



Interim Report, January–March 2018

BEWi Group AB (publ), org nr 556972-1128

First Quarter, January–March 2018

- Net sales increased by 14% and amounted to KSEK 491,121 (430,981). Adjusted for currency exchange rates, net sales increased by 10%.
- EBITDA before items affecting comparability amounted to KSEK 34,530 (10,640).
- Operating income (EBIT) before items affecting comparability amounted to KSEK 20,454 (-2,140).
- Operating income (EBIT) amounted to KSEK 10,911 (1,614).
- On February 14, the Group announced its intent to acquire Synbra Holding B.V., and on March 22 an agreement to acquire the company was signed pending financing and the approval of the competition authorities, among other conditions.

Events after the end of the period

- On April 5, an extraordinary general meeting passed a resolution on a directed new share issue of KSEK 400,000 for the purpose of financing the Synbra acquisition.
- On April 10, the sale of a number of properties in Sweden and Denmark was completed.
- On April 12, a four-year senior secured bond of MEUR 75 with a variable interest rate of EURIBOR 3M + 4.75% was issued, also that for the purpose of financing the Synbra acquisition.
- On May 14, the BEWi Group completed its acquisition of Synbra Holding.

Performance summary

MSEK

	Jan–Mar 2018	Jan–Mar 2017	Jan–Dec 2017
Net sales	491	431	1,876
EBITDA before items affecting comparability	34	11	110
EBITDA	25	14	86
EBIT before items affecting comparability	20	-2	59
EBIT	11	2	35
Items affecting comparability	-9	4	-24
Adjusted EBITDA margin, %	7.0%	2.5%	5.9%
EBITDA margin, %	5.1%	3.3%	4.6%
Adjusted EBIT margin, %	4.1%	-0.5%	3.1%
EBIT margin, %	2.2%	0.4%	1.9%
Operating cash flow, before capital expenditure	-19	-49	103
Capital expenditure	-16	-26	-96
Equity ratio, %	29%	26%	29%

COMMENTS BY CEO

The first quarter of the year was dominated by the acquisition of Synbra B.V., a Dutch specialist in cellular plastics with operations in Northern Europe and Portugal. Both companies are established manufacturers of construction and packaging solutions, with supplementary operations. The consideration was MEUR 117.5, and the acquisition signifies a more than doubling of BEWi's operations. Completion of the acquisition has been subject to financing and approval by works councils and competition authorities.

Financing comprised a private placement of shares, a bond issue and own funds.

Through this private placement, the Norwegian company Gjelsten Holding AS joined BEWi as a new share owner, and owns 21.4% of the shares. We are pleased to bring in Gjelsten Holding, an investment company with an excellent reputation that primarily focuses on properties and industry, as an owner. Of the remaining ownership, Frøya Invest AS owns 51.6%, Verdane Capital Advisors owns 25.4% and BEWi's senior executives own 1.6% of the shares.

We received another confirmation of the capital market's confidence on April 12, when we successfully issued a senior secured bond of MEUR 75, with a framework of MEUR 100 and maturity in 2022. As regards own funds, we divested properties in Denmark and Sweden.

All the conditions were thus met this spring for the acquisition, so that we could conclude the affair on May 14. The work on merging the BEWi Group and Synbra into one group can thus begin. In an integration plan, a number of areas have been identified in which we will analyze the operations in both companies in order to establish best practice and take decisions on the optimal structure, work flows, staffing and so on.

In a press release from March 22, preliminary financial information for the last 12 month period was presented for the combined BEWi-Synbra, showing an EBITDA before items affecting comparability of MSEK 420. As of March 31, the same preliminary number was MSEK 429, driven by good profits in both groups.

During the first quarter we also acquired Ruukin EPS, which produces insulation products in a plant in Ruukki, Finland. Ruukin EPS will give us better geographic coverage in Finland, and will be a valuable supplement to our existing operations in the country.

FIRST QUARTER OF 2018

Net sales totaled KSEK 491,121, up KSEK 60,140 or 14.0%, year-on-year. Adjusted for currency effects, the increase amounted to 10.1%. Business Area Raw Material accounted for the majority of this increase, where favorable market conditions resulted both in a marked increase in volume and in advantageous price levels. In addition, sales of grey EPS from the new production line for extrusion technology contributed to the increased volumes. Business Area Packaging also noted improved price levels and rising volumes – the latter in part as an effect of the Lindesberg acquisition the preceding year, which resulted in a satisfactory increase in net sales for the quarter. In Insulation, the long – and in many places, snowy – winter negatively affected sales and delayed the start of the construction season. The contribution from the newly acquired companies in Finland, however, meant that sales in the business area were in line with the previous year.

EBITDA before items affecting comparability totaled KSEK 34,260, an increase of KSEK 23,620 since the year-earlier period. The improved result primarily pertained to Raw Material, where the increased volumes and advantageous price levels (mainly in the first two months of the quarter) had an effect on earnings and contributed to the increase in margins for the Group as a whole during the quarter. In Packaging, the increased volumes and advantageous price levels on own products made a positive contribution towards earnings, but the effect was moderated by a changed customer mix on externally sourced production and on higher shipping and purchasing costs related to this production. An allowance was made during the period for a credit loss related to the bankruptcy of a major customer in Denmark. Normal seasonal weakness in Insulation was amplified by the harsh winter, and the business area ended up in the red for the period.

Operating income for the quarter was up KSEK 9,297 on the year-earlier period despite large items negatively affecting comparability in the form of transaction costs pertaining to the Synbra acquisition, and a positive non-recurring item last year in the form of the reversal of negative goodwill, primarily pertaining to an Insulation acquisition in Finland during 2017. The earnings increase was an effect of the positive trend in Business Area Raw Material during the quarter, as was a related margin improvement.

Net financial expenses amounted to KSEK -11,735, a decrease of KSEK 6,402 since the year-earlier period. This is primarily explainable by higher interest expenses in the current financing structure and negative exchange rate differences in the Group's cash pool related to the drastic weakening of the SEK.

FINANCIAL POSITION AND LIQUIDITY

The equity ratio was 29% (29% at December 31, 2017). Cash and cash equivalents totaled KSEK 57,314 (KSEK 110,563 at December 31, 2017) and net debt totaled KSEK 522,153 (466,457 at December 31, 2017). The increased net debt during the first three months of the year was mainly explainable by normal seasonal variations in operating capital, with buildup of stock primarily in insulation operations prior to the start of the construction season in the spring. At the end of the period, no liquidity in the overdraft facility had been used.

CASH FLOW

Cash flow from operating activities totaled KSEK -26,159 (-54,208). The quarter showed a normal negative seasonal effect in operating capital, but ended better than the year-earlier period; together with a stronger operating income, this meant that cash flow from operating activities was up KSEK 28,049 compared with the first quarter of 2017. Cash flow from capital expenditure operations was on a level with the year-earlier period. Lower capital expenditure on machinery in 2018 was offset by larger expenses related to business acquisitions and the settlement of a debt related to a previous acquisition.

CAPITAL EXPENDITURE

Capital expenditure during the quarter totaled KSEK 15,786 and were made primarily in Sweden and Denmark, where existing production facilities were upgraded in order to create modern, efficient units for the purpose of optimising the production structure. In Sweden, this was mainly dependent on the move during 2017 of the operations acquired in Lindesberg to other production facilities, while in Denmark it related primarily to the planned closure of the plant in Såby during the latter half of 2018 and the move of operations there to the plant in Hobro. Capital expenditure for the quarter were lower than the year-earlier period, since significant capital expenditures were made on the new production line for extrusion technology in Porvoo, Finland for the manufacture of grey EPS.

ACQUISITIONS

On January 2, 2018, BEWi acquired 60% of the shares in Ruukin EPS Oy, a Finnish manufacturer of insulating materials. The shares were acquired for a consideration of KSEK 9,850. The company has sales of around MEUR 2.5, and carries out production of insulation products at a plant in Ruukki, Finland. The acquisition of Ruukin EPS Oy is described in more detail in Note 7.

On February 14, 2018, BEWi announced its intent to acquire Synbra Holding B.V., and on March 22 an agreement to acquire the company was signed pending the approval of the competition authorities, among other conditions. On May 4, it was announced that BEWi had obtained all regulatory approval for the acquisition of the Synbra Group and the acquisition was completed on May 14. The acquisition, like the transactions pertaining to its financing – new issue of shares, bond issue and sales of properties – will be recognized during the second quarter of 2018.

EMPLOYEES

At the end of the period, the number of full-time employees totaled 420 (398 at December 31, 2017), compared with 348 during the year-earlier period. The increase is attributable primarily to the operations acquired.

THE PARENT COMPANY

BEWi Group AB (publ) is the Parent Company of the Group. Earnings after tax for the quarter totaled KSEK -2,856 (-605). Equity in the Parent Company at March 31, 2018, totaled KSEK 237,135 (239,990 at December 31, 2017).

SHARE CAPITAL AND NUMBER OF SHARES

At March 31, 2018, the Parent Company's share capital totaled KSEK 500 and the number of shares outstanding was 10,313,032, of which 10,000,000 were series A and 313,032 were series B. Series A shares entitle the holder to one vote per share, while series B shares entitle the holder to 0.99 votes per share.

SIGNIFICANT RISKS AND UNCERTAINTIES

The Group's and the Parent Company's risks and risk management are described in the 2017 Annual Report. No significant events occurred during the year, up to and including the reporting date, that influence or change the Group's or the Parent Company's risks and management of these risks. An acquisition the size of the Synbra Group and the subsequent integration of this acquisition entails new risks and uncertainties, which will be described in the interim report for the second quarter.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts in KSEK	Jan–Mar 2018	Jan–Mar 2017	Jan–Dec 2017
Net sales	491,121	430,981	1,875,533
Other operating income	–	8,653	9,282
Total operating income	491,121	439,634	1,884,815
Raw materials and consumables	-283,758	-265,803	-1,110,279
Goods for resale	-15,279	-19,758	-68,461
Other external costs	-99,254	-83,447	-368,168
Personnel costs	-67,843	-56,232	-251,424
Depreciation/amortization and impairment of property, plant, equipment and intangible assets	-14,076	-12,780	-51,641
Total operating expense	-480,210	-438,020	-1,849,973
Operating income	10,911	1,614	34,842
Financial income	240	113	2,581
Financial expenses	-11,975	-5,446	-30,668
Net financial items	-11,735	-5,333	-28,087
Income before tax	-824	-3,719	6,755
Income tax	-4,222	-1,091	32,832
Net profit/loss for the period	-5,046	-4,810	39,587
Other comprehensive income:			
<i>Items that may later be reclassified to profit or loss</i>			
Exchange rate differences	18,850	-1,273	9,783
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net pension obligations	50	107	579
Income tax pertinent to remeasurements of net pension obligations	-10	-21	-117
Other comprehensive income for the period, net after tax	18,890	-1,187	10,245
Total comprehensive income/loss for the period	13,844	-5,997	49,832
Net profit/loss for the period attributable to:			
Parent Company shareholders	-4,777	-4,860	38,793
Non-controlling interests	-269	50	794
Total comprehensive income attributable to:			
Parent Company shareholders	13,591	-6,047	49,038
Non-controlling interests	253	50	794

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in KSEK	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	197,084	177,701	183,734
Other intangible assets	97,143	99,946	95,719
Total intangible assets	294,227	277,047	279,453
Tangible assets			
Land and buildings	97,212	133,985	150,209
Plant and machinery	237,817	196,388	232,306
Equipment, tools, fixtures and fittings	40,594	34,659	37,516
Construction in progress and advance payments	44,127	31,883	33,081
Total tangible assets	419,750	396,915	453,112
Financial assets			
Other long-term receivables	1,129	290	1,003
Participation in other companies	1,029	-	985
Total financial assets	2,158	290	1,988
Deferred tax assets	35,000	339	37,274
Total non-current assets	751,135	674,591	771,827
Current assets			
Inventory	224,241	170,835	183,712
Current receivables			
Accounts receivable	246,358	230,315	218,761
Tax assets	5,671	2,240	3,677
Other current receivables	31,223	35,428	30,551
Prepaid expenses and accrued income	22,932	9,357	15,477
Cash and cash equivalents	57,314	125,753	110,563
Total current receivables	363,498	403,093	379,029
Assets classified as held for sale	61,001	-	-
Total current assets	648,740	573,928	562,741
TOTAL ASSETS	1,399,875	1,248,519	1,334,568

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, cont.

Amounts in KSEK	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
EQUITY			
Share capital	500	103	500
Additional paid-in capital	244,471	244,868	244,471
Reserves	31,704	2,320	13,376
Accumulated profit (including net profit for the period)	116,455	77,162	121,191
Equity attributable to Parent Company shareholders	393,130	324,453	379,538
Non-controlling interests	13,399	1,095	10,321
Total equity	406,469	325,548	389,859
LIABILITIES			
Non-current liabilities			
Pensions and similar obligations to employees	6,618	7,303	6,589
Other provisions	4,484	5,691	7,243
Deferred tax liability	9,602	10,216	9,845
Bond loan	539,066	-	537,794
Derivative liability	21,016	-	2,748
Other interest-bearing liabilities	33,696	457,075	31,342
Liabilities to associated companies	-	29,579	-
Total non-current liabilities	614,482	509,864	595,561
Current liabilities			
Other interest-bearing liabilities	6,705	115,951	7,884
Other financial liabilities	1,774	2,530	2,436
Liabilities to associated companies	-	26,875	-
Accounts payable	248,484	194,958	231,354
Current tax liabilities	6,765	2,314	5,109
Other current liabilities	24,831	40,038	30,597
Accrued expenses and deferred income	90,365	30,441	71,768
Total current liabilities	378,924	413,107	349,148
Total liabilities	993,406	922,971	944,709
TOTAL EQUITY AND LIABILITIES	1,399,875	1,248,519	1,334,568

STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

Amounts in KSEK	Jan–Mar 2018	Jan–Mar 2017	Jan–Dec 2017
Opening balance	389,859	331,545	331,545
Net profit/loss for the year	-5,046	-4,810	39,587
Other comprehensive income	18,890	-1,187	10,245
Total comprehensive income	13,844	-5,997	49,832
Acquisition minority interest	2,766	-	8,482
Total transactions with shareholders	2,766	-	8,482
Closing balance	406,469	325,548	389,859
<i>Of which attributable to non-controlling interests</i>	<i>13,339</i>	<i>1,095</i>	<i>10,321</i>

CONSOLIDATED CASH FLOW STATEMENT

Amounts in KSEK	Jan–Mar 2018	Jan–Mar 2017	Jan–Dec 2017
EBIT	10,911	1,614	34,842
Adjustments for non-cash items etc	11,023	1,492	47,378
Net financial items	-5,948	-3,690	-24,492
Income tax paid	-1,046	-1,224	-6,801
Cash flow from operating activities before changes in working capital	14,940	-1,808	50,927
Changes in working capital	-41,099	-52,718	20,329
Cash flow from operating activities	-26,159	-54,526	71,256
Net investments in non-current assets	-15,786	-25,638	-96,206
Business acquisitions	-9,243	2,394	-10,938
Cash flow from investment activities	-25,029	23,244	-107,144
Borrowings and repayment of debt, net	-2,323	180,393	122,996
Cash flow from financing activities	-2,323	180,393	122,996
Cash flow for the period	-53,511	102,623	87,108
Opening cash and cash equivalents	110,563	23,153	23,153
Exchange rate differences in cash and cash equivalents	262	-23	302
Closing cash and cash equivalents	57,314	125,753	110,563

PARENT COMPANY INCOME STATEMENT

Amounts in KSEK	Jan–Mar 2018	Jan–Mar 2017	Jan–Dec 2017
Net sales	2,319	–	3,906
Other operating expenses	-4,181	-426	-9,434
Operating income	-1,862	-426	-5,528
Interest income and similar items	6,630	239	16,169
Interest expenses and similar items	-7,624	-418	-17,980
Total expense from financial items	-994	-179	-1,811
Appropriations	–	–	2,750
Income before tax	-2,856	-605	-4,589
Tax on net profit/loss for the period	–	–	–
Net loss for the period	-2,856	-605	-4,589

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

Amounts in KSEK	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Non-current assets	818,141	277,279	818,128
Current assets	34,332	22,205	32,770
Total assets	852,473	299,484	850,898
Equity	237,135	243,974	239,990
Non-current liabilities	575,490	31,973	574,463
Current liabilities	39,848	23,537	36,445
Total equity and liabilities	852,473	299,484	858,898

NOTES

Note 1 General Information

BEWi Group AB (publ), corporate registration number 556972-1128, is a holding company registered in Sweden with a registered office in Solna, address Evenemangsgatan 31, SE-169 79 Solna, Sweden. The BEWi Group's interim report for January–March 2018 was approved by the Board of Directors on May 16, 2018 for publication.

Amounts are given in thousand kronor (KSEK) unless otherwise indicated. Information in parentheses refers to the comparative year.

Note 2 Accounting policies

The BEWi Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies applied comply with those described in BEWi Group AB's Annual Report for 2017, with the exceptions of IFRS 9 and IFRS 15, as described below. This interim report has been prepared in accordance with IAS 34 Interim financial reporting and the Annual Accounts Act.

The Parent Company applies the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. The application of RFR 2 means that the Parent Company, in the interim report for the legal entity, applies all EU-approved IFRS and statements insofar as this is possible within the framework of the Annual Accounts Act and the Pension Obligation Guarantee Act, and with consideration given to the relationship between accounting and taxation.

IFRS 9 and IFRS 15 went into effect as of January 1, 2018. IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement as the standard for accounting for financial instruments in IFRS. Compared with IAS 39, IFRS 9 involves changes primarily regarding classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. IFRS 15 replaced previous standards concerning revenue recognition in IFRS, namely IAS 18 Revenue and IAS 11 Construction contracts and the related SICs and IFRICs. The transition to IFRS 9 and IFRS 15 has had no material impact on the Group's earnings or the classification, measurement or recognition of the Group's assets and liabilities, which are also described in Note 2 of the Annual Report for 2017.

IFRS 16 Leases has not yet been adopted by the EU but is expected to be applied as of January 1, 2019. BEWi does not intend to apply IFRS 16 in advance. The work on evaluating the consequences of this standard is in progress, but it is still too early to assess the full consequences for the Group's earnings and financial position.

In assets classified as held for sale, real estate in Sweden and Denmark, previously recognized as Land and building and divested on April 10, 2018 for approximately SEK 113 million, are reported.

Note 3 Related-party transactions

Sales to BEWi Holding AS, with the same ownership constellation behind it as Frøya Invest AS (owners of 48.5 percent of the shares in BEWi Group AB), totaled KSEK 45,715 (41,524) during the first quarter. The company acquisitions during the first quarter of last year, M-plast Oy and assets from Por-Pac AB's factory in Lindesberg, took place via companies that are part of the BEWi Holding AS Group. The transactions were conducted on normal market terms.

Note 4 Segment information

Operating segments are reported in a manner that corresponds with the internal reporting submitted to the chief operating decision maker. The Board of Directors constitutes the chief operating decision maker for the BEWi Group, and takes strategic decisions in addition to evaluating the Group's financial position and earnings. Management has determined the operating segments based on the information that is reviewed by the Board and used for the purposes of allocating resources and assessing performance. The Board assesses the operations based on three operating segments: Raw Material, Insulation and Packaging. Sales between segments take place on market terms.

Amounts in KSEK	Jan– Mar 2018	Jan–Mar 2017	Jan–Dec 2017
Revenue			
Raw Material			
Segment revenue	358,628	260,726	1,189,588
Intra-segment sales	-82,533	-32,418	-197,189
Revenue from external customers	276,095	228,308	992,399
Insulation			
Segment revenue	92,647	90,687	458,694
Intra-segment sales	-10,431	-8,856	-65,176
Revenue from external customers	82,216	81,831	393,518
Packaging			
Segment revenue	135,879	122,108	495,169
Intra-segment sales	-3,069	-1,266	-5,553
Revenue from external customers	132,810	120,842	489,616
EBIT			
Raw Material	21,277	-15,302	44,532
Insulation	-8,294	4,625	-3,690
Packaging	10,140	13,247	20,253
Unallocated	-12,213	-956	-26,253
Total, Group	10,911	1,614	34,842
Financial items	-11,735	-5,333	-28,087
Income before taxes	-824	-3,719	6,755

External revenue by country (selling company's geography)

Finland	304,043	240,752	1,071,203
Sweden	115,309	122,312	518,054
Denmark	65,845	59,002	240,327
Norway	5,924	8,915	45,949
Total, Group	491,121	430,981	1,875,533

Note 5 The Group's borrowings

	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Net debt (KSEK)			
Non-current liabilities			
Bond loan	539,066	–	537,794
Liabilities to credit institutions	21,903	445,773	19,335
Liabilities, financial leases	11,793	11,302	12,007
Liabilities to associated companies	–	29,579	–
Total	572,762	486,654	569,136
Current liabilities			
Liabilities to credit institutions	2,758	103,446	3,552
Liabilities, financial leases	2,918	2,700	3,347
Liabilities to associated companies	–	26,875	–
Liabilities to non-controlling interests	1,029	955	985
Other liabilities	–	8,850	–
Total	6,705	142,826	7,884
Total liabilities	579,467	629,480	577,020
Cash and cash equivalents	57,314	125,753	110,563
Net debt	522,153	503,727	466,457

Bridge financing, March 2017

During 2017, the Group carried out refinancing in two stages. In March 2017, as an initial step, bridge financing was entered into whereby existing loans from credit institutions, overdraft facilities and factoring debt were settled and a new credit facility with a maturity of 18 months was obtained from the Group's main bank. This credit facility comprised bank loans totaling KSEK 425,000 (denominated in SEK and EUR) and an overdraft facility of KSEK 100,000, and is reflected in the liabilities at March 31, 2017 in the table above.

The Group's current loan structure

The second step of the refinancing process was initiated in the spring of 2017. This was completed on June 8, 2017, when the Parent Company issued a bond of KSEK 550,000, which was simultaneously listed on the Nasdaq Stockholm corporate bond list. The bond loan will expire on June 8, 2020. The company also replaced the KSEK 100,000 overdraft facility from the bridge financing with a new overdraft facility in the same amount with the Group's main bank, settled the credits from the bridge financing and repaid its liabilities to related parties. The bond carries a nominal interest rate of STIBOR 3M + 4.40%, which during the first quarter of 2018 resulted in a nominal interest rate of 3.9–4.0%. The bond is recognized under the effective interest method at amortized cost after deductions for transaction costs, which resulted in average interest expenses of 4.96% during the first quarter of 2018. The overdraft facility was unutilized at March 31, 2018.

In order to hedge the EUR exposure on intra-group lending to subsidiaries, the Group entered into a currency swap in connection with issuing the bond, where the Group borrows KEUR 41,200 and lends the equivalent amount in SEK, valued at the swap entrance at SEK 401,700. The swap expires in April 2020. The swap is reported in net in the balance sheet as a derivative, and the carrying amount at March 31, 2018 amounted to KSEK 21,016 (2,748 at December 31, 2017). The currency swap carries an interest margin of 0.20% between borrowing and lending.

In addition to the bond, the Group has a number of liabilities regarding financial leases and a number of liabilities in acquired companies.

Pledged assets

For the overdraft facility and bond, collateral has been lodged in the form of business mortgages and pledged shares in subsidiaries. For more information, refer to the Group's Annual Report for 2017.

Note 6 Fair value, financial instruments

Financial instruments (KSEK)	Level 1	Level 2	Level 3	Total	Carrying amount
Available-for-sale financial assets					
Participation in other companies	–	–	1,029	1,029	1,029
Financial liabilities at fair value through earnings					
Additional purchase price	.	–	1,774	1,774	1,774
Other financial liabilities	–				–
Bond loan	547,261	–	–	547,261	539,066
Total	547,261	–	2,803	550,064	541,869

Financial instruments are initially recognized at amortized cost equivalent to the fair value of the instrument with an addition for transaction costs. A financial instrument is classified on initial recognition based on factors such as the purpose for which the instrument was acquired. The Group classifies its financial assets and liabilities in the following categories: Available-for-sale financial assets, loan receivables, accounts receivable, financial liabilities at fair value through profit or loss, and financial liabilities. The table above shows the fair value of financial instruments measured at fair value, or where fair value differs from the carrying amount because the item is recognized at amortized cost (the bond loan). The carrying amount of the Groups' other financial assets and liabilities is considered to constitute a good approximation of the fair value, since they either carry floating interest rates or are of a non-current nature.

Level 3 – Changes during the period (KSEK)	Participation in other companies	Additional purchase price
At 31 December 2017	985	2,436
Exchange rate difference	44	94
Liability settlement	–	-756
At March 31, 2018	1,029	1,774

* Level 1 – listed prices (unadjusted) on active markets for identical assets and liabilities.

* Level 2 – Other observable data for the asset or liability are listed prices included in Level 1, either directly (as price) or indirectly (derived from price).

* Level 3 – Data for the asset or liability that is not based on observable market data.

Note 7 Business acquisitions

Acquisition of Ruukin EPS Oy

On January 2, 2018, BEWi acquired 60 percent of the shares in Ruukin EPS Oy, a Finnish manufacturer of insulating materials. The shares were acquired for a cash price of KSEK 9,850. Under the agreement, the seller has an option to divest the remaining shares to BEWi in accordance with a predetermined pricing mechanism and a given time frame. According to the agreement, BEWi is also entitled to acquire the remaining shares, calculated according to the same pricing mechanism, given certain conditions. The company has sales of approximately MEUR 2.5, and produces insulation products at a plant in Ruukki, Finland. Goodwill arising in connection with the acquisition pertains to expected profitability and estimated synergies related to a stronger position for the Group in the Finnish insulation market. Goodwill is not tax-deductible. Non-controlling interests have been valued at the proportional share of the interest in the recognized value of the identifiable net assets of the acquired company. Transaction costs pertaining to the acquisition totaled KSEK 383 during 2017 and KSEK 159 during 2018, and were recognized under Other external costs in profit or loss. The company was consolidated from the date of acquisition, that is from the beginning of the year, and during the first quarter of 2018 contributed KSEK 4,513 to the Group's net sales and KSEK -511 to EBITDA before items affecting comparability (before transaction costs). The consideration and fair value of assets and liabilities acquired are shown in the table below.

Consideration at January 2, 2018 (KSEK)

Cash purchase price	9,850
Total purchase price	9,850

Recognized amount of identifiable assets acquired and liabilities assumed

Tangible assets	5,693
Inventory	1,314
Other receivables	1,719
Cash and cash equivalents	1,363
Interest-bearing liabilities	-2,167
Other liabilities	-1,010
Total identifiable net assets	6,912
Non-controlling interests	-2,765
Goodwill	5,703

* The acquisition analysis is preliminary.

Acquisition-related liabilities

During the first quarter of 2018, an earnout of KEUR 75 related to the acquisition of Solupak Oy (now BEWi Insulation Oy) during 2017 was settled. The payment of the earnout was contingent on the company's sales during 2017 and early 2018 reaching a specific level.

Acquisition-related liabilities (KSEK)	Earnouts	Liabilities to non-controlling interests
At 31 December 2017	2,436	985
Exchange rate difference	94	44
Liability settlement	-756	-
At March 31, 2018	1,774	1,029

Note 8 Significant events after the end of the period

In April, a number of decisions were taken and a number of transactions were carried out for the purpose of financing the acquisition of the Synbra group. On April 5, an extraordinary general meeting resolved to issue 9,376,465 series A shares for KSEK 400,000, of which Frøya Invest AS has the right to subscribe for 5,157,056 shares and Gjelsten Holding AS has the right to subscribe for 4,219,409 shares. On April 10, three properties in Denmark and two in Sweden were divested for a total of SEK 113 million. These will subsequently be let by BEWi for an annual rent of about SEK 11 million. On April 12, a four-year senior secured bond of EUR 75 million under a framework of EUR 100 million was issued with the intent of listing the new bond on the Nasdaq Stockholm corporate bond list. The bond is subject to a variable rate of interest of EURIBOR 3M + 4.75%.

On May 4, it was announced that BEWi had obtained all regulatory approval for the acquisition of the Synbra Group and the acquisition of Synbra Holding B.V. was completed on May 14.

Note 9 Definitions of alternative performance measures not defined by IFRS

EBITDA	Earnings before interest, tax, depreciation and amortization. EBITDA is a key performance indicator that the Group considers relevant for understanding the generation of profit before investments in fixed assets.
EBITDA margin	EBITDA as a percentage of net sales. The EBITDA margin is a key performance indicator that the Group considers relevant for understanding the profitability of the business and for making comparisons with other companies.
EBITDA before items affecting comparability	Normalized earnings before interest, tax, depreciation and amortization (i.e. non-recurring items and deviations are added back). EBITDA before items affecting comparability is a key performance indicator that the Group considers relevant for understanding earnings adjusted for non-recurring items that affect comparability.
Adjusted EBITDA margin	EBITDA before items affecting comparability as a percentage of net sales. The adjusted EBITDA margin is a key performance indicator that the Group considers relevant for understanding the profitability of the business and for making comparisons with other companies.
EBIT	Earnings before interest and tax. EBIT is a key performance indicator that the Group considers relevant, as it facilitates comparisons of profitability over time independent of corporate tax rates and financing structures. Depreciations are included, however, which is a measure of resource consumption necessary for generating the result.
EBIT margin	EBIT as a percentage of net sales. The EBIT margin is a key performance indicator that the Group considers relevant for understanding the profitability of the business and for making comparisons with other companies.
Adjusted EBIT margin	EBIT before items affecting comparability as a percentage of net sales. The adjusted EBIT margin is a key performance indicator that the Group considers relevant for understanding the profitability of the business and for making comparisons with other companies.
Operating cash flow	Earnings before interest and tax, adjusted for items not affecting cash flow and changes in operating capital. Operating cash flow is a key performance indicator that shows the contributions of the business to the cash flow for financing of investments and acquisitions.
Equity ratio	Total equity in relation to total assets. The equity ratio is a key performance indicator that the Group considers relevant for assessing its financial leverage.
Net debt	Interest-bearing liabilities excluding obligations relating to employee benefits, minus cash and cash equivalents. Net debt is a key performance indicator that is relevant both for the Group's calculation of covenants based on this indicator and because it indicates the Group's financing needs.

Financial calendar

- | | |
|--------------------------------------|-----------------|
| • 2018 Annual General Meeting | June 11, 2018 |
| • Interim Report for April–June 2018 | August 30, 2018 |

Stockholm, May 16, 2018

The Board of Directors of BEWi Group AB (publ)

This report has not been audited.