operating the hospital until the end of 2040, so for them it's important to combine very strict environmental requirements with low running costs", continues Pär Johansson.

Systemair today offers ventilation products that can be used both in new-builds and to improve energy efficiency in the existing housing stock.

"To us, developing energy efficiency is nothing new; on the contrary ever since we started in 1974 we have been involved in ventilation products that are good for health and the environment, and at the same time represent a good investment", comments Gerald Engström, CEO, Systemair.

SEK  
60  
million

- the estimated value of the contract.

» Systemair was selected from a total of 73 air handling equipment suppliers and one important criterion was the ability of the suppliers to cut operating costs. «

# Better availability by controlling the goods flow

Availability is key to our competitiveness. To us, this means maintaining control over the flow of goods between our production units, central and local warehouses and our customers.

A substantial proportion of our product range is available from inventory and can be delivered within 24 hours from a local warehouse in Europe or within 72 hours from one of our three centralised warehouses.

#### Efficient organisation

The Group has built up an efficient production and logistics organisation. Both local and centralised warehouses are integrated with each other via a com-

mon ERP system. Our factories specialise in different product areas and we produce for inventory. This means that we can manufacture in larger production runs, delivering higher efficiency.

When a subsidiary sells an article that the company stocks itself, the inventory is topped up automatically as it nears depletion. If the item is not an inventory article, it will be sent with the next dispatch from one of our central warehouses.

44

local warehouses



Mikael Eriksson, warehouse worker, dispatch, Skinnskatteberg, Sweden



# Modern and efficient production

Manufacturing is conducted in 17 production facilities in Europe, North America and Asia. These are sound investments, plants with the latest technology, that we continuously update and augment to maintain the high quality of machinery and equipment.



## Production Facilities

We have chosen to own the majority of our production facilities, a policy intended to deliver lower costs and better profitability over time. The facilities that we lease are indicated below.

**200,000 m<sup>2</sup>**  
more than 200,000 m<sup>2</sup> of warehousing and production space.

Facility	Country	Area	Number of employees	Production	Activities 2011/12
Skinnskatteberg	Sweden	50,000 m <sup>2</sup>	459	Fans and accessories, compact units, air curtains and heating products.	<ul style="list-style-type: none"> <li>Investment in stamping and edging presses.</li> <li>Upgrade of logistics centres.</li> </ul>
Hässleholm, VEAB	Sweden	10,000 m <sup>2</sup>	91	Heating products for air handling units, mobile and fixed fan heaters, plus dehumidifiers.	
Eidsvoll	Norway	5,800 m <sup>2</sup>	30 (115)	Air handling units	
Hasselager, Århus	Denmark	15,600 m <sup>2</sup>	142	Large air handling units - "central units".	<ul style="list-style-type: none"> <li>Production is being consolidated into two connected buildings from the former four. New robotised production line, delivering higher capacity.</li> </ul>
Windischbuch	Germany	16,700 m <sup>2</sup>	220	Extensive range of axial and roof fans, plus tunnel and car park ventilation.	
Ukmergė	Lithuania	15,000 m <sup>2</sup>	165	Residential units and large air handling units.	<ul style="list-style-type: none"> <li>Extension complete and new coil facility, stamping and nibbling presses, as well as edging presses.</li> </ul>
Maribor	Slovenia	3,600 m <sup>2</sup>	69	High-temperature fans for fire gas ventilation.	
Bratislava	Slovakia	6,000 m <sup>2</sup>	166	Air distribution products; fire dampers	
Madrid (Leased)	Spain	6,000 m <sup>2</sup>	51	Large air handling units and box fans for markets in southern Europe, the Middle East and North Africa.	New stamping and nibbling presses, plus new product generation being phased in.
Bouctouche	Canada	13,000 m <sup>2</sup>	147	Air handling units for residential use in North America, plus air dehumidifiers.	
Lenexa, Kansas	USA	16,000 m <sup>2</sup>	90	Duct, axial and roof fans chiefly for the North American market. Distribution centre for the USA market.	<ul style="list-style-type: none"> <li>Investment in stamping and nibbling press, as well as edging press.</li> </ul>
Kuala Lumpur (Leased)	Malaysia	4,000 m <sup>2</sup>	61	Duct fans and axial fans.	<ul style="list-style-type: none"> <li>A centralised warehouse for south-east Asia is under construction here.</li> </ul>
Noida (Leased)	India	4,500 m <sup>2</sup>	192	Air distribution products and ventilation grilles.	<ul style="list-style-type: none"> <li>Production premises expanded by 1,000 m<sup>2</sup>.</li> </ul>
Hyderabad (Leased)	India	3,200 m <sup>2</sup>	80	Air distribution products	
Greater Noida Ecotech Park, New Delhi	India	2,500 m <sup>2</sup>	125	Production of duct, axial and box fans, air handling units and air distribution products.	<ul style="list-style-type: none"> <li>Work has started on a 5,000 m<sup>2</sup> extension for production and an R&amp;D centre for product development of fans and air distribution products.</li> </ul>
Langenfeld (Leased)	Germany	4,300 m <sup>2</sup>	26	Air curtains.	
Milan (Leased)	Italy	19,400 m <sup>2</sup>	165	Production of a wide range of liquid- and air-cooled chillers and heat pumps for comfort cooling.	

# Sustainability - a natural part of our business

Systemair's business concept is to develop, manufacture and market high-quality ventilation products. Focusing on our customers, we aim to be seen as the most trustworthy company where quality, availability and delivery reliability are concerned. We strive at all times to develop high-quality, long-lasting products which help to reduce energy consumption. In that way, we play a part in enabling long-term sustainable, environment-friendly and profitable development for our customers and society at the same time.

Continual improvements in our own work environment help to increase well-being at work and commitment.

By engaging with society via activities that contribute to development of the locality and favour the local business community, we are exercising active social responsibility.

## More systematic

High-quality, long-lasting and low energy consumption products reduce impact on the environment over time. Against that background, our development resources are focused on creating high-efficiency, low energy consumption products.

We have a process-led business system, and quality consciousness is built into our mission and our values. ISO certification is one part of a more systematic approach to work. ISO consists in large part of routines that establish order and rationality. Nine of Systemair's production facilities have ISO 9001 certification. The objective is for all production facilities to be ISO 9001 certified within the near future. One important aspect of certification is continual work on improvements, whether on products or production methods. Ideas and suggestions may be received both from customers and the company's personnel. Under the general heading of "Constant Improvement", which basically is a device for monitoring and improving operations, systematic work on improvement takes place at every facility. Simple sugges-

tions may be implemented immediately by the department itself, while more complex proposals requiring both time and resources are referred to a steering committee which assigns priority among the suggestions.

## Always tested

The efficiency and fitness for purpose of the products are carefully documented in order to provide customers with the most comprehensive information possible for their decision on choice of the most climate-smart and most energy-efficient options. Also, every single product is always tested before delivery, and with our own AMCA (Air Movement and Control Association) accredited test laboratory we can guarantee that all catalogue data is accurate.

The focus is 100% on the various processes at the facilities and how through improvements we can play our part in delivering added value to our customers, in the form of more energy-efficient, lower energy consumption products that contribute to a better environment and long-term sustainable development.

## Common language

The hub that links all processes and all product development together is a common technical platform and common ERP system in a language that everyone understands - whether based in New Delhi, India, Kansas, USA, or Skinnskatteberg, Sweden.

» In the long term, high-quality, long-lived and low energy consumption products reduce impact on the environment. «

## Business ethics lead

Systemair has a corporate culture in which the organisation operates according to guiding principles. These are complemented by a set of business ethics determining how we should behave in the market.

Systemair's products and services shall be marketed and sold in a manner which is justifiable on commercial as well as ethical grounds, i.e. which are based on factors such as quality, price, delivery reliability and high-level service. Systemair shall at all times comply with each country's cartel and competition laws.

Systemair's employees are not allowed to demand, offer or accept bribes or other illegal benefits to retain a customer or close a business deal.

Systemair's suppliers shall be evaluated and selected on the basis of their ability to deliver on correct commercial terms and on their ability to live up to Systemair's code of conduct. We do not accept products from suppliers who use child labour directly or indirectly through their subcontractors.





Maria Wetterskog, operator sheet metal forming, Skinnskatteberg, Sweden

## Environmental efforts

Systemair develops energy-efficient products which create an improved indoor environment. Our production has no environmental impact on air or water. In addition, we are not subject to compulsory environmental licensing; we are solely subject to a duty of notification. Nevertheless, environmental issues and efforts are a high-priority area. We are continuously improving our products, methods and procedures to minimise the impact on the environment. Our products are recyclable and our components environmentally-friendly. Our production plants in Sweden, Germany and Slovakia have earned ISO 14001 environmental certification.

### Buildings

We make a point of maintaining high standards for the buildings we own or lease. The buildings which we commission ourselves are of a high standard from the beginning. They are well-insulated and have energy-efficient ventilation systems. With buildings which we acquire, our first action is to fit the roof with fresh insulation. This increases comfort, reduces energy consumption and is a profitable investment.

Most of the buildings we have acquired have now been renovated to a good "Systemair standard".

### Green ventilation

At Systemair, we are extremely serious about exercising our responsibilities. Our contribution to modern environmental conservation is efficient use of the energy. The "Green Ventilation" symbol is evidence that our intelligent technology is in harmony with the environment and that our products are designed for the future. It means that we can offer our customers a combination of sustainability and economy, and that the benefit may be obtained using simple, streamlined installations.



### Logistics flow

We have consolidated our production at our main plants and have merged or closed smaller production plants. This will result in higher capacity utilisation in existing plants and more efficient logistics. In turn, this will reduce our environmental impact.

### Green IT

Systemair works systematically on Green IT; in other words, we develop strategies and guidelines for energy-efficient solutions to minimise negative environmental impact. We ensure optimal use of hardware and infrastructure by using energy-efficient server farms and making more effective use of all existing data capacity through "virtualisation".

## Work environment

Systemair contributes to development which is sustainable and profitable in the long-term through continuous improvement in the work environment, and the external environment and energy consumption. New technology, product development and new findings are evaluated taking the work environment, environmental conservation and energy optimisation into account.

We use modern technology, including videoconferencing, which cuts down on travel and at the same time improves communication between our facilities.

Our employees are to have a stimulating and healthy working environment which prevents accidents and stimulates them to work efficiently towards goals, taking responsibility for their tasks and developing their skills.

No employee may be discriminated against in terms of employment or job tasks due to age, ethnicity, nationality, sex, religion or disability. All employees will be treated with respect, and no employee will be subject to degrading or insulting treatment.

Systemair employees decide personally whether to join a labour union in accordance with the legislation in effect in the country where they work. Violence or the threat of violence in the workplace, harassment, bullying and similar offences against employees will not be tolerated.

Systemair's employees must not distribute, possess, use or work under the influence of drugs at any of Systemair's workplaces.

## Responsibility to the community

Social responsibility has long been a part of Systemair's corporate culture, and we are aware of the role our Company plays in society. Regardless of where in the world we are doing business, good relationships with external partners are decisive to long-term success.

We strive to understand each society and culture we live and work in, to become involved in local community activities which promote development in the community and benefit local business. Sporting and cultural activities for children and youth are of high priority. We do not sponsor political or religious organisations.

Systemair always complies with the laws and regulations in effect in the countries where we are active.

Anders Westling, Head of Maintenance,  
Skinskatteberg, Sweden

PHOTO: JESPER ERIKSSON/FAGERITA-POSTEN

## LAKE WATER HEATING

# Environmental solution that goes to the bottom

At Systemair, developing products which reduce energy consumption is simply what we do. This applies not only to our customers but also very much our own in-house work on the environmental front. Systemair's own environmental policy is crystal clear: our use of fossil fuels is to be halved over a three-year period. At Skinskatteberg, the solution is to be found on the lake bed.

In beautiful Lake Övre Vättern, which borders Skinskatteberg, Systemair has laid a total of 12 kilometres of collector hose on the lake bed. Six industrial-scale heat pumps, each rated at 60 kilowatts, collect energy from the lake water for the production plant.

In the past, Systemair used around 160 m<sup>3</sup> of oil every year to heat the facility, corresponding to the annual consumption of 60 normal-sized single-family homes.

### Deliver a surplus

This new system has enabled Systemair to reduce its fossil fuel consumption drastically - from the current 160 m<sup>3</sup> down to 10 m<sup>3</sup> of oil, as a reserve to cover peaks of cold weather. The investment cost is SEK 3 million, which the company estimates will be recouped within three years. In addition to the environmental gain, the system will deliver a surplus within just three years. Lake water heating will provide 96% of the heating requirement - the traditional oil-fired system will provide the remainder.

The principle of lake water heating is

the same as in ground source heating, in which a heat pump extracts heat from a cooling medium. However, instead of drilling several deep boreholes in the bedrock, it is enough to lay out a series of "collector hoses", which in turn are connected to heat pumps. Down on the lake bed, the temperature hovers around 4°C, which is enough to keep a heat pump working.

### Replaced

Before the decision was taken to install lake water heating, other alternatives were assessed. The ground source heating option was discounted on the basis that far too many boreholes would need to be drilled to cover the requirement. A pellet-fired heating system was rejected on the basis of excessive investment costs and district heating was not a realistic option in view of the absence of plans for expansion.

Systemair has also launched a project in which all air conditioning systems are replaced by, or modified into new, up-to-date and energy-efficient systems in order to further reduce energy consumption at the two facilities at Skinskatteberg.

# 96%

of heating requirement will be provided by lake water heating

» In addition to the environmental gain, the system will deliver a surplus within just three years. Lake water heating will deliver 96% of the heating requirement. «

# Leading-edge skills - a sharp competitive weapon

As a leading player, it goes without saying that Systemair should always be one step ahead, always be on the front foot and always finding new ways forward with smarter, more efficient solutions. This is why we focus hard on developing the skills of our personnel, while ensuring that Systemair's values are constantly refreshed. Last year, we launched a new programme - "Train the Trainer" - with a view to further improving performance levels at our subsidiaries.

Skills development is not reserved for any particular professional group at Systemair; it runs through every part of the organisation. We offer courses under our own auspices and using external training resources. Systemair Academy is tasked with arranging training for the Group's employees. This provides a forum where all our personnel can meet and get to know each other and the Company. At the same time, Systemair Academy communicates our corporate culture, including its values, and our "Trust" concept, which represents reliability and helps create a "sense of us". We have co-opted leading research experts to provide basic and advanced training in ventilation theory, products and sales techniques. Further training is also given annually to financial control personnel at the Group's subsidiaries. In addition to special courses based on professional duties, Systemair runs a basic ventilation course which is open to all members of personnel in the Group.

### Updating knowledge

A critical aspect of training sales personnel is ensuring that they have adequate knowledge of Systemair's products. It may seem obvious to be familiar with the Company's standard product range (also known as BPR, the Basic Product Range), but this very expertise has proved decisive in the competition for customers. As more and more products are launched, sales personnel must at the same time constantly update their knowledge in order to be able to understand their customers' needs better, and ultimately to be able to offer the right solution. This is very clearly evident at subsidiaries with expertise in project sales. These companies are highly successful and are assuming an increasingly important role as a sounding board for customers - whether the point of contact is a ventilation consultant, installation contractor or developer.



**MUDASSAR ALI**  
GROUP CONTROLLER

### Systemair's acquisition of a UK fan and spares business eventually led me and my family to Sweden, and to Skinnskatteberg.

Originally, I come from Pakistan. In 1999 I arrived in Birmingham, England, where my family was already living. With a degree in economics and accountancy, I obtained a job in the finance and accounting department at the company Fans & Spares.

At that time Systemair was one of our several suppliers. In January 2004, the company was acquired by Systemair. I was appointed controller of the company in 2006 and during my period there, three UK companies were merged into one - Systemair UK.

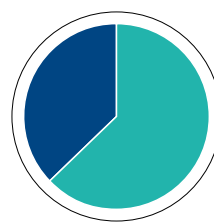
In December 2011, the post of Group Controller, based in Skinnskatteberg, became vacant. It was "shocking news" to my wife that we needed to leave the City of Birmingham, where we were living, and move to a new unknown country. But we quickly found our feet where we live in Surahammar. Our children, aged ten and four years, have since learnt Swedish and have made new friends. We as a family do much more together in our leisure hours than before. The children ride, we play football and even have tried skiing in the Swedish mountains during last winter.

My job requires a lot of international travel for which I enjoy. English is of course the Group language, but after the summer it will be time to do what my children did - namely, learn Swedish!

### Key Ratios

	2011/12
<b>Group</b>	
No. of employees, 1 May 2011	2,506
No. of employees at year-end, 1 May 2012	3,127
<b>Parent Company</b>	
Average age, white-collar employees	44 years
Average age, blue-collar employees	41 years
Sickness absence - short-term	3.03%
Sickness absence - long-term	1.99%

### Gender distribution, employees



- Men 63%
- Women 37%



The hub of the training programme is Systemair Academy, which is based in various parts of the Group. For example, Skinnskatteberg is home to Systemair Academy, Fans, while Germany serves as the base for Systemair Academy, Tunnel Ventilation. The latest member of the training organisation is Systemair Academy, Cooling, Italy. At Systemair Academy, members of personnel are drilled in developing their expertise, depending on their professional role. Another aspect of training focuses on enabling them to work in a more systematic way. The program is conducted in various modules, each concluding with tests and an examination.

**Train the Trainer**

“Centre of Excellence” is the collective term for the different knowledge centres built up in facilities with special areas of expertise, for example in cooling,

ventilation and air curtains etc. At these centres, technicians and specialists benefit from opportunities to acquire more in-depth knowledge of a particular field, in parallel with product development and research.

Competition out in the world is razor-sharp, not least from companies in low-cost countries. The subsidiaries that grasp this fact and deal with it also earn well during an economic downturn. To sharpen performance at all the subsidiaries, a special programme was launched in autumn 2011: “Systemair Selling the Straight Way – Train the Trainer”. The programme is aimed at CEOs of the subsidiaries, who participate with a sales manager or a highly experienced sales operative. The idea is that the local CEO or sales manager in turn will train the sales staff in their domestic market. To become a genuinely successful salesman or saleswoman, knowledge is not enough. It is also

necessary to interpret and understand the customer’s needs, and to be able to create and nurture good customer relationships. The successful salesperson should be able to navigate the customer safety through the process and at the same time hone his or her technique in the negotiation process.

**Feedback**

The programme is in all cases led by Systemair’s own business development personnel who obtain examples for exercises from their everyday work (experience-based learning). The programme constantly delivers feedback to our company, our values and our strengths.

The guiding principle is, of course, Trust - we keep our promises and make promises that we can keep. Trust is our most important competitive weapon. It represents not only reliable quality products but also competitive factors such as guaranteed delivery times, delivery reliability, follow-up, a global presence and continuous customer service.

To the customer, it is just as important to be able to rely on the supplier and to know that choosing Systemair means buying with security.

3,127

Total number of employees at year-end



Lena Jansson,  
assembler, ventila-  
tion department,  
Skinnskatteberg,  
Sweden



Stefan Andersson,  
warehouse worker,  
dispatch,  
Skinnskatteberg,  
Sweden



**PABLO VARELA**  
PRODUCT MANAGER, FANS,  
USA

**My heart is in Sweden but now I'll be heading off to that huge country in the West, where I'll have the chance to be part of building up Systemair.**

I was born in Argentina but arrived in Sweden as a one-year-old. I have an engineering degree from KTH - the Royal Institute of Technology - and have worked at Systemair for seven years. I started out as a designer in Product Development. Then I moved to Technical Support and for the past two years I've worked as Product manager, Fans, focusing on Europe.

In the summer, I, my partner and two children (one aged 13 years and the other a one-month-old baby) will move from Västerås, central Sweden, to Lenexa in the State of Kansas, where Systemair's production facility is based. There, I'll be working as Product manager, Fans, both for the USA subsidiary Fantech and the newly established Systemair. The region for which I'll be responsible is the USA, Mexico and Canada.

The whole family is excited and very much looking forward to this opportunity. In fact, we travelled to Kansas and looked around before deciding. It wasn't a hard decision! My partner will stay at home with our infant for the first one and a half years but hopes to get work in her area. She currently works as an animal protection inspector and has a degree in agricultural sciences and biology.

It will be exciting to be part of the journey, right from the start, that Systemair is now embarking on under its own brand in the North American market. We'll be launching new products in the USA that we've already been marketing in Sweden for two to three years and in that situation it feels good to know the products inside out.

It's a huge continent, of course, to be responsible for, but Kansas is very strategically located in the middle of the USA. In practice it is possible to reach every city within two to three hours. And the language is no problem. In addition, I acquired Spanish through my mother's milk, which is a clear advantage not only in Mexico but also in major areas of the USA.

## Systemair's corporate culture

Systemair has a corporate culture in which guiding principles and monthly profit reporting govern and lead the organisation. At Systemair, the organisation is flat, pragmatic, direct and efficient. To reinforce its principles in a positive way, Systemair has collected and set down in writing the values the organisation itself has chosen as governing. These values consist of seven key principles for interaction between employees.

### → We make the work of the ventilation installation contractor easier

This expresses the central vision and involves working consistently to simplify and be direct.

### → We make it simple – the straight way

This motto has long been the basic philosophy at Systemair. To always question whether decisions and activities take the most straight way, to ensure that the simplest and most economical solution is chosen. The simplest is often the best, and Systemair has a long-standing tradition of achieving such solutions. Everyone is responsible himself or herself for ensuring that work responsibilities and day-to-day tasks can be carried out simply and well. To keep on track and prioritise has, for many, proved to make an impact in simplifying daily routines. "Simple and robust" also characterises all aspects of product development. Our products are intended to be and are easy to choose, install, maintain and use.

### → We are trustworthy and reliable

To take collective responsibility for keeping our promises is a high priority in the Systemair organisation. Product knowledge, covering both possibilities and limitations of products, is expertise in the organisation. Through practical action, including rapid response times and relevant and accurate feedback, Systemair builds confidence in its brands.

### → We do not sit and wait

Systemair's basic strategy is one of attack. The objective is to be proactive by seeking new possibilities, using the information available to make decisions and then quickly acting on them. Growth is a part of the Systemair's corporate culture, enabling us to sustain a fast pace and to continuously focus on what is genuinely important. This makes the organisation pragmatic and dynamic. Taking the initiative and responsibility is rewarded in daily activities, and everyone is encouraged to seek information and to ask for help when it is needed.

## » Through practical action, such as rapid response times and relevant and accurate feedback, Systemair builds confidence in its brands. «

### → We grow stronger through change

Systemair dares to go its own way - an organisation that has learnt from major changes and continually takes on larger work responsibilities does not regard change as a problem but as a part of everyday life. With major restructuring and fast growth, the organisation has also learnt that some decisions can turn out to be wrong and need to be changed. In such a case, it is vital that ego does not take over. The way we do it at Systemair is not to "pull rank".

### → We speak out

At Systemair, it is a right and an obligation to speak up when someone does not agree, sees a problem or mistake or sees the need for change. Open dialogue is crucial for direct communication between the parties concerned, where solutions are the priority and personal attacks are avoided. Good efforts are rewarded in everyday life, and everyone is loyal to the decisions made.

### → We believe in our concept

Systemair has a product range on which everyone agrees, and which is marketed. It is vital that the Group capitalises on the economies of scale present in an extensive sales network and that everyone agrees about which products to include in the standard range. All transactions at Systemair are to be based, first and foremost, on financial profit.



# The Systemair Share

Systemair's share has been quoted on the Mid Cap list of NASDAQ OMX Stockholm 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 share's trading symbol is SYSR.

## Share capital and voting rights

Share capital amounts to SEK 52 million, represented by 52,000,000 shares of only one series. The quotient value is SEK 1.00 per share. The warranty programme issued by the Company at its IPO in 2007 expired in September 2011. Because the subscription price relative to the market price of Systemair shares was unfavourable on the occasions set for redemption, no subscription rights were exercised. No new option programme has been offered. At the financial year-end, there were no convertible loans or warrants that could dilute the share capital.

## Price and volume

At the end of the 2011/12 financial year, the closing share price was SEK 85.50, a fall of 16% from the price at the beginning of the financial year. During the period, the market was characterised by sharp volatility, which of course affected Systemair shares. Over the financial year, the OMX Mid Cap index fell by 13%.

At financial year-end, Systemair's market capitalisation was SEK 4.45 (5.25) billion. The number of Systemair shares traded on the Nasdaq OMX Nordic Exchange Stockholm totalled 4,657,561 (4,655,718), corresponding to a turnover rate of 9% (9) during the financial year.

## Shareholder situation

No changes took place during the year in the holdings of the two main shareholders, Färna Invest AB and ebmpapst AB, with 42.30% and 21.27% of the votes, respectively. Other major shareholders include Lannebo Fonder, which reduced its holding to 6.21% (7.98). Nordea Fonder increased its holding to 4.44% (0.48). Alecta increased its holding slightly, to 4.29% (4.08).

The number of shareholders at the end of the accounting period, 30 April 2012, was 3,519 (3,972).

## Dividend policy and dividend

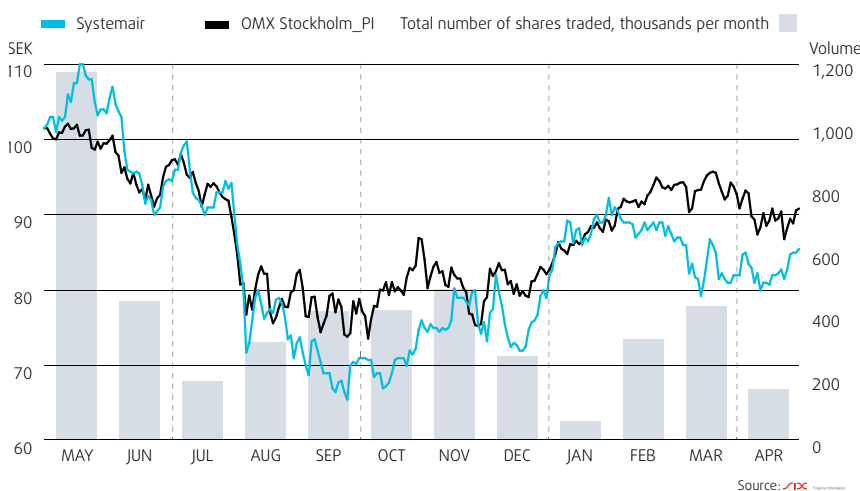
For financial 2011/12, the Board of Directors proposes the Annual

General Meeting distribute to shareholders SEK 1.25 (1.75) per share, a total of SEK 65 million. This dividend corresponds to 30 percent of consolidated profit after full tax and is in line with the Company's dividend policy. The proposed dividend will allow scope for continued growth via company acquisitions, without compromising financial stability.

## Shareholder value

Management strives continuously to develop and improve the Company's financial information and participates actively in meetings with analysts, investors, other shareholders and the media. This is crucial for increasing trading in the Systemair share and to give both current and new shareholders ample opportunity to value the Group as fairly as possible. Systemair aims to make its information to the stock market and other stakeholders rapid, clear and reliable.

## Share price, 12-month trend



## Analysts

During the year, the Systemair share was followed and analysed by the following institutions, among others:

Handelsbanken Capital Markets,  
Marcela Kozak, +46-8-701 5118

Nordea Markets, Ann-Sofie Nordh,  
+46-8-534 91452

Swedbank Markets, Mats Liss,  
+46-8-585 900 65

Redeye, Henrik Alveskog,  
+46-8-585 01345

## Shareholder structure

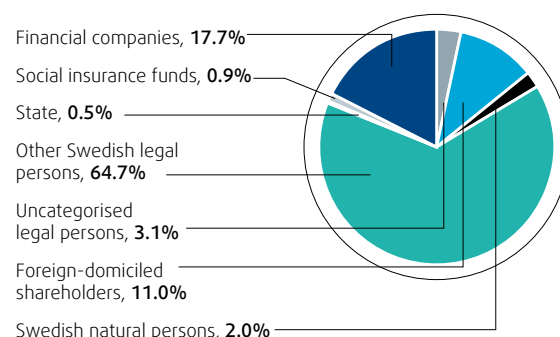
Size of holding	No. of shareholders	No. of shares	Share of total shares held, %	Market value (SEK 1,000s)
1-500	2,664	472,961	0.91%	40,438
501-1,000	458	365,240	0.70%	31,228
1,001-5,000	283	630,172	1.21%	53,880
5,001-10,000	28	206,244	0.40%	17,634
10,001-15,000	15	204,220	0.39%	17,461
15,001-20,000	7	133,548	0.26%	11,418
20,001-	64	49,987,615	96.13%	4,273,941
<b>Total</b>	<b>3,519</b>	<b>52,000,000</b>	<b>100.00%</b>	<b>4,446,000</b>

## Ten biggest shareholders

Shareholders grouped according to Euroclear	Percentage	No. of shares
Färna Invest AB	42.30%	21,997,752 <sup>1</sup>
Ebmpapst AB	21.27%	11,059,770
Lannebo Fonder	6.21%	3,231,139
Nordea Fonder	4.44%	2,306,970
Alecta Pensionsförsäkring	4.29%	2,233,000
SEB Asset Management	2.79%	1,450,000
Handelsbanken Fonder	2.58%	1,341,505
Odin Fonder	1.76%	917,227
Fondita Nordic Micro Cap	1.44%	750,000
Swedbank Robur Fonder	0.97%	503,870
<b>Other</b>	<b>11.94%</b>	<b>6,208,767</b>
<b>TOTAL</b>	<b>100%</b>	<b>52,000,000</b>

<sup>1</sup>Private company wholly owned by CEO Gerald Engström  
Source: Shareholders' register at Euroclear AB, 30 April 2012

## Shareholder categories



## Share data

	2011/12	2010/11	2009/10	2008/09	2007/08*
No. of shares at 30 April	52,000,000	52,000,000	52,000,000	52,000,000	52,000,000
After tax earnings per share (SEK)	4.14	5.29	3.66	4.53	4.69
Cash flow per share (SEK)	5.58	4.79	6.86	5.71	4.20
Equity per share (SEK)	26.90	24.39	22.46	20.00	15.55
Share price, end of accounting period	85.50	101.50	70.00	45.00	62.50
High during the year (SEK)	110.00	109.00	77.75	67.00	78.75*
Low during the year (SEK)	65.25	59.00	43.00	27.40	52.00*
Dividend per share, proposed (SEK)	1.25	1.75	1.25	0.75	1.50
After tax P/E	20.65	19.20	19.13	9.90	13.30
Direct yield (%)	1.50	1.72	1.79	1.70	2.40
Payout ratio (%)	30.20	33.10	33.90	16.40	32.00
Trading volume	4,657,561	4,655,718	7,228,918	7,950,838	14,541,954*
Turnover rate (%)	9.00	9.00	13.90	15.30	13.90

\*Since stockmarket listing, 12 October 2007

## 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

# Directors' Report

## CONTENTS

Directors' Report	38
Description of the Business and Financial Information	38
Proposed Distribution of Unappropriated Profits	42
Corporate Governance Report	43
Consolidated Income Statement	50
Consolidated Statement of Comprehensive Income	50
Consolidated Balance Sheet	51
Statement of Changes in Equity – Group	53
Consolidated Cash Flow Statement	54
Parent Company Income Statement	55
Parent Company Statement of Comprehensive Income	55
Parent Company Balance Sheet	56
Statement of Changes in Equity – Parent Company	58
Parent Company Cash Flow Statement	59
Accounting Policies and Notes to the Accounts	61
Audit Report	77
Key Ratios and Definitions	78

The Board of Directors and Chief Executive Officer of Systemair AB (Publ), corporate identity number 556160-4108, hereby present the Company's annual accounts and consolidated accounts for the 2011/12 financial year, the Company's 39th year of operations. Systemair AB (publ) has its registered office and head office in Skinnskatteberg, Sweden.

### Description of the Business and Financial Information

#### General

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



**Systemair** offers a standardised range of ventilation products, including fans, air terminal devices, air handling units and chillers, and the emphasis on simplifying the task for ventilation contractor.



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



**Fantech** is a brand that is used in North America. Products include duct fans and other ventilation products, as well as heat recovery units for single-family homes. The acquisition of Emerson Ventilation Products in May 2008 added axial fans and ceiling fans for commercial buildings to the product range.



**VVEAB** markets heating products such as air duct heaters, fan heaters and dehumidifiers.

With production facilities in 13 countries (Sweden, Norway, Denmark, Lithuania, Germany, Slovakia, Slovenia, Italy, Spain, Canada, the USA, India and Malaysia) and a total of more than 200,000 m<sup>2</sup> of floor space for production and storage, Systemair is a significant international player in its product areas.

Systemair's products are marketed in 43 countries via owned sales companies

as well as via agents and distributors in a further approximately 60 countries. The Group's customers are primarily ventilation contractors and distributors of ventilation and electrical products.

#### 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 approximately 3,500.

#### Group

##### Sales and profit

Consolidated sales totalled SEK 3,997 million (3,467), 15.3% more than in the preceding financial year. Organic growth amounted to 6.4%. Companies acquired contributed 11.6%, SEK 401.9 million. The impact of exchange rates on translation of foreign subsidiaries was to reduce the value of sales by 2.7%.

##### Sales – Geographic breakdown

Sales in the Nordic region were up 14%. Acquisitions contributed 1% to sales growth in this region during the year. The Norwegian market is the biggest in the region, with sales of SEK 519 million. Sales in Norway grew by 22% over the year. Sales in the Swedish market increased more modestly, by 1%. The outlook for the year ahead in Sweden is bright, among other things, with Systemair securing its biggest-ever order in late 2011. The order, valued at around SEK 60 million, is for delivery of 115 air handling units for the New Karolinska Solna University Hospital, over a two year period. In Denmark, sales of primarily large air handling units increased. The company's total sales rose by 26%.

In Western Europe, sales were up 9%. Companies acquired contributed SEK 108 million, 9% of the total. Adjusted for both acquisitions and the impact of exchange rates, sales rose 2%, indicating that changes in exchange rates had an adverse impact of 2%. In Spain, sales fell by 35%. The biggest market in the region is Germany. Other major markets for Systemair in the region are France, the United Kingdom and the Netherlands. All of these markets reported satisfactory sales growth during the financial year.

The market in Eastern Europe & CIS showed an increase of 47% over the year. Sales in the region totalled SEK 951 million (646), an increase that was largely attributable to the acquisition of Russian distributor Ventrade. Excluding the acquisition, sales in Russia rose by 25%. Adjusted for foreign exchange effects and acquisitions, sales in Eastern Europe & CIS rose 11 percent during the quarter. Other major markets for Systemair in the region are Poland, Slovenia and the Czech Republic. All of the Baltic markets recorded satisfactory growth in sales.

Sales in the North American market were down 2% on those in the preceding year. Acquisitions did not materially affect sales for the year. Adjusted for foreign exchange effects, sales rose 2 percent. The last quarter of the financial year ended well, with a sales increase of 13%.

Sales in other markets were 5% down over the year. Company acquisitions boosted sales 7%. Adjustments for foreign exchange effects and acquisitions reduced sales by 5%. Major markets for Systemair in the region are India, Turkey and China. Sales in India rose 4% but, following an adjustment to reflect the acquisition of IAPL, were reduced by 22% as a result of weak underlying demand in the Indian market.

### Profit

Operating profit for the financial year from May 2011 to April 2012 totalled SEK 359.3 million (356.5), excluding non-recurring items of SEK -39.6 million (10.5), see Note 28. The non-recurring items consist of amortisation of goodwill in the amount of SEK -18.7 million, relating to the Spanish market, as well as measures totalling SEK -20.9 million to reduce the cost burden in new company acquisitions. The goodwill amortisation in the Spanish company Systemair HVAC arose in view of the dismal market situation in that country and cash flows forecast for the future. Despite the goodwill amortisation, Systemair will maintain its investment in the Spanish market. At present, production is being re-oriented towards the manufacture of a new generation of air conditioning systems.

The operating margin was 9.0% (10.3), excluding non-recurring items. Operating profit including non-recurring items totalled SEK 319.8 million (367.0), down 12.9%. The operating margin including non-recurring items was 8.0% (10.6).

Selling expenses for the full year were charged with SEK 10.8 million (14.5) for anticipated and actual bad debts and impairment losses on trade receivables. Company acquisitions added SEK 107.5 million (46.4) to selling and administration expenses for the year.

Financial income totalled SEK 2.7 million (2.5), including SEK 2.5 million (2.5) in interest income. Financial expenses for the year totalled SEK -25.9 million (-31.0), SEK -24.7 million (-16.5) of which consisted of interest expense. The rise in interest expense is a result of increased borrowing during the year, including order to finance acquisitions.

The tax expense for the period amounts to SEK -81.1 million (-63.6), corresponding to a tax charge of 27.4% (18.8). This tax expense was affected positively by the recognition as revenue of tax-loss carry-forwards that were obtained through the

acquisition of companies with losses made in previous business activities. The deficits acquired contributed tax revenue of SEK 24.4 million (33.3). The tax expense was further affected by an impairment loss of SEK 13.7 million on capitalised tax loss carry-forwards in Spain and by the fact that deferred tax was not capitalised at certain Group companies.

### Investment

The Group's investment during the year totalled SEK 265.4 million (266.4), of which company acquisitions accounted for SEK 184.2 million (205.5). Investment in property, plant and equipment totalled SEK 85.8 million (83.2), primarily consisting of investments in machinery at the manufacturing units in order to make production processes more economic and efficient. Sale of non-current assets totalled SEK -9.7 million (-22.3). Depreciation of property, plant and equipment totalled SEK 100.2 million (92.1).

### Business combinations

On 23 June 2011, Systemair acquired Ventrade, a Russian ventilation distributor. Ventrade sells ventilation and comfort cooling products, and for many years has been one of Systemair's biggest customers in Russia. The company has its headquarters and central warehouse in Moscow, plus sales offices and local warehouses in another 11 cities. In 2010, the company reported sales equivalent to around SEK 290 million and had 200 employees. The acquisition will enable Systemair to raise the proportion of Systemair products and provides extensive coverage throughout Russia, with major potential for growth. In addition, there are useful synergies with the production facility in Lithuania, where production capacity was expanded in 2011.

In August, Systemair acquired the assets of Kryotherm AB, Piteå. Kryotherm, founded in 1967, is a company with wide experience of products combining cooling and ventilation. Over the past five years,

SEK million	2011/12		change	2010/11	
	May-Apr	% of total		May-Apr	% of total
Nordic region	1,126.1	28%	14%	986.9	28%
Western Europe	1,346.3	34%	9%	1,239.0	36%
Eastern Europe & CIS	951.2	24%	47%	645.8	19%
North America	282.1	7%	-2%	289.1	8%
Other markets	291.2	7%	-5%	306.5	9%
<b>Total</b>	<b>3,996.9</b>	<b>100%</b>	<b>15%</b>	<b>3,467.3</b>	<b>100%</b>

sales have averaged approximately SEK 30 million. In 2010, sales slumped drastically and the company reported a loss. The company suspended payments in June 2011. Systemair has taken over all 12 employees. Kryotherm offers products that complement the Systemair range. Kryotherm has extensive know-how and long experience of the market sector for air handling units with integral cooling or heat pump systems. Synergies are anticipated in both product development and sales.

In November, Systemair acquired sales companies Frivent Luft und Wärmetechnik GmbH of Chemnitz, Saxony, eastern Germany and Garching, Bavaria. The companies are sales companies on behalf of the Austrian company Josef Friedl GmbH. Total sales for the two companies, which together employ in all seven people, were EUR 3.3 million in 2010. Frivent's Chemnitz office continues to act as agent on behalf of Systemair in parts of eastern Germany. The acquisition of Frivent will enable Systemair to conduct sales via its own personnel throughout Germany.

In December, Systemair finalised the acquisition of IAPL, International Air-conditioning Products Pvt., India, which was part of the Suvudha Group. IAPL manufactures air handling units for the Indian market. The company has sales equivalent to around SEK 55 million, and 120 employees. IAPL is based in Greater Noida, just outside New Delhi, and has sales offices in another five cities in India. IAPL owns an industrial facility extending over a 23,000 m<sup>2</sup> site in the Greater Noida Ecotech Park. There, Systemair intends to coordinate production for its Indian operations and to build up an R&D centre. The total purchase consideration was SEK 63 million, which includes the industrial facility. Local production of air handling units is expected to provide access to more, and bigger, construction projects, as well as growth in Indian market sales of other Systemair products.

As part of the Group's programme in Southeast Asia, a sales company was established in Taiwan in December. Systemair already operates sales companies and production facilities in Malaysia, sales companies in Hong Kong and Singapore, a representative office in Indonesia, and via a sales agent in Vietnam. In April 2012, the Taiwan company already started delivering tunnel fans on an order valued at approximately USD 1.5 million.

In mid-January 2012, Systemair acquired Airwell's factory in Milan, Italy, which was part of the Airwell Group. The factory manufactures liquid- and air-cooled chillers for comfort cooling. The company's product range, one of the most comprehensive in the market, comprises liquid- and air-cooled chillers rated at between 20 and 1,200 kW. The factory has 155 employees, and Systemair will also take over parts of the sales department for commercial refrigeration in Italy, with 12 employees. In addition, the factory has an up-to-date R&D centre for development and testing of liquid- and air-cooled chillers, together with a showroom and training centre. Net sales for the company totalled approximately EUR 24 million in 2011, but the company reported a loss. After acquisition, the name of the company was changed to Systemair AC.

In April, Systemair acquired sales companies DT Termo d.o.o. of Serbia and DT Termo MNE d.o.o. of Montenegro, where they rank among the leading companies in the ventilation sector. The acquisition of the company in Montenegro is subject to approval by the local competition authority. Aggregated sales for the companies, which have in all 15 employees, were SEK 16 million in 2011. The companies were former resellers of Systemair products. Serbia and Montenegro are growth markets, in which we identify strong potential for the Group's extensive product offering.

If the companies acquired during the year had been consolidated as of 1 May 2011, net sales for the period May 2011 through April 2012 would have totalled SEK approximately SEK 4,232 million. Operating profit for that period would have been approximately SEK 312 million.

#### *Personnel*

The average number of employees in the Group was 2,839 (2,430). At the end of the period, Systemair had 3,127 employees (2,506), 621 more than one year previous. New recruitment took place chiefly in Lithuania (52) and Germany (20). Through acquisitions, 525 employees joined the Group, including 227 at Ventrade, Russia, and 165 at Systemair AC, Italy.

In March, Taina Veittikoski, who had served in Systemair's Group Management, resigned from her post at Systemair. Taina was responsible for logistics and also worked in business development.

#### *Cash flow and financial position*

Cash flow from operating activities before changes in working capital during the period totalled SEK 337.5 million (369.2); the decrease was chiefly attributable to weaker operating profit. As a result of lower trade accounts payable and higher inventories, tied-up capital increased by SEK -47.6 million (-120.2). The cash flow from financing operations totalled SEK -11.1 million net (17.3). Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 866.8 million (702.7), and net indebtedness at year-end was SEK 785.0 million (638.1).

The consolidated equity/assets ratio was 45.1% (48.6) at financial year-end. The target adopted by the Board for the equity/assets ratio, 30% or more, was comfortably attained.

#### *Transactions in foreign currencies*

Systemair has established subsidiaries that operate in 43 countries, with our own production in 13 of these. Systemair products are sold in 100 or so countries around the world. Systemair AB has granted long-term loans to its subsidiaries. The value of these loans, translated into Swedish kronor, was SEK 391.3 million (331.0) on the balance sheet date.

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 also for financial activities in general. To manage payments and cash flows, a Group exchange management system operates in Sweden for the Nordic companies, and there is a EUR cash pool for other companies in Europe.

The credit-rating agency Soliditet AB repeated its AAA rating for Systemair AB for the 17th year in a row.

#### *Risks and uncertainties*

Systemair is exposed to operational, financial and other risks in its business. Operational risk is inherent in 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, credit risk and liquidity risk. Other risks are tax-effective loss carry-forwards. The material risks and



uncertainty affecting Systemair are described in more detail in Note 2.

**Financial review**

During the past five years, growth in Group sales has averaged 9%. The average annual operating margin (EBIT) has been 10% over the same period. The Group has targeted an equity/assets ratio of at least 30%. The average equity/assets ratio for the past five years has been 45%. Of total Group sales, 91% (89) are to customers outside Sweden.

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

**Outlook**

In most markets, Systemair is still a relatively small player, and we see excellent opportunities – with our broad product portfolio and ample capacity to deliver – for the Company to win greater market shares. In September, an interim report within the EU Directive on Eco-Design was delivered. The report advocates exhaust and supply air ventilation with energy recovery as the best solution for energy-efficient buildings. We also see major future potential in developing the combination of ventilation and cooling in our products.

During the year, we continued to step up the pace in developing our products and cultivating our markets, which will

strengthen the Group in the long run. We look forward to the coming year and will continue our work on integrating acquired businesses in order to achieve anticipated synergies, which will in turn deliver higher profitability.

**Seasonal factors**

Systemair's business operations are influenced by seasonal variations in connection with cold weather. Usually, activity in the autumn is higher because much construction work is being completed before winter. During the coldest parts of the year, demand for heating products increases, too. Normally the second quarter, August to October, is when Systemair records its strongest sales.

**Financial targets**

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

**Sales growth, >12%**

Over a business cycle, both organic and acquired

**EBIT, >10%**

Over a business cycle

**Equity/assets ratio, >30%**

**Dividend, Approximately 30%** of profit after tax

**Proposed guidelines on remuneration to senior executives**

The Board of Directors has proposed the following guidelines on remuneration to senior executives, for the period beginning with the Annual General Meeting 2012, which also comply with the guidelines adopted at the AGM for the preceding year.

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 include variable salary and benefits such as a company car. In addition to the above, special incentive programmes approved by the AGM may apply. Fixed salary and benefits shall be determined individually based on the aforementioned criteria and the specific competence of the executive. Variable salary will be paid subject to the attainment of clearly established targets. The variable salary will be paid as a proportion of the fixed salary and shall be subject to a predetermined limit, normally two months' salary. 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

>30%

Financial target: >30% equity/assets ratio

**Financial targets**

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

<b>1. Sales growth</b>	<b>&gt;12%</b>	Over a business cycle, both organic and acquired
<b>2. EBIT</b>	<b>&gt;10%</b>	Over a business cycle
<b>3. Soliditet</b>	<b>&gt;30%</b>	
Dividend	<b>Approximately 30%</b>	of profit after tax

Five-year review	2011/12	2010/11	2009/10	2008/09	2007/08
Net sales	3,997	3,467	3,219	3,333	3,092
EBIT	320	367	275	341	403
Operating margin	8.0%	10.6%	8.5%	10.2%	13.0%
Equity/assets ratio	45%	49%	49%	43%	37%
Return on capital employed	15%	18%	15%	21%	26%
Average number of employees	2,839	2,430	2,013	1,925	1,786

particular country and shall be based on the fixed salary.

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

#### Product Development

Systemair has chosen a strategy in which one mainstay is product development, and the Company strives to remain at the cutting edge in technology and product design. One focus is the development of energy-efficient ventilation products with a long service life.

Product development is conducted primarily at the large manufacturing units. The product development organisation employs around 110 people; about 20 of these work at the largest development unit, in Skinnskatteberg. Product development costs totalled approximately SEK 68 million in 2011/12 and SEK 58 million in 2010/11. The Group has six development centres equipped to test ventilation products using standardised measurement procedures. The laboratories are located in Sweden, Germany, Canada, Slovakia, Italy and the USA. The laboratory in Skinnskatteberg is among the most modern in Europe for measuring ventilation products.

#### Quality system

Systemair AB has been ISO 9001 certified since 1993. In addition to Systemair AB, the subsidiaries Systemair GmbH in Germany, Fantech Inc. in Canada, VEAB Heat Tech in Hässleholm, Sweden, Systemair HVAC in Spain, Systemair in Slovenia, Imos-Systemair in Slovakia, Systemair in Malaysia, Systemair AC in Italy, IAPL and Systemair in India and Systemair in Denmark also have ISO certification.

#### 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 practices to reduce environmental impact.

Systemair's production facilities in Sweden and in Germany have ISO 14001 certification. Systemair regards the Company's manufacturing facilities and operations as meeting the requirements of all significant environmental laws and regulations that affect the Company.

The Parent Company is engaged in activities subject to environmental reg-

istration. They are Category C activities, which means that the Municipality of Skinnskatteberg is responsible for the environmental inspection.

#### Parent Company

The Parent Company develops, manufactures and sells ventilation and heating products in Skinnskatteberg. The Group's largest development centre and Group Management functions are also based there.

During the financial year, sales totalled SEK 939 million (875) and profit after net financial items SEK 45 million (53).

A high proportion of sales and purchases are still denominated in EUR. Sales by the Parent Company to subsidiaries in Europe are mainly transacted in EUR. As a result, the gross margin declined by just over one percentage point over the year.

Exports accounted for 63% (61) of sales from Skinnskatteberg.

Exports represent a significant share of sales by Systemair AB to its subsidiary Frico AB. Adjusted for the re-exports from Frico AB, 73% (71) of all sales from Skinnskatteberg were exported.

Investment in buildings, technical facilities, machinery, equipment and construction in progress totalled approximately SEK 16.3 million (17.3). Investments were primarily in new sheet metal working machinery.

The cash flow from operating activities in the Parent Company equalled SEK 71.7 million (200.6). Cash and cash equivalents totalled SEK 372.9 million at year-end and SEK 376.4 million at the start of the year.

The balance sheet shows a strong equity/assets ratio of 36% (40).

#### Significant events after financial year-end

In May 2012, Systemair signed an agreement to acquire 70 percent of the shares in a Turkish company, HSK. HSK is Turkey's leading manufacturer of ventilation products, with sales of SEK 160 million in 2011. The company has two production facilities just outside Istanbul and sales offices in Azerbaijan, Georgia, Turkmenistan, Dubai and Iraq. The acquisition is expected to create excellent synergies with the Italian chiller and heat pump factory acquired. The acquisition concerns initially 70 percent of the shares and a binding option to acquire the remaining 30

percent within a four-year period. The transfer of ownership is expected to take place in June 2012.

In June, Systemair signed an agreement to acquire Change Air, Canada. The company is one of the North American market's leading makers of air handling units for classrooms. In 2011, Change Air had sales equivalent to SEK 84 million and an operating profit of SEK 11.9 million. The company, which has 65 employees, has its headquarters and a production facility in Ontario, Canada. The acquisition gives Systemair access to 59 sales agents in 71 cities, and a total of approximately 300 sales engineers in North America. The latter cover 42 states in the USA and six provinces in Canada.

#### Proposed Distribution of Unappropriated Profits

Available for distribution by the Annual General Meeting:

Share premium reserve	SEK 35,206,751
Fair value reserve	SEK -4,113,448
Profit brought forward	SEK 522,102,578
Net profit for the year	SEK 128,309,923
	<b>SEK 681,505,804</b>

The Board proposes that the AGM to be held 29 August 2012 approves a dividend of SEK 1.25 (1.75) per share, giving a total distribution of SEK 65.0 (91.0) million, and that the remaining profits be carried forward. The proposed dividend corresponds to 30% (33) of net consolidated profit. The number of shares entitled to a dividend is 52,000,000.

# Corporate Governance Report

Systemair AB, corporate identity number 556160-4108 and registered office in Skinnskatteberg, Sweden, is a Swedish public limited liability company. As a result, its corporate governance is based on Swedish rules and legislation, mainly the Swedish Companies Act, NASDAQ OMX Stockholm's regulations, the Swedish Code of Corporate Governance, the Articles of Association and other rules and regulations.

## Application of the Swedish Code of Corporate Governance

Systemair applies the Swedish Code of Corporate Governance with the following exceptions.

The AGM appointed a nominating committee consisting of three of the largest shareholders by votes. The chairman of the nominating committee is the Company's majority shareholder and Chief Executive Officer, Gerald Engström, who owns 42.3% of the shares in Systemair via his wholly owned company Färna Invest AB. Engström is also a member of the Board of Directors.

The second largest shareholder, ebm-papst AB, owns 21.3% and is

represented on the nominating committee by Gerhard Sturm.

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

The majority of members of the nominating committee are not independent and the chief executive officer is chairman of the committee, which are deviations from the Code. The Company's judgement is that consider-

able advantages are provided by the said arrangement and that it is in the interests, and to the benefit, of the Company and the other shareholders.

## Shareholders

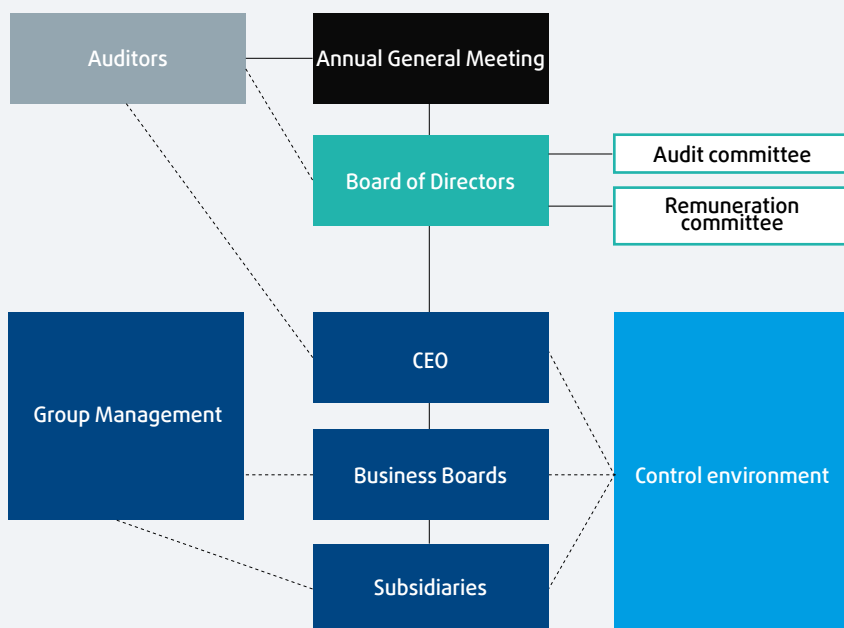
The Company's share has been listed on the Mid Cap list of NASDAQ OMX Stockholm since 12 October 2007. The Company's trading symbol is SYSR. At the end of the accounting period, Systemair AB had 3,519 shareholders. At 30 April 2012, the total number of shares outstanding was 52,000,000, all of the same class. The largest individual shareholder is Färna Invest AB, which owns 42.3% of the capital and is 100%-controlled by CEO Gerald Engström. Other major shareholders are ebm-papst AB, Järfälla, Sweden, wholly owned subsidiary of ebm-papst GmbH, Mulfingen, Germany, with 21.3%, and Lannebo Fonder, with 6.2%. All shares have a quotient value of SEK 1.

For more information, see section "The Systemair Share", on page 36.

## Articles of Association

The Articles of Association state that the Company's 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 CEO shall be audited by a registered public account-

## How Systemair is governed



ing 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: [www.systemair.com](http://www.systemair.com), Investors & Media

### Annual General Meeting

The Annual General Meeting (AGM) is Systemair's ultimate governing body. The AGM shall be held within six months from the end of the financial year. Notice of the meeting is given on the Systemair website and shall be confirmed via an announcement in Dagens Industri.

All shareholders who are entered in the share register five weekdays before the AGM and have notified the Company no later than 3.00 p.m. on the day specified in the notice for the AGM that they will attend are entitled to attend and to vote in accordance with their total shareholdings. Any shareholder unable to attend can be represented by a representative.

The AGM deals with several key matters of business, such as the dividend, any amendments to the Articles of Association, election of auditor, discharge of the Board from liability, remuneration to the Board and auditors as well as decisions on the composition of the Board until the next AGM.

### 2011 Annual General Meeting

The ordinary AGM, held on 25 August 2011, elected Lars Hansson to chair the meeting. Lars Hansson (Chairman), Elisabeth Westberg, Göran Robertsson, Jürgen Zilling and Gerald Engström were re-elected to the Board and Hannu Paitula was elected to the Board for the first time.

Lars Hansson informed the AGM of the work of the Board and reported on the guidelines for remuneration to Company management and for the work of the nominating committee. In addition, CEO Gerald Engström held a speech about Systemair's business during financial year 2010/11. Thomas Forslund, the auditor in charge, presented sections of the audit report.

#### The AGM resolved:

- That the Board fee of SEK 400,000 would be paid to the Chairman and SEK 200,000 to each director not employed by the Company. That a fee of SEK 25,000 be paid to each employee representative.
- That a fee of SEK 50,000 be paid to

the chairman of the audit committee and SEK 25,000 be paid to the other members of the audit committee.

- That a dividend of SEK 1.75 per share be paid,
- That the nominating committee consist of representatives from three of the largest voting shareholders as well as the Chairman of the Board,
- That during the period until the 2012 AGM the Board be authorised to decide to issue new shares equal to no more than 10% of the number of shares in the Company.

The minutes from the 2011 AGM are available at the Company's website at: [www.systemair.com](http://www.systemair.com).

### Nominating 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 and proposals for fees to the Chairman of the Board and other Board members, for remuneration committee work and for auditors' fees. These proposals shall be presented to the AGM.

#### *Prior to the 2012 AGM, the nominating committee consisted of:*

Lars Hansson (Chairman of the Board), Gerald Engström (representing Färna Invest AB, chairman of the nominating committee), Gerhard Sturm (representing ebm-papst AB) and Peter Rönström (representing Lannebo Fonder).

The nominating committee held three meetings.

No remuneration was paid for work on the nominating committee.

Contact information for members of the committee is available in the annual report and at [www.systemair.com](http://www.systemair.com), Investors & Media

The nominating committee's proposals to the 2012 AGM are stated in the Notice of AGM and on the Systemair website, [www.systemair.com](http://www.systemair.com)

### Members of the Board

The Board of Directors is made up of six directors, elected at the AGM, namely Lars Hansson (Chairman), Gerald Engström (Systemair CEO), Elisabeth Westberg, Göran Robertsson, Jürgen Zilling and Hannu Paitula. The employees appointed two representatives, Kevin Rowland, of Unionen, and Åke Henningsson, of IF Metall. Glen Nilsson, CFO, serves as Board Secretary.

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 of Directors

During the 2011/12 financial year, the Board held seven meetings and one statutory meeting. The Company's auditor attended proceedings dealing with the year-end report and presented his report, at which time the Board had opportunity to ask questions. All decisions were made unanimously by the Board and were minuted.

According to the Board's rules of procedure, the Board must meet at least six times during the financial year.

The Board's agenda includes several set items that are addressed on an ongoing basis.

---

→ **Business situation.** Report on the business situation in the Group and statement that events significant to operations are discussed.

---

→ **Financial reporting.** Review of profit trends at Group level and for subsidiaries. Deviations from plan are discussed, and measures adopted. The situation with regard to cash flow, foreign exchange and financing are discussed.

---

→ **External reporting.** On the occasion of each quarterly report, the Board reviews the external final accounts and end-of-period financial report before publication.

---

→ **Investment.** Reporting on investments and decisions on investments to a value of more than SEK 10 million, based on documentation distributed.

---

→ **Acquisitions.** Reporting on acquisition discussions in progress and decisions on acquisitions is provided when appropriate.

---

→ **Organisation and employees.** Reporting on issues of importance concerning organisational changes within the Group.

---

In addition to the above, the Board deals with the following set items, which it discusses annually:

→ **Budget.** At a meeting in the spring, the Board considers the Group's budget for the year ahead.

→ **Annual accounts.** During its June meeting, the Board discusses the annual accounts for the past year. The meeting is also attended by the Company's auditor, who reports his comments to the entire Board.

→ **Strategy.** During the autumn, the Board holds a meeting for an in-depth discussion of strategy.

In addition, during the year the Board discussed and adopted a financial policy, an insider policy, an IT policy, a communication policy and a code of conduct. Each policy is presented on the Company's website, [www.systemair.com](http://www.systemair.com)

Each month, the Board receives the Company's reporting package on profit and financial position, consolidated at Group level and for all subsidiaries. The CEO also maintains ongoing contact with the Chairman of the Board.

The attendance at meetings of the respective members is indicated in the table below.

	Board of Directors	Audit committee	Remuneration committee	Year elected	Company	Shareholder
<b>Number of meetings</b>	8	4	1			
Lars Hansson, Chairman	8	4	1	2006	Indep.	Indep.
Gerald Engström	8	-	-	1974	Dep.	Dep.
Elisabeth Westberg	7	3	1	2006	Indep.	Indep.
Jürgen Zilling	8	-	-	2008	Indep.	Indep.
Göran Robertsson	8	4	1	2006	Indep.	Indep.
Hannu Paitula <sup>2</sup>	5	-	-	2011	Indep.	Indep.
Kevin Rowland <sup>1</sup>	7	-	-	2002	-	-
Åke Henningsson <sup>1</sup>	8	-	-	2010	-	-

<sup>1</sup>Employee representative

<sup>2</sup>Elected at the August 2011 AGM and has attended all meetings since then.

The Board has this year evaluated its work and all members participated in the evaluation and expressed their views. Compensation in excess of the remuneration was paid to special missions during the 2011/12. The remuneration to the board is explained in Note 9.

### Remuneration committee

The Board has appointed a remuneration committee that consists of Lars Hansson (chairman), Elisabeth Westberg and Göran Robertsson. All members participated in all meetings. The committee's task is:

- 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 for company management
- to follow and assess programmes for variable remuneration to company management in progress and concluded during the year
- to monitor and assess the application of guidelines for remuneration for senior management as well as current structures and levels of remuneration.

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. The Chairman of the Board shall chair the committee. The committee held one minuted meeting.

### Audit committee

During the financial year, the Board had an audit committee that consisted of Board members Elisabeth Westberg (chairman), Lars Hansson and Göran Robertsson.

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 proposals for the selection of auditors.

The committee held four minuted meetings in which the Company's CFO, Vice President of Administration and auditor took part. These meetings addressed issues such as the risk assessment of internal control and risk management with respect to financial reporting. Reports were submitted from internal audits performed. Minutes were kept of the meetings and were presented at the next Board meeting.

### Group Management

President Gerald Engström, who is also Chief Executive Officer of the Parent Company, is responsible for day-to-day control of the Group. Group Management, which reports to Gerald Engström, comprises:

Svein Nilsen, VP Sales and Marketing; Glen Nilsson, CFO; Mats Lund, VP Production; Roland Kasper, VP Products; and Anders Ulff, VP Administration; Jonas Valentin, MD of Frico AB; and Kurt Maurer, MD of Systemair GmbH, Germany.

Group Management holds regular meetings during the year to review earnings for the Group and for individual subsidiaries, as well as the market and business situation, and for decisions to be taken on strategic and operational matters within frameworks established by the Board. One of these yearly meetings is more extensive, involving more detailed discussion and planning for operations and the formulation of targets at the 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. Group Management is supported by functions for Group reporting, treasury, business development, product development, production and IT.

### Business Boards

Operations at the subsidiaries are controlled via "Business Boards", which



might best be described as executive steering committees for the subsidiaries. Each of these consists of 1-2 members of Group Management and/or another key person from the Parent Company, plus the subsidiary's MD. The Business Boards set targets and monitor financial outcomes, take decisions on major market and product issues and serve as the link between Parent Company and the particular subsidiary in connection with various organisational matters. The Business Boards meet two to four times each year. Each subsidiary also has a formal board of directors, if required by law in the country concerned.

### Senior executive remuneration Guidelines

The 2011 AGM adopted guidelines for senior executive remuneration.

Senior executive remuneration shall - based on the conditions in the market in which the Company operates - be competitive and 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 a company car. In addition to the above, special incentive programmes approved by the AGM may apply. Fixed salary and benefits shall be determined individually based on the aforementioned criteria and the specific competence of the executive. Variable salary will be paid subject to the attainment of clearly established targets. The variable salary will be paid as a proportion of the fixed salary and can equal no more than two months' salary. As a rule, pensions shall be paid through defined contribution plans. The size of the pension shall adhere to the same criteria as above and be based on fixed salary. The Board is entitled to depart from these guidelines if justified in any particular case.

Remuneration to the CEO and other senior executives is presented in Note 9.

### Notice of termination and severance payments

The Chief Executive Officer's employment may be terminated on 12 months' notice by the Company or six months' notice by the CEO. For other senior executives, the period of notice is as stated in the applicable collective bargaining agreement or is no more than 12 months from the Company or

six months from the employee. No other agreements entitle the CEO or other senior executives to severance pay.

### Pensions

The special pension plan that applies for the CEO is described in Note 9.

The other senior executives are covered by the ITP Pension Plan. Pension costs for senior executives totalled SEK 3.1 million in 2011/12.

### Auditor

The auditor in charge is Thomas Forslund of Ernst & Young AB. Ernst & Young were elected as audit firm at the 2008 AGM for the period until the end of the 2012 AGM. The Company has no deputy auditors. Thomas Forslund is a member of FAR SRS, the institute for the accountancy profession in Sweden. Ernst & Young AB's office address is Jakobsbergsgatan 24, SE-103 99 Stockholm, Sweden.

The external audit is performed in accordance with generally accepted accounting principles in Sweden. Annual report documents for legal entities domiciled outside Sweden are audited in accordance with the legal requirements and other applicable rules of the countries in question.

The work of auditing the Group's accounts adheres to an audit plan adapted to the size of the companies and sets guidelines for audit work performed in each subsidiary. In addition to audit engagements, the audit firm has performed certain consulting assignments during the year, primarily consisting of advice on tax and accounting issues. The auditors have submitted oral and written reports to the audit committee and the Board on the audit engagement as well as on the audit of the Company's internal control.

## BOARD OF DIRECTOR'S REPORT ON INTERNAL CONTROL RELATED TO FINANCIAL REPORTING

### *Report of the Board of Directors on internal control for financial year 2011/12*

The Board of Directors' responsibilities for internal direction and control are defined in the Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The Annual Accounts Act stipulates that the Company describe annually the Company's system for internal control and risk management with respect to financial reporting. The audit committee has an essential task of preparing the work of the Board to enable the Board to assure the quality of financial reporting. Such preparation covers issues of internal control and compliance, inspection 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

The control environment in Systemair is characterised by short paths between Group Management and the operational units. The Board of Directors has adopted a number of basic documents to create and maintain a smoothly functioning control environment of importance to the financial reporting. These include the Board of Directors' set of procedures, 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 also been appointed within the Board of Directors. Its task is to ensure that policies adopted on financial reporting and internal control are observed and developed. The committee also maintains day-to-day relationships with the Company's auditors.

### Risk assessment

Systemair's Board of Directors is responsible for ensuring that material financial risks and risks of errors in financial reporting are identified and managed.

As regards the financial reporting, the primary risk is deemed to be material errors arising in the disclosures of the Company's financial earnings and position. The Board and management continuously assess reporting from a risk viewpoint, in which comparisons of income statement and balance sheet items with previous disclosures and budgets are a crucial aid.

### Control activities

The CEO is responsible for ensuring that the Group's internal control and risk management processes are systematically assessed and potential improvements canvassed by means of independent and objective evaluations. With the aim of minimising these risks, governing documents apply to accounting, procedures for closing accounts and following up. 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, among other benefits, any deviations or errors can be detected quickly and corrected.

The central controller organisation is responsible for compliance with instructions and guidelines. At the end of the accounting period, the Group comprised around 60 subsidiaries 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 for several companies that they monitor and analyse continuously. Actual results are reviewed in relation to plans and targets on an ongoing basis with representatives from the subsidiaries and Group Management.

For its approximately 40 subsidiaries, the Group has a common, fully integrated ERP system that provides a highly efficient tool for management, internal control and follow-up. For major decisions such as acquisitions, investments, significant contracts and the like, there are explicit decision-making methods and processes.

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

### Information and communication

Systemair has channels of internal information and communication that are intended to aid in achieving completeness and accuracy in financial reporting. The CEO is responsible for the accuracy and good quality of all information published externally: quarterly reports, press releases, company presentations etc. in conjunction with analysts' meetings and more. 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 audit committee and Board.

In addition to the annual accounts, the auditor reviews the semi-annual accounts. Each month, the Board receives a reporting package that includes the complete final accounts for each 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 results for preceding years.

The Board's set of procedures regulates which reports and information of a financial nature will be presented continuously and at each Board meeting.

In order to promote awareness of policies and manuals among the Group's employees, information is available to all concerned on the Group's intranet. To ensure that external information is accurate and comprehensive, the Board of Directors has therefore adopted a Communication Policy. For more information, see the Company's website at [www.systemair.com](http://www.systemair.com)

### Follow-up

The Board's audit and remuneration committees as well as company management follow up on 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 report, 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 that subsidiary's CEO.

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

Systemair's legal and operational structures are simple and efficient, evident in smoothly functioning and established systems for management and control. During the year, the controller organisation conducted several internal audits in subsidiaries, aided by the Company's auditors. This work adheres to a standardised model, in which various significant issues associated with internal guidelines and policies are reviewed.

Procedures associated with internal audits are being developed continuously, and an annual plan for audit activities has been adopted.

### Special auditing function, internal audit

At present, there is no separate auditing function at Systemair. Instead, the function is performed by Group Management, Business Boards and the central financial control function, supported by the audit committee and external auditors. 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.

Day-to-day dialogue between the Company and its external auditors, as well as the checks by the above-mentioned parties are considered at present to be adequate in ensuring that an acceptable level of internal control is maintained. This judgement is subject to continual review, and the issue will be re-examined in 2012/13.

## Board of Directors



### GERALD ENGSTRÖM

President and CEO

Chairman of Bluefish Pharmaceuticals AB

**Education:** Upper secondary school qualification in Engineering, Business Studies at Stockholm University

**Formerly:** CEO, Ziehl-ebm AB etc.

**Holding** on 30/4/12: 21,997,752 (shares owned by Färna Invest)

**Born:** 1948

**Year elected:** 1974

**Independent:** No



### LARS HANSSON

Chairman of the Board

Chairman of S-Group Holding AB and Svenska Re AB; Director of Starkraft AB

**Education:** M.Sc. Engineering

**Holding** on 30/4/12: 50,000 shares

**Born:** 1942

**Year elected:** 2006

**Independent:** Yes



### GÖRAN ROBERTSSON

Director

Chairman Eurovent Certification Company

**Education:** B.Sc. Engineering and leadership programme at Stockholm School of Economics IFL Executive Education

**Formerly:** CEO of Stifab Farex AB etc.

**Holding** on 30/4/12: 15,000 shares

**Born:** 1943

**Year elected:** 2006

**Independent:** Yes



### JÜRGEN ZILLING

Director

Sales Manager, Ziehl-Abegg, Kuenzelsau 1967-1980. VP Sales & Marketing ebm, Mulfingen 1980-2002

**Holding** on 30/4/12: 10,000 shares

**Born:** 1938

**Year elected:** 2008

**Independent:** Yes



### ELISABETH WESTBERG

Director

Director of Jämtkraft AB, Scandem AB, AB Fr Ramström and Ljusterö Vind e.f.

**Education:** Bachelor's degree

**Formerly:** Vice President Handelsbanken Capital Markets etc.

**Holding** on 30/4/12: 25,000 shares

**Born:** 1948

**Year elected:** 2006

**Independent:** Yes



### HANNU PAITULA

Industrial consultant

Chairman of the Board, WinGroup AG, Switzerland; Director, Oras Ltd, Finland, and Kährs AB, Sweden.

**Education:** Engineer

**Holding** on 30/4/12: -

**Born:** 1948

**Year elected:** 2011

**Independent:** Yes



### KEVIN ROWLAND

Employee Representative

**Education:** BA History, La Salle Univ, Philadelphia, USA; Personnel Management, Org. Development, University of Gothenburg

**Present position:** Operations Manager/IT

**Holding** on 30/4/12: 500 shares

**Born:** 1954

**Year elected:** 2002



### ÅKE HENNINGSSON

Employee Representative

**Present position:** Industrial electrician

**Holding** on 30/4/12: -

**Born:** 1957

**Year elected:** 2010

# Group Management



## GERALD ENGSTRÖM

President and CEO

Chairman of Bluefish Pharmaceuticals AB

**Education:** Upper secondary school qualification in Engineering, Business Studies at Stockholm University

**Formerly:** CEO, Ziehl-ebm AB etc.

**Holding** on 30/4/12: 21,997,752 shares (owned by Färna Invest)

**Born:** 1948

**In current position since:** 1986



## SVEIN NILSEN

Vice President Sales and Marketing

**Education:** Bsc Engineering with Heating, Ventilation & Sanitation, Norwegian University of Science and Technology (NTNU)

**Formerly:** CEO, Pyrox Jolin, Trondheim, Norway (acquired 1988)

**Holding** on 30/4/12: 100,000

**Born:** 1947

**In current position since:** 2000



## GLEN NILSSON

Chief Financial Officer

**Education:** MSc, Business Administration, Uppsala University

**Formerly:** CFO, Transwede Airways AB; Head of Admin., ICA Detaljhandel AB

**Holding** on 30/4/12: 27,667

**Born:** 1952

**In current position since:** 1999



## MATS LUND

VP Production

**Education:** Computer Programming and IT studies

**Formerly:** IT, purchasing and logistics manager Systemair, Computer programmer, ASEA

**Holding** on 30/4/12: 109,000

**Born:** 1957

**In current position since:** 2003



## ROLAND KASPER

Vice President Marketing - Products

**Education:** Energy and Heating Technology Engineering Diploma, University of Applied Sciences Giessen-Friedberg, Germany

**Formerly:** Product Manager, FläktWoods Group and ABB Ventilation Products GmbH

**Holding** on 30/4/12: -

**Born:** 1969

**In current position since:** 2011



## KURT MAURER

MD Systemair GmbH, Germany

**Education:** Heilbronn University

**Formerly:** Technical Director, Lti Lüftungstechnik; Product Dvpt, Rosenberg; Product Dvpt, Ebm-papst

**Holding** on 30/4/12: 80,000

**Born:** 1959

**In current position since:** 1998



## ANDERS ULFF

VP, Finance and Administration

**Education:** M.Sc. Business Administration, Uppsala University

**Formerly:** Auditor and consultant, Ernst & Young; CFO, Systemair

**Holding** on 30/4/12: 60,600

**Born:** 1967

**In current position since:** 2009



## JONAS VALENTIN

CEO, Frico AB

**Education:** M.Sc. Engineering, Chalmers University of Technology

**Formerly:** Product and Key Account Manager Frico AB; Project man, Volvo and Saab

**Holding** on 30/4/12: 85,000

**Born:** 1958

**In current position since:** 2001



## Consolidated Income Statement

SEK m., 1 May–30 April	Notes	2011/12	2010/11
Net sales	3	3,996.9	3,467.3
Cost of goods sold	4	-2,505.2	-2,109.5
<b>Gross profit</b>		<b>1,491.7</b>	<b>1,357.8</b>
Other operating income	7	55.9	59.2
Selling expenses	4	-961.6	-813.8
Administration expenses	4, 5	-208.0	-193.0
Other operating expenses	8	-58.2	-43.2
<b>Operating profit</b>	4, 6, 9, 10	<b>319.8</b>	<b>367.0</b>
Financial income	11	2.7	2.5
Financial expenses	12	-25.9	-31.0
<b>Profit after financial items</b>		<b>296.6</b>	<b>338.5</b>
Tax	13	-81.1	-63.6
<b>Profit for the year</b>		<b>215.5</b>	<b>274.9</b>
Attributable to:			
Parent Company shareholders		215.4	273.0
Shareholdings without controlling influence		0.1	1.9
Earnings per share <sup>1</sup>	35	4.14	5.25
Average no. of shares during period <sup>1</sup>		52,000,000	52,000,000

<sup>1</sup>At present, Systemair does not have any option programme in operation and so no dilution effect is to be taken into account.

## Consolidated Statement of Comprehensive Income

	2011/12	2010/11
<b>Profit for the period</b>	<b>215.5</b>	<b>274.9</b>
<b>Other comprehensive income</b>		
Translation differences, foreign operations	10.5	-80.2
Hedging of net assets in foreign operations, gross before tax	-5.6	4.1
Tax on hedging of net assets in foreign operations	1.5	-1.1
Change in fair value of securities held for sale	-	-
Disposal of securities held for sale	-	-
<b>Other comprehensive income, net after tax</b>	<b>6.4</b>	<b>-77.2</b>
<b>Total comprehensive income for the period</b>	<b>221.9</b>	<b>197.7</b>
Attributable to:		
Parent Company shareholders	221.9	196.4
Shareholdings without controlling influence	0.0	1.3

# Consolidated Balance Sheet

SEK m.	Notes	30 Apr 2012	30 Apr 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	14	367.3	263.5
Other intangible assets		126.2	69.0
		<b>493.5</b>	<b>332.5</b>
<i>Property, plant and equipment</i>			
Buildings and land	14	553.5	498.2
Plant and machinery		154.0	109.2
Equipment and tools		74.5	66.7
Construction in progress		10.0	37.7
		<b>792.0</b>	<b>711.8</b>
<i>Financial and other assets</i>			
Other securities held as non-current assets	15	0.4	0.4
Participations in associated companies		-	0.1
Deferred tax assets	13	99.3	96.3
Other long-term receivables	16	7.3	9.7
		<b>107.0</b>	<b>106.5</b>
<b>Total non-current assets</b>		<b>1,392.5</b>	<b>1,150.8</b>
<b>Current assets</b>			
<i>Inventory</i>			
Raw materials and consumables	18	282.5	227.5
Products in progress		32.5	29.1
Finished products		452.3	350.4
		<b>767.3</b>	<b>607.0</b>
<i>Current receivables</i>			
Accounts receivable – trade	19	764.5	678.1
Other receivables		33.9	59.5
Prepaid expenses and accrued income	17	43.4	33.7
Other investments in securities etc.		6.6	5.9
		<b>848.4</b>	<b>777.2</b>
<i>Cash and bank balances</i>			
		91.6	76.8
<b>Total current assets</b>		<b>1,707.3</b>	<b>1,461.0</b>
<b>TOTAL ASSETS</b>		<b>3,099.8</b>	<b>2,611.8</b>

## Consolidated Balance Sheet (cont.)

SEK m.	Notes	30 Apr 2012	30 Apr 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20	52.0	52.0
Additional paid-in capital		2.2	2.2
Other reserves		-30.6	-37.0
Profit brought forward, incl. profit for the year		1,375.4	1,250.9
<b>Equity attributable to Parent Company shareholders</b>		<b>1,399.0</b>	<b>1,268.1</b>
Shareholdings without controlling influence		0.1	0.1
<b>Total equity</b>		<b>1,399.1</b>	<b>1,268.2</b>
<b>Non-current liabilities</b>			
Non-current liabilities, interest-bearing	21	185.4	205.3
Provisions for pensions	25	15.3	16.8
Provisions for deferred tax liabilities	13	80.6	68.6
Other provisions		36.3	14.7
<b>Total non-current liabilities</b>		<b>317.6</b>	<b>305.4</b>
<b>Current liabilities</b>			
Current liabilities, interest-bearing	21	681.4	497.4
Accounts payable – trade		354.5	299.1
Income tax liability		54.0	32.0
Other liabilities		116.0	58.9
Accrued expenses and deferred income	22	177.2	150.8
<b>Total current liabilities</b>		<b>1,383.1</b>	<b>1,038.2</b>
<b>Total liabilities</b>		<b>1,700.7</b>	<b>1,343.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,099.8</b>	<b>2,611.8</b>
Pledged assets	31	347.2	348.6
Contingent liabilities	32	30.0	34.9

## Statement of Changes in Equity – Group

SEK m.	Attributable to Parent Company shareholders					Profit brought forward, incl. profit for the year	Shareholdings without controlling influence	Total equity
	Share capital	Additional paid-in capital	Hedging reserve	Translation reserve				
<b>Equity, 30 April 2010</b>	<b>52.0</b>	<b>2.2</b>	<b>1.6</b>	<b>38.0</b>		<b>1,057.8</b>	<b>16.1</b>	<b>1,167.7</b>
Dividends in subsidiaries paid to non-controlling interests							-0.7	-0.7
Acquisition of non-controlling interests						-14.9	-16.6	-31.5
Dividends						-65.0		-65.0
Profit for the year						273.0	1.9	274.9
Other comprehensive income			3.0	-79.6			-0.6	-77.2
<b>Equity, 30 April 2011</b>	<b>52.0</b>	<b>2.2</b>	<b>4.6</b>	<b>-41.6</b>		<b>1,250.9</b>	<b>0.1</b>	<b>1,268.2</b>
Dividends						-91.0		-91.0
Profit for the year						215.5	0.0	215.5
Other comprehensive income			-4.1	10.5				6.4
<b>Equity, 30 April 2012</b>	<b>52.0</b>	<b>2.2</b>	<b>0.5</b>	<b>-31,1</b>		<b>1,375.4</b>	<b>0.1</b>	<b>1,399.1</b>



# Consolidated Cash Flow Statement

SEK m., 1 May–30 April	Notes	2011/12	2010/11
<b>Operating activities</b>			
Operating profit		319.8	367.0
Interest received		2.5	2.3
Interest paid		-25.3	-15.7
Adjustment for non-cash items etc.	33	98.0	74.2
Income tax paid		-57.5	-58.6
<b>Cash flow from operating activities before changes in working capital</b>		<b>337.5</b>	<b>369.2</b>
<b>Changes in working capital</b>			
Inventory		-26.8	-107.7
Current receivables		54.7	-73.0
Accounts payable – trade		-96.3	81.6
Current liabilities		20.8	-21.1
<b>Cash flow from operating activities</b>		<b>289.9</b>	<b>249.0</b>
<b>Investing activities</b>			
Acquisition of subsidiaries	29	-172.5	-146.6
Acquisition of lossmaking companies		-11.7	-27.4
Acquisitions from non-controlling interests		-	-31.5
Acquisition of intangible assets		-5.1	-
Acquisition of property, plant and equipment		-85.8	-83.2
Sale of property, plant and equipment		9.4	21.3
Sale of financial assets		0.3	1.0
<b>Cash flow from investing activities</b>		<b>-265.4</b>	<b>-266.4</b>
<b>Financing activities</b>			
Borrowings		221.0	156.0
Repayment of loans		-141.1	-73.0
Dividend to shareholders		-91.0	-65.7
<b>Cash flow from financing activities</b>		<b>-11.1</b>	<b>17.3</b>
Increase/Decrease in cash and cash equivalents		13.4	-0.1
Cash and cash equivalents at start of year		76.8	85.9
Exchange rate difference in cash and cash equivalents		1.4	-9.0
Cash and cash equivalents at end of year		91.6	76.8

## Parent Company Income Statement

SEK m., 1 May–30 April	Notes	2011/12	2010/11
Net sales	3	939.2	875.1
Cost of goods sold		-701.5	-640.4
<b>Gross profit</b>		<b>237.7</b>	<b>234.7</b>
Other operating income	7	31.8	16.1
Selling expenses		-158.8	-128.9
Administration expenses	5, 6	-59.9	-64.1
Other operating expenses	8	-5.6	-4.5
<b>Operating profit</b>	9, 10	<b>45.2</b>	<b>53.3</b>
Profit/loss from participations in Group companies	26	141.1	127.6
Other interest income and similar profit/loss items	11	28.4	33.0
Interest expense and similar profit/loss items	12	-36.5	-20.6
<b>Profit after financial items</b>		<b>178.2</b>	<b>193.3</b>
Appropriations	23	-51.6	-70.2
<b>Pre-tax profit</b>		<b>126.6</b>	<b>123.1</b>
Tax on profit for the year	13	1.7	-2.1
<b>Profit for the year</b>		<b>128.3</b>	<b>121.0</b>

## Parent Company Statement of Comprehensive Income

	2011/12	2010/11
<b>Profit for the period</b>	<b>128.3</b>	<b>121.0</b>
<b>Other comprehensive income</b>		
Translation effects of long-term loans to subsidiaries with no settlement planned	6.5	-7.7
Tax effect from translation of long-term loans to subsidiaries	-1.7	2.0
<b>Other comprehensive income, net after tax</b>	<b>4.8</b>	<b>-5.7</b>
<b>Total comprehensive income for the period</b>	<b>133.1</b>	<b>115.3</b>

# Parent Company Balance Sheet

SEK m., 30 April	Notes	30 Apr 2012	30 Apr 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Licences	14	5.6	2.5
		<b>5.6</b>	<b>2.5</b>
<i>Property, plant and equipment</i>			
Buildings and land	14	49.4	54.5
Plant and machinery		41.7	24.9
Equipment and tools		8.7	7.8
Construction in progress		6.9	16.8
		<b>106.7</b>	<b>104.0</b>
<i>Financial assets</i>			
Participations in Group companies	27	1,030.1	779.8
Receivables from Group companies	30	391.3	331.0
Other non-current receivables	16	3.8	6.3
		<b>1,425.2</b>	<b>1,117.1</b>
<b>Total non-current assets</b>		<b>1,537.5</b>	<b>1,223.6</b>
<b>Current assets</b>			
<i>Inventory</i>			
Raw materials and consumables		48.1	51.8
Products in progress		4.5	4.5
Finished products		69.8	71.4
		<b>122.4</b>	<b>127.7</b>
<i>Current receivables</i>			
Accounts receivable – trade	19	49.1	61.6
Receivables from Group companies		164.0	149.3
Taxes recoverable		-	15.6
Other receivables		2.4	18.5
Prepaid expenses and accrued income	17	12.5	8.7
		<b>228.0</b>	<b>253.7</b>
<i>Cash and bank balances</i>			
		372.9	376.4
<b>Total current assets</b>		<b>722.2</b>	<b>757.8</b>
<b>TOTAL ASSETS</b>		<b>2,260.8</b>	<b>1,981.4</b>

SEK m., 30 April	Notes	30 Apr 2012	30 Apr 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	20	52.0	52.0
Statutory reserve		10.0	10.0
		<b>62.0</b>	<b>62.0</b>
<i>Non-restricted equity</i>			
Share premium reserve		35.2	35.2
Fair value reserve		-4.1	-8.9
Profit brought forward		522.1	492.1
Profit for the year		128.3	121.0
		<b>681.5</b>	<b>639.4</b>
<b>Total equity</b>		<b>743.5</b>	<b>701.4</b>
<b>Untaxed reserves</b>	24	<b>92.7</b>	<b>98.0</b>
<b>Provisions</b>		<b>1.4</b>	<b>1.4</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	21	68.7	105.7
Deferred tax liability	13	0.1	2.5
Liabilities to Group companies		502.5	385.3
		<b>571.3</b>	<b>493.5</b>
<b>Current liabilities</b>			
Bank overdraft facilities	21	555.1	394.0
Liabilities to credit institutions	21	82.1	60.8
Accounts payable – trade		71.7	64.4
Income tax liability		1.8	-
Liabilities to Group companies		79.8	107.3
Other liabilities		15.9	17.8
Accrued expenses and deferred income	22	45.5	42.8
		<b>851.9</b>	<b>687.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,260.8</b>	<b>1,981.4</b>
Pledged assets	31	225.1	225.1
Contingent liabilities	32	151.5	136.1

## Statement of Changes in Equity – Parent Company

SEK m.	Share capital	Statutory reserve	Non-restricted equity			Total equity
			Share premium reserve	Fair value reserve	Profit brought forward, incl. profit for the year	
<b>Equity, 30 April 2010</b>	52.0	10.0	35.2	-3.2	557.1	651.1
Dividend					-65.0	-65.0
Profit for the year					121.0	121.0
Other comprehensive income				-5.7		-5.7
<b>Equity, 30 April 2011</b>	52.0	10.0	35.2	-8.9	613.1	701.4
Dividend					-91.0	-91.0
Profit for the year					128.3	128.3
Other comprehensive income				4.8		4.8
<b>Equity, 30 April 2012</b>	52.0	10.0	35.2	-4.1	650.4	743.5



# Parent Company Cash Flow Statement

SEK m., 1 May–30 April	Notes	2011/12	2010/11
<b>Operating activities</b>			
Operating profit		45.2	53.3
Interest received		28.4	19.4
Interest paid		-26.5	-17.6
Adjustment for non-cash items	33	14.7	27.0
Income tax paid		14.3	-25.0
<b>Cash flow from operating activities before changes in working capital</b>		<b>76.1</b>	<b>57.1</b>
<b>Changes in working capital</b>			
Inventory		5.4	-24.2
Current receivables		10.1	51.8
Accounts payable – trade		-20.0	102.7
Current liabilities		0.1	13.2
<b>Cash flow from operating activities</b>		<b>71.7</b>	<b>200.6</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment, net		-16.3	-17.3
Investments in/contribution to Group companies		-374.3	-177.7
Acquisitions from non-controlling interests		-	-31.5
Dividends on shares in subsidiaries		207.3	127.3
Group contributions paid		-57.0	-93.5
Investments in intangible assets		-5.1	-
Sale of financial assets		-	3.7
Acquisition of financial assets		-	-
<b>Cash flow from investing activities</b>		<b>-245.4</b>	<b>-189.0</b>
<b>Financing activities</b>			
Dividend to shareholders		-91.0	-65.0
Borrowings		364.1	175.4
Repayment of loans		-102.9	-55.6
<b>Cash flow from financing activities</b>		<b>170.2</b>	<b>54.8</b>
<b>Increase/Decrease in cash and cash equivalents</b>		<b>-3.5</b>	<b>66.4</b>
<b>Cash and cash equivalents at start of year</b>		<b>376.4</b>	<b>310.0</b>
<b>Cash and cash equivalents at end of year</b>		<b>372.9</b>	<b>376.4</b>

# Notes to the Accounts – Contents

Notes		Page
1	Accounting and valuation policies	61
2	Risks and risk management	63
3	Information on geographical regions	65
4	Classification according to type of cost	65
5	Auditor's fees	65
6	Leases	65
7	Other operating income	65
8	Other operating expenses	65
9	Employees and staff costs	66
10	Depreciation of property, plant and equipment and amortisation of intangible non-current assets	67
11	Financial income	67
12	Financial expenses	67
13	Tax on profit for the year	67
14	Intangible non-current assets and property, plant and equipment	68
15	Other securities held as non-current assets	69
16	Other long-term receivables	69
17	Prepaid expenses and accrued income	69
18	Inventory	69
19	Accounts receivable – trade	69
20	Share capital and proposed dividend	70
21	Borrowing and financial instruments	70
22	Accrued expenses and deferred income	72
23	Appropriations, other	72
24	Untaxed reserves	72
25	Provisions for pensions	72
26	Profit/loss from participations in Group companies	72
27	Participations in Group companies	73
28	Non-recurring items	74
29	Changes in Group structure – Business combinations	74
30	Receivables from Group companies	75
31	Pledged assets	75
32	Contingent liabilities	75
33	Supplementary information regarding the cash flow statement	75
34	Information on the Parent Company	75
35	Earnings per share	75
36	Related party transactions	75
37	Significant events after financial year-end	75

# Notes

## NOTE 1 Accounting and valuation policies

Systemair AB's consolidated accounts for the year ended 30 April 2012 have been approved by the Board of Directors and the Chief Executive Officer for publication and will be submitted for adoption to the 2012 Annual General Meeting. The Parent Company is a Swedish limited liability company with its registered office at Skinnskatteberg, Sweden.

### Basis of preparation

Systemair's consolidated accounts are based on historical cost, with the exception of Financial derivative instruments and Financial assets available for sale. 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.

### Amended and new accounting policies for the year

In 2011/12, no new standards entered into force that affected the Group to any major extent.

### Future amendments to accounting policies

#### Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

IAS 1 is to be applied for financial years beginning on or after 1 July 2012. Under this amendment, transactions accounted for within other comprehensive income are to be classified differently. Items that are to be reclassified to profit or loss are to be accounted for separately from those that are not reclassified to profit or loss. The proposed amendment does not alter the actual content of other comprehensive income, only the way it is presented.

#### IFRS 9 Financial Instruments: Recognition and Measurement (not yet approved by the EU and no timetable for approval is currently in place.)

This standard is part of a comprehensive overhaul of the current standard, IAS 39. The standard represents a reduction of the number of valuation categories for financial assets, and requires the main categories for reporting of financial assets and liabilities to be reported at cost (amortised cost) and fair value through profit or loss. Certain investments in equity instruments may be recognised at fair value on the balance sheet with any change in value being recognised directly in other comprehensive income, and not transferred to profit or loss for the period, on disposal. Furthermore, new rules have been introduced on how changes in a company's own credit spread are to be presented when liabilities are recognised at fair value.

The standard will be supplemented by rules on impairment losses and hedge accounting.

#### IAS 19 Employee benefits - amendments

IAS 19 is to be applied for financial years beginning on or after 1 July 2013.

The amendments introduce major changes in accounting for defined-benefit pension plans. For example, option of deferring actuarial gains and losses in the "corridor" approach is eliminated; these are to be recognised immediately within other comprehensive income. Any items relating to the earning of defined-benefit pension, as well as gains and losses arising on settlement of a pension liability are to be recognised via the income statement, together with the financial net of the defined-benefit plan. Sensitivity analyses are to be drawn up to reflect reasonably anticipated changes in all assumptions made during calculation of the pension liability.

### 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. Further, the consolidated accounts were prepared in compliance with Swedish law, by application of Recommendation RFR 1 (Supplementary Accounting Rules for Groups) of the Swedish Financial Accounting Standards Council. In preparing the financial reports for the Parent Company, the Council's Recommendation RFR 2 (Accounting for Legal Entities) has been applied.

### Consolidated accounts

#### Basis of consolidation

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

All intra-Group receivables and liabilities, revenues and costs, 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% of shares entitled to vote but it may be obtained by other means, such as an agreement.

Subsidiaries acquired are reported in the consolidated accounts based on acquisition accounting. The same applies to businesses acquired directly. Using this method, the historical cost of the shares, or of the directly acquired business, is apportioned over the assets acquired and undertakings and liabilities assumed at the time of acquisition, based on their fair value at that time. If the historical cost exceeds the fair value of the net assets of the company acquired, the difference constitutes goodwill. If the historical cost is less than the fair value of the net assets of the company acquired, the difference is recognised directly in the income statement.

The non-controlling interest is that share of profits and net assets in a partly owned company that accrues to other owners. The non-controlling interest in profit is included in the profit after tax reported in the consolidated income statement. The non-controlling interest in net assets is included in equity on the consolidated balance sheet but is recognised separately 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% of the votes. Holdings in associated companies are recognised based on the equity method. In this method, 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 acquisition are calculated in the same way as in business combinations, as described above. In the Consolidated Income Statement, the Group's share of associated companies' stated profit after tax, adjusted where appropriate for any depreciation, amortisation, impairment losses or reversals of value adjustments, is reported under Participations in associated companies' profits. Dividends received from an associated company reduce the carrying amount of the investment. Holdings in associated companies are recognised on the Parent Company Balance Sheet based on the cost method.

### Translation of accounts of foreign operations

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

### Translation of receivables and liabilities denominated in foreign currencies

Transactions denominated in non-Swedish currencies are translated at the rate prevailing on the transaction date. On the balance sheet date, monetary receivables and liabilities denominated in foreign currencies are translated at the rate on that date. All exchange rate differences are charged to the income statement except for those differences arising in loans in foreign currencies raised to hedge net investments in foreign operations, or those arising in claims on subsidiaries that are not planned to be settled or are unlikely to be settled in the foreseeable future. Exchange rate differences in such loans or claims are recognised in other comprehensive income, under the headings Hedging of net assets in foreign operations and Translation differences, and are transferred to the income statement in the event of any future divestment of the foreign operation. Effective 1 November 2008, the Group chose to recognise the assets in Koolclima-Systemair in Spain and in Imos in Slovakia net after hedging with loans in EUR. Hedging reduces the effects of foreign exchange rate fluctuations in the income statement and, for the financial year, resulted in a foreign exchange loss of SEK 4.1 million (gain of 3.0), recognised directly in equity net after tax. At the same time, several loans to subsidiaries were reclassified as net investments in foreign operations. During the year foreign exchange gains of SEK 4.8 million (loss of 5.7), net after tax, being recognised directly in equity.

### 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 once delivery has been made to the customer in accordance with the terms of sale. Net sales are recognised excluding value-added tax and net of discounts. Systemair's net sales consist predominantly of sales of ventilation and heating products and to a minor extent of services such as installation and design.

**Segment reporting**

Systemair's top executive decision-makers govern and manage the operations in the form of legal corporations. The number of legal corporations within Systemair is about 60 and so the Group has that number of segments, based on that standard in IFRS8. Because the presentation of 60 segments would entail excessively detailed information, the standard proposes aggregating these at a suitable level if there are similar economic characteristics and the segments resemble one another. Systemair cannot see how such an aggregation, into 10 segments or less, could be done so that the information was meaningful. Systemair has therefore chosen to aggregate all segments into a main segment designated Ventilation.

**Property, plant, equipment and intangible assets with a limited useful life**

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

The following depreciation/amortisation periods are applied.

Licences	5 years
Buildings	25-50 years
Plant and machinery	3-7 years
Equipment and tools	3-5 years

**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. Depending on the useful life of the asset, amortisation is charged over 3-5 years. Other development expenditure is expensed as incurred. As of the balance sheet date, there were no development projects deemed to meet the above criteria.

**Impairment losses**

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

In the case of goodwill and other intangible assets with an indeterminate useful life, as well as 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 impairment test assets shall be grouped in cash-generating units, that is, at the lowest level where essentially independent cash flows can be identified. An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are charged to the income statement.

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

**Calculation of the recoverable amount**

The recoverable amount is the higher of an asset's net realisable value or value in use. The value in use is the present value of future cash flows discounted at a rate based on the risk-free interest rate adjusted to reflect the risk associated with that 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 the reversal does not exceed the carrying amount that the asset would have had if no impairment had been recognised.

**Inventory**

Inventory is measured at the lower of historical cost and net realisable value for raw materials and purchased finished products, and at production cost for goods produced. Net realisable value is the estimated selling price in normal circumstances, less the costs required to conduct the sale. Historical cost is based on the purchase price. Deductions for obsolescence are made as required. Deliveries between Group companies are priced in line with the market. Inter-company gains on the inventory of Group companies are eliminated in the consolidated accounts. These eliminations are charged to operating profit.

**Financial assets**

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

**Financial assets measured at fair value through the income statement**

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

**Loan receivables and Accounts receivable – trade**

Loan receivables and trade accounts receivable are financial assets with fixed payments or payments for which the amounts can be determined. These receivables are associated with the Group's deliveries of goods and services and are measured at historical cost. They are recognised in the amount expected to be received, less doubtful receivables based on individual assessment. Within the Group, the general rule is that 50% provision should be made for receivables 180-360 days overdue, and 100% for those more than 360 days overdue. However, credit insurance and the like are to be taken into account. Loan receivables and trade accounts receivable are anticipated to be of short duration and thus are measured at their nominal amounts, undiscounted.

**Investments held to maturity**

Investments held to maturity are financial assets that are not derivatives with fixed payments or payments that may be fixed, are of a fixed duration and that will be held until maturity. They are recognised at amortised cost.

**Financial assets available for sale**

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

**Financial liabilities**

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

**Other financial liabilities**

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

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

**Provisions**

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

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. Any difference is recognised as a liability/asset taking into account actuarial gains and losses, as accrued. 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.

Any changes to or deviations from the actuarial assumptions normally lead to actuarial gains or losses.

Actuarial gains or losses are not recognised as long as the accumulated gains or losses are less than 10% of the highest present value of the obligations. If the accumulated gain or loss exceeds the said limit, the excess gain or loss will be recognised in the income statement, distributed over the expected average remaining periods of service of the employees participating in the plans.

If the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of unrecognised actuarial losses and unrecognised



service costs from previous periods, and the present value of future refunds from the plan or future reduced contributions to the plan.

#### Share-based remuneration

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

#### Leases

Leasing contracts in which all risks and benefits associated with ownership essentially do not accrue to the Group are classified as operating leases. Fees for such contracts are recognised as costs in the income statement on a straight-line basis for the duration of the contract. Systemair classifies all current leasing contracts as operating leases.

#### Borrowing costs

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

#### Income tax

Income tax consists of current tax and deferred tax. Income taxes are recognised in the income statement when referring to income statement items and directly in equity when the underlying transaction is recognised directly 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, i.e. is calculated for all temporary differences between the taxable values of assets and liabilities and their carrying amounts, identified at the balance sheet date. Deferred tax assets are also recognised in the balance sheet for unused loss carry-forwards.

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 utilized.

Deferred tax assets and tax liabilities are calculated using the tax rates that are expected to apply in the period when the assets are realized or the liabilities settled, based on the tax rate (and tax legislation) in force, or substantively in force, at the balance sheet date. Deferred 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 consists of current ready assets with an original maturity of 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 that may be cancelled and grants relating to assets.

The Parent Company has received an employment grant from the Swedish Labour Market Board totalling SEK 0.2 million (0.5). The employment grant reduced salaries disbursed in the functions affected.

In Lithuania, Systemair has received government grants for investments in buildings and machinery. Investment grants total SEK 8.1 million. The amount was offset against the cost of acquiring a building and machinery.

In Canada, Systemair has received ongoing government loans amounting to SEK 3.8 million for product development. In 2011/12, the product development project was discontinued, whereupon the loan was cancelled and the revenue offset against the cost of goods sold.

#### Material estimates and assumptions

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

#### Impairment testing of goodwill

Every year, Group Management tests goodwill for impairment in accordance with the accounting policy described above. A number of estimates must be made for this test. In order that any impairment will not occur, the clear reduction of the assumed rate of growth or an increase in the assumed discount rate by two percentage points. For more detailed information on impairment testing of goodwill, see Note 14.

#### 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, on the basis of past experience and reasonable expectations for the future. In the case of pension obligations, the present-value calculation is based on assumptions described in the accompanying note.

#### Deferred tax assets

The Group's deferred tax assets are for the most part based on loss carry-forwards in subsidiaries. Group management has made assumptions and assessments as to the future earning capacity of these subsidiaries over the next three years and, on that basis, has assessed the possibilities for offsetting future profits against these losses.

## NOTE 2 Risks and risk management

Systemair's development is affected by a large number of factors. The table below illustrates how changes in certain factors hypothetically affect Systemair's 2011/2012 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. In addition, it is likely that actual changes will affect several items. Thus, caution is called for when interpreting the sensitivity analysis since changes in various items may have a counteractive effect.

#### Sensitivity analysis: Effects on operating profit in 2011/12

SEK m.	Operating profit
±5% in selling prices	+/-200
±5% in material costs	+/-97
±5% in selling and administration expenses	+/-58
+5% in the SEK/EUR exchange rate	+24
-5% in the SEK/EUR exchange rate	-24
+5% in the SEK/USD exchange rate	0
-5% in the SEK/USD exchange rate	0

The table shows that a change of ±5% in the SEK/EUR exchange rate would have an impact of approximately SEK 24 million (19) on operating profit for 2011/12. This effect is largely offset by the net effects of exchange gains and losses on borrowing denominated in EUR.

#### Operational risks

##### Competition

Systemair's markets are fragmented and exposed to competition; a large number of small, local businesses and a small number of major international corporations operate in Systemair's markets. Some of Systemair's current or future competitors may have greater resources than Systemair and may apply such resources to expand their market shares through aggressive pricing strategies. This could force Systemair to reduce its prices to remain competitive and not lose market shares. If Systemair is exposed to increased price competition or loses market shares, the Company's operations, earnings and financial position may be adversely affected.

##### Market risks

Systemair's products are used in new construction as well as in the renovation, conversion and extension ("RCE") sector. The construction industry normally follows a cyclical pattern, above all in new construction, while RCE projects often moderate the cyclical effect. Developments in the industry are largely 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

Ziehl-Abegg and ebm-papst, two German manufacturers of fan motors, are major suppliers to Systemair. Some of Systemair's products have been developed in association with these suppliers, so to some extent Systemair depends on the ability of these manufacturers to continue supplying motors to the Company. Thus, delivery problems at either of these suppliers could disrupt Systemair's production and have a negative impact on Systemair's operations, earnings and financial position. Another important component in Systemair's products is steel, in the form of steel plate, so the Company's operations to a certain extent are affected by fluctuations in the price of steel and any disruptions in deliveries of steel. The steel market is highly sensitive to economic conditions, partly through its high degree of exposure to the construction, automotive and energy industries. Demand for steel products has risen sharply in recent years, partly owing to robust growth in China, and as a result prices have also risen. Historically, it has been possible to spread price increases across multiple actors, but there is no guarantee that this will continue. 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 VEAB. 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, the production and distribution of Systemair's products could be disrupted or suspended for some time. 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 for the amounts that the Company deems sufficient; however, there is no guarantee that the overall loss to the Company would be indemnified in the event of any damage. As a result, damage to production or distribution facilities may adversely affect the Company's operations, earnings and financial position.

**Business combinations**

For several years running, Systemair has completed a considerable number of business combinations. The companies acquired have been integrated into Systemair's other operations. Many of 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 an ambition of Systemair's, 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, the integration of 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. Systemair therefore 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. Furthermore, 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 taken out 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**

Via subsidiaries or representative offices, Systemair conducts its own operations in 41 countries, some of which are rapidly developing and transforming 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 disrupt the Company's business. 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 and other risks**

The Systemair Group is exposed to financial risks through its international operations and its borrowing. Financial risk arises when interest and exchange rates fluctuate, which causes variations in the Group's cash flows, and when credit lines are to be renegotiated. Financial risk includes the risk of a counterparty failing to meet its 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 at 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.

In 2011/12, Group companies in Sweden invoiced 39% (40) of their business in SEK, 51% (50) in EUR, 0% (1) in USD and 10% (9) in other currencies.

Each year, an estimate is made of the future net inflow of EUR, 50% 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.

**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 equity. 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.

At the balance sheet date, the value of net foreign assets totalled SEK 854 million (670). Major net assets consist of SEK 394 million (340) in EUR, SEK 101 million (82) in NOK, SEK 102 million (74) in LTL, SEK 56 million (52) in CAD, SEK 16 million (18) in USD and SEK -17 million (-22) in GBP.

The impact of foreign exchange on equity is recognised as a translation difference and equalled SEK 10.5 million (-80.2).

**Borrowing and interest rate risk**

Systemair intends to continue to finance some portion of its operations by borrowing from credit institutions. Loan agreements include conditions consisting of standard restrictions (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.

Interest rate risk is the risk that changes in current interest rates will adversely affect the Group. As a net borrower, Systemair's net indebtedness at year-end totalled SEK 785.0 million (638.1), indicating that the Group was adversely affected by rising interest rates. Interest-bearing liabilities on the balance sheet date, translated to Swedish kronor, totalled SEK 866.8 million (702.7). According to Systemair's Financial Policy, the fixed-interest period for 2011/12 is to be 3–12 months. A change of  $\pm 1\%$  in the interest rate on borrowing would have an impact of about SEK 9 million on the Group's net financial items for the following 12-month period.

**Credit and liquidity risk**

Credit risk is the risk that one of Systemair's counterparties may be unable to meet its payment obligations and thus may cause a loss for 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 subject to a new credit appraisal. 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, credit periods have lengthened somewhat. This has increased the cost of tied-up capital as well as the risk of credit losses and consequently the risk of negative effects on the Company's ready cash and earnings.

**Loss carry-forwards**

Systemair benefits from loss carry-forwards that have arisen mainly through the acquisition of companies that made losses on previous operations but have also arisen in day-to-day operations, especially in start-ups. If Systemair's operations do not succeed in generating sufficient taxable surpluses in the future, the deferred tax assets stated in the Company's accounts may be written down. Tax assets may also be written down if the tax authorities are of the opinion that the losses are not tax-deductible in whole or in part. If the Company cannot fully utilise the loss carry-forwards, the Company's earnings and financial position may be adversely affected.

**NOTE 3** 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 America and Other markets.

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

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

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

**North America** consists of the United States and Canada.

**Other markets** includes Afghanistan, Algeria, Angola, Argentina, Australia, Bahrain, Bangladesh, Barbados, Bolivia, Botswana, Brazil, the British Virgin Islands, Brunei, Chile, China, Costa Rica, Egypt, Ghana, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kenya, Kuwait, Lebanon, Libya, Malaysia, Mauritius, Mexico, Morocco, Mozambique, Namibia, New Zealand, Nigeria, Oman, Pakistan, Peru, the Philippines, Puerto Rico, Qatar, Saudi Arabia, Singapore, South Africa, South Korea, Sri Lanka, Sudan, Surinam, Swaziland, Syria, Taiwan, Tanzania, Thailand, Tunisia, Turkey, Uganda, the United Arab Emirates, Uruguay, Vietnam, Yemen, Zambia and Zimbabwe.

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

The table below shows external net sales in Systemair's 10 biggest markets based on the customer's domicile. Systemair's biggest customer accounts for 1.9% of the Group's total sales. Systemair thus has limited exposure to individual customers.

Geographical breakdown Group	Net sales		Non-current assets <sup>1</sup>	
	2011/12	2010/11	2011/12	2010/11
Norway	518.8	424.0	52.3	53.0
Sweden	373.1	368.9	217.9	205.5
Denmark	156.6	123.9	82.7	71.8
Rest of Nordic region	77.6	70.1	1.3	1.5
<b>Total Nordic region</b>	<b>1,126.1</b>	<b>986.9</b>	<b>354.2</b>	<b>331.8</b>
Germany	295.6	234.0	138.6	79.5
France	216.5	204.9	4.6	4.4
United Kingdom	206.2	187.1	21.0	20.4
Netherlands	190.4	174.0	79.3	27.3
Italy	115.5	116.6	84.4	27.1
Rest of Western Europe	322.1	322.4	50.4	176.8
<b>Total Western Europe</b>	<b>1,346.3</b>	<b>1,239.0</b>	<b>378.3</b>	<b>335.5</b>
Russia	514.0	221.0	104.2	5.9
Rest of Eastern Europe and CIS	437.2	424.8	199.6	191.2
<b>Total Eastern Europe and CIS</b>	<b>951.2</b>	<b>645.8</b>	<b>303.8</b>	<b>197.1</b>
USA	200.9	208.1	90.5	84.6
Rest of North America	81.2	81.0	28.2	26.3
<b>Total North America</b>	<b>282.1</b>	<b>289.1</b>	<b>118.7</b>	<b>110.9</b>
Other markets	291.2	306.5	130.5	69.0
	<b>3,996.9</b>	<b>3,467.3</b>	<b>1,285.5</b>	<b>1,044.3</b>

<sup>1</sup>Non-current assets refers to intangible assets and property, plant and equipment.

Of sales by the Parent Company, sales to other Group companies accounted for SEK 569.6 million (472.9), and sales to related companies (ebm-papst AB) SEK 2.4 million (2.7).

By geographical market Net sales	Parent Company	
	2011/12	2010/11
Nordic region	424.9	407.9
Western Europe	201.1	196.0
Eastern Europe and CIS	298.5	250.7
North America	5.9	8.0
Other markets	8.8	12.5
	<b>939.2</b>	<b>875.1</b>

**NOTE 4** Classification according to type of cost

	Cost of goods sold	Selling expenses	Administration expenses	Total
<b>2011/12</b>				
Material costs	-1,930.6	-	-	-1,930.6
Employee benefits expense	-385.8	-480.7	-125.9	-992.4
Depreciation/Amortisation costs	-52.4	-33.1	-9.1	-94.6
Other costs	-136.4	-447.8	-73.0	-657.2
	<b>-2,505.2</b>	<b>-961.6</b>	<b>-208.0</b>	<b>-3,674.8</b>
<b>2010/11</b>				
Material costs	-1,601.9	-	-	-1,601.9
Employee benefits expense	-335.5	-420.5	-115.2	-871.1
Depreciation/Amortisation costs	-50.8	-27.8	-8.5	-87.1
Other costs	-121.3	-365.6	-69.4	-556.2
	<b>-2,109.5</b>	<b>-813.8</b>	<b>-193.0</b>	<b>-3,116.4</b>

Product development costs totalled approximately SEK 79 million in 2011/12 and SEK 58 million in 2010/11.

**NOTE 5** Auditor's fees

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
<b>Auditing</b>				
-Ernst & Young	-3.1	-2.4	-0.7	-0.8
-Other	-2.1	-2.4	-	-
	<b>-5.2</b>	<b>-4.8</b>	<b>-0.7</b>	<b>-0.8</b>
<b>Other auditing services outside scope of audit assignment:</b>				
-Ernst & Young	-0.6	-0.7	-0.3	-0.5
-Other	-0.5	-0.6	-	-
	<b>-1.1</b>	<b>-1.3</b>	<b>-0.3</b>	<b>-0.5</b>

**NOTE 6** Leases

Leasing costs recognised	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Operating leases	35.5	21.9	6.0	3.2

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

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

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
<b>Operating leases - nominal value</b>				
Payable within 1 year	31.6	20.2	7.3	3.4
Payable in 2-5 years	57.7	31.7	2.0	1.4
Payable after 5 years	39.0	-	-	-
	<b>128.3</b>	<b>51.9</b>	<b>9.3</b>	<b>4.8</b>

The Group has no financial leases.

**NOTE 7** Other operating income

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Exchange gains in operations	27.3	23.9	10.9	0.5
Intra-Group income	-	-	14.8	14.7
Gain on sale of property, plant and equipment	6.7	11.6	5.5	-
Other miscellaneous income	21.9	23.7	0.6	0.9
	<b>55.9</b>	<b>59.2</b>	<b>31.8</b>	<b>16.1</b>

**NOTE 8** Other operating expenses

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Exchange rate losses in operations	-17.0	-22.3	-0.6	2.1
Intra-Group expenses	-	-	-4.9	-6.0
Amortisation of goodwill	-18.7	-	-	-
Loss on sale of property, plant and equipment	-0.4	-0.3	-	-
Other miscellaneous expenses	-22.1	-20.6	-0.1	-0.6
	<b>-58.2</b>	<b>-43.2</b>	<b>-5.6</b>	<b>-4.5</b>

## NOTE 9 Employees and staff costs

	2011/12		2010/11	
	Average number of employees	Of whom, men	Average number of employees	Of whom, men
Parent Company	399	255	386	245
<b>Subsidiaries in:</b>				
Nordic region	414	345	384	313
Sweden	141	111	139	104
Denmark	141	129	124	112
Finland	11	8	10	8
Norway	121	97	111	89
Western Europe	635	481	541	412
Belgium	5	3	3	2
United Kingdom	90	66	89	64
Greece	5	3	5	3
France	41	32	37	31
Netherlands	54	45	46	39
Ireland	5	4	4	4
Italy	93	65	39	25
Portugal	28	17	28	17
Switzerland	13	11	10	8
Spain	47	41	49	43
Germany	238	182	215	163
Austria	16	12	16	13
Eastern Europe and CIS	700	442	451	300
Bulgaria	6	3	5	3
Estonia	13	8	12	8
Latvia	6	6	4	3
Lithuania	139	79	104	52
Poland	34	28	27	23
Romania	6	5	7	6
Russia	206	112	14	7
Serbia	8	4	-	-
Slovakia	183	118	178	117
Slovenia	69	57	70	59
Czech Republic	23	16	25	17
Ukraine	3	2	2	2
Hungary	4	4	3	3
North America	247	159	258	160
Canada	157	89	175	96
USA	90	70	83	64
Rest of World	444	410	410	379
Australia	2	1	4	3
Chile	3	2	-	-
United Arab Emirates	14	12	13	11
India	290	287	285	280
China	4	3	3	2
Malaysia	88	75	67	56
Singapore	9	6	9	6
South Africa	10	7	12	9
Taiwan	2	2	-	-
Turkey	22	15	17	12
	2,839	2,092	2,430	1,809

Percentage of women on boards and in management	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Board, excluding employee representatives	-	-	17%	20%
Group Management	-	-	11%	11%
Company management	5%	5%	-	-

Salaries, other remuneration and social security expenses	Salaries and remuneration		Social security expenses	
	2011/12	2010/11	2011/12	2010/11
<b>Board and CEO</b>				
Parent Company	3.8	3.5	1.6	1.5
Subsidiaries in the Nordic region	8.5	8.3	2.6	2.7
Western Europe	13.3	14.3	2.9	3.2
Eastern Europe and CIS	7.9	6.5	1.5	1.5
North America	2.3	2.8	0.3	0.4
Rest of World	6.8	5.3	0.9	0.9
<b>Total, Board and CEO</b>	<b>42.6</b>	<b>40.7</b>	<b>9.8</b>	<b>10.2</b>

Senior executive remuneration recognised during the year	Basic salary/Fee	Variable pay	Other benefits	Pension cost	Total
<b>2011/12</b>					
Lars Hansson – Chairman	0.4	-	-	-	0.4
Elisabeth Westberg	0.3	-	-	-	0.3
Göran Robertsson	0.2	-	-	-	0.2
Jürgen Zilling	0.2	-	-	-	0.2
Hannu Paitula	0.2	-	-	-	0.2
Chief Executive Officer	2.4	0.2	-	0.4	3.0
Other senior executives <sup>1</sup>	9.7	0.4	0.7	2.7	13.5
<b>Total</b>	<b>13.4</b>	<b>0.6</b>	<b>0.7</b>	<b>3.1</b>	<b>17.8</b>

<b>2010/11</b>					
Lars Hansson – Chairman	0.4	-	-	-	0.4
Elisabeth Westberg	0.2	-	-	-	0.2
Göran Robertsson	0.2	-	-	-	0.2
Jürgen Zilling	0.2	-	-	-	0.2
Chief Executive Officer	2.3	0.2	-	0.4	2.9
Other senior executives <sup>1</sup>	8.7	0.3	0.6	2.4	12.0
<b>Total</b>	<b>12.0</b>	<b>0.5</b>	<b>0.6</b>	<b>2.8</b>	<b>15.9</b>

<sup>1</sup>During 2011/12, Group Management consisted of eight persons in addition to the CEO. In March 2012, Taina Veittikoski resigned from her post, since when Group Management has consisted of seven persons in addition to the CEO.

In 2011/12, the Board fees were SEK 400 thousand (400) for the Chairman of the Board and SEK 200 thousand (200) for other directors. In addition to the ordinary fees, separate fees may be paid for special tasks. The fee paid to the chairman of the audit committee in 2011/12 was SEK 50 thousand (50) for the chairman and SEK 25 thousand (25) for other members.

Salaries, other remuneration and social security expenses	Salaries and remuneration		Social security expenses	
	2011/12	2010/11	2011/12	2010/11
<b>Other employees</b>				
Parent Company	149.3	137.1	57.5	56.2
Subsidiaries in the Nordic region	191.6	169.1	37.8	34.1
Western Europe	202.7	172.6	51.8	38.6
Eastern Europe and CIS	87.9	61.0	23.7	16.0
North America	60.9	64.5	10.2	9.3
Rest of World	24.7	23.5	4.1	3.1
<b>Total, other employees</b>	<b>717.1</b>	<b>627.8</b>	<b>185.1</b>	<b>157.3</b>

Of social security expenses in the Parent Company, pension expenses accounted for SEK 11.7 million (13.8), including SEK 0.4 million (0.4) for the Board and CEO. In other Group companies, pension expenses totalled SEK 17.3 million (15.6), including SEK 1.7 million (2.0) for boards and CEOs.

**Remuneration policy**

The Chairman and members of the Board receive remuneration as decided by the Annual General Meeting. Fees totalling SEK 25 thousand (25) are paid to employee representatives each year.

Remuneration to the CEO is determined by the Board based on a proposal from the compensation committee, consisting of Lars Hansson, Elisabeth Westberg and Göran Robertsson. Remuneration to other senior executives is determined by the CEO in consultation with the compensation committee.

Apart from the CEO, "Other senior executives" refers to Mats Lund, VP Production; Svein Nilssen, VP Sales and Marketing; Glen Nilsson, CFO; Anders Ulf, VP Finance and Administration; Taina Veittikoski, VP Purchasing; Kurt Maurer, MD of Systemair in Germany; Jonas Valentin, MD of FricoAB, and Roland Kasper, VP



Marketing - Products. Taina Veittikoski, VP Purchasing, left her employment at Systemair on 30 March 2012.

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

#### Pensions

The pensionable age for the CEO and other senior executives is 65 years. For the CEO, defined-contribution pension insurance premiums totalling SEK 0.4 million (0.4) were paid. Pension benefits for other senior executives are paid within the scope of the contractual ITP plan and alternative ITP schemes.

#### Severance pay

For the CEO, Gerald Engström, termination of employment is subject to a period of notice of 12 months from the Company or six months from 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 CEO 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 10 Depreciation of property, plant and equipment and amortisation of intangible non-current assets

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Other intangible assets	14.8	8.2	2.0	0.9
Buildings and land improvements	23.7	23.4	4.5	4.5
Plant and machinery	36.0	35.6	10.9	10.4
Equipment and tools	25.7	24.9	3.7	3.3
	<b>100.2</b>	<b>92.1</b>	<b>21.1</b>	<b>19.1</b>
<b>Straight-line depreciation/amortisation, by function</b>				
Cost of goods sold	52.4	50.8	13.9	12.8
Selling expenses	33.1	27.8	4.4	4.0
Administration expenses	9.1	8.5	2.8	2.3
Other operating expenses	5.6	5.0	-	-
	<b>100.2</b>	<b>92.1</b>	<b>21.1</b>	<b>19.1</b>

### NOTE 11 Financial income

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Interest income, external	2.5	2.5	0.7	0.6
Interest income, related companies	-	-	27.7	18.8
Net exchange rate changes in financial instruments	-	-	-	13.6
Other financial income	0.2	-	-	-
	<b>2.7</b>	<b>2.5</b>	<b>28.4</b>	<b>33.0</b>

### NOTE 12 Financial expenses

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Interest expenses, external	-24.7	-16.5	-18.1	-10.2
Interest expenses, related companies	-	-	-8.7	-7.9
Net exchange rate changes in financial instruments	-0.3	-12.3	-6.5	-
Impairment adjustment, shares in Repant AS	-	-3.2	-	-
Capital gain/loss on financial instruments	-	1.0	-	-2.2
Other financial expenses	-0.9	-	-3.2	-0.3
	<b>-25.9</b>	<b>-31.0</b>	<b>-36.5</b>	<b>-20.6</b>

### NOTE 13 Tax on profit for the year

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Current tax	-107.7	-95.6	-0.8	-1.4
Deferred tax	26.6	32.0	2.5	-0.7
	<b>-81.1</b>	<b>-63.6</b>	<b>1.7</b>	<b>-2.1</b>

The Group's tax expense represents 27.4% (18.8) of consolidated pre-tax profit.

Tax for the period was affected by an impairment loss of SEK 13.7 million on capitalised tax loss carry-forwards in Spain and by the fact that deferred tax was not capitalised at certain Group companies. At financial year-end, the Systemair Group had deferred tax assets totalling SEK 22.1 million (6.5) that were not included in the calculation of deferred tax assets. Deferred tax assets are recognised provided that it is probable that the loss carry-forwards can be applied to 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 tax liability for the year was also affected by recognition as revenue of tax-loss carry-forwards, amounting to SEK 24.4 million, that arose through the acquisition of companies with losses from previous business activities.

Reconciliation of effective tax	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Pre-tax profit	296.6	338.5	128.3	121.0
Tax at current tax rate for Parent Company	-78.1	-88.7	-33.3	-32.3
Effect of foreign tax rates	0.3	0.8	-	-
Non-deductible expenses	-8.6	-5.6	-18.7	-1.3
Tax-exempt income	1.6	0.7	0.0	-
Net tax effect of non-capitalised loss carry-forwards	-2.9	-0.3	-	-
Adjusted assessment of future utilisation of loss carry-forwards	13.7	-	-	-
Deferred income tax recoverable, attributable to loss carry-forwards not capitalised at acquisition	24.4	33.5	-	-
Dividends from subsidiaries	-	-	54.5	33.6
Adjustment for previous years' taxes	-1.2	-1.6	-0.4	-1.4
Miscellaneous	-2.9	-2.4	-0.4	-0.7
	<b>-81.1</b>	<b>-63.6</b>	<b>-1.7</b>	<b>-2.1</b>

Deferred tax assets	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Property, plant and equipment	-	-	-	-
Inventory	15.1	10.1	-	-
Current receivables	2.6	4.3	-	-
Pension provisions	3.9	3.2	-	-
Loss carry-forwards	69.9	72.4	-	-
Miscellaneous	7.8	6.3	-	-
	<b>99.3</b>	<b>96.3</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	52.4	38.8	-	-
Inventory	0.8	1.2	-	-
Untaxed reserves	25.8	24.4	-	-
Miscellaneous	1.6	4.2	0.1	2.5
	<b>80.6</b>	<b>68.6</b>	<b>0.1</b>	<b>2.5</b>

## NOTES

### NOTE 14 Intangible non-current assets and property, plant and equipment

Group 2011/12	Goodwill	Other intangible assets	Buildings and land	Plant and machinery	Equipment and tools	Construction in progress
<b>Accumulated historical cost</b>						
At start of year	263.5	83.3	709.1	418.2	258.7	37.7
Acquired in business combinations	120.0	67.6	31.6	29.7	6.1	1.5
Acquisitions for the year	-	5.1	18.9	5.3	22.3	39.3
Sales/Disposals	-	-	-	-4.5	-13.9	-0.8
Reclassifications	-	-	18.5	46.5	4.2	-69.2
Translation difference	2.3	-1.0	12.4	6.0	3.0	1.5
	<b>385.8</b>	<b>155.0</b>	<b>790.6</b>	<b>501.2</b>	<b>280.4</b>	<b>10.0</b>
<b>Accumulated depreciation/amortisation</b>						
At start of year	-	-14.3	-205.4	-308.5	-192.0	-
Depreciation/Amortisation acquired in business combinations	-	-	-1.8	-0.2	-0.7	-
Sales/Disposals	-	-	1.1	3.5	11.6	-
Reclassifications	-	-	-	-2.4	2.4	-
Translation difference	-	0.3	-1.6	-3.1	-1.5	-
Depreciation/Amortisation for the year	-	-14.8	-23.7	-36.0	-25.7	-
	-	<b>-28.8</b>	<b>-231.4</b>	<b>-346.7</b>	<b>-205.9</b>	-
<b>Accumulated impairment</b>						
At start of year	-	-	-5.5	-0.5	-	-
Translation difference	0.2	-	-0.1	-	-	-
Impairment for the year	-18.7	-	-	-	-	-
	<b>-18.5</b>	-	<b>-5.6</b>	<b>-0.5</b>	-	-
<b>Carrying amount</b>	<b>367.3</b>	<b>126.2</b>	<b>553.5</b>	<b>154.0</b>	<b>74.5</b>	<b>10.0</b>

Group 2010/11	Goodwill	Other intangible assets	Buildings and land	Plant and machinery	Equipment and tools	Construction in progress
<b>Accumulated historical cost</b>						
At start of year	204.0	44.8	724.4	425.5	252.3	7.0
Acquired in business combinations	79.1	41.9	27.5	5.6	6.9	-
Acquisitions for the year	-	-	10.8	8.6	25.2	38.6
Sales/Disposals	-	-0.6	-9.9	-4.4	-17.3	-1.9
Reclassifications	-	-	1.6	2.8	0.9	-5.3
Translation difference	-19.6	-2.8	-45.3	-19.9	-9.3	-0.7
	<b>263.5</b>	<b>83.3</b>	<b>709.1</b>	<b>418.2</b>	<b>258.7</b>	<b>37.7</b>
<b>Accumulated depreciation/amortisation</b>						
At start of year	-	-7.4	-186.9	-290.2	-185.2	-
Depreciation/Amortisation acquired in business combinations	-	-	-4.0	-2.1	-8.1	-
Sales/Disposals	-	0.6	1.0	5.8	15.0	-
Reclassifications	-	-	-0.7	-	0.8	-
Translation difference	-	0.8	8.6	13.7	10.3	-
Depreciation/Amortisation for the year	-	-8.3	-23.4	-35.7	-24.8	-
	-	<b>-14.3</b>	<b>-205.4</b>	<b>-308.5</b>	<b>-192.0</b>	-
<b>Accumulated impairment</b>						
At start of year	-	-	-5.8	-0.5	-	-
Translation difference	-	-	0.3	-	-	-
Impairment for the year	-	-	-	-	-	-
	-	-	<b>-5.5</b>	<b>-0.5</b>	-	-
<b>Carrying amount</b>	<b>263.5</b>	<b>69.0</b>	<b>498.2</b>	<b>109.2</b>	<b>66.7</b>	<b>37.7</b>

**Impairment testing of goodwill**

Goodwill has been allocated to cash-generating units - legal entities - and has been tested for impairment. The recoverable value for cash-generating units has been determined based on the value-in-use of the units, which consists of the present value of the expected future cash flows. The discount rate used in these calculations is 10.0% (10.0) before tax. Future cash flows are estimated using an assessment of the anticipated rate of growth and changes in margins (based on the budget for the following year), management's long-term expectations for the business and the historical trend. The long-term rate of growth is assumed to be 3%. Two scenarios, including changes in variables for the rate of growth and changes in margins, are used to obtain a range between a minimum value and an anticipated value for the business. Even the lowest estimate indicates that the recoverable value for goodwill is higher than its carrying amount in all cash-generating units.

The goodwill amortisation for the year, SEK 18.7 million, relates to the Spanish market and reflects the dismal market situation in that country and cash flows forecast for the future.

The allocation of goodwill to cash-generating units for the ten largest individual goodwill items is shown below.

Cash-generating unit	Country	Group	
		2011/12	2010/11
Ventrade	Russia	69.0	-
Rucon Beheer B.V.	Netherlands	32.9	32.9
Systemair India	India	29.2	31.0
IAPL	India	26.4	-
Systemair Climaproduct S.p.A.	Italy	26.2	26.3
Systemair AC	Italy	20.9	-
Tekadoor GmbH	Germany	16.9	16.9
Fantech Inc.	USA	16.1	14.4
Systemair Suisse AG	Switzerland	16.0	14.9
VEAB Heat Tech AB	Sweden	15.3	15.3
Systemair HVAC S.L.U.	Spain	-	18.7
Other	-	98.4	93.4
		367.3	263.5

Parent Company 2011/12	Licences	Buildings and land	Plant and machinery	Equipment and tools	Construction in progress
Accumulated historical cost					
At start of year	4.4	122.0	160.4	52.5	16.8
Acquisitions for the year	5.1	0.0	0.8	1.0	20.6
Sales/Disposals	-	-1.8	-0.6	-	-
Reclassifications	-	-	26.9	3.6	-30.5
	9.5	120.2	187.5	57.1	6.9

**Accumulated depreciation/amortisation**

At start of year	-1.9	-67.5	-135.5	-44.7	-
Sales/Disposals	-	1.2	0.6	-	-
Depreciation/Amortisation for the year	-2.0	-4.5	-10.9	-3.7	-
	-3.9	-70.8	-145.8	-48.4	-

Carrying amount

Parent Company 2010/11	Licences	Buildings and land	Plant and machinery	Equipment and tools	Construction in progress
Accumulated historical cost					
At start of year	4.4	121.9	159.6	50.7	2.2
Acquisitions for the year	-	0.1	0.5	1.1	15.6
Sales/Disposals	-	-	-	-	-
Reclassifications	-	-	0.3	0.7	-1.0
	4.4	122.0	160.4	52.5	16.8

**Accumulated depreciation/amortisation**

At start of year	-1.1	-63.0	-125.1	-41.3	-
Sales/Disposals	-	-	-	-	-
Depreciation/Amortisation for the year	-0.8	-4.5	-10.4	-3.4	-
	-1.9	-67.5	-135.5	-44.7	-

Carrying amount

**NOTE 15 Other securities held as non-current assets**

In the preceding year, this item consisted largely of shares in Repant AS, listed on the Oslo Børs stock market. The shares were designated a financial asset available for sale. The shares are measured at fair value, any adjustments being recognised in other comprehensive income. Impairment losses are recognised directly in the income statement. All shares in Repant were sold in 2010/11.

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Opening balance	0.4	6.3	-	5.8
Acquisitions	-	-	-	-
Sales	-	-2.6	-	-5.8
Impairment	-	-3.3	-	-
	0.4	0.4	-	-

**NOTE 16 Other long-term receivables**

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Opening balance	9.7	11.2	6.3	0.9
Additional receivables	0.8	7.8	-	7.3
Receivables settled	-3.0	-3.4	-2.5	-1.9
Reclassifications	-0.3	-4.7	-	-
Translation difference	0.1	-1.2	-	-
Closing balance	7.3	9.7	3.8	6.3

**NOTE 17 Prepaid expenses and accrued income**

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Prepaid rent	9.2	7.7	1.5	1.0
Prepaid insurance premiums	7.2	5.2	-	-
Miscellaneous	27.0	20.8	11.0	7.7
	43.4	33.7	12.5	8.7

"Miscellaneous" covers standard items such as service agreements, licence expenses and limit fees.

**NOTE 18 Inventory**

Inventory in the Group is recognised at historical cost less deductions for obsolescence. The direct cost of materials during the year totalled SEK 1,930.6 million (1,601.9).

**NOTE 19 Accounts receivable - trade**

Age breakdown of trade accounts receivable	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Not yet due	569.3	507.5	46.7	56.3
<90 days	114.7	111.5	1.9	5.3
90-180	46.0	35.4	0.4	-
181-360	34.5	23.7	0.1	-
>360	-	-	-	-
Total	764.5	678.1	49.1	61.6

Provisions for impairment of trade accounts receivable in the Group totalled 5.9% (7.0) of total trade accounts receivable.

Reserve for impairment of trade accounts receivable	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Opening balance	51.0	60.6	0.1	3.3
Provision for anticipated losses	11.1	8.5	0.2	0.1
Reversal of amount unused	-4.1	-0.7	-	-
Confirmed losses	-10.3	-14.3	-0.1	-3.3
Provisions acquired	0.2	1.7	-	-
Exchange rate effects	-0.2	-4.8	-	-
Closing balance	47.7	51.0	0.2	0.1

## NOTES

### NOTE 20 Share capital and proposed dividend

Year	Action	Quotient value	Change in share capital, SEK million	Share capital, SEK million	Change in A shares	Change in B shares	Total no. of shares
Opening balances, May 2007							
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 <sup>1</sup>	1	-	52.0	-50,000,000	-2,000,000	52,000,000
At year-end, April 2012							
		1	-	52.0	-	-	52,000,000

<sup>1</sup>The Annual General Meeting held 25 June 2007 resolved that the Company would have one class of share only.

At 30 April 2012, the registered share capital totalled SEK 52,000,000, represented by 52,000,000 shares, each carrying an entitlement to one vote, and of one and the same class. All shares are fully paid.

At its stockmarket flotation in October 2007, Systemair issued a total of 223,500 warrants to certain employees of the Group. Because the subscription price relative to the market price of Systemair shares was unfavourable on the occasions set for redemption, no subscription rights were exercised. The option programme expired in September 2011. No new option programme has been offered.

The Board proposes to the 2012 AGM that a dividend of SEK 1.25 (1.75) per share be paid, a total of SEK 65.0 million (91.0).

#### Capital management

The Board of Systemair has adopted a target for the Company's equity/assets ratio of no less than 30% and a target for dividend of approximately 30% of profit after tax.

#### List of shareholders

Systemair's 10 largest shareholders according to Euroclear at 30 April 2012.

Shareholder	No. of shares	% of capital and votes
Färna Invest AB <sup>1</sup>	21,997,752	42.3%
ebm-papst AB	11,059,770	21.3%
Lannebo Fonder	3,231,139	6.2%
Nordea Investment Funds	2,306,970	4.4%
Alecta Pensionsförsäkring	2,233,000	4.3%
SEB Asset Management	1,450,000	2.8%
Handelsbanken Fonder	1,341,505	2.6%
Odin Fonder	917,227	1.8%
Fondita Nordic Micro Cap	750,000	1.4%
Swedbank Fonder	503,870	1.0%
Other	6,208,767	11.9%
<b>Total</b>	<b>52,000,000</b>	<b>100%</b>

<sup>1</sup>Färna Invest AB is a company owned by Systemair's CEO Gerald Engström.

### NOTE 21 Borrowing and financial instruments

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
<b>Non-current liabilities</b>				
Bank loans of one to five years	142.8	173.0	68.7	105.7
Bank loans longer than five years	42.6	32.3	0.0	0.0
	<b>185.4</b>	<b>205.3</b>	<b>68.7</b>	<b>105.7</b>
<b>Current liabilities</b>				
Bank overdraft facilities	565.0	401.7	555.1	394.0
Current portion of bank loans	116.4	95.7	82.1	60.8
	<b>681.4</b>	<b>497.4</b>	<b>637.2</b>	<b>454.8</b>
<b>Total borrowing</b>	<b>866.8</b>	<b>702.7</b>	<b>705.9</b>	<b>560.5</b>
<b>Distribution among banks</b>				
Nordea Bank AB	464.4	368.5	363.2	306.8
Svenska Handelsbanken AB	365.6	281.2	339.0	248.9
Other banks	36.8	53.0	3.7	4.8
	<b>866.8</b>	<b>702.7</b>	<b>705.9</b>	<b>560.5</b>

	2011/12		2010/11	
	Loan amount	Weighted interest rate	Loan amount	Weighted interest rate
<b>Long-term loans</b>				
Group	185.4	2.95%	205.3	3.04%
Parent Company	68.7	3.33%	105.7	2.44%
<b>Short-term loans</b>				
Group	681.4	2.52%	497.4	2.71%
Parent Company	637.2	2.08%	454.8	2.58%

Loans, by currency	SHB		Nordea		Other		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
SEK	206.1	93.5	305.6	133.3	17.5	-	529.2	226.8
EUR	142.7	175.0	118.3	174.1	-	19.3	261.0	368.4
USD	1.1	-	60.2	68.7	0.2	3.7	61.5	72.4
NOK	-	-	-52.6	-43.7	-	1.5	-52.6	-42.2
Other currencies	15.7	12.7	32.9	36.1	19.1	28.5	67.7	77.3
<b>Total</b>	<b>365.6</b>	<b>281.2</b>	<b>464.4</b>	<b>368.5</b>	<b>36.8</b>	<b>53.0</b>	<b>866.8</b>	<b>702.7</b>

External credit facilities granted for bank overdrafts totalled SEK 722 million (559) for the Group and SEK 660 million (510) for the Parent Company. Unused overdrafts in the Group amounted to 157.0 million (157.3).

The Group's financing agreements with Nordea Bank AB and Svenska Handelsbanken AB include financial covenants. The key ratios measured are interest coverage ratio, net debt/equity ratio and equity/assets ratio, which are measured quarterly as a rolling 12-month value. On 30 April 2012, the Group met all the current terms and conditions of its covenants.

#### Maturity structure

Maturity structure for contracted undiscounted interest-bearing liabilities and associated future interest payments based on current interest rates.

	2011/12	2012/13	2013/14	2014/15	2015/16	later
Interest payments on borrowings	12.2	7.6	7.0	2.6	1.6	4.2
Interest on bank overdraft facilities	12.5	13.0				
<b>Total interest expense</b>	<b>24.7</b>	<b>20.6</b>	<b>7.0</b>	<b>2.6</b>	<b>1.6</b>	<b>4.2</b>
Interest-bearing liabilities per 30 April and amounts due each year	866.8	681.4	49.3	63.3	26.6	46.2

#### Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. The existence of financial instruments, other than those arising in operating activities, is relatively limited at Systemair.

The carrying amounts of interest-bearing assets and liabilities on the balance sheet may deviate from their fair values for reasons such as changes in market interest rates. Systemair's lines of credit carry variable interest rates or in certain cases fixed rates for a short time, so their approximate market values are essentially equal to fair value. For financial instruments such as trade accounts receivable and payable and other non-interest-bearing financial assets and liabilities, which are stated at amortised cost less any impairment losses, the fair value is assessed as the same as the carrying amount.

## Classification and categorisation of financial assets and liabilities in the Group, 2011/12

Assets	Derivatives	Loan receivables and Accounts receivable – trade	Financial assets avail- able for sale	Total financial assets	Non-financial assets	Total
Intangible assets	-	-	-	-	493.5	493.5
Property, plant and equipment	-	-	-	-	792.0	792.0
Participations in associated companies	-	-	-	-	-	-
Financial investments	-	-	0.4	0.4	-	0.4
Non-current receivables	-	-	-	-	7.3	7.3
Deferred tax assets	-	-	-	-	99.3	99.3
Inventory	-	-	-	-	767.3	767.3
Other receivables	0.5	764.0	-	764.5	83.9	848.4
Cash and cash equivalents	-	91.6	-	91.6	-	91.6
<b>Total assets</b>	<b>0.5</b>	<b>855.6</b>	<b>0.4</b>	<b>856.5</b>	<b>2,243.3</b>	<b>3,099.8</b>

Equity and liabilities	Derivatives	Financial liabilities	Total financial li- abilities	Non-financial li- abilities	Total
Equity	-	-	-	1,399.1	1,399.1
Provisions for pensions	-	-	-	15.3	15.3
Deferred tax liabilities	-	-	-	80.6	80.6
Provisions	-	-	-	36.3	36.3
Interest-bearing liabilities	-	866.8	866.8	-	866.8
Other liabilities	-	408.5	408.5	293.2	701.7
<b>Total equity and liabilities</b>	<b>-</b>	<b>1,275.3</b>	<b>1,275.3</b>	<b>1,824.5</b>	<b>3,099.8</b>

## Classification and categorisation of financial assets and liabilities in the Group, 2010/11

Assets	Derivatives	Loan receivables and Accounts receivable – trade	Financial assets avail- able for sale	Total financial assets	Non-financial assets	Total
Intangible assets	-	-	-	-	332.5	332.5
Property, plant and equipment	-	-	-	-	711.8	711.8
Participations in associated companies	-	-	-	-	0.1	0.1
Financial investments	-	-	0.4	0.4	-	0.4
Non-current receivables	-	-	-	-	9.7	9.7
Deferred tax assets	-	-	-	-	96.3	96.3
Inventory	-	-	-	-	607.0	607.0
Other receivables	9.6	668.5	-	678.1	99.1	777.2
Cash and cash equivalents	-	76.8	-	76.8	-	76.8
<b>Total assets</b>	<b>9.6</b>	<b>745.3</b>	<b>0.4</b>	<b>755.3</b>	<b>1,856.5</b>	<b>2,611.8</b>

Equity and liabilities	Derivatives	Financial liabilities	Total financial li- abilities	Non-financial li- abilities	Total
Equity	-	-	-	1,268.2	1,268.2
Provisions for pensions	-	-	-	16.8	16.8
Deferred tax liabilities	-	-	-	68.6	68.6
Provisions	-	-	-	14.7	14.7
Interest-bearing liabilities	-	702.7	702.7	-	702.7
Other liabilities	-	331.1	331.1	209.7	540.8
<b>Total equity and liabilities</b>	<b>-</b>	<b>1,033.7</b>	<b>1,033.7</b>	<b>1,578.1</b>	<b>2,611.8</b>

On the balance sheet date, the Group had outstanding forward and option contracts for EUR. The fair value of the contracts is SEK 0.5 million (9.6). The total hedged value was EUR 10.0 million (38.1).

Forward contracts - hedged values	Group EUR m.	Option contracts - hedged values	Group EUR m.
Maturity		Maturity	
< 1 year	3.7	< 1 year	3.9
> 1 year	-	> 1 year	2.4
	3.7		6.3

Systemair has in its finance policy stated that 50% of the expected euro inflow during the maximum 18 months may be hedged. This means that the company is selling euros over this time period. Futures contracts were, at the end of the fiscal year, only admitted into the parent company. Futures contracts are valued at fair value. Hedge accounting is applied. Changes in value are recognised on the income statement.

Selling currency on forward means a binding agreement which, in advance, set a strike price (rate) on a specific date.

An opportunity to get a better strike rate than the forwards, may be to enter into an option. This means in brief that we agree on a due date where the course in advance is not fixed, but there is a value range that governs the exercise price.



**NOTE 22** Accrued expenses and deferred income

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Salary and holiday pay liability	85.3	72.5	28.8	25.8
Employer's social security contribution liability	25.5	23.3	12.4	11.4
Commission payments and bonuses	13.9	13.7	2.0	1.8
Miscellaneous	52.5	41.3	2.3	3.7
	177.2	150.8	45.5	42.8

**NOTE 23** Appropriations, other

	Parent Company	
	2011/12	2010/11
Group contributions paid	-57.0	-93.4
Reversal of tax allocation reserve	8.5	17.3
Difference between depreciation and amortisation charged and according to plan	-3.1	5.9
	-51.6	-70.2

**NOTE 24** Untaxed reserves

	Parent Company	
	2011/12	2010/11
Difference between depreciation and amortisation charged and according to plan	26.4	23.3
Tax allocation reserve, provision for tax 2007	-	8.4
Tax allocation reserve, provision for tax 2008	27.5	27.5
Tax allocation reserve, provision for tax 2009	22.8	22.8
Tax allocation reserve, provision for tax 2010	0.6	0.6
Tax allocation reserve, provision for tax 2011	15.4	15.4
	92.7	98.0

**NOTE 25** Provisions for pensions

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 for each plan 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, adjusted for unrecognised actuarial gains and losses.

Defined-benefit plans are operated primarily in Norway. The majority of pension obligations in the Group's Swedish operations consist of a defined-benefit pension plan encompassing several employers. The plan is insured with Alecta, a mutual insurance company. Insufficient information is available to present an account of the Group's proportional share of its defined-benefit obligation and of the plan assets and costs associated with the plan. As a result, the plan is presented as a defined-contribution plan, and consequently premiums paid are recognised as an expense.

The pension obligation is calculated annually with the aid of independent actuaries using the Projected Unit Credit Method. The calculation makes use of actuarial assumptions. These assumptions include anticipated salary and pension increases and anticipated returns on plan assets. Changes in actuarial assumptions and outcomes that deviate from assumptions give rise to actuarial gains and losses.

For salaried employees in Sweden, Systemair subscribes to the ITP Plan through insurance with Alecta. Statement URA 3 from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council recommends that ITP pensions managed by Alecta be recognised as defined-contribution plans, as per section 30 of IAS 19. This year's contributions for pension insurance policies are subscribed in Alecta amount to SEK 3.3 million (3.2). Alecta's surplus can be allocated to the policyholders and/or insured persons. By the end of 2011, Alecta's surplus in the form of the collective consolidation level was 113% (146). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated according insurance technical assumptions, which are not in accordance with IAS 19.

Defined-benefit pension plans	2011/12	2010/11
Present value of obligations	88.9	70.9
Fair value of plan assets	-55.5	-45.9
Present value of net obligations	33.4	25.0
Unrecognised actuarial gains and losses	-21.5	-10.4
Net liability before payroll tax	11.9	14.6
Payroll tax liability	3.4	2.2
Net liability as per the balance sheet	15.3	16.8

Defined-benefit pension plans	2011/12	2010/11
Changes in defined-benefit plan obligation		
Defined-benefit plan obligation, 1 May	70.9	62.5
Benefits paid	-2.1	-0.9
Cost of service in current period, plus interest expense	8.2	7.3
Actuarial gain or loss	7.3	3.6
Business combinations	-	2.5
Pension plans taken over	3.0	-
Exchange rate differences	1.6	-4.1
Defined-benefit plan obligation, 30 April	88.9	70.9

Changes in plan assets	2011/12	2010/11
Fair value of plan assets, 1 May	45.9	44.1
Receipts	5.9	4.5
Benefits paid	-1.9	-1.0
Anticipated return	2.8	2.4
Difference between anticipated and actual return (actuarial gain or loss)	-1.2	-1.2
Plan assets taken over	2.8	-
Exchange rate differences	1.2	-2.9
Fair value of plan assets, 30 April	55.5	45.9

Cost recognised in income statement	2011/12	2010/11
Cost of service in current period	6.3	5.3
Payroll tax	0.7	0.6
Interest expenses relating to obligation	2.8	2.5
Anticipated return on plan assets	-2.5	-2.5
Net cost recognised in income statement	7.3	5.9

Actuarial assumptions, %	2011/12	2010/11
Discount rate	2.60	4.00
Anticipated return on plan assets	4.10	5.40
Anticipated rate of increase in salaries	3.50	4.00
Anticipated rate of inflation	1.10	1.30

**NOTE 26** Profit/loss from participations in Group companies

	Parent Company	
	2011/12	2010/11
Impairment	-66.2	-
Dividends from subsidiaries	207.3	127.6
	141.1	127.6

**NOTE 27** Participations in Group companies

Parent Company holdings of shares in Group companies

Subsidiary	Corp. id. no.	Registered office	% equity	No. of shares	Carrying amount
Animac AB	556311-3926	Motala, Sweden	100	2,500	2.7
Frico Engineering AB	556362-9137	Skinnskatteberg Sweden	100	1,000	0.1
Frico Group AB	556439-7700	Partille, Sweden	100	50,000	0.5
Kanalfläkt Industrial Service AB	556063-2530	Skinnskatteberg Sweden	100	5,000	1.2
Klockargårdens Företagsby AB	556632-5774	Skinnskatteberg Sweden	100	1,000	0.1
VEAB Heat Tech AB	556138-3166	Hässleholm, Sweden	100	3,000	65.6
Matthews & Yates Australia Pty. Ltd.		Australia	100	-	0.0
Systemair NV		Belgium	100	-	3.1
Systemair EOOD		Bulgaria	100	-	0.1
Systemair SpA		Chile	100	-	0.1
Welmo Trading Ltd		Cyprus	100	1,000	94.3
Systemair a/s		Denmark	100	10,101	35.1
Systemair Middle East FZE		Dubai, United Arab Emirates	100	-	2.1
Systemair Trading LLC		Dubai, United Arab Emirates	100	-	0.0
Systemair Fans & Spares Ltd		United Kingdom	100	1,000,000	19.9
Villavent Ltd		United Kingdom	100	349,999	2.0
Systemair AS		Estonia	100	3,128	17.3
Systemair Oy		Finland	100	20	0.3
Systemair SAS		France	100	9,994	6.5
Systemair Hellas		Greece	100	15,000	8.7
L.S.A. Handelsonderneming B.V.		Netherlands	100	40	11.0
Rucon Systemair Beheer B.V.		Netherlands	100	-	69.6
Systemair Hong Kong Ltd.		Hong Kong	100	300	0.2
Systemair Software Pvt Ltd		India	60	-	0.1
Systemair India Pvt. Ltd		India	100	320,000	87.3
IAPL Pvt. Ltd		India	100	1,919,000	73.5
Systemair Ltd		Ireland	100	1	0.0
Systemair AC		Italy	100	-	38.6
Systemair S.p.A.		Italy	100	2,754	50.2
Systemair Ltd		Canada	100	44,600	29.6
Systemair Shanghai Co. Ltd		China	100	-	1.3
Systemair SIA		Latvia	100	2,500	1.1
Systemair UAB		Lithuania	100	500	10.9
Systemair Sdn Bhd		Malaysia	100	500,000	18.3
Systemair AS		Norway	100	82,000	21.4
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	4.1
Systemair ZAO		Russia	100	865	0.5
Systemair d.o.o. Belgrade		Serbia	100	-	6.6
Systemair Suisse AG		Switzerland	100	250	31.9
Systemair (SEA) PTE Ltd.		Singapore	100	1,000,000	6.2
IMOS-Systemair spol. s.r.o.		Slovakia	100	-	68.2
Systemair AS		Slovakia	100	22	0.4
Systemair d.o.o.		Slovenia	100	-	42.9
Systemair HVAC S.L.U.		Spain	100	-	26.3
Systemair (Pty) Ltd		South Africa	100	1,000	2.4
Systemair SA		Czech Republic	100	-	21.5
Systemair Co. Ltd		Taiwan	100	-	0.2
Systemair Hav. Ekip. San.ve Tic. Ltd Sti.		Turkey	100	649	1.5
Systemair GmbH		Germany	100	-	10.4
LGB GmbH		Germany	100	-	38.9
Tekadoor GmbH		Germany	100	-	30.2
Systemair Rt		Hungary	100	2,000	4.5
Fantech Inc.		USA	100	500	32.1
Systemair GmbH		Austria	100	-	0.8
					1,030.1

Subsidiaries indirectly held by Parent Company

Indirectly held	Parent company	Registered office	% equity
Frico AB	Frico Group AB	Partille, Sweden	100
Frico SAS	Frico AB	France	100
Frico BV	Frico AB	Netherlands	100
Frico AS	Frico AB	Norway	100
Frico GmbH AT	Frico AB	Austria	100
Kanalfläkt Management Services AB	Kanalfläkt Industrial Service AB	Skinnskatteberg, Sweden	100
Kanalfläkt Vent AB	Kanalfläkt Industrial Service AB	Skinnskatteberg, Sweden	100
Repant Production AB	Kanalfläkt Industrial Service AB	Skinnskatteberg, Sweden	100
Tekadoor Lufttechnische Geräte GmbH	Tekadoor GmbH	Austria	50
Systemair LLC	Welmo Trading Ltd	Russia	100

Change in Group companies	Parent Company	
	2011/12	2010/11
At start of year	779.8	570.6
Acquisitions during the year	213.0	205.8
New share issues during the year	37.3	3.4
	1,030.1	779.8

**NOTE 28** Non-recurring items

Note	2011/12				2010/11			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	1						2	
Cost of goods sold	-5.6	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-	10.5	-
Selling expenses	-10.0	-	-	-	-	-	-	-
Administration expenses	-5.3	-	-	-	-	-	-	-
Other operating expenses	-18.7	-	-	-	-	-	-	-
Total non-recurring items	-39.6	-	-	-	-	-	10.5	-
Operating profit, excl. non-recurring items, SEK m.	5.6	97.2	130.2	86.8	57.2	95.3	119.5	94.9
Operating profit, excl. non-recurring items	45.2	97.2	130.2	86.8	57.2	95.3	109.0	94.9

1 - Amortisation of goodwill, SEK -18.7 million, in Spain, on line "Other operating expenses". The remaining portion consists of measures above all in Italy to reduce the future burden of costs.

2 - Capital gain on sale of property.

**NOTE 29** Changes in Group structure – Business combinations**Companies acquired**

In June 2011, Systemair acquired Ventrade, a Russian ventilation distributor. Ventrade sells ventilation and comfort cooling products, and for many years has been one of Systemair's biggest customers in Russia. The company has its headquarters and central warehouse in Moscow, plus sales offices and local warehouses in another 11 cities. In 2010, the company reported sales equivalent to around SEK 290 million and had 200 employees. The acquisition will enable Systemair to raise the proportion of Systemair products and provides extensive coverage throughout Russia, with major potential for growth. In addition, there are useful synergies with the production facility in Lithuania, where production capacity was expanded in 2011.

In August, Systemair acquired the assets of Kryotherm AB, Piteå. Kryotherm, founded in 1967, is a company with wide experience of products combining cooling and ventilation. Over the past 5 years, sales have averaged approximately SEK 30 million. In 2010, sales slumped drastically and the company reported a loss. The company suspended payments in June 2011. Systemair has taken over all 12 employees. Kryotherm offers products that complement the Systemair range. Kryotherm has extensive know-how and long experience of the market sector for air handling units with integral cooling or heat pump systems. Synergies are anticipated in both product development and sales.

In November, Systemair acquired sales companies Frivent Luft und Wärmetechnik GmbH of Chemnitz, Saxony, eastern Germany and Garching, Bavaria. The companies are sales companies on behalf of the Austrian company Josef Friedl GmbH. Total sales for the two companies, which together employ in all seven people, were EUR 3.3 million in 2010. Frivent's Chemnitz office continues to act as agent on behalf of Systemair in parts of eastern Germany. The acquisition of Frivent will enable Systemair to conduct sales via its own personnel throughout Germany.

In December, Systemair finalised the acquisition of IAPL, International Airconditioning Products Pvt., India, which was part of the Suvitha Group. IAPL manufactures air handling units for the Indian market. The company has sales equivalent to around SEK 55 million, and 120 employees. IAPL is based in Greater Noida, just outside New Delhi, and has sales offices in another five cities in India. IAPL owns an industrial facility extending over a 23,000 m<sup>2</sup> site in the Greater Noida Ecotech Park. There, Systemair intends to coordinate production for its Indian operations and to build up an R&D centre. The total purchase consideration is SEK 63 million, which includes the industrial facility. Local production of air handling units is expected to provide access to more, and bigger, construction projects, as well as growth in Indian market sales of other Systemair products.

As part of the Group's programme in Southeast Asia, a sales company was established in Taiwan in December. Systemair already operates sales companies and production facilities in Malaysia, sales companies in Hong Kong and Singapore, a representative office in Indonesia, and via a sales agent in Vietnam. In April 2012, the Taiwan company already started delivering tunnel fans on an order valued at approximately USD 1.5 million.

In mid-January 2012, Systemair acquired Airwell's factory in Milan, Italy, which was part of the Airwell Group. The factory manufactures liquid- and air-cooled chillers for comfort cooling. The company's product range, one of the most comprehensive in the market, comprises liquid- and air-cooled chillers rated at between 20 and 1,200 kW. The factory has 155 employees, and Systemair will also take over parts of the sales department for commercial refrigeration in Italy, with 12 employees. In addition, the factory has one of the most up-to-date R&D centres in Europe for development and testing of liquid- and air-cooled chillers, together with a showroom and a training centre. Net sales for the company totalled approximately EUR 24 million in 2011, but the company reported a loss. After acquisition, the name of the company was changed to Systemair AC.

In April, Systemair acquired sales companies DT Termo d.o.o. of Serbia and DT Termo MNE d.o.o. of Montenegro, where they rank among the leaders in the ventilation sector. The acquisition of the company in Montenegro is subject to approval by the local competition authority. Aggregated sales for the companies, which have in all 15 employees, were SEK 16 million in 2011. The companies were former resellers of Systemair products. Serbia and Montenegro are growth markets, in which we identify strong potential for the ventilation sector and the Group's extensive product offering.

If the companies acquired during the period had been consolidated as of 1 May 2011, net sales for the period May 2011 through April 2012 would have totalled SEK approximately 4,232 million. Operating profit for that period would have been approximately SEK 312 million.

The purchase considering Ventrade may provisionally be calculated as follows:  
Total historical cost, less costs of acquisition SEK 91.6 million

**Assets acquired**

Fair value of assets acquired, net SEK 23.4 million  
Goodwill SEK 68.2 million

Assets and liabilities acquired	Fair value
Goodwill	68.2
Brands and customer relationships	35.7
Machinery and equipment	1.3
Inventory	79.4
Other current assets	88.8
Cash and cash equivalents	14.9
Non-interest-bearing liabilities	
(incl. deferred tax liability)	-48.3
Other operating liabilities	-148.5
	91.6

The purchase consideration paid to acquire other companies during 2011/12 may provisionally be calculated as follows:

Total historical cost, less costs of acquisition SEK 105.6 million

**Assets acquired**

Fair value of assets acquired, net SEK 63.0 million  
Goodwill SEK 42.7 million

Assets and liabilities acquired	Fair value
Goodwill	49.7
Brands and customer relationships	26.1
Buildings and land	31.6
Machinery and equipment	28.7
Inventory	41.1
Other current assets	23.9
Cash and cash equivalents	0.6
Non-interest-bearing liabilities	
(incl. deferred tax liability)	-32.1
Interest-bearing liabilities	-9.8
Other operating liabilities	-54.2
	105.6

**Impact on cash flow**

Purchase consideration incl. additional payment	-197.2
Purchase consideration not paid	19.6
Cash and cash equivalents in companies purchased	15.6
Additional purchase consideration paid for prior years' acquisitions	-6.1
Transaction costs, acquisition of subsidiaries	-4.4
Change in consolidated cash and cash equivalents at acquisition	-172.5

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

The goodwill upon acquisition is attributable to the strong market positions of the companies acquired, synergy effects expected to emerge after the acquisitions and the companies' estimated future earning capacity.

**Companies divested**

No companies were divested during the year.

**NOTE 30** Receivables from Group companies

	Parent Company	
	2011/12	2010/11
At start of year	331.0	348.4
Borrowings	88.7	11.5
Repayments	-5.8	-2.5
Reclassifications	-26.2	-16.5
Foreign exchange adjustment	3.6	-9.9
	<b>391.3</b>	<b>331.0</b>

**NOTE 31** Pledged assets

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
<b>Assets pledged to credit institutions for own liabilities</b>				
Chattel mortgages	180.8	186.8	97.4	97.4
Real estate mortgages	166.4	161.8	30.0	30.0
Other collateral pledged	-	-	97.7	97.7
	<b>347.2</b>	<b>348.6</b>	<b>225.1</b>	<b>225.1</b>
<b>Pledged assets, per bank</b>				
Nordea Bank AB	127.3	129.8	186.7	186.7
Svenska Handelsbanken AB	125.4	125.1	13.0	13.0
Other banks	94.5	93.7	25.4	25.4
	<b>347.2</b>	<b>348.6</b>	<b>225.1</b>	<b>225.1</b>

**NOTE 32** Contingent liabilities

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Guarantees on behalf of subsidiaries	-	-	142.9	133.3
Guarantees and other contingent liabilities	30.0	34.9	8.6	2.8
	<b>30.0</b>	<b>34.9</b>	<b>151.5</b>	<b>136.1</b>

**NOTE 33** Supplementary information regarding the cash flow statement

Group	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Adjustment for non-cash items etc.				
Depreciation/Amortisation	100.2	92.1	21.1	19.1
Impairments	18.7	-	-	-
Changes in provisions	3.2	4.9	0.1	0.3
Exchange gains and losses	-2.2	-16.6	2.0	7.6
Provisions for pensions	-1.6	2.9	-	-
Gain/Loss on divestment of non-current assets	-6.0	-11.3	-8.5	-
Other items	-14.3	2.2	-	-
	<b>98.0</b>	<b>74.2</b>	<b>14.7</b>	<b>27.0</b>

**NOTE 34** 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 identity number is 556160-4108. The consolidated accounts for financial 2011/12 include the Parent Company and its subsidiaries, jointly referred to as the "Group".

**NOTE 35** Earnings per share

Group	2011/12	2010/11
Basic earnings per share (SEK)	4.14	5.25
Diluted earnings per share (SEK)	4.14	5.25
Profit for the year attributable to Parent Company shareholders	215.4	273.0
Weighted average number of shares outstanding, basic	52,000,000	52,000,000
Weighted average number of shares outstanding, diluted	52,000,000	52,000,000

At its stockmarket flotation in October 2007, Systemair issued a total of 223,500 warrants to certain employees of the Group. Because the subscription price relative to the market price of Systemair shares was unfavourable on the occasions set for redemption, no subscription rights were exercised. The option programme expired in September 2011. No new option programme has been offered.

**NOTE 36** Related party transactions

During the year, Systemair AB (publ.) sold products for SEK 2.4 million (2.7) to ebm-papst AB. Product purchases from ebm-papst AB totalled SEK 0.7 million (0.8). During the year, products purchased by the Group from ebm-papst AB's parent company in Germany, ebm-papst GmbH, totalled SEK 171.8 million (184.8). Systemair AB (publ.) purchased hotel and conference services for SEK 4.2 (3.0) million from WG Hotelldrift AB, which is owned by Gerald and Wenche Engström.

Parent Company purchases from other Group companies totalled SEK 155.7 million (128.8). Parent Company sales to Group companies are shown in Note 3.

**NOTE 37** Significant events after financial year-end

In May 2012, Systemair signed an agreement to acquire 70 percent of the shares in a Turkish company, HSK. HSK is Turkey's leading manufacturer of ventilation products, with sales of SEK 160 million in 2011. The company has two production facilities just outside Istanbul and sales offices in Azerbaijan, Georgia, Turkmenistan, Dubai and Iraq. The acquisition is expected to create excellent synergies with the Italian chiller and heat pumps factory acquired. The acquisition concerns initially 70 percent of the shares and a binding option to acquire the remaining 30 percent within a four-year period. The transfer of ownership is expected to take place in June 2012.

In June, Systemair signed an agreement to acquire Change Air, Canada. The company is one of the North American market's leading makers of air handling units for classrooms. In 2011, Change Air had sales equivalent to SEK 84 million, with an operating profit of SEK 11.9 million. It has reported growth of 21 percent over the past three years. The company, which has 86 employees, has its headquarters and a production facility in Ontario, Canada. The acquisition gives Systemair access to 59 sales agents in 71 cities, and a total of approximately 300 sales engineers in North America. The latter cover 42 states in the USA and six provinces in Canada.

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, and generally accepted accounting principles and give a true and fair view of the Group's and Company's financial position and earnings, and that the Group's and Company's administration reports give a fair review of the development of the Group's and Company's operations, financial position and earnings and describe the material risks and uncertainties facing the companies in the Group.

Skinnskatteberg, 6 July 2012



Lars Hansson  
Chairman of the Board



Gerald Engström  
Chief Executive Officer



Hannu Paitula  
Director



Göran Robertsson  
Director



Elisabeth Westberg  
Director



Jürgen Zilling  
Director



Åke Henningson  
Employee Representative



Kevin Rowland  
Employee Representative

Our Audit Report concerning this Annual Report was submitted on 6 July 2012.

Ernst & Young



Thomas Forslund  
Authorised Public Accountant



# Audit Report

To the annual meeting of the shareholders of Systemair AB (publ)  
Corporate identity number 556160-4108

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Systemair AB (publ) for the financial year 2011-05-01 – 2012-04-30, except for the corporate governance statement on pages 43-49. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 50-76.

## Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation, of the annual accounts in accordance with the Annual Accounts Act and, of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 April 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 April 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 43-49. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Systemair AB (publ) for the financial year 2011-05-01 – 2012-04-30. We have also conducted a statutory examination of the corporate governance statement.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, 6 July 2012

Ernst & Young AB



Thomas Forslund  
Authorised Public Accountant

# Key Ratios and Definitions

## Key Ratios for the Group

		2011/12 Maj-Apr	2010/11 Maj-Apr	2009/10 Maj-Apr
Net sales	SEK m.	3,996.9	3,467.3	3,218.6
Growth	%	15.3	7.7	-3.4
Operating profit	SEK m.	319.8	367.0	274.7
Operating margin	%	8.0	10.6	8.5
Profit after net fin. items	SEK m.	296.6	338.5	243.0
Profit margin	%	7.4	9.8	7.6
Return on capital employed	%	14.7	18.0	15.2
Equity/assets ratio	%	45.1	48.6	49.0
Per share ratios				
Basic earnings per share	SEK	4.14	5.25	3.66
Diluted earnings per share	SEK	4.14	5.25	3.66
Basic equity per share	SEK	26.90	24.39	22.15
Diluted equity per share	SEK	26.90	24.39	22.15
No. of shares at end of period	no.	52,000,000	52,000,000	52,000,000

### Capital employed

Total assets less non-interest-bearing liabilities.

### Earnings per share

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

### EBIT

Earnings before financial items and tax.

### Equity/assets ratio

Equity, including non-controlling interests, divided by total assets.

### Equity per share

Equity, excluding non-controlling interests, divided by the number of shares at the end of the period.

### Growth

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

### Interest coverage ratio

Profit after financial items plus financial expenses, divided by financial expenses.

### Net debt

Net interest-bearing liabilities (including provisions for pensions) less the total of interest-bearing receivables, current investments and cash and cash equivalents.

### Net debt/equity ratio

Net debt divided by equity at year-end.

### Number of employees

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.

### Operating margin

Operating profit divided by net sales.

### Profit margin

Profit after financial items divided by net sales.

### Return on capital employed

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

### Sales per employee

Net sales for the period, divided by the average number of employees.

# Our Companies

## HEAD OFFICE:

**Systemair AB**  
Tel +46 222 440 00  
mailbox@systemair.se

## SUBSIDIARIES:

**Belgium**  
Systemair NV

**Bulgaria**  
Systemair EOOD

**Chile**  
Systemair Spa

**Denmark**  
Systemair a/s

**Dubai, FAE**  
Systemair Middle East FZE  
Systemair Trading LLC

**England**  
Systemair Fans & Spares Ltd

**Estonia**  
Systemair AS

**Finland**  
Systemair Oy

**France**  
Systemair SAS  
Frico SAS

**Greece**  
Systemair Hellas

**Hong Kong**  
Systemair Hong Kong Ltd

**India**  
Systemair India Pvt. Ltd.  
IAPL Pvt. Ltd.  
Systemair Software Pvt Ltd

**Ireland**  
Systemair Ltd

**Italy**  
Systemair AC  
Systemair S.p.A.

**Canada**  
Systemair Ltd

**China**  
Systemair Shanghai Co. Ltd.

**Lativa**  
Systemair SIA

**Lithuania**  
Systemair UAB

**Malaysia**  
Systemair Sdn Bhd

**Nederlands**  
Rucon Systemair Beheer B.V.  
L.S.A. Handelonderneming B.V.

**Norway**  
Systemair AS  
Frico AS

**Poland**  
Systemair SA

**Portugal**  
Systemair SA

**Qatar**  
Systemair Middle East LLC.

**Romania**  
Systemair Rt

**Russia**  
Systemair LLC

**Switzerland**  
Systemair Suisse AG

**Serbia**  
Systemair d.o.o. Beograd

**Singapore**  
Systemair (SEA) Pte Ltd

**Slovakia**  
IMOS-Systemair spol. s.r.o.  
Systemair AS

**Slovenia**  
Systemair d.o.o.

**Spain**  
Systemair HVAC S.L.U.

**Sweden**  
Frico Engineering AB

**South Africa**  
Systemair (Pty) Ltd

**Taiwan**  
Systemair Co. Ltd.

**Czech Republic**  
Systemair SA

**Turkey**  
Systemair Hav. Ekip. San.ve Tic. Ltd Sti.

**Germany**  
Systemair GmbH  
LGB GmbH  
Tekadoor GmbH

**Hungary**  
Systemair Rt

**Austria**  
Systemair GmbH

## SUBSIDIARIES WITH OWN BRANDS:

**Frico AB, Göteborg**  
mailbox@frico.se

**Fantech Inc, USA**  
info@fantech.net

**Fantech Ltd, Canada**  
info@fantech.net

**VEAB Heat Tech AB, Hässleholm**  
veab@veab.com

## CONTACT:

On our web page: [www.systemair.com](http://www.systemair.com) you find contact information and addresses to our companies world wide.

---

# Annual General Meeting

Annual General Meeting will be held on Wednesday, 29 August 2012 at 3 p.m. in the auditorium, Systemair Expo, in Skinnskatteberg.

An optional factory tour and product presentation will take place prior to the AGM, starting at 1.30 p.m. at Systemair Expo, Skinnskatteberg.

Anyone who is registered as a shareholder in the share register maintained by Euroclear Sweden AB on the record date of Thursday 23 August 2012 and has notified the Company of their intention to attend the Annual General Meeting by 3 p.m. on Thursday 23 August 2012 has the right to attend.

Notification of attendance should preferably be given by e-mail to [agm@systemair.se](mailto:agm@systemair.se) or by phone on +46 (0)222-440 00, by fax on +46 (0)222-440 99 or by post to Systemair AB, Receptionen, SE-739 30 Skinnskatteberg, Sweden. Name, personal or corporate identity number, address, telephone, names of any advisers (maximum two) and number of shares held must be stated when notifying intention to attend. Note also that intention to take part in the factory tour must be notified at the same time. Shareholders represented by a proxy must issue a dated authorisation for that proxy. The authorisation must be no more than one year old, and its period of validity must be stated as no more than five years from the time of issue. An authorisation form is available on the Company's website [www.systemair.com](http://www.systemair.com), and can also be requested from the address stated above.

Anyone representing a legal entity must present a certificate of incorporation or equivalent document confirming that they are an authorised signatory. Proxy authorisations, certificates of incorporation and other authorisation documents must be available at the Annual General Meeting and, to facilitate admission to the meeting, should reach the Company no later than Thursday 23 August 2012. Proxy authorisations must be presented in original form.

Anyone who has had their shares registered in the name of a nominee must, in order to be entitled to attend the AGM, have the shares registered in their own name, through the nominee, so that the person concerned is registered in the share register no later than the record date of 23 August 2012. Such registration may be temporary.

## Complete notice

A complete notice of the Annual General Meeting, as well as financial and other information, is available on the Systemair website [www.systemair.com](http://www.systemair.com).

Calendar	
29 August 2012	Interim Report Q1 (May-July 2012)
30 November 2012	Interim Report Q2 (August-October 2012)
7 March 2013	Interim Report Q3 (November-January 2012/13)
11 June 2013	Interim Report Q4 (February - April 2013)
29 August 2013	Annual General Meeting and publication of Q1 2013

## Questions

Any questions regarding the content of the Company's financial information should be directed to: CFO Glen Nilsson Telephone +46 (0)222-440 03.







Systemair AB  
Industrivägen 3  
739 30 Skinnkatteberg

Tel +46 222 440 00  
Fax +46 222 440 99

[mailbox@systemair.se](mailto:mailbox@systemair.se)  
[www.systemair.com](http://www.systemair.com)