Beijer Ref AB
Q1-2018

BEIJER REF

Beijer Ref AB Q1-2018

A good start to the year.

- Net sales for the first quarter of 2018 increased by 18 per cent compared with the corresponding period in the previous year and amounted to SEK 2,605M (2,218).
- The operating profit for the first quarter of 2018 amounted to SEK 172M (107), an increase of 61% compared with the same period last year.
- The profit for the period amounted to SEK 121M (72).
- Profit per share amounted to SEK 2.77 (1.63).
- The acquisition of Tecsa (Pty) Ltd in South Africa is included in the company's accounts as of 1 March 2018.
- Beijer Ref has been granted exclusive rights to distribute Mitsubishi Heavy Industries' HVAC products in the UK, as well as the distribution rights in Ireland.
- During the quarter, Beijer Ref signed an agreement to acquire Heatcraft Australia Pty Ltd. The takeover is expected to take place at the beginning of May 2018.

Key figures	**Q1-18**	**Q1-17**	**Δ%**	**12 months 17**
Net sales, sek m	2 605	2 218	17.5	9 830
EBITDA, sek m	195	127	52.8	810
Operating profit, sek m	172	107	61.2	725
Profit margin, %	6.6	4.8	–	7.4
Net profit, sek m	121	72	68.8	521
Profit per share, sek	2.77	1.63	69.5	12.06
Return on operating capital, %	15.4	13.8	–	14.9
Return on equity, %	17.2	14.2	–	16.6
Average number of employees	3 096	2 693	15.0	2 717

Comments by the CEO

A strong first quarter.

A good start to the year. That is how the first quarter of 2018 can be summarised. All regions report a double-digit increase in net sales, and the result is our best-ever first quarter. Net sales increased by a total of 18 per cent compared with the corresponding period last year. Organic growth reached almost 13 per cent. At the same time, the profit increased by 69 per cent, a record in our company's history.

All of our regions except Africa report a double-digit increase in profits compared with the same quarter last year. Africa is still feeling the effects of the weak economic situation, although there are some signs that the market is recovering. Northern, Central and Eastern Europe report profit increases of more than 100 per cent. The shift now under way to sustainable refrigeration and freezer solutions is particularly distinctive in these areas.

This trend can be explained by various factors. One is the strong economy. Even if our products are very much related to food products and therefore relatively insensitive to economic fluctuations, a positive market does of course contribute to our growth.

Another one is the F-Gas Regulation in Europe, which means a gradual phasing out of existing refrigerants, known as fluorinated gases. This Regulation extends until 2030 and is having increasingly noticeable effects on the market. Actors that use refrigeration and freezer systems must plan for a technology shift in which the new technology is based on eco-friendlier alternatives. Beijer Ref is in a good position to provide customers with sustainable solutions, which puts the Group in a favourable position in the market. Only a small part of the market has converted to the new technology. It is therefore our assessment that we have only seen the beginning of the transition.

The quarter also saw a company acquisition, which is a feature of our growth strategy. The fact that in March we were able to conclude an agreement to acquire Heatcraft, one of Australia's biggest refrigeration wholesalers, which also has a manufacturing unit in China, gives us good opportunities to grow in the Asia Pacific region. The acquisition of the refrigeration wholesaler TecsaReco in South Africa, which we completed at the end of last year, was formally approved during the first quarter and consolidated into our books as of March. It is also pleasing that we have been granted exclusive distribution rights to Mitsubishi Heavy Industries' HVAC products in the UK, as well as distribution rights in Ireland. Following these acquisitions, the European market will comprise 70 per cent of Beijer Ref's net sales, while Asia Pacific will account for 20 per cent and Africa for 10 per cent.

Our initiative in the field of OEM manufacturing, primarily of eco-friendly refrigeration systems and condensers, continues according to the agreed plan. We want to pursue innovation and develop new products. Last year we launched a new condenser, $CUBO_2$ Smart, which is an alternative for both refrigeration and freezer installations. Sales are now starting to take off, and I believe that we have designed a high-volume product of the future, which is pleasing. In total, the OEM segment reported growth of around 21 per cent compared with the same period last year.

In recent years we have been methodically expanding our OEM activities under the brand name SCM Ref. This is now established in all of our regions. Building an international platform for our eco-friendly technology is of major strategic importance and something on which we will continue to focus. We are well-positioned if F-gas regulations corresponding to the European one come into force outside Europe. On the same subject, we recently inaugurated a unique training centre – Beijer Ref Academy – near Padua in Italy. It is focused entirely on natural refrigerants and is equipped with the very latest in green technology. We will be inviting both customers and our own employees there in order to study and learn about this important area within our industry. This initiative is our way of showing how seriously we view environmental issues, and I hope that the centre will contribute to increased knowledge in the market in general.

We are growing strongly and have a sense of cohesion in the Group that contributes to our positive development. Thanks to our engaged employees, we can continue to aim even higher.

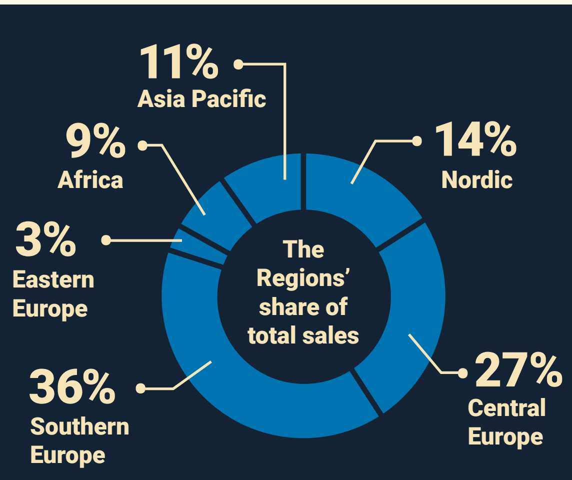
Per Bertland
CEO & President

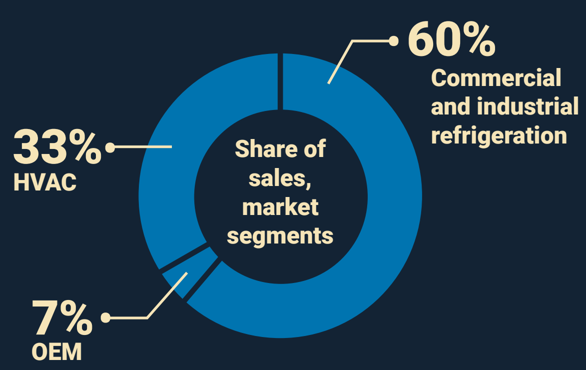
First quarter of 2018

NET SALES
Beijer Ref increased its net sales by 18 per cent to SEK 2,605 million (2,218) in the first quarter of 2018. A favourable economic situation and price rises, especially in refrigerants, have resulted in continued strong growth in demand in our key European markets. All regions report a double-digit increase in net sales in the first quarter. Adjusted for exchange rate changes and acquisitions, organic growth in net sales was 13 per cent.

Sales, sek m	Q1	%
Net sales 2017	**2 218**	
Organic change	285	12,5
Change through acquisitions [1]	48	2,2
Exchange rate fluctuation	54	2,7
Change total	387	17,5
Net sales 2018	**2 605**	

1) Refers to Beijer Ref Portugal which is included from September 2017 and Tecsa which is included from March 2018





PROFIT

The Group's operating profit totalled SEK 172 million (107) during the fourth quarter, an increase of 61 per cent. The phasing-out of refrigerants has resulted in price rises, which combined with continued healthy growth in HVAC and OEM had a positive impact on the profit in the period. Adjusted for exchange rate changes and acquisitions, the organic improvement in the operating profit was 56 per cent.

CASH FLOW

Cash flow from operating activities before change in working capital was SEK 153 million during the first quarter of 2018 compared with SEK 95 million for 2017, primarily due to the improved profit. Working capital increased during the first quarter by SEK 112 million, compared with a fall in working capital of SEK 88 the previous year. This produces cash flow from operating activities of SEK 41 million, compared with SEK 183 million the previous year. The change in working capital between the years is primarily due to the fact that working capital at the beginning of 2017 was at a higher than normal level, combined with a build-up of refrigerant stocks.

Cash flow, sek m	3 months 2018	3 months 2017
Cash flow from current operations		
before changes in working capital	153	95
Change in working capital	-112	88
Cash flow from current operations	**41**	**183**

INVESTMENTS

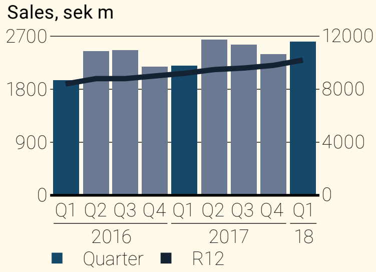
The Group's investments in fixed assets including business combinations totalled SEK 349 million (21) during the first quarter and relate primarily to the acquisition of the shares in TecsaReco.

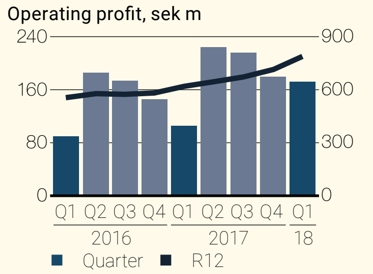
SIGNIFICANT EVENTS DURING THE QUARTER

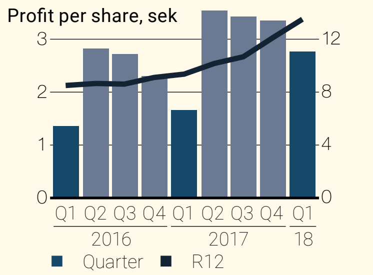
The company's acquisition of Tecsa-Reco, a wholesaler based in South Africa that offers a wide range of products and brands in commercial and comfort refrigeration, air conditioning and spare parts for white goods, is consolidated into the company's accounts as of 1 March 2018, after the competition authorities in South Africa, Botswana and Namibia gave their approval. Total consideration for the acquired operation in Tecsa amounted to SEK 298 million. The acquired net assets, which mainly consist of stock and operating receivables and liabilities, amounted to SEK 145 million and give a surplus value of SEK 153 million. The surplus value relates to goodwill and other intangibles. Total yearly sales in Tecsa amounts to appr SEK 450 million. The business have around 300 employees and 23 branches. The acquisition has affected the Group's net sales by SEK 40 million during the quarter.

In March 2018 a joint venture was formed between Beijer Ref AB and Mitsubishi Heavy Industries Air-Conditioning Europe, Ltd (MHIAE). Beijer Ref has been granted exclusive rights to distribute Mitsubishi Heavy Industries' range of air conditioning and heat pumps in the UK, as well as distribution rights in Ireland.

During the quarter, Beijer Ref signed an agreement to acquire Heatcraft Australia Pty Ltd. The company has just over 300 employees and net sales in 2017 totalled approximately SEK 1.1 billion. Sales take place through a large distribution network with more than 65 branches. This transaction sees Beijer Ref doubling its net sales in the Asia Pacific region. The acquisition also includes an operation in Singapore and a manufacturing unit in China.







RISK DESCRIPTION

The Beijer Ref Group's operations are subject to a number of business environment factors, the effects of which on the Group's operating profit can be controlled to varying degrees. The Group's operations depend on general economic trends, primarily in Europe, which determine demand for Beijer Ref's products and services. Acquisitions are normally associated with risks, for example staff departures. Other operating risks, such as agency and supplier agreements, product liability and delivery commitments, technical development, warranties, dependence on key individuals, etc., are analysed continually. Where necessary, measures are taken to reduce the Group's risk exposure. In its operations, Beijer Ref is subject to financial risks such as currency risk, interest rate risk and liquidity risk. The Parent's risk profile is the same as that of the Group. For further information, see the Group's Annual Report.

ACCOUNTING POLICIES

This interim report was prepared in accordance with IAS 34, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities'. Beijer Ref continues to apply the same accounting policies and valuation methods as those described in the most recent annual report. For more information on accounting policies and future standards applied as from 1 January 2018, see note 2 of the 2017 Annual Report.

This interim report for Beijer Ref AB (publ) has been submitted following approval by the Board of Directors.

Malmö, 23 April 2018

Beijer Ref AB (publ)
Per Bertland, CEO & President

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

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 23 April 2018.

Summarised profit and loss account, sek m	Q1-18	Q1-17	R12	Full year 17
Net sales	2 605	2 218	10 217	9 830
Other operating income	10	10	21	21
Operating expenses	-2 420	-2 101	-9 361	-9 041
Depreciation	-22	-20	-87	-85
Operating profit	**172**	**107**	**790**	**725**
Net financial income/expense	-6	-7	-26	-26
Profit before tax	**167**	**100**	**765**	**699**
Tax	-46	-29	-195	-178
Net profit	**121**	**72**	**570**	**521**
Net profit attributable to:				
The parent company's shareholders	117	69	559	511
Non-controlling interests	3	2	11	10
Net profit per share before and after dilution, sek	2.77	1.63	13.20	12.06

The Group's report on other comprehensive income, sek m	Q1-18	Q1-17	R12	Full year 17
Net profit	121	72	570	521
OTHER COMPREHENSIVE INCOME				
Items which will not be reversed				
in the profit and loss account:				
Revaluation of the net pension commitment	–	–	–	–
Items which can later be reversed				
in the profit and loss account:				
Exchange rate differences	175	12	206	43
Cash flow hedging	–	–	–	–
Hedging of net investment	-2	2	-8	-4
Other comprehensive income for the period	**173**	**14**	**199**	**40**
Total comprehensive income for the period	**294**	**85**	**769**	**561**
Attributable to:				
The parent company's shareholders	287	82	757	552
Non-controlling interests	7	3	12	9

Summarised balance sheet, sek m	31 March 2018	31 March 2017	31 Dec 2017
ASSETS			
Fixed assets:			
Intangible fixed assets	1 908	1 654	1 679
Tangible fixed assets	353	308	312
Other fixed assets	235	228	237
Total fixed assets	**2 497**	**2 190**	**2 227**
Current assets:			
Inventories	3 107	2 583	2 631
Trade debtors	2 138	1 680	1 726
Other receivables	258	228	319
Liquid funds	452	510	559
Total current assets	**5 956**	**5 001**	**5 236**
Total assets	**8 453**	**7 191**	**7 463**
EQUITY AND LIABILITIES			
Shareholders' equity	3 587	3 052	3 294
Total equity	**3 587**	**3 052**	**3 294**
Long term liabilities	2 101	1 805	1 868
Total long term liabilities	**2 101**	**1 805**	**1 868**
Current liabilities:			
Trade creditors	1 473	1 270	1 128
Other liabilities	1 291	1 064	1 172
Total current liabilities	**2 764**	**2 333**	**2 301**
Total equity and liabilities	**8 453**	**7 191**	**7 463**
Of which interest-bearing liabilities	2 473	2 160	2 208
Net debt	2 020	1 650	1 649

Key figures	31 March 2018	31 March 2017	31 Dec 2017
Equity ratio, %	42.4	42.4	44.1
Equity per share, sek	85	72	78
Return on equity after full tax, %	17.2	14.2	16.6
Return on capital employed, %	14.1	12.4	13.7
Return on capital employed in operations, %	15.4	13.8	14.9
Dept ratio	0.6	0.5	0.5
Interest coverage ratio	25.1	17.1	22.7
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	3 months 2018	3 months 2017	Full year 2017
Cash flow from current operations before changes in working capital	153	95	642
Changes in working capital	-112	88	-140
Cash flow from investment operations	-349	-21	-101
Change in financing operation	187	5	46
Dividend paid	–	–	-233
Change in cash and bank	**-121**	**167**	**214**
Exchange rate difference in liquid funds	14	–	4
Cash and bank on 1 January	559	342	342
Cash and bank at the period end	**452**	**510**	**559**

Shareholders' equity, sek m	31 March 2018	31 March 2017	31 Dec 2017
Ingående balans	3 294	2 967	2 967
Periodens totalresultat	294	85	561
Utdelning	–	–	-233
Utdelning till innehavare utan bestämmande inflytande	–	-1	-1
Utgående balans	**3 587**	**3 052**	**3 294**

Q1 sek m	Nordic		Central Europe		Southern Europe		Eastern Europe		Africa		Asia Pacific		Group	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net sales by operation	367	314	694	593	981	830	91	74	243	196	276	250	2 652	2 257
Internal sales between operations													-48	-39
Net sales													2 605	2 218
Operating profit by operation	47	23	35	14	71	43	8	4	13	16	24	22	198	122
Group-wide expenses[1]													-26	-15
Operating profit													**172**	**107**
Net financial													-6	-7
Tax													-46	-29
Net profit													**121**	**72**
Working capital, average for the period	458	397	858	718	1 127	1 004	185	147	419	393	410	368	3 457	3 028
Group eliminations													-2	-2
Total average working capital													3 455	3 025

1) The increase in Group expenses is explained primarily by acquisition costs.

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.

The segments reporting for the regions contains the profit and loss account up to and including operating profit. Internal sales within each segment are eliminated in net sales by operation, internal sales between segments are eliminated on total level. The working capital includes inventories, trade debtors and trade creditors and is an average based on monthly values for the period.

Parent company profit and loss account in summary, sek m	Q1 2018	Q1 2017	Full year 2017
Operating income	–	0	49
Operating expenses	-20	-14	-57
Depreciation	-1	0	-2
Operating profit	**-21**	**-14**	**-10**
Net financial income/expense	-6	8	3
Result of participations in Group companies	0	0	260
Write-down of financial fixed assets	-5	0	0
Profit before appropriations	**-31**	**-6**	**253**
Appropriations	0	0	59
Profit before tax	**-31**	**-6**	**312**
Tax	0	0	-12
Net profit	**-31**	**-6**	**301**

Parent company balance sheet in summary, sek m	31 March 2018	31 March 2017	Full year 2017
ASSETS			
Intangible fixed assets	7	4	7
Tangible fixed assets	5	5	5
Financial fixed assets	3 035	2 703	2 731
Current assets	1 003	1 068	1 111
Total assets	**4 050**	**3 780**	**3 853**
EQUITY AND LIABILITIES			
Shareholders' equity	1 710	1 668	1 742
Long-term liabilities	1 856	1 647	1 627
Current liabilities	484	465	485
Total equity and liabilities	**4 050**	**3 780**	**3 853**

Financial definitions

Δ% Change in percentage.

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.

R12 Rolling twelve is the latest 12 months.

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.

Trade terms

ARW Air Condition & Refrigeration Wholesale.

GWP Global Warming Potential

HCFC HydroChloroFluoroCarbons, which affects the ozone layer and contribute to global warming.

HFC HydroFluoroCarbons, Fluorised greenhouse gases which contribute to global warming.

HFO HydroFluoroOlefins, synthetic environmentally friendly refrigerants.

HVAC Heating, Ventilation, Air Conditioning.

OEM Original Equipment Manufacturer.

Transcritical Heat transfer with gas cooler.

Geographic areas

Africa Botswana, Ghana, Mozambique, Namibia, South Africa, Tanzania, Zambia

Asia Pacific Australia, India, Malaysia, New Zealand, Thailand

Central Europe Belgium, Ireland, The Netherlands, Switzerland, Germany, UK

Eastern Europe Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia

Nordic Denmark, Finland, Norway, Sweden

Southern Europe France, Italy, Portugal, Spain

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 second quarter 2018 will be published on 13 July 2018.

• The Interim Report for the third quarter 2018 will be published on 22 October 2018.

• The Interim Report for the fourth quarter 2018 will be published on 30 January 2019.

• The Annual Meeting of shareholders will be held on 10 April 2019 in Malmö.

BEIJER REF

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The total amount in tables and statements might not always summarize as there are rounding differences. The aim is to have each line item corresponding to the source and it might therefore be rounding differences in the total.