

# Q2 2016

**BEIJER REF**

## A strong quarter

- Net sales increased by 12.3 per cent compared with the corresponding quarter last year and amounted to SEK 2,417M (2,153). The increase is mainly due to a continued positive development in the Southern Europe market region relating to air-conditioning products.
- Operating profit amounted to SEK 186M (158). The improved profit is mainly the result of increased sales.
- In June, the UK Competition & Markets Authority (CMA) approved the acquisition of HRP Ltd which was consolidated in the Group's operation from June.
- Net profit for the period increased to SEK 121M (107).
- Profit per share amounted to SEK 2.82 (2.48).

Key figures	Q2-16	Q2-15	Δ%	H1-16	H1-15	Δ%	Full year -15
Net sales, sek m	2 417	2 153	12.3	4 384	3 999	9.6	8 361
EBITDA, sek m	206	176	17.0	312	286	9.1	636
Operating profit, sek m	186	158	17.7	275	252	9.1	567
Profit margin, %	7.7	7.3	—	6.3	6.3	—	6.8
Net profit, sek m	121	107	13.1	182	168	8.3	373
Profit per share, sek	2.82	2.48	13.7	4.17	3.87	7.8	8.64
Return on operating capital, %	—	—	—	13.3	12.7	—	14.1
Return on equity, %	—	—	—	14.8	14.2	—	14.2
Average number of employees	—	—	—	2 593	2 361	9.8	2 506

# Comments by the CEO



+ 12 %  
Sales

» We are now intensifying the work of identifying potential acquisitions, both in new and existing markets. «

## A strong quarter

The second quarter of 2016 was our strongest quarter so far, mainly due to a good development in our largest region, Southern Europe. Markets which reported a weaker start to the year are beginning to gain speed and we continue to see a positive development, especially for sales of air conditioning.

Southern Europe enjoys organic growth of 18 per cent compared with the second quarter of 2015. Sales in Spain and Italy are performing very well and France is also enjoying a stable trend. The positive development in Germany for the first quarter was strengthened still further in the second quarter with a very strong sales and profit increase. In the Nordic markets, sales recovered in the second quarter and are now on a par with our expectations. However, we have not yet compensated for the weak start to the year. In Asia Pacific and Africa, the development continues in accordance with the plan.

In June, the UK Competition & Markets Authority (CMA) approved our acquisition of HRP Ltd and we will, therefore, be able to continue with the restructuring work in accordance with the plan. The operation in HRP was consolidated in the Group in June but this influences only sales, as HRP's operation in June generated a zero result. The resource-demanding CMA process had the effect that our other acquisition work slowed down during the period. However, we are now intensifying the work of identifying potential acquisitions in both new and existing markets.

Our results are to some extent affected by negative currency effects. The underlying negative currency effect is -3.6 per cent which is, however, some improvement compared with the previous quarter.

The operating margin continues to increase which, in addition to the volume increase, is a result of the extensive review of our logistics flows initiated last year. As a result of this, we see an increased return on capital employed in operations.

A large proportion of the sales increase is explained by increased demand for air conditioning. Toshiba, especially, but also other brands, contributed to the increase where the Southern Europe region remains the engine. During the period, sales of air conditioning increased by 40 per cent compared with the second quarter of 2015.

We are continuing our work of developing our offer relating to eco-friendly and energy-efficient systems. The interest for these solutions is considerable, not least in Australia and New Zealand where this technology is still not established to the same degree as in the more mature European markets.

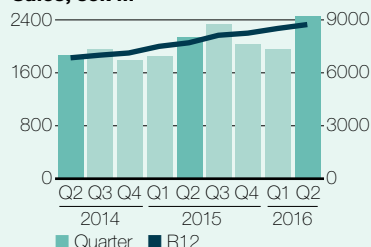
The United Kingdom is an important market for us and we are keeping ourselves continually updated ahead of Brexit. Our operation in the United Kingdom mainly consists of commercial refrigeration, with an emphasis on the food sector. It is a long-term stable market and our current evaluation is, therefore, that Brexit will have a limited influence on our operation.

We are now facing the third quarter which, together with the second quarter, is traditionally the most important period for us during the financial year. Last year's exceptionally warm weather in Southern Europe generated a strong sales increase, which had a significant influence on the profit for the third quarter of 2015. It remains to be seen if the weather this summer will be as favourable for Beijer Ref.

Per Bertland  
CEO, Beijer Ref

# Second quarter of 2016

Sales, sek m



## Sales

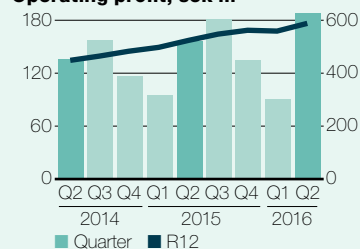
Beijer Ref increased its net sales by 12.3 per cent to SEK 2,417M (2,153) for the second quarter of 2016. Adjusted for exchange rate fluctuations and acquisitions, the organic change in sales was 11.3 per cent. Behind the sales increase lies a strong development demand in Southern and Central Europe, especially with regard to air conditioning.

For the first half of the year, net sales increased by 9.6 per cent to SEK 4,384M (3,999). Adjusted for exchange rate fluctuations and acquisitions, the organic sales change was 7.7 per cent.

Sales, sek m	Q2	%	H1	%
Net sales 2015	2 153		3 999	
Organic change	235	11.3	296	7.7
Change through acquisitions <sup>1</sup>	107	4.6	253	6.0
Exchange rate fluctuation	-78	-3.6	-164	-4.1
Change, total	264	12.3	385	9.6
Net sales 2016	2 417		4 384	

1) The acquisitions relate to Patton, Realcold and RNA made in 2015 and HRP which is included in the consolidated accounts from June 2016

Operating profit, sek m



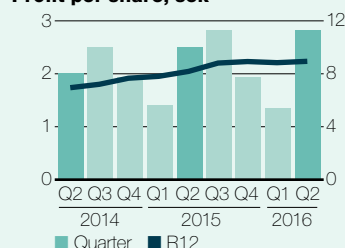
## Results

The Group's operating profit amounted to SEK 186M (158) for the second quarter, equivalent to an increase of 17.7 per cent. The result increase can mainly be explained by the strong development in demand in Southern and Central Europe. Italy and Spain enjoyed an especially positive development during the second quarter. Adjusted for exchange rate fluctuations and acquisitions, the organic increase in operating profit was 22.4 per cent.

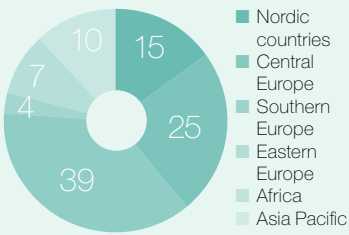
For the first half of the year, operating profit increased by 9.1 per cent to SEK 275M (252). Adjusted for exchange rate fluctuations and acquisitions, the organic increase in operating profit was 12.3 per cent.

The Group's financial income/expense amounted to SEK -15M (-16) for the half of the year. Profit before tax was SEK 260M (236). Net profit for the period was SEK 182M (168). Profit per share amounted to SEK 4.17 (3.87).

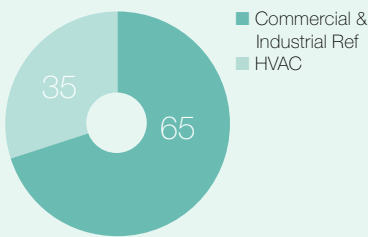
Profit per share, sek



**The regions' share of total sales, %**



**Share of sales, market segments, %**



**Cash flow**

Cash flow from the current operation before change in working capital is SEK 230M for the first half of 2016 compared with SEK 235M for the corresponding period in the previous year. During the first half of the year, the working capital increased by SEK 340M compared with SEK 191M for the same period in the previous year, mainly as a result of the increased business volume. This gives a cash flow from the current operation of SEK -110M compared with SEK 44M in the previous year.

Cash flow, sek m	H1-16	H1-15
Cash flow from current operations before changes in working capital	230	235
Change in working capital	-340	-191
Cash flow from current operations	-110	44

**Investments**

Consolidated capital expenditure, including acquisitions, amounted to SEK 54M (173) for the first half of 2016.

## Significant events during the year

During the first quarter, the UK Competition & Markets Authority (CMA) initiated an examination of our acquisition of HRP Ltd with 15 branches in the United Kingdom. On 8 June, CMA announced that it had no objections to the transaction. Our restructuring work could, therefore, continue in accordance with the plan. During the examination period, HRP was not included in the Group's accounts, but was consolidated in June.

## Risk assessment

The operation of the Beijer Ref Group is affected by a number of external factors, the effects of which on the Group's operating profit can be controlled to a varying degree. The Group's operation is dependent on the general economic trend, especially in Europe, which controls the demand for Beijer Ref's products and services. Acquisitions are normally linked with risks such as, for example, staff defection. Other operating risks, such as agency and supplier agreements, product responsibility and delivery undertaking, technical development, warranties, dependence on individuals, etc., are continually being analysed and, when necessary, action is taken to reduce the Group's risk exposure. In its operation, Beijer Ref is exposed to financial risks such as currency risk, interest risk and liquidity risk. The parent company's risk picture is the same as that of the Group. For further information see the Group's Annual Report.

## Accounting principles

This interim report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and RFR 2. Beijer Ref continues to apply the same accounting principles as those described in the latest Annual Report, with the exception of what is stated below. New and amended standards applied from 1 January 2016 are not deemed to have any significant effect on the Group's or the parent company's results or financial position.

## For further information, please contact:

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Jonas Lindqvist, CFO – switchboard +40 35 89 00

This interim report has not been the subject of examination by the Company's Auditors.

*The Board of Directors and the President assure that the six-month report is prepared in accordance with generally accepted accounting principles for listed companies. The information provided corresponds with the actual conditions in the operation and nothing of significant importance has been left out which could affect the picture of the Group and the parent company that has been created by the six-month report.*

Malmö, Sweden, 15 July 2016

Bernt Ingman  
*Chairman*

Peter Jessen Jürgensen  
*Board Member*

Frida Norrbom Sams  
*Board Member*

William Striebe  
*Board Member*

Ross B Shuster  
*Board Member*

Monica Gimre  
*Board Member*

Joen Magnusson  
*Board Member*

Per Bertland  
*President*

*This information is information that Beijer Ref AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.30 CET on 15 July 2016.*

# Financial information

Summarised profit and loss account, sek m	Q2-16	Q2-15	H1-16	H1-15	R12	Full year -15
Net sales	2 417	2 153	4 384	3 999	8 746	8 361
Other operating income	3	7	8	9	18	19
Operating expenses	-2 215	-1 984	-4 080	-3 722	-8 102	-7 744
Depreciation	-19	-18	-37	-34	-72	-69
<b>Operating profit</b>	<b>186</b>	<b>158</b>	<b>275</b>	<b>252</b>	<b>590</b>	<b>567</b>
Net financial income/expense	-11	-7	-15	-16	-41	-42
<b>Profit before tax</b>	<b>175</b>	<b>151</b>	<b>260</b>	<b>236</b>	<b>549</b>	<b>525</b>
Tax	-54	-44	-78	-68	-162	-152
<b>Net profit</b>	<b>121</b>	<b>107</b>	<b>182</b>	<b>168</b>	<b>387</b>	<b>373</b>
<i>Net profit attributable to:</i>						
The parent company's shareholders	120	105	177	164	379	366
Non-controlling interests	1	2	5	4	8	7
Net profit per share before and after dilution, sek	2.82	2.48	4.17	3.87	8.94	8.64

The Group's report on other comprehensive income, sek m	Q2-16	Q2-15	H1-16	H1-15	R12	Full year -15
Net profit	121	107	182	168	387	373
<b>OTHER COMPREHENSIVE INCOME</b>						
<i>Items which will not be reversed in the profit and loss account:</i>						
Revaluation of the net pension commitment	—	—	—	—	-20	-20
<i>Items which can later be reversed in the profit and loss account:</i>						
Exchange rate differences	46	-49	63	-13	-74	-150
Cash flow hedging	—	1	1	1	2	2
Hedging of net investment	-4	9	-5	10	-2	13
<b>Other comprehensive income for the period</b>	<b>42</b>	<b>-39</b>	<b>59</b>	<b>-2</b>	<b>-94</b>	<b>-155</b>
<b>Total comprehensive income for the period</b>	<b>163</b>	<b>68</b>	<b>241</b>	<b>166</b>	<b>293</b>	<b>218</b>
<i>Attributable to:</i>						
The parent company's shareholders	161	70	235	163	286	214
Non-controlling interests	2	-2	6	3	7	4

Summarised balance sheet, sek m	30 June 2016	30 June 2015	31 Dec 2015
<b>ASSETS</b>			
<i>Fixed assets:</i>			
Intangible fixed assets	1 600	1 506	1 488
Tangible fixed assets	311	280	277
Other fixed assets	226	274	276
<b>Total fixed assets</b>	<b>2 137</b>	<b>2 060</b>	<b>2 041</b>
<i>Current assets:</i>			
Inventories	2 458	2 233	1 982
Trade debtors	1 933	1 619	1 395
Other receivables	262	197	274
Liquid funds	328	252	348
<b>Total current assets</b>	<b>4 981</b>	<b>4 301</b>	<b>3 999</b>
<b>Total assets</b>	<b>7 118</b>	<b>6 361</b>	<b>6 040</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	2 652	2 589	2 634
<b>Total equity</b>	<b>2 652</b>	<b>2 589</b>	<b>2 634</b>
Long term liabilities	1 816	1 500	1 530
<b>Total long term liabilities</b>	<b>1 816</b>	<b>1 500</b>	<b>1 530</b>
<i>Current liabilities:</i>			
Trade creditors	1 402	1 091	857
Other liabilities	1 248	1 181	1 019
<b>Total current liabilities</b>	<b>2 650</b>	<b>2 272</b>	<b>1 876</b>
<b>Total equity and liabilities</b>	<b>7 118</b>	<b>6 361</b>	<b>6 040</b>
Of which interest-bearing liabilities	2 214	2 028	1 831
Net debt	1 886	1 776	1 483

Key figures	30 June 2016	30 June 2015	31 Dec 2015
Equity ratio, %	37.3	40.7	43.6
Equity per share, sek	63	61	62
Return on equity after full tax, %	14.8	14.2	14.2
Return on capital employed, %	12.4	12.0	13.0
Return on capital employed in operations, %	13.3	12.7	14.1
Dept ratio	0.7	0.7	0.7
Interest coverage ratio	13.9	12.7	11.9
Number of outstanding shares	42,391,030	42,391,030	42,391,030
Average number of outstanding shares	42,391,030	42,391,030	42,391,030
Holding of own shares	87,200	87,200	87,200

Summarised consolidated cash flow analysis, sek m	H1-16	H1-15	Full year -15
Cash flow from current operations before changes in working capital	230	235	488
Changes in working capital	-340	-191	7
Cash flow from investment operations	-50	-113	-236
Change in financing operation	357	300	82
Dividend paid	-223	-212	-212
<b>Change in cash and bank</b>	<b>-26</b>	<b>19</b>	<b>129</b>
Exchange rate difference in liquid funds	6	-3	-17
Cash and bank on 1 January	348	236	236
<b>Cash and bank at the period end</b>	<b>328</b>	<b>252</b>	<b>348</b>

Shareholders' equity, sek m	30 June 2016	30 June 2015	31 Dec 2015
Opening balance	2 634	2 619	2 619
Total comprehensive income for the period	241	166	218
Dividend	-223	-212	-212
Non-controlling interest arising on business combinations	—	16	9
<b>Closing balance</b>	<b>2 652</b>	<b>2 589</b>	<b>2 634</b>



Q2 sek m	Nordic countries		Central Europe		Southern Europe		Eastern Europe		Africa		Asia Pacific		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	348	362	613	538	991	837	100	90	142	158	223	168	2 417	2 153
Operating profit by operation	42	46	39	27	88	69	10	7	8	9	13	13	200	171
Group-wide expenses													-14	-13
<b>Operating profit</b>	<b>42</b>	<b>46</b>	<b>39</b>	<b>27</b>	<b>88</b>	<b>69</b>	<b>10</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>13</b>	<b>186</b>	<b>158</b>
Net financial income/expense													-11	-7
Tax													-54	-44
<b>Net profit</b>													<b>121</b>	<b>107</b>
Working capital, average for the period	417	423	612	657	1 013	981	137	143	241	304	323	236	2 743	2 744

H1 sek m	Nordic countries		Central Europe		Southern Europe		Eastern Europe		Africa		Asia Pacific		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	650	682	1 077	1 008	1 720	1 529	164	155	317	362	456	263	4 384	3 999
Operating profit by operation	59	74	46	37	124	104	12	9	24	33	34	22	299	279
Group-wide expenses													-24	-27
<b>Operating profit</b>	<b>59</b>	<b>74</b>	<b>46</b>	<b>37</b>	<b>124</b>	<b>104</b>	<b>12</b>	<b>9</b>	<b>24</b>	<b>33</b>	<b>34</b>	<b>22</b>	<b>275</b>	<b>252</b>
Net financial income/expense													-15	-16
Tax													-78	-68
<b>Net profit</b>													<b>182</b>	<b>168</b>
Working capital, average for the period	409	425	586	639	939	925	136	140	235	307	325	266	2 630	2 702

## Reporting for segments

### *Operating segments*

The Group's operation is split into operating segments based on how the company's highest executive decision maker, i.e. the CEO, monitors the operation. The Group has the following segments; the Nordic countries, Central Europe, Southern Europe, Eastern Europe, Africa and Asia Pacific. Previously, two companies in Asia together with Africa were reported in one segment, defined as Africa and Asia. As from 2016, these Asian companies are reported together with the previous segment, Oceania, in a new defined segment, Asia Pacific, and Africa is reported separately. Comparative figures for the previous period have been recalculated. The segment reporting for the regions contains the profit and loss account up to and including operation profit and working capital. The working capital consists of inventories, trade debtors and trade creditors, and is an average based on monthly values for the respective period.

Parent company profit and loss account in summary, sek m	H1-16	H1-15	Full year 2015
Operating income	—	—	33
Operating expenses	-22	-27	-47
Depreciation	—	—	-1
<b>Operating profit</b>	<b>-22</b>	<b>-27</b>	<b>-15</b>
Net financial income/expense	-8	30	32
Result of participations in Group companies	74	54	128
<b>Profit before appropriations</b>	<b>44</b>	<b>57</b>	<b>145</b>
Appropriations	—	—	8
<b>Profit before tax</b>	<b>44</b>	<b>57</b>	<b>153</b>
Tax	—	—	-5
<b>Net profit</b>	<b>44</b>	<b>57</b>	<b>148</b>

Parent company balance sheet in summary, sek m	30 June 2016	30 June 2015	31 Dec 2015
<b>ASSETS</b>			
Intangible fixed assets	3	1	2
Tangible fixed assets	5	4	6
Financial fixed assets	2 640	2 194	2 586
Current assets	1 026	2 317	914
<b>Total assets</b>	<b>3 674</b>	<b>4 516</b>	<b>3 508</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	1 473	1 580	1 651
Long-term liabilities	2 134	1 881	1 369
Current liabilities	67	1 055	488
<b>Total equity and liabilities</b>	<b>3 674</b>	<b>4 516</b>	<b>3 508</b>

## Financial definitions and glossary

### Capital employed

Balance sheet total with a deduction for non-interest-bearing liabilities and deferred tax liability.

### Debt/equity ratio

Net debt in relation to equity.

The objective is to show borrowing in relation to book value of equity.

### EBITDA

Earnings before interest, taxes, depreciation and amortisation of tangible and intangible fixed assets.

The objective of reporting EBITDA is that the Group regards it as a relevant measure for an investor who wants to understand the generation of earnings before investments in fixed assets.

### Equity ratio

Equity at the end of the period in relation to balance sheet total.

### Interest-bearing liabilities

Interest-bearing liabilities include interest-bearing provisions.

### Interest coverage ratio

Earnings before tax plus financial expenses in relation to financial expenses.

The objective of this measure is to show the proportion of earnings allocated to paying interest expenses and other financial expenses.

### Net debt

Interest-bearing liabilities less liquid funds including current investments.

We are of the opinion that the net debt is useful for the users of the financial report as a complement for assessing the possibility for a dividend, for carrying out strategic investments and for assessing the Group's possibilities for living up to financial commitments.

### Operating capital

Capital employed minus liquid funds, financial assets and other interest-bearing assets.

### Operating margin

Operating profit in relation to net sales.

### Organic change

Comparative figures year over year adjusted for translation effects on consolidation and changes in the structure.

### Profit per share

Net profit in relation to average number of shares.

### Return on capital employed

Profit before tax plus financial expenses (rolling 12 months) in relation to average capital employed.

### Return on equity

Earnings after tax (rolling 12 months) as a percentage of average equity. The objective of return on equity and other return measures is to put the earnings in relation to important balance sheet items.

### Return on operating capital

Operating profit (rolling 12 months) as a percentage of average capital employed in operations.

## **Beijer Ref in short**

The Beijer Ref Group is focused on trading and distribution operations within refrigeration products, air conditioning and heat pumps. The product programme consists mainly of agency products from leading international manufacturers and, in addition, some manufacture of own products, combined with service and support for the products. The Group creates added value by contributing: technical competence to the products; accounting for knowledge and experience about the market; and by providing efficient logistics and warehousing.

Operations are carried out by region within the Beijer Ref, which comprises Beijer Ref ARW (Air conditioning, refrigeration, wholesale) and Toshiba's distribution operation within air conditioning and heating. The Beijer Ref Group is a leading operator within the refrigeration sector in Europe and has a significant position within air conditioning in Europe. The operation is split into six geographic segments: Nordic countries, Southern Europe, Central Europe, Eastern Europe, Africa and Asia Pacific. Growth is achieved both organically and through the acquisition of companies which supplement existing operations.

## **Seasonal effects**

Beijer Ref's sales are seasonally dependent as demand for refrigeration and air conditioning is at its peak during the warm months of the year. It means that demand in the northern hemisphere is at its peak during the second and third quarters whilst demand in the southern hemisphere is at its peak during the first and fourth quarters.

## **Financial calendar**

- The Interim Report for the third quarter will be published on 19 October 2016.
- The Year-End Report for 2016 will be published in February 2017.
- The Annual Report for 2016 will be published in March 2017.

# **BEIJER REF**

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In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed correct.