BEIJER REF

Annual Report 2018

CEO’s report
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The balance between hot and cold

Many contexts depend on an exact temperature being achieved. A food product that must be cooled to a certain number of degrees or an interior to provide a comfortable room temperature. Most of the businesses around us – shops, offices and restaurants – depend on having stable cooling, heating and air conditioning available. Beijer Ref is a world-leading group that provides both knowledge and products in refrigeration and air conditioning.

Own manufacturing
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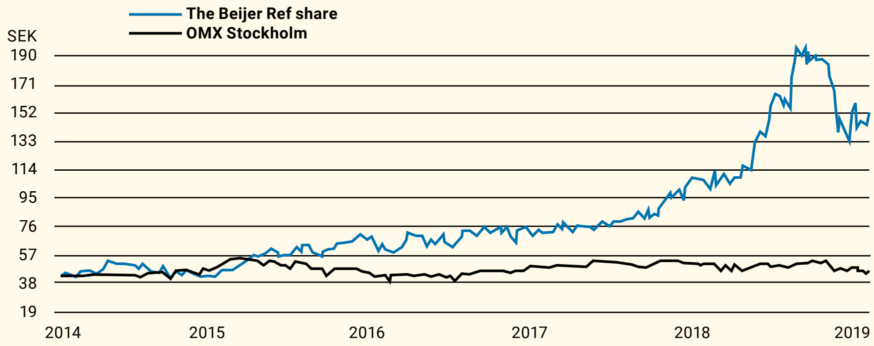
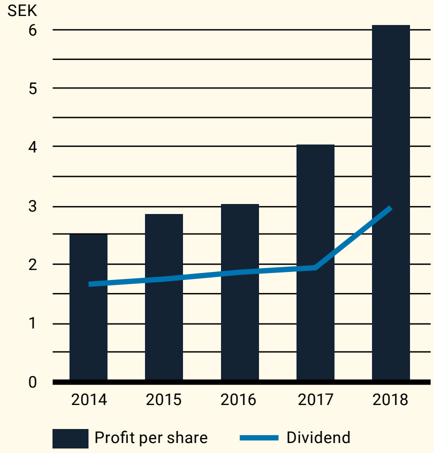
THE BEIJER REF SHARE PERFORMANCE



PROFIT AND DIVIDEND PER SHARE



The Beijer Ref share
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GENERAL INFORMATION

Beijer Ref AB is a public limited company with corporate identity number 556040-8113. The company has its registered office in Malmö, Sweden.

All amounts are expressed in Swedish kronor with the abbreviation ‘SEK K’ for thousand kronor and ‘SEK M’ for million kronor. Figures in brackets refer to 2017 unless otherwise stated.

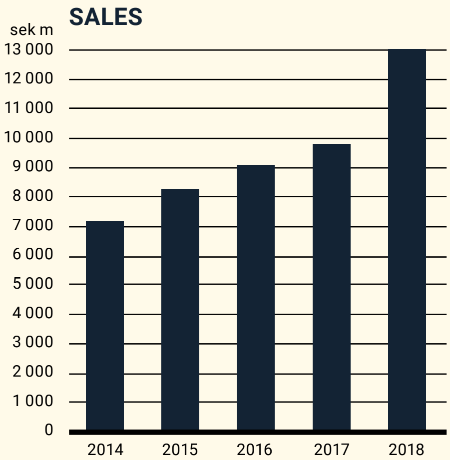
The total amount in tables and statements might not always summarize as there are rounding differences. The aim is to have each line item corresponding to the source and it might therefore be rounding differences in the total.

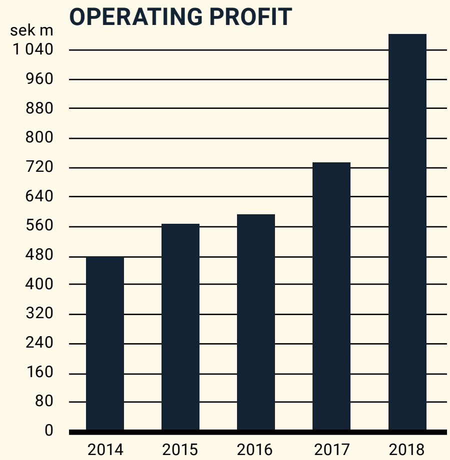
Data about markets and the competitive situation are Beijer Ref’s own assessments if no other source is specified. This report contains future-oriented information based on Beijer Ref’s analysis and assessments made at the beginning of 2019.

Although the company’s management is of the opinion that the anticipations evident from such future-oriented information are reasonable, no guarantee can be given that these anticipations will be proved to be correct. The formal Annual Report comprises pages 46-47 and 58-88.

This Annual Report is published on the company’s website (beijerref.com). Printed copies will be sent on request to shareholders and other interested parties by Beijer Ref. A complete list of addresses over the Group’s companies is available on www.beijerref.com.

The year in brief





KEY FIGURES

	2018	*2017*	*2016*	*2015*	*2014*
Sales, sek m	13 015	9 830	9 045	8 361	7 189
Operating profit, sek m	1 085	725	593	567	481
Profit after tax, sek m	780	521	399	373	325
Profit per share, sek	6.07	4.02	3.06	2.88	2.49
Dividend per share, sek*	3.00	1.92	1.83	1.75	1.67
Market value, sek	145.9	105.5	72.0	66.8	42.5

*) For 2018, in accordance with the Board of Directors' proposal

32%
Net sales increase

50%
Operating profit increase

56%
Increased dividend

Large Cap
As from 2019

Quarter 1
- The acquisition of the refrigeration wholesaler TecsaReco is approved by the competition authorities in southern Africa.
- Beijer Ref acquires the leading refrigeration wholesaler Heatcraft in Australia. The transaction is the largest acquisition outside Europe in the group's history and doubles Beijer Refs' sales in the region Asia Pacific.
- The collaboration with Mitsubishi Heavy Industries (MHI) is expanded with the formation of a new jointly-owned company, 3DPlus, in the United Kingdom. Beijer Ref now has exclusive rights to distribute MHI in the UK.

Quarter 2
- Beijer Ref acquires the French HVAC distributor GH2C, a leading distributor of the well-known air conditioning brands, including Toshiba, in France.
- The acquisition of Heatcraft Australia is finalised and consolidated.
- SCM Ref Africa presents its first CO_2 transcritical rack.
- Beijer Ref Academy, a new training centre for environmentally-friendly refrigeration technology, is inaugurated at SCM Frigo in Italy.
- Beijer Ref launches a call option programme for the employees.

Quarter 3
- Beijer Ref acquires the Spanish HVAC distributor Lumelco. The company works closely with Mitsubishi Heavy Industries and has held exclusive rights to distribute the brand in Spain and Portugal for more than 35 years.
- The formation of 3DPlus in the United Kingdom is finalised.

Quarter 4
- Several of the group's subsidiaries participate in one of the industry's largest trade fairs, Chillventa in Nürnberg, Germany.
- Beijer Ref produces a company certificate programme as a complement to bank financing.
- Beijer Ref meets its commitments to the options programme.
- Beijer Ref acquires the remaining 40 per cent of the shares in Metjak, Australia.

This is Beijer Ref

One of the world's largest refrigeration wholesalers.

Beijer Ref is a trading group that provides customers over most of the world with a broad range of products in the fields of commercial and industrial refrigeration, as well as heating and air conditioning. The company is listed on Nasdaq Stockholm, Large Cap segment.

PRODUCTS

The products primarily consist of refrigeration and air conditioning units, heat exchangers and refrigerants as well as spare parts for these. Most of the product range comes from leading suppliers such as Toshiba, Carrier, Mitsubishi Heavy Industries, Danfoss and Bitzer. A smaller part of the sales comes from the company's own production of environmentally friendly refrigeration products based primarily on natural refrigerants.

IN-HOUSE PRODUCTION OF ENVIRONMENTALLY-FRIENDLY TECHNOLOGY

For a number of years, Beijer Ref has also been focusing on in-house product development and the manufacturing of refrigeration systems and heat pumps. In the OEM (Original Equipment Manufacturing) segment, innovation and product development work is carried out in which environmentally-friendly alternatives are developed under their own brands.

In-house production has been implemented in subsidiaries in Italy, France, the Netherlands, Sweden, South Africa, Thailand, China and Australia. These companies today supply markets across large parts of the world with both standard solutions and customised total concepts for end customers that wish to reduce their carbon footprint.

GEOGRAPHICAL COVERAGE

The group has around 3,700 employees, working in 36 countries. Our head office is in Malmö. With wholly-owned subsidiaries in Europe, Africa, Asia and Oceania, Beijer Ref is one of the world's largest refrigeration wholesalers.

CUSTOMERS AND MARKET

Beijer Ref's products in the field of refrigeration, freezer and air conditioning systems can be found in all kinds of buildings, in everything from department stores and shops to petrol stations and offices. The products meet the demand primarily in three segments:

- Commercial refrigeration
- Industrial refrigeration
- Comfort cooling (HVAC)

The end customer might be, for example, a grocery store or a restaurant with refrigeration and freezer technology or an office that needs air conditioning. They all frequently buy their refrigeration and air conditioning solutions via an installer who buys technology, refrigeration units and components from Beijer Ref. Orders can be for both complete product solutions and spare parts. The after-sales market accounts for a significant share of Beijer Ref's net sales.

DISTRIBUTION AND SALES

Beijer Ref mainly distributes its products through its own network of branches.

The group also has warehouses and logistics centres in each market. Beijer Ref also owns three refrigerant filling stations. The subsidiaries trade either under Beijer Ref's name or under their local names.

Commercial refrigeration

Refrigeration installations for, among others, grocery stores, restaurants and hotels.

Industrial refrigeration

Process refrigeration supplied to, for example, ice rinks, manufacturing and food industry and the offshore sector.

Own manufacturing (OEM)

In-house manufacturing of eco-friendly refrigeration systems and heat pumps.

Comfort cooling (HVAC)

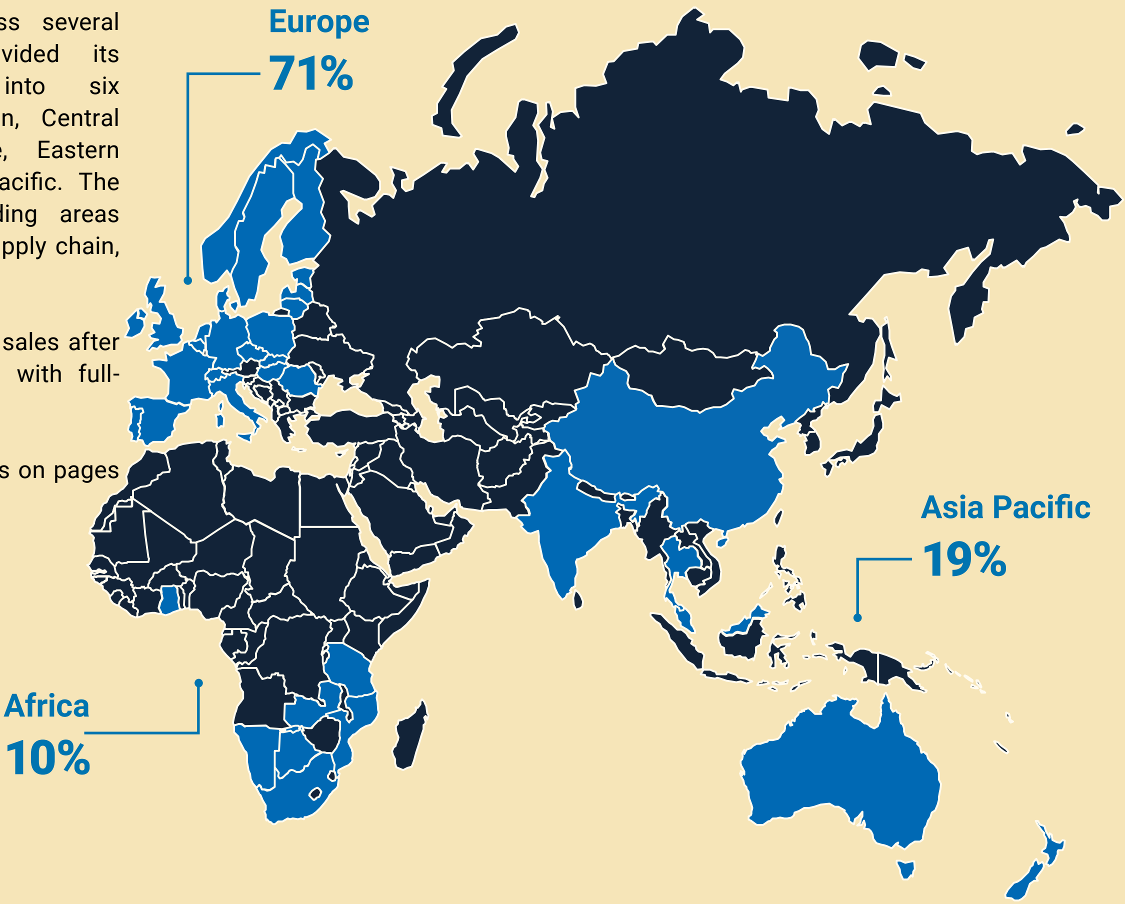
Climate control and ventilation for homes, offices and shops.

SIX GEOGRAPHICAL REGIONS

Beijer Ref operates across several continents and has divided its geographical markets into six regions: the Nordic region, Central Europe, Southern Europe, Eastern Europe, Africa and Asia Pacific. The structure of regional trading areas achieves efficiency in the supply chain, sales and logistics.

The map shows the split of sales after completion of acquisitions, with full-year effect.

Read more about our regions on pages 38 - 43.



Another record year

2018 can be summed up as yet another strong year for Beijer Ref. Sales increased by 32 per cent, of which 13 per cent was organic, and amounted to SEK 13 billion. Our share has been traded since January of this year on Nasdaq Stockholm's Large Cap list, an important milestone in our company history.

Operating profit rose approximately 50 per cent and represents an operating margin increase of almost one percentage point. The year's financial result confirms once again that we have a sustainable business model that provides the conditions for achieving our ambitious goals.

We operate in a fragmented market and one of our stated goals is to grow through acquisitions. 2018 was a year when we added several valuable companies to our group. The largest and most significant addition is Heatcraft, one of Australia's leading refrigeration wholesalers. The company, which at the time of the purchase had annual sales of SEK 1.1 billion and about 300 employees, means that the Asia Pacific region now accounts for about 20 per cent of Beijer Ref's global sales, compared with 10 per cent previously. The acquisition, which is the largest outside Europe in the group's history, provides us with good opportunities to take further market share in a continent whose market for refrigeration and HVAC is constantly growing. This also means that we are smoothing out our seasonal variations.

THE ACQUISITIONS CONTRIBUTE

During the year we also strengthened our position in Southern Europe, our largest region in terms of sales. Through the acquisition of the Spanish company Lumelco, a leading distributor in HVAC, Beijer Ref has exclusive rights to Mitsubishi Heavy Industries (MHI) products in Spain and Portugal. In France, we bought GH2C, also a wholesaler in HVAC, which distributes strong brands, including Toshiba.

Beijer Ref has grown through acquisitions for many years and is highly experienced in the implementation process. A significant example is our British subsidiary HRP. When we bought the company 2016, it was faced with a number of challenges. Around two years later, when the refrigeration wholesale industry in the United Kingdom gathered to name the Distributor of the Year at the NACR Awards, it was HRP that won the title. This proves that we have the ability to reverse a negative trend and create an award-winning company in a relatively short period of time.

CLIMATIC FACTORS CREATE GROWTH MARKETS

Our market is growing and an important reason for this is the F-gas Regulation - the regulatory provisions in the EU that environmentally hazardous refrigerants shall be phased out by 2030. This puts a lot of pressure on the market to change or upgrade to environmentally-friendly refrigeration technology and our assessment is that this approach will also be implemented outside Europe. The United Nations Climate Change Conference held in Katowice, Poland at the end of the year also strengthens this view. The meeting established the content of the Paris Agreement and, at the time of writing, several countries have confirmed that they will go into action to implement the measures necessary to reduce global warming. We have already seen signs that countries outside Europe have started moving in the same direction and during the year we have delivered transcritical units based on environmentally-friendly refrigerants to a number of non-European countries.

OCTOBER 2018
CEO Per Bertland at the opening of Beijer Ref's new logistics centre in New Zealand.

Within Europe, and especially in the Nordic countries, the transition to new refrigeration technology has been going on for some time. Nevertheless, there is still a significant percentage of supermarkets and restaurants that have not yet started upgrading. Consequently, there is a large market in front of us and it is doubtful whether Europe will be able to implement the phasing-out by 2030. This means that there is a requirement for us as a supplier, to actively inform and act.

CONTINUED FOCUS ON OEM

In line with increased market demand, we have continued our investment in the OEM segment, where we develop and manufacture advanced refrigeration units that are mainly based on natural refrigerants such as CO_2, propane and ammonia. We are now gradually expanding our capacity and establishing more manufacturing units both within and outside Europe. The acquisition of Heatcraft means that we now also have manufacturing units in Sydney, Australia and Wuxi, China. This gives us significant opportunities to grow the OEM segment in the Asia Pacific region.

Spreading our European refrigeration know-how about environmentally friendly refrigerants to other parts of the world is an important task. In line with these ideas, we have launched a new training programme at our Italian subsidiary outside Padua, Italy, known as the Beijer Ref Academy. This is a programme in which we educate customers, suppliers and our employees in how to handle the new technology with natural refrigerants. The initiative has been appreciated in the industry and we will therefore establish more academies in the Netherlands and France in 2019. To further help disseminate important information about natural refrigerants, we also work with leading external interest organisations in the industry.

DEVELOPMENT OF REFRIGERANTS

The F-gas programme also means progressively stricter import restrictions on traditional HFC refrigerants. This has led to heavy price increases on such refrigerants in both 2017 and 2018. In the second half of 2018, price increases gradually decreased and prices returned to the same level as at the beginning of the year. This also means that the proportion of commercial refrigeration sales in the aftermarket is gradually increasing. The general assessment is that prices of refrigerants will be at a more stable level in the second half of 2019.

HVAC IS GROWING

Our HVAC business segment grew organically by 13 per cent during the year. This success is partly due to the fact that we have made market investments that have had effects in terms of better visibility and new market shares. There was also generally a warm summer across Europe, which generated sales. Sales of Toshiba products have seen a good sales trend during the year, and we also expanded our collaboration with our strategic suppliers Mitsubishi Heavy Industries and Carrier. In the United Kingdom, we formed a joint subsidiary with MHI and now have exclusive rights to distribute the brand in the United Kingdom. Growing together with our strategic suppliers benefits both parties and is something we will continue to prioritise. Today, HVAC accounts for about a third of our business. Looking a few years ahead, the segment is likely to represent a larger share.

”Spreading our European refrigeration know-how about environmentally friendly refrigerants to other parts of the world is an important task.”

PERFORMANCE IN THE REGIONS

We divide our market into six geographical regions. The regions in Europe show double digit growth, with the strongest growth in the Nordic region and Eastern Europe. It is new investments in environmental technologies that is primarily driving the increase in sales. In Africa, the company that we acquired in 2018, the leading refrigeration wholesaler Tecsa Reco, has developed well and we see signs of an upturn in economic activity in South Africa. Here too, we notice that interest in environmentally-friendly refrigeration technology is increasing. in the Asia Pacific region, we have successfully integrated our acquisition Heatcraft and are now achieving synergies in purchasing and logistics, while we have a broad product portfolio with well-known brands such as Kirby and Copeland.

THE LOGISTICS ARE DEVELOPING

One of our strengths is our distribution network, which is designed to serve our customers with reliable delivery and short lead times. The logistics chain is structured so that in principle we have a central warehouse in each country. We are constantly developing our concept and during the year we have established new logistics centres in the Netherlands, Norway and New Zealand. These logistic centres are newly built and modern, with automated functions. In the future, we will evaluate the construction of more regional warehouses that can supply several neighbouring markets with products and components.
Closely linked to our logistics chain is our group-wide digitalisation project. During the year we launched our e-commerce platform in Germany and the United Kingdom. In 2019, we will roll out in more countries.

EXCHANGE PROGRAMME LAUNCHED 2019

Our most important resource is our employees. Today we have staff on several continents and we wish to exploit this fact in the best way, in accordance with our core value ”united”. During the year, we have taken a number of initiatives in, among other things, talent development. During 2019, the *Beijer Ref Exchange Programme* will be launched – an exchange programme where selected employees are given the opportunity to work at another company in another country for a specified period of time. We hope that this will contribute to strengthening insights and understanding of how our business is conducted in different parts of the world and that it will promote collaboration between our companies.

To summarise, 2018 was our strongest year to date. The return on equity has risen and we have a good equity ratio. This enables continued expansion through acquisitions, something we see as one of our most important strategic cornerstones. The board has proposed to increase the dividend by more than 50 per cent, which is also a testament to our financial stability.

Finally, I would like to thank all employees for their efforts during the year and our shareholders for their trust. We face 2019 with confidence.

Malmö, March 2019
Per Bertland
CEO

A sustainable business concept

Beijer Ref – a leading refrigeration wholesaler

Beijer Ref's business concept is to be a trading group that offers its customers added value through competitive solutions in the areas of refrigeration and air conditioning.

BUSINESS MODEL AND VALUE CHAIN

Beijer Ref's business model is based on making group-wide purchases from leading suppliers and brands, creating added value in the form of maintaining stocks, distribution, technical support and customer adaptation, before making sales and delivering to customers. The group also provides in-house produced systems and spare parts. Sales are made primarily to refrigeration installation contractors, service companies and contracting companies. They in turn deliver and install solutions for end customers, such as a grocery store or an office.

The added value is created by Beijer Ref doing as much basic work as possible before the installer takes over. Product specifications are always readily available, and Beijer Ref also offers regular training on new products. The group also offers a wide range and can deliver everything from small components and spare parts to entire systems. The products are mainly sold through the more than 400 branches in Beijer Ref's 36 markets.

ENGINEERING KNOW-HOW ADDS VALUE

The added value is also created by having an especially close dialogue with customers, in order to always have a good understanding of the needs that govern the development of the market and in turn be able to create offers accordingly. A significant degree of engineering knowledge is required in order to be able to understand and adapt offers according to market needs, something which is characteristic of Beijer Ref's workforce.

In addition to the wholesale business, Beijer Ref manufactures and sells its own environmentally-friendly refrigeration units, so-called OEM. This includes designing the entire system, calculating the stress range and what customisations are required by the end customer, since the installations are often unique.

DIGITAL SOLUTIONS ON THE RISE

To best serve the market of the future, the business model is reviewed continuously. Like most industries, Beijer Ref's area of activity is moving towards a transition to digital solutions at several levels. for this reason, work is under way to create new business solutions that can reach customers in new channels and at the same time add both quality assurance and cost savings.

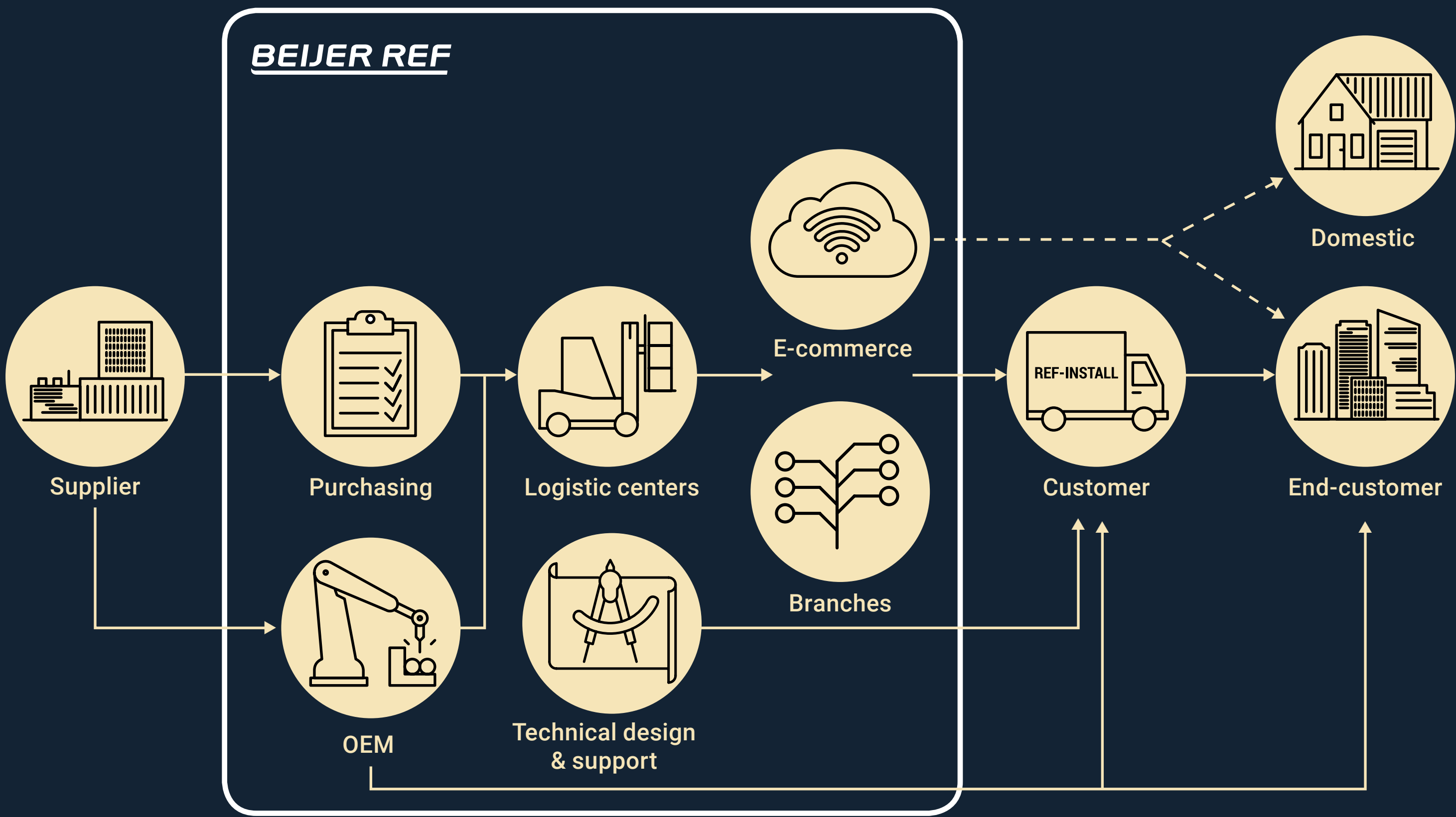
SUSTAINABILITY STRENGTHENS THE CHAIN

The business model involves working with sustainability, which concerns both long-term financial success and issues relating to the environment and safety. Through its close relationships with leading suppliers, Beijer Ref conducts a dialogue on product development that is adapted to the needs of the environment and the market. The group has a supplier code to ensure that partners also act with sound ethics. Beijer Ref also contributes by developing and fitting its own environmentally-friendly technology, which is based on natural refrigerants.

A STABLE MODEL

Beijer Ref's business model has been durable and stable throughout its history. By focusing on trading activities and the distribution of refrigeration components, refrigeration systems and air conditioning, efficiency and good financial results have been achieved.

The Beijer Ref value chain



The value that Beijer Ref adds to the value chain from manufacturer to customer is purchasing, warehousing, distribution, knowledge, technical support and customisation through both design and manufacturing. The group also manufactures its own environmentally friendly refrigeration technology which is very important for creating an attractive offering to customers. Beijer Ref's main business is to sell to other companies. Because of the step-by-step launching of trading in digital channels, including to the consumer target group, certain sales patterns may take on new forms in the future. This illustrated here with dotted lines.

Refrigeration that lasts

When the food chain Östenssons was to build its ninth store in Skänninge, it faced a number of decisions that would have an impact for many years to come. The choice of refrigeration system was one of them.

In central Sweden, in Östergötland, is Östenssons Livs AB, an independent food chain that was founded in 1963. In total, the chain consists of nine grocery stores, located within a radius of fifty kilometers around Motala.

As a family-owned chain, Östenssons is known for going its own way. With the motto *"food with care from the area"* there has always been a driving force for the company to have raw materials from producers in the local area. In addition to the stores, Östenssons has a central production unit in Motala. This has its own bakery, its own butcher and its own kitchen, which supplies products to Östensson's grocery stores daily.

Anders Lindblom has been CEO of Östenssons since 2015. He has worked in the chain for 20 years and has been involved in designing the store in Skänninge from the ground up. The 2,000 square metre building was completed 2016.

"We are extremely proud of the shop in Skänninge," says Anders. "We always want to give our customers an experience, whether from the staff or in the décor. We have bold owners who let us develop the company, stand out and be unique. It also means that we have quick decisions."

The protection of the environment has always been important for Östenssons, and being self-sufficient in certain areas is part of the holistic thinking.

"We produce part of our range in Motala and all transports go from there, about two to three trucks a day. They use fossil-free fuel, and have done so for many years. We are also good at recycling."

A significant investment was needed to be able to run the store in the right way with the best focus on the environment. At the same time, energy costs should be lower than in other stores. The final choice was a state-of-the-art CO_2 system from Beijer Ref's subsidiary Kylma.

THE RIGHT CHOICE

Before building a new, modern and environmentally oriented grocery store in Skänninge, it was obvious that a cooling system was needed that was adapted for today's standards for the environment and energy consumption. But that has not always been the case.

"In 2004 we had the goal of building the most environmentally friendly store ever, in Vadstena. However, the result was not entirely as expected. Operating costs were too high, so when we had the opportunity to put a CO_2 refrigeration plant in another of our grocery stores a few years later, I pulled out. But I came to regret it later. Development has pro-

SCM FRIGO - A SMART TRANSCRITICAL REFRIGERATION UNIT
The refrigeration unit that is installed is called SCM Frigo and is adapted for environmentally-friendly CO_2 as a refrigerant. The refrigeration unit provides refrigerated and freezer counters with cooling and the waste heat that arises is used to heat the store with energy-smart recycling technology.

gressed and today the solutions for CO_2 systems are completely different. So, in preparation for the construction of the store in Skänninge, we planned carefully for how we would find the best solution from both an environmental and a cost standpoint.”

A close dialogue ensued with the installer, which Östenssons has worked with for several years.

”The relationship and cooperation with the installer plays a crucial role when it comes to the choice of refrigeration technology,” continues Anders. We need more than an installer, we want a contact that can also be our partner in this. The investment is so large: in total we have invested four million kronor in the store’s refrigerated and freezer counters, of which the refrigeration unit itself accounted for approximately 1.2 million kronor. Then we have to be able to trust that the installer knows what is best for us. In this case, we discussed our needs carefully and in the end the choice fell on a complete solution with refrigeration and monitoring systems from Kylma.”

AN ENERGY-EFFICIENT RESULT

In 2016 the store was finished, with an interior reminiscent of an industrial site with rustic materials and interior details in zinc. Along the walls are lengths of refrigeration and freezer counters. Soon after it opened, measurement of energy costs was introduced. And they met expectations.

”With our new CO_2 system, we had hopes that the store in Skänninge would have significantly lower energy costs than our other stores using traditional refrigeration technology. When we measured, we still had a positive surprise. In total, the store had between 30 and 40 per cent lower energy costs. Also, we never need to refill refrigerants, which we need to do with the traditional refrigeration systems. We filled up with 200 kg of CO_2 from the start and it lasts until further notice. We have really had proof that energy efficiency and environmentally-friendly refrigerants go hand in hand – which is fantastic.”

HEAT RECOVERY YEAR ROUND

The system solution from Kylma not only handles refrigerated and freezer counters but also the excess heat from the refrigeration unit, which is taken and used for heating the store.

”Now we have been running a few years and have been able to see that the energy efficiency varies depending on the season. During the warmer season we can manage completely with the excess heat. If it becomes very cold during winter, we complement it with electricity, but not often. For us, the installation has been very successful, and we take a long-term view of our investment. We expect the refrigeration plant to have a lifespan of at least 20 years.”

CONVERSION IN TURN

All the Östenssons grocery stores will eventually convert their refrigeration technology.

”We will now go through all the refrigeration plants and plan the order in which the conversion will take place. It’s a big investment, so we’re organising it properly. In our decisions, energy efficiency weighs at least as heavily as the environmental aspect. And the control of the technology must be effective, as well as the cost of installation.”

This autumn, a total renovation of a grocery store in Motala is planned. This will mean another refrigeration system installation.

”We live up to our customers’ expectations by having a super facility. That work will always continue.”

Strategy and goals

From market-leading to world-leading.

Beijer Ref has an expressed mission – to provide the market with global expertise in refrigeration and air conditioning. By growing more quickly than the market, the goal is to strengthen our position as a world-leading organisation. To do this, the group works according to a strategy that is divided into six focus areas – acquisition, OEM, purchasing, logistics, digitalisation and sustainability.

THE BUSINESS'S FOCUS

Beijer Ref's business activity focuses on products and spare parts for commercial and industrial refrigeration, air conditioning and heat pumps. By maintaining close, long-term partnerships with leading suppliers and brands, Beijer Ref creates added value for customers through its broad market presence and effective distribution. Resources are concentrated primarily on the wholesale business, but there is also investment in the in-house manufacturing of advanced eco-friendly refrigeration system. This supplements the existing trading business and opens up possibilities in new market segments.

ACQUISITIONS

Beijer Ref is active in a fragmented market where the majority of the industry consists of local players. An important part of the group's strategy is to grow through acquisitions and Beijer Ref is actively working to consolidate the market. In total, Beijer Ref has so far completed the acquisition of approximately 50 businesses. By adding strategic companies to the portfolio, Beijer Ref can grow faster than the market, both geographically and through an expanded product range. Synergies are mainly achieved in purchasing, distribution and support functions.

ORIGINAL EQUIPMENT MANUFACTURING (OEM)

The company SCM Frigo, specialising in installing complete refrigeration systems, refrigeration units and heat pumps with a significantly more environmentally friendly profile, was acquired in 2011. The model was soon successful and in 2015 the group decided to create similar units in Sweden and France. Together with similar establishments in the Netherlands, Thailand, South Africa, China and Australia, these represent the group's OEM business. It is also gathered under an umbrella name - SCM Ref. The business is driven by customers' demand for bigger, more environmentally friendly and in many cases customised solutions. The goal is to continue to develop modern, environmentally adapted technology to replace products that use refrigerants with a high GWP (Global Warming Potential).

PURCHASING AND PARTNERSHIPS

Purchasing is an important strategic function. Procurement takes place at both central and local level in order to achieve synergies and an advantageous price level. A significant element of this work is to create long-term, stable relationships with key suppliers and strategic partners. Dialogue and close collaboration provide greater knowledge of the market, which generates components and products that meet the requirements and needs of customers.

LOGISTICS AND DISTRIBUTION

With the objective of providing customers on several continents with a broad range of quality, Beijer Ref operates warehousing and distribution activities that are directly linked to the subsidiaries. This means that the group has more than 40 local logistics centres and approximately 400 branches that specialise in efficient product delivery. This provides rapid access to spare parts for service, maintenance and repairs. The group has also established a central warehouse in each country.

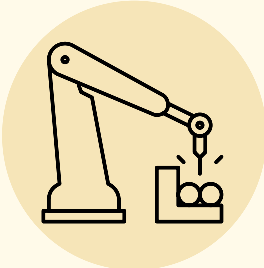
DIGITALISATION

It is part of Beijer Ref's strategy to look to the future at all times. For this reason, various digital programmes are under continuous construction. The ambition is to be a clear leader in the industry when it comes to digital development. Beijer Ref is gradually extending the existing e-commerce platform and business support system. Digitalisation shall lead to new business opportunities, delivery quality and cost savings. The objective is that at least ten per cent of sales will come from digital channels by 2022.

SUSTAINABILITY

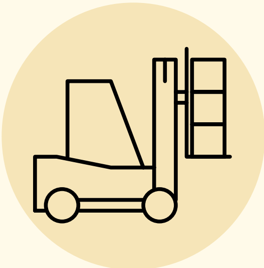
Beijer Ref works strategically on sustainability on the basis of the UN's global

Acquisitions



Own manufacturing

Purchasing



Logistics

Digitalisation

Sustainability

goals, Agenda 2030, from which focus areas have been selected where the group believes that the company can make the most difference. Based on the UN focus areas, the group has created a framework for issues relating to the environment and CSR that is implemented at local level by the group's subsidiaries. Objectives are set in each area. One of the areas where Beijer Ref can make the most difference is in the production of environmentally-friendly products that replace ageing systems and have less impact on global warming.

VALUE GENERATION

The primary stakeholder groups are shareholders, customers, employees and suppliers. Value is created for shareholders through a positive trend in the share price, dividends and by growing with a good return on capital invested.

Beijer Ref shall continue to grow organically and supplement this with acquisitions in existing and new markets in Europe and the rest of the world. The group shall prioritise a long-term approach and stability in its business relationships.

Value is created for the group's customers by developing new, attractive products and services, further developing and improving the existing offering and guaranteeing good availability and short delivery times. Working in close collaboration with suppliers, shared market insights are translated into attractive products and services.

Value is created for employees by means of Beijer Ref offering a stimulating job with competitive remuneration, good opportunities for skills development and a safe, healthy work environment.

ORGANIC GROWTH OVER GDP

The majority of Beijer Ref's markets are mature. Despite this, the group's historic rate of growth exceeds GDP in these markets by an average of about two to three per cent. This is primarily because Beijer Ref's business has a strong link with the food industry, which has good underlying growth. During the last ten-year period, 2008-2018, Beijer Ref has shown an average annual organic growth of four per cent.

SUPPLEMENTARY ACQUISITIONS

A significant element of growth consists of expansion in new markets and a stronger present in markets where Beijer Ref already had a presence. The rate of acquisition was high in 2015, with acquisitions in places including Australia and New Zealand. HRP, the leading refrigeration wholesaler in the UK, was acquired in 2016. More acquisitions were then made during 2017 when the Toshiba distributor DX POR in Portugal was added. In 2018, the major refrigeration wholesaler TecsaReco was acquired in South Africa. Then, the group's largest acquisition outside Europe was made with the acquisition of the refrigeration wholesaler Heatcraft's operations in Australia, China and Singapore. This was followed by the acquisitions of the French HVAC distributor GH2C and the Spanish HVAC company Lumelco.

GOALS

To achieve the company's strategy and goals, Beijer Ref has set out the financial goals below.

GOALS

Growth	Return	Equity ratio	Dividend
Grow faster than the market.	Return on operating capital, minimum 12%.	Equity ratio minimum 30%.	Distribute more than 30% of the net profit.

• Beijer Ref has also non-financial goals within sustainability.

Growing through acquisitions

New companies bring additional value.

One of Beijer Ref's strategic focus areas is to grow through acquisitions. Taking additional market shares is a priority. The group continuously analyses growth opportunities in both new and existing markets.

In both the domestic market, Europe, and the rest of the world, competitors mainly consist of local companies. Acquiring companies that add value in the form of distribution, networks and customer base is therefore a natural part of the strategic growth process. Beijer Ref is one of the industry's most active players in consolidating the market. By adding strategic companies to the portfolio, Beijer Ref can grow faster than the market, both geographically and through an expanded product range. Complementing organic growth with acquisitions also provides synergies in purchasing, distribution and support functions.

STRUCTURED PROCESS

For several years, Beijer Ref has had a structured acquisition process that includes employees at both central and regional level. When potentially interesting companies have been identified, a project team is set up that evaluates and analyses the company and its market. Once an acquisition has been made, an integration process takes place. The acquired company can take advantage of several advantages, in addition to optimised purchasing and logistics processes. It enters a global context and has access to a valuable network of other companies in the same industry.

2018 INTENSIVE ACQUISITION YEAR

2018 was an intensive acquisition year. At the beginning of the year, the acquisition of the South African company TecsaReco was approved by the local competition authorities. In Australia, Beijer Ref performed one of its largest acquisitions ever when the group bought the refrigeration wholesaler Heatcraft. This transaction expanded Beijer Ref's presence in the Asia Pacific (APAC) region significantly and also added a manufacturing unit in Wuxi, China, which will be important in Beijer Ref's efforts to spread its environmental expertise to markets outside Europe. This purchase also included the well-known brand Kirby. In Spain, Lumelco, a company that has an exclusive distribution agreement in the Spanish and Portuguese markets with Beijer Ref's strategic supplier Mitsubishi Heavy Industries, was acquired. In France, one of Beijer Ref's largest markets, the HVAC distribution company GH2C, which distributes the Toshiba brand, was added.

In the future, Beijer Ref will continue to grow, both geographically and with an even wider product range. All with the purpose of being the market leader wherever the group is present.


TecsaReco
ebmpapst
Tecumseh
REFCO
TCL
embraco
CARE
UNITHERM
INDESIT
KIC
LG
AEG
SAMSUNG
Whirlpool
Speed Queen
Electrolux
Kelvinator
BOSCH
DEFY
SIBERIA
HITACHI
TecsaReco
#1 IN REFRIGERATION
TecsaReco

Green knowledge for export

The group's own production of environmentally friendly products is becoming increasingly important for both the climate and our financial results.

For nearly ten years, Beijer Ref has been able to offer the market refrigeration units and heat pumps based on natural refrigerants such as CO_2, propane and ammonia. What natural refrigerants have in common is that they have far less environmental impact than traditional HFC gases, which were previously the standard solution and which give rise to global warming.

It was at the beginning of the 2000s that Scandinavian supermarkets began to gain a greater interest in environmentally-friendly refrigeration technology as a way to reduce their carbon footprint. The market was changing and it was clear that more and more end customers were calling for new solutions that were both energy efficient and environmentally friendly. At that time, the group took the important decision not only to act as a wholesaler, but also to establish its own production of environmentally-friendly systems.

PHASING OUT IN EUROPE

The decision was well in line with how the UN and the EU saw the effect of different refrigerants on climate change. When, in 2015, the EU adopted the resolution on the gradual phasing out of high GWP refrigerants by 2030, Beijer Ref's OEM initiative became crucial for the future. The demand for new environmental technologies has steadily increased since then. The group has therefore established additional OEM manufacturing at several subsidiaries. There are currently such operations in Italy, Sweden, France, the Netherlands, South Africa, Thailand, Australia and China. Since 2017 the companies have also been gathered under one umbrella name - SCM Ref.

A PURE INITIATIVE

The aim is to constantly be at the forefront of developing new technology. In order to structure and streamline the concept, different establishments have specialised in different refrigerants. SCM Frigo in Italy is the main centre for R & D and focuses on CO_2 while SCM Ref in the Netherlands develops solutions with ammonia. In Sweden, units are built with propane as an environmentally-friendly refrigerant. The strategy also includes the export of European expertise to other SCM Ref establishments, with the aim that Beijer Ref shall always be able to provide a strong offering on the local market.

Today, Beijer Ref is a global player that has its own production on many continents and the group is one of the companies that is driving the transition to environmentally friendly solutions in the refrigeration industry. The project range is wide and the technology is adapted to be used by everything from large supermarket chains to small offices and shops.

THE MARKET IS READY FOR GREEN

Since the EU's F-gas regulation was established, natural refrigerants have gained a new significance for the industry. From having previously had a somewhat slow penetration, proactivity among end-users has now increased significantly. But even if the market welcomes the green technology, the transition is only in its infancy. In Europe, which has gone the furthest in this transition, it is estimated that around 12 per cent of all gro-

cery stores have replaced or upgraded their facilities. A significant part of the market is therefore still facing a shift in technology and the transition will continue with increased intensity in the years to come.

Although similar resolutions have not yet been established on other continents, interest in environmentally-friendly technology has grown among the major supermarket chains in Asia, Australia and southern Africa. For example, in the past two years, the group has installed transcritical units in supermarket chains in Chile, Australia and South Africa, and is also behind an installation for the Metro chain in China. In South Africa, Beijer Ref has installed its first transcritical CO_2 unit in Johannesburg. Meanwhile, SCM Ref in the Netherlands has begun manufacturing an energy-efficient ammonia unit that is being launched in 2019, while SCM Ref in Sweden is developing a unique, propane-based chiller that helps customers switch to green technology. The increased demand, together with Beijer Ref's expanded investment in the area, has led to increased sales and the OEM segment is one of the group's fastest growing areas.

SHARING

As natural refrigerants become more common, it is important that end customers, installers and service technicians around the world have the right skills to be able to work with them. In the spring 2018, Beijer Ref therefore opened a training centre in Italy that is unique in the industry. It is called Beijer Ref Academy and is fully focused on environmentally-friendly CO_2 technology. The teaching covers both theory and practice. For the experience to be as authentic as possible, Beijer Ref has built specific refrigeration and freezer rooms where participants have the opportunity to study the CO_2 technology at close range. In parallel, students go through the latest innovations in natural refrigerants and discuss what to will come in the future. The training quickly became highly appreciated and is fully booked several months ahead. The aim is to open similar training centres in the Netherlands and France during 2019 and also in Australia, Asia and Africa later.

INNOVATIONS FOR THE FUTURE

To be at the forefront of developing modern and energy-efficient refrigeration technology requires a well thought out innovation strategy. Everything starts with a close dialogue with customers to gain insight into needs in both the long and short term. By acquiring expertise in a number of areas, an innovation funnel is then created with a number of projects. An important collaborator is the respected University of Padua in Italy. Together with the university's engineering unit, Beijer Ref has been able to develop a number of CO_2 transcritical refrigeration systems. One of them is CUBO2 Smart, a transcritical unit that is adapted for small shops and offices. Another launch awaits in 2019 of the Smart Booster unit, designed to work in large petrol stations and medium-sized shops. A significant advantage in new launches is the group's extensive distribution network and warehousing. When new products are to go on the market, Beijer Ref offers both high product availability and short delivery times.

Added value in central purchasing processes

Collaboration with key suppliers is increasing.

For an international trading group, a structured purchasing function is one of the most value-creating processes. To be able to present customers on several continents with a broad, high-quality range of products, Beijer Ref works on procurement at both central and local level.

PARTNERSHIP IN THE LONG TERM

Beijer Ref has long worked at creating long-term partnerships with leading suppliers in the industry. Business becomes advantageous to both parties. The group purchases large volumes at competitive prices, and suppliers have access to Beijer Ref's extensive distribution network. They are also highly visible to the end customer, which is difficult to achieve in any other way.

BUSINESS SUPPORT SYSTEM FOR DESIRABLE VISIBILITY

Beijer Ref evaluates supplier relationships and internal processes on an ongoing basis in order to optimise the product portfolio in all markets. To achieve even better results, the group has been working on a common and global business support system to be able to make internal comparisons. This enables Beijer Ref to both optimise and consolidate its purchases, resulting in lower costs.

IMPROVED PROCESSES

In 2018, the strategy has been refined and efforts to implement product articles in the business support system, a time-consuming project, have been better allocated within the group. Now it is managed by a common article code system. The project is expected to be completed in 2019. A common and transparent article overview makes it much easier to balance over and under stocks, negotiate prices, make central analyses and improve warehouse management. In parallel, smaller suppliers are replaced by larger ones, which also gives better price levels.

The central purchasing function also provides a major advantage in an acquisition context. Newly acquired companies can quickly benefit from Beijer Ref's collaboration with key suppliers and immediately gain access to the group's purchase prices after integration.

To get an even better flow in the purchasing processes, last year Beijer Ref appointed a number of Category Managers. They work at central level with certain product categories such as tools, copper, HVAC and refrigerants. Their responsibility includes setting out a product range strategy encompassing everything from defining what a product range is to contain to assessing demand, performing purchases, managing stock levels and finding the right sales channels. This optimises the chain for Beijer Ref, its suppliers and customers. Having category managers has had a positive outcome.

THE ENVIRONMENT IN FOCUS

To further optimise procurement, Beijer Ref will continue to develop collaboration with the biggest suppliers in each product category. This means that the number of suppliers will gradually decrease. Increasing volumes with strategic suppliers brings not only lower prices, but also an opportunity for the group to guide the product range towards more environmentally sustainable alternatives. Closer work with selected suppliers also means better coordination and thus fewer transports, which reduces the group's carbon footprint. During the year, Beijer Ref has also implemented its code of conduct with its largest suppliers.

Logistics the base for the business

From local to national and regional.

In a wholesale business, an efficient logistics chain and a widespread distribution network are crucial in order to create added value for an internationally spread customer base. Proximity to customers, flexible warehousing solutions and the possibility of rapid delivery are key factors in being able to act as a leader in a competitive industry.

LOCAL ORGANISATION

Because proximity to the local markets is important, Beijer Ref, until a few years ago, has mainly been working according to a national strategy for the geographical location of logistics centres. The group has built up a logistics chain which means that in principle each subsidiary has a warehouse and distribution business that is directly linked to the respective operations. Thus, Beijer Ref has a total of about 40 national central warehouses and over 400 branches that all stock and sell products and spare parts for refrigeration technology and air conditioning. Deliveries to customers go either directly from the logistics centre or via a branch.

MERGING FOR GREATER EFFICIENCY

As the group has grown through acquisitions, there has been a need to develop the strategy to exploit the advantages that come with being a widespread market leader. For this reason, Beijer Ref has reviewed how capacity can be better utilised by working with a regional approach to a greater extent. Over the last couple of years, Beijer Ref has therefore merged together some warehouses in a number of key markets and created distribution centres covering several countries.

A significant example is the newly built Beijer Ref Support Centre in the Netherlands, which will eventually cover several companies in Central Europe. The logistics centre is the most modern at Beijer Ref and covers about 14,500 m^2 including an automated warehouse, offices, meeting rooms, showrooms, training facilities and an assembly hall for the group's OEM production. It was established in 2017 and during 2018 one company has moved its warehouse operations to the centre. The other companies will gradually perform their transfer during 2019.

In 2018, Beijer Ref has also established a joint distribution centre in New Zealand. In South Africa, the subsidiaries have co-planned their logistics and in Norway the companies have coordinated themselves around a single central warehouse. The companies in Australia will also eventually move into a new central warehouse. All measures provide for lower costs and lower capital formation.

INCREASED VISIBILITY

Another tool to increase availability, inventory turnover speed and efficiency is to work with a common business support system. The purpose of the system is to increase visibility through the entire chain, including in real time. This in turn provides opportunities for increased collaboration between the companies and better customer service.

A major project that has been ongoing during the year has been to build a common article code system. Using the same article codes throughout the group results in higher visibility and the possibility of planning at a completely different level than before. By spring 2019, most of the articles will be encoded in the system.

Digitalisation continues

A group-wide e-commerce platform paves the way for future trading.

Creating smart, digital solutions for logistics, purchasing and e-commerce is a key element in the group's strategy. The work involves finding solutions for common information and e-commerce platforms that will lead to new market opportunities. Beijer Ref has a clear objective - to be the leading player in e-commerce for air conditioning and refrigeration units, with at least ten per cent of total sales via digital channels by 2022.

COMMON PRODUCT INFORMATION

In the future, more and more trading will be done digitally, including in Beijer Ref's industry. A couple of years ago, Beijer Ref initiated a project to create a common e-commerce platform for all subsidiaries. To do this, a master database is needed that handles all of the group's articles, a so-called PIM (Product Information Management) system.

The PIM system enables Beijer Ref to maintain and store product attributes and categories for all companies in the group. It also supports all e-commerce and printed catalogues. It means that customers can buy from Beijer Ref whether they are using a tablet, computer, mobile phone or physically visiting a branch.

The system is also connected to a real-time application so that current prices and warehouse status are displayed. The platform is based on all the group's articles sharing the same coding system, something that has been developed during the year with good results. The central article register gives Beijer Ref a total picture of stocked articles and provides the opportunity to coordinate both stocks and product deliveries. This can lead to significant cost savings for Beijer Ref in the long term and is an important parameter for efficient order management, e-commerce and logistics.

E-COMMERCE IS PRIORITISED

In parallel with the PIM system, Beijer Ref has developed an e-commerce module. After a test launch in Germany, the module is now ready to be implemented in more countries. The German e-commerce site has served as a good reference example for other companies and can be adapted to each market language and needs. In this way, Beijer Ref can operate locally but benefit from group synergies with competitive solutions as a result. Launches of further e-commerce sites are now awaited in a number of European markets. The main focus will be on the countries with the largest volume sales. E-commerce is a high priority and Beijer Ref has added additional resources at central level who will be responsible for this implementation.

STRATEGY FOR BUSINESS SYSTEMS

To optimise the work of establishing e-commerce, Beijer Ref is working long term to create a common structure for business systems. This applies in particular to those subsidiaries where it is relevant to upgrade or change the business system. Here the group is actively looking at the types of solutions that are most profitable from a holistic perspective.

The increasing spread of digitalisation is resulting in new behavioural patterns. Beijer Ref has an ambition to be available in what is known as omnichannel, which means that customers must be able to choose for themselves where they want to place their order or collect technical information.

Forward for sustainability

Beijer Ref is creating the conditions for a sustainable business in a number of key areas. The work is under constant development and during the year important initiatives have been taken that strengthen and endorse awareness within our own organisation.

Since sustainability issues were moved up to central level within Beijer Ref, targeted work has been underway in order for the entire group to work under a single framework. That Corporate Social Responsibility (CSR) is a cornerstone of the group's long-term strategy is exemplified by several initiatives, not least because the subject is now firmly on the agenda for board meetings. As an industry leader in several markets, Beijer Ref is above all able to set a standard and pursue issues concerning the development of technology for environmentally-friendly and natural refrigerants.

In 2018, a great deal of the work on sustainability has been about implementing the strategy that was previously devised. To drive the process at higher speed, the central HR organisation has been expanded. In this way, opportunities to support the subsidiaries and share experiences are increased. Policies and guidelines in each area have also been developed and refined and have gained a further increased focus on environmental issues and talent development as a result. KPIs have been developed in key areas to measure and monitor the results.

ONE CENTRAL FRAMEWORK

In producing the framework, the group has worked on the basis of the UN's global goals, Agenda 2030, from which focus areas have been selected where Beijer Ref believes that the company can make the most difference.

Beijer Ref works according to a decentralised organisational model, which means that the main line of sustainability work from the central level is to develop regulations, recommendations, methodologies and processes that are workable, and which can lead to action at local level. This is in accordance with the group's values 'straightforward' and 'engaged'.

Since 2017 there has been a central framework that divides sustainability work into the categories environment, employees, business ethics and anti-corruption and responsible supply chain. Basically, the framework is based on Beijer Ref's Swedish values in ethics and morals. The group has also drawn up a suppliers' code, which means that suppliers must also guarantee that important fundamental principles and ethical rules are followed.

Beijer Ref provides general guidance on how the group and its companies shall work on sustainability commitments and sets up key figures. With relevant policy documents such as the code of conduct for employees and suppliers, subsidiaries shall be able to work towards achieving specified targets in each area. As a decentralised organisation, the group expects all companies to assume active responsibility for their local operations and the management of each company to have a committed approach to CSR-related issues and to

OUR SUSTAINABILITY GOALS	HOW WE CONTRIBUTE
5. Gender equality	We are working on information and activities to increase the proportion of women in senior positions and influence diversity in a positive direction at all stages.
8. Decent work and economic growth	The working environment and good working conditions for our employees are priority areas. Our code of conduct requires our suppliers to do the same. With good products and clear installation instructions we ensure that we take responsibility that our customers, the installers, also have a safe working environment.
12. Responsible consumption and production	Beijer Ref spreads expertise in environmentally-friendly refrigerants to its subsidiaries. We set aside resources to educate our customers, suppliers and employees in environmentally-friendly technology.
13. Climate action	By taking on leadership when it comes to developing refrigeration units based on natural refrigerants, we help to reduce the use of environmentally-damaging HFC refrigerants, which have a negative impact on the ozone layer when they are released. **Our environmentally-friendly products** We develop our own product series based on environmentally-friendly refrigerants. **Reducing carbon dioxide emissions** Beijer Ref puts forward proposals for activities that can be implemented to reduce carbon dioxide emissions. The subsidiaries are then allowed to take responsibility for implementing the method that suits their businesses.
16. Peace, justice and strong institutions	We apply high ethics and morals in our work and have zero tolerance for bribery and unethical behaviour. Ethical guidelines have been developed that all employees must live up to. Annual evaluations together with the whistleblower function ensure compliance.

UN SUSTAINABILITY GOALS

drive these forward. This is done, among other things, by ensuring that there is one person in each company with an expressed CSR responsibility.

THE ENVIRONMENT

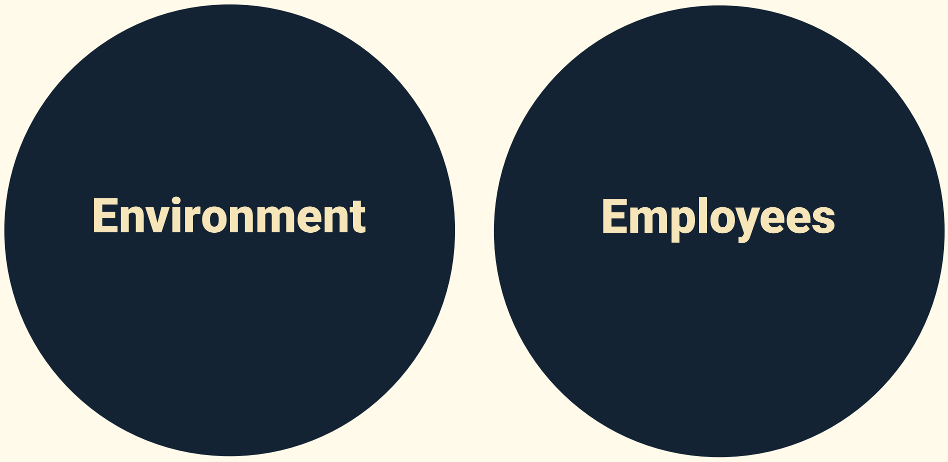
When the Paris Agreement was concluded in 2015, the countries of the world agreed on a new climate agreement which meant that global warming shall be kept below 2 degrees, and preferably stop at 1.5 degrees, in the next twenty years. In the refrigeration and air-conditioning industry, refrigerants are used that have a negative effect on the ozone layer, as indicated in what is called GWP value (Global Warming Potential). The leading players in the industry have a great responsibility to develop and spread technologies that instead use natural refrigerants that have no impact on global warming. Beijer Ref is one of the companies that have taken the lead in developing technology that is adapted for natural refrigerants such as carbon dioxide, propane and ammonia, as well as synthetic refrigerants such as HFOs. This is fully in line with the EU and UN F-gas regulations, which means that a global phasing-out of HFC refrigerants shall be completed by 2030.

How knowledge is spread

The new phasing-out provisions mean that Beijer Ref is gradually increasing the production of environmentally friendly products based on natural refrigerants. From having previously only had a manufacturing and assembly centre in Italy, Beijer Ref has now also established SCM Ref units in a number of other places in Europe and Asia. This is an effective way to use the previous knowledge that exists and transfer it to more units on more continents. The exchange of knowledge is increasingly structured, which gives even better opportunities to offer environmentally-friendly refrigeration units on a wider front. The aim for the group is to achieve an annual increase in the proportion of environmentally-friendly OEM products with a low GWP, and this too is measured continuously.

Another way to disseminate knowledge about natural refrigerants is education. During the year a completely new training centre was opened in Italy - Beijer Ref Academy CO_2 Training Centre. Beijer Ref has become the first in the industry to offer a common meeting place where suppliers, partners and customers can meet and receive information and the latest news about the group's environmentally-friendly technology. In addition to the important knowledge that the training centre spreads, it also provides the conditions for interdisciplinary discussions that can lead to even better solutions in the long term. To constantly strive to develop technology that is energy-efficient, environmentally-friendly and that supports the new refrigerants is a priority.

The Beijer Ref framework for sustainability



Other methods of contributing to a better environment include working to reduce the group's own direct impact through the efficient use of energy and other resources. Beijer Ref works at reducing carbon dioxide emissions and gives its subsidiaries recommendations for concrete activities to perform to reduce environmental impact. During the year, various policies have been updated and environmental aspects have been introduced. For example, a travel policy has been developed with instructions on how an employee should organise travel so as not to leave an unnecessary environmental footprint.

EMPLOYEES

A successful business that creates value for shareholders depends on a prosperous organisation that is inclusive and nurtures diversity and talent development. Creating the right company culture is essential in this respect. The group's core values – committed, engaged, straightforward and united – are the basis for the work on the company culture that has taken shape through various activities during the year. Beijer Ref has also taken key initiatives to raise awareness about gender equality in the workplace, with the aim of also increasing the proportion of women in the organisation. The aim is to work actively to increase the proportion of female managers and influence diversity in a positive direction at all stages.

A framework has also been developed to identify and develop talents, with the aim of maintaining and developing the company's personnel and increasing the supply of managers from within. All employees shall have an annual appraisal interview. As part of the talent development framework, talent evaluations and individual development plans shall be developed. So that everyone shall have an equal opportunity to acquire information, Beijer Ref has set a long-term goal to implement English as a group-wide language. This provides opportunities for greater cooperation and knowledge sharing.

The workplace shall be safe

All companies within the group must conduct systematic work environment activities. Beijer Ref has for many years had a policy in place which makes clear that all companies in the group shall offer a safe, non-discriminatory workplace that promotes health and well-being. There are requirements that preventive work is carried out to minimise accidents and illnesses. It is the responsibility of each company to review work environment risks, to conduct safety inspections and to report sick leave and incidents. Beijer Ref measures all absence due to illness and during the year the group initiated a procedure for cause analysis. This is intended to give a clear picture of how to proceed on prevention so as to continue to reduce the rate of accidents and to maintain the low levels of illness and accidents that are measured today.

BUSINESS ETHICS AND ANTI-CORRUPTION

Beijer Ref has zero tolerance of corruption and other unethical business methods. All employees and others who act on behalf of the company shall act in accordance with the group's ethical guidelines. Any form of corruption, bribery, irregularity or fraud shall be identified and investigated as early as possible. All employees should be able to notify if irregularities occur, and a whistleblower function is therefore developed. Information about this function is translated into the respective country's local language.

Business ethics and anti-corruption

Responsible supply chain

Partnerships

Training programmes for all

Each company is responsible for ensuring that the rules on ethical guidelines and whistle blowing are passed on to the employees. To ensure that the information addresses all the ethical requirements of Beijer Ref, the group has implemented a digital training programme in its subsidiaries. The programme is web-based and is being launched in stages during 2019. It addresses issues relating to ethics and morality and, in the wake of the #metoo movement, includes the importance of avoiding sexual harassment. This in itself can lead to greater diversity and a more inclusive workplace. The number of employees who take the training will be continuously monitored.

RESPONSIBLE SUPPLY CHAIN

Beijer Ref has already produced a central code of conduct for suppliers, valid for the business partners of all companies. This lists the group's requirements in areas such as human rights, social and labour law conditions, business ethics and anti-corruption. The code shall be seen as a tool to be used actively in dialogue with suppliers. During 2018, Beijer Ref has implemented the code of conduct for the largest suppliers.

Local responsibility

The subsidiaries have a great responsibility to work on sustainability and CSR themselves. Partnerships, local collaborations and close relationships with other organisations that in various ways support Beijer Ref's core values are therefore encouraged by the group.

SUSTAINABILITY REPORT

In addition to this section, our sustainability report also consists of the information available on pages 14 (Business concept), 22 (Green knowledge), 36-37 (Our values) and 52-53 (Risks).

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Beijer Ref AB (Publ), corporate identity number 556040-8113

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 26-29 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Malmö, 12 March 2019
PricewaterhouseCoopers AB

Lars Nilsson
Authorized Public Accountant
Auditor-in-Charge

Mikael Nilsson
Authorized Public Accountant

Market trends

Global climate goals have an important influence.

Beijer Ref has a presence in Europe, Asia, Africa and Oceania. The group has a strong position in all markets, although Europe is the base and home market. Its competitors consist primarily of a few global companies and many local operators. Beijer Ref has the ambition to be the market leader in every market in which the group is represented.

Examples of competitors include Ahlsell, Wolseley, Reiss, Fischer and Pecomark. The HVAC market, which is even more fragmented than the refrigeration market, is dominated by Asian manufacturers such as LG, Samsung and Mitsubishi Electric. Depending on their distribution strategy, they can also be competitors of Beijer Ref.

THE REFRIGERATION MARKET

The market for refrigeration can be divided into two main areas - commercial and industrial refrigeration. Beijer Ref is one of the largest refrigeration wholesalers in the world and the largest in Europe. The commercial refrigeration segment deals with many familiar products such as compressors, heat exchangers, refrigerants, control units and associated components. End customers include, for example, grocery stores, restaurants, cafés and hotels. Industrial refrigeration includes process cooling, among other things.

MEGATRENDS DRIVE THE MARKET

Growing market

The market for refrigeration technology is driven by a number of factors and megatrends. Changing behaviour in respect of food is one example. The urbanisation and higher disposable incomes of recent years have led to an increase in demand for chilled and frozen ready meals. All in all, this is contributing to an investment need and increased demand in both traditional food retailing and in totally new retail categories. When the shopping is bought online, refrigeration in transport is also important. To summarise, this requires more refrigerated display counters and extended distribution facilities. We need refrigerated food in both booms and recessions. The market for refrigeration is therefore relatively insensitive to the economy.

Global warming in focus

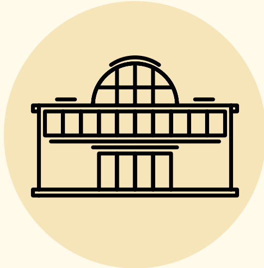
When the Paris Agreement was reached in 2015, it was decided that vigorous action must be taken to ensure that global warming does not exceed 2 degrees by 2100.

In 2018, the UN countries met for a new climate meeting in Katowice, Poland. The goal of the meeting was to design a rule book to achieve the climate goals. The rulebook will now make it possible to measure and compare the work of the various countries in order to prevent further climate change.

The broad view after the meeting in Katowice is that the position for the climate is acute. Even if the countries of the world fully implemented the national commitments set out in the Paris Agreement, the assessment is that the average global temperature will rise by at least 3 degrees by the end of the century. That is why all countries, by 2020,

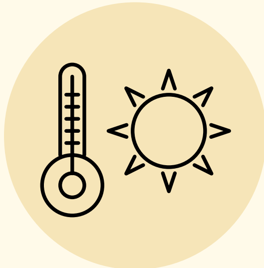
E-commerce

Growing market

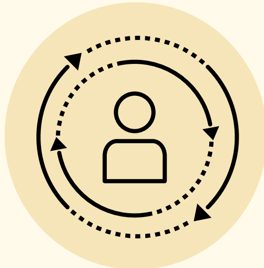


Retail

Growing middle class



Global warming



Changed behaviors

need to submit new or updated national climate commitments. Emissions from different refrigerants are a significant factor in global warming. A large responsibility therefore rests on the industry as a whole.

F-gases will be phased out

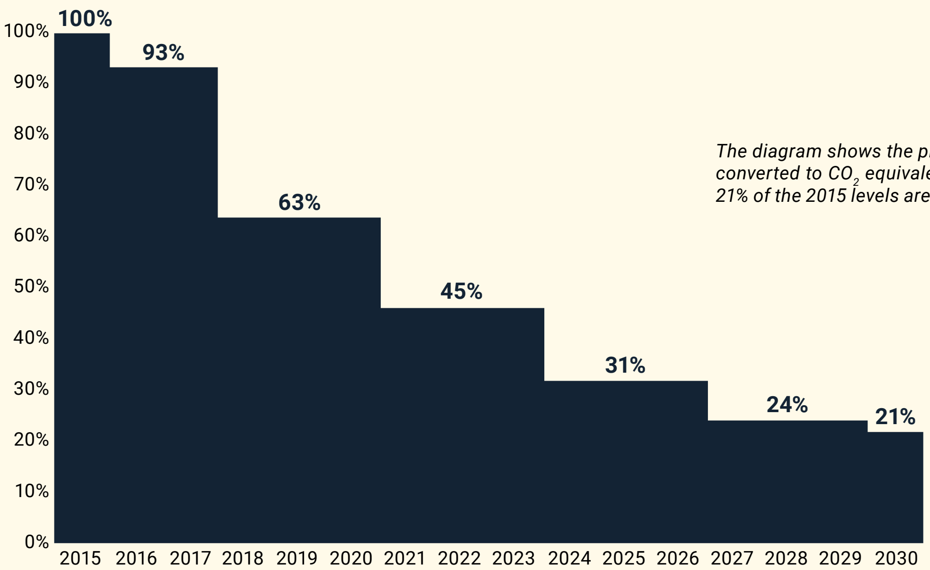
One of the key components in a refrigeration system is the refrigerant. It diverts heat and thus contributes to the cooling process. Historically, many refrigerants have been based on hydrofluorocarbons, known as F-gases. When these F-gases are released, or leak out, into the atmosphere they contribute to the greenhouse effect in a similar way to carbon dioxide emissions. One difference, however, is that some of the F-gases are significantly stronger greenhouse gases than carbon dioxide. This was why the EU introduced an F-gas regulation on 1 January 2015. It successively prohibits refrigerants with a high greenhouse effect. The new rules aim to reduce emissions of F-gases by about 80% by 2030 in relation to 2015 levels. Today, researchers and companies are developing alternative, often natural, refrigerants and heat-pumping techniques that do not damage the ozone layer and contribute less to the greenhouse effect. One example of such progress is the use of carbon dioxide.

In October 2016, 170 UN member states signed an agreement that intends to achieve a gradual phasing out of HFC refrigerants in all countries. The time horizon for the UN decision is, however, much longer than that of the EU. Australia also introduced a quota system for F-gases with effect from January 2018.

The new rules on phasing out F-gases place increased demands on existing refrigeration plants. A large number of refrigeration installations across Europe will therefore need to be replaced or rebuilt, which will affect the market. Beijer Ref can meet this increased demand through the OEM area of its business. The group has the competence and the capacity to design and build efficient, eco-friendly systems and installations based on natural refrigerants. Europe and in particular the Nordic countries are leading the way in the transition to environmentally-friendly refrigeration technology, which gives Beijer Ref a strong position, as these have traditionally been the group's home markets. Beijer Ref is also seeing increasing demand in markets such as Australia, China, New Zealand and South Africa.

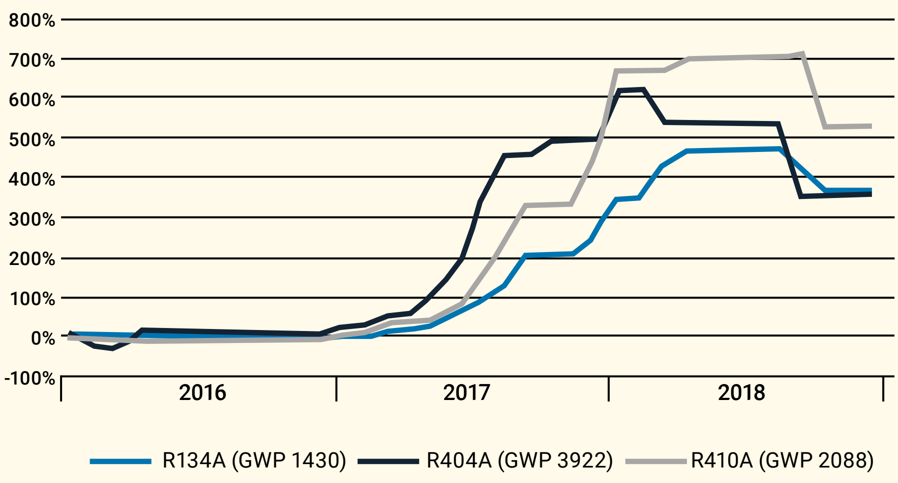
The EU resolution and the UN decisions mean that there will be a wide-ranging restructuring of the refrigeration industry over the next few decades, with a major need to invest in environmentally-friendly refrigeration technology. At the same time, most markets are lagging far behind in the implementation of the technology shift. The transition can also become intense when import restrictions on F-gases rise sharply. Beijer Ref's assessment is that many countries will be unable to cope with phasing-out within the time frame. Thus, an intensive phase is expected where many end-customers will have to upgrade their technology at the same time and the demand for technology based on natural refrigerants will rise.

Phasing out CO_2 equivalents within EU



The diagram shows the phasing out of refrigerants, converted to CO_2 equivalents, until 2030 when only 21% of the 2015 levels are to remain.

The F-gas regulation regulates the sale of refrigerants in the EU and controls the pace of phasing out of conventional refrigerants (HFC) with new, environmentally-friendly alternatives. The phasing-out programme introduced in 2015 is occurring in stages, as shown in the figure above. To equate the different gases that have unique characteristics and thus affect the environment to varying degrees, they are converted into a common unit, known as the CO_2 equivalent. A CO_2 equivalent indicates how much carbon dioxide would have to be emitted to produce the same effect on the climate. The higher the equivalent, the greater the negative impact on the greenhouse effect. The phasing-out therefore means that the high-equivalent refrigerants (with a high global warming potential or GWP) must be replaced right at the start of the phasing-out programme with either a more environmentally-friendly substitute or a new sustainable refrigeration installation.



Price trend within EU of some of the most common refrigerants during 2016-2018.

As shown in the diagram above, there was a significant reduction in CO_2 equivalents in 2018 which led to a reduced supply of refrigerants, something the market was not ready for. The decline in the supply of refrigerants prompted sharp price increases in the autumn of 2017 which caused unease in the market. The price trend is shown in the diagram above. The price rises slowed at the beginning of 2018 but remained at a historically very high level in the first half of the year before gradually falling back in the second half. Because there was a

The middle class is growing in Asia and Africa

certain surplus at the end of last year, this contributed to falling prices which in turn led to a certain build-up of refrigerant stocks in the installation stage. The assessment is that stock levels will return to normal in the first quarter and prices that are still at a historically high level stabilise in the second half of 2019.

As also shown in the diagram, the next large reduction in permitted CO_2 equivalents will be in 2021. What is happening in the market is uncertain but a probable scenario is that prices are rising due to the decline in supply. In the meantime, the market is preparing by converting either to more environmentally-friendly temporary solutions or to fully sustainable solutions, which is expected to lead to a more controlled process than at the beginning of 2018.

Growing middle class

There are several factors in the comfort cooling (HVAC) segment that are driving an increase in demand. The installation of heat pumps and air conditioning in the home is becoming more common, even in northern parts of Europe. The technology is increasingly being acknowledged to be energy-efficient, safe and eco-friendlier than other alternatives. The trend in the heating segment is moving towards replacing traditional oil and gas boilers with far more energy-efficient air/water heat pumps.

All in all, this benefits demand for Beijer Ref's products. The growing middle class in Asia also contributes to increased demand for comfort cooling, which according to studies has a direct link to a perceived increase in quality of life. The same holds true for Africa, where the middle class is expected to grow strongly over the next few years, which means that many more will have the opportunity to buy air conditioning. What the markets have in common is that demand for new installations is to a large extent affected by the general economy, while demand for repair and maintenance work is more stable. The regulatory resolutions also affect all countries, albeit in slightly different time frames.

Digitalisation produces effects

E-commerce is growing in line with increased digitalisation, including in Beijer Ref's industry. Artificial intelligence and new types of sales channels and operators will become increasingly common. Pioneering operators, such as the multinational e-commerce company Amazon, could eventually expand their product range into Beijer Ref's segment. This ultimately creates greater availability for the products and services of the refrigeration industry, which also drives demand and requirements for short delivery times.

We are known by our strong brands

Beijer Ref is growing together with the suppliers.

Beijer Ref functions today primarily as a trading group that warehouses and supplies the market with over 200,000 items in refrigeration and air conditioning. This requires both market knowledge and relationship building in several stages. Having long-term and close partnerships with quality suppliers is therefore an important part of the business strategy.

Over the years, Beijer Ref has carefully built up a strong supplier network, with a product portfolio that draws goods from more than one hundred suppliers and brands. The suppliers in turn have access to Beijer Ref's extended and global distribution network and customer base. It is also a fact that different manufacturers have different distribution strategies. Beijer Refs's strength lies in the group's flexibility in its supply chain, which can meet the needs of most suppliers.

The mix of brands and suppliers has been carefully composed and provides Beijer Ref with unique breadth in its product range. The size of the supplier network also means that the group has an independent position in the market. The product portfolio contains brands covering the whole spectrum from the low price segment to the premium level. Each market must be able to provide customers with at least two strong and well-known brands in each product category.

EXCLUSIVE AGREEMENTS

The brand portfolio is based on exclusive agreements with certain strategic suppliers. The largest of these is the agreement with Toshiba, which was signed in 2011. This means that Beijer Ref now has exclusive rights in 11 European countries for the distribution of Toshiba's air conditioning installations and heat pumps. Toshiba is a leading brand in Europe and is known for high quality and low energy consumption. Beijer Ref is also responsible for marketing the brand to end customers in the European market.

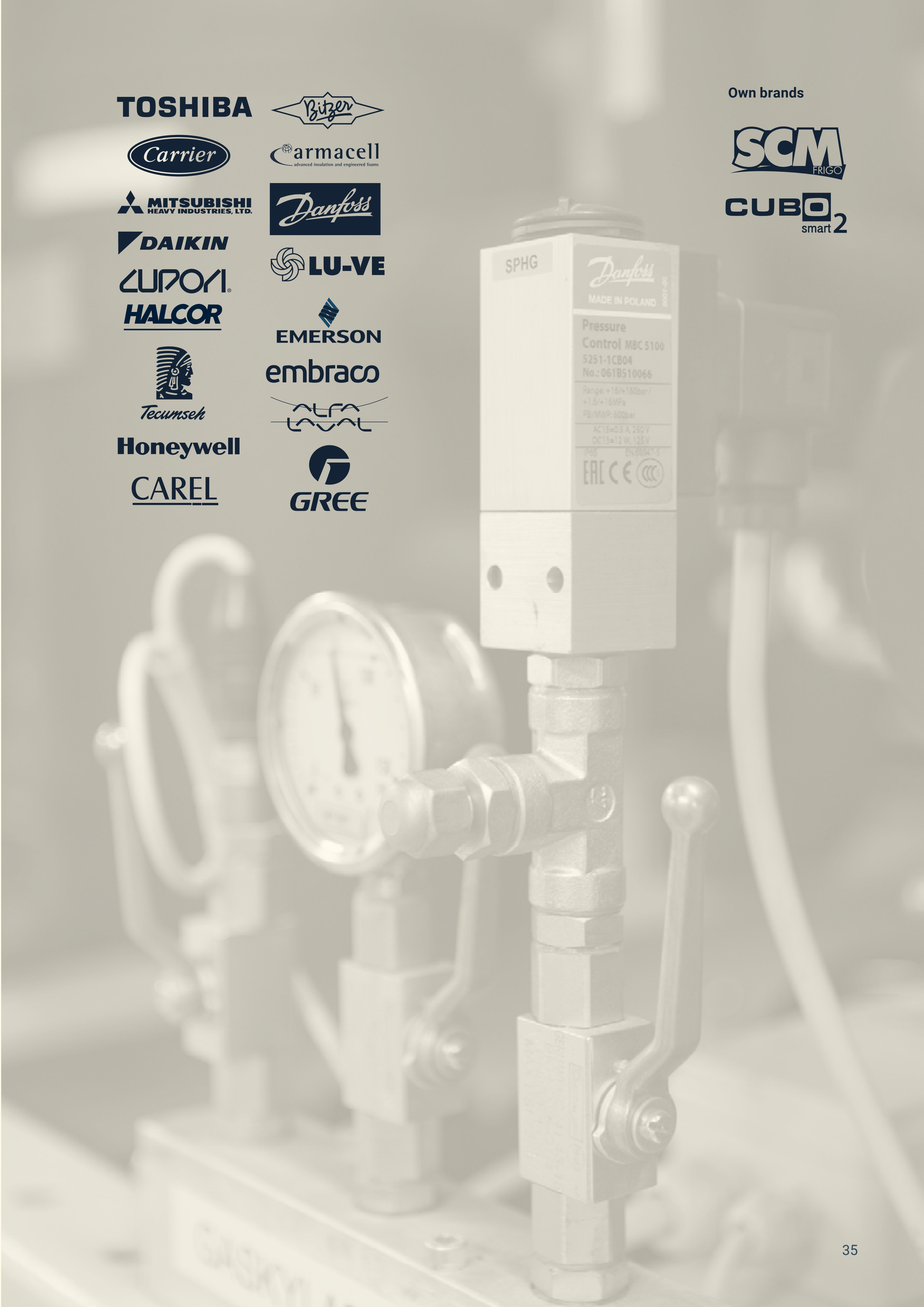
The group has a number of exclusive distribution agreements. One of these is with the world-leading American refrigeration group Carrier. This agreement grants Beijer Ref exclusive rights to sales and service of the brand's comfort cooling products in most European countries and in South Africa. The agreement was established in 2009 in connection with Carrier becoming the principal owner of Beijer Ref.

Beijer Ref also has an exclusive distribution agreement with the Japanese market leader Mitsubishi Heavy Industries (MHI), which gives the group exclusive rights to sell the brand's air conditioning products in the Nordic region, the United Kingdom, the Netherlands, Spain and Portugal. During the year, collaboration was intensified with the formation of the jointly owned company 3DPlus. Also, the group's British subsidiary Dean & Wood will change its main supplier to MHI during 2019. Continuously cementing effective partnerships is part of the business strategy. This provides an even better market position and stronger guarantees of availability.

Other brands that Beijer Ref offers are Danfoss, Bitzer, Embraco, Alfa Laval, Tecumseh, Honeywell, Lu-Ve, Cupori, Carel, Panasonic, Armacell, HARP, Gree and Daikin.

OWN BRANDS IN THE MIX

Beijer Ref also develops its own brands. SCM and CUBO are two examples. During 2018, these have received extra attention with the investment in the Beijer Ref Academy – the group's own training centre in Italy for natural refrigerants. CUBO2 Smart also won the award for the most innovative product at the NACR Awards in the United Kingdom at the beginning of 2019.



TOSHIBA
Bitzer
Carrier
armacell
advanced insulation and engineered foams
MITSUBISHI HEAVY INDUSTRIES, LTD.
Danfoss
DAIKIN
LU-VE
CUPON
HALCOR
EMERSON
Tecumseh
embraco
ALFA LAVAL
Honeywell
CAREL
GREE

Own brands

SCM FRIGO

CUBO2 smart

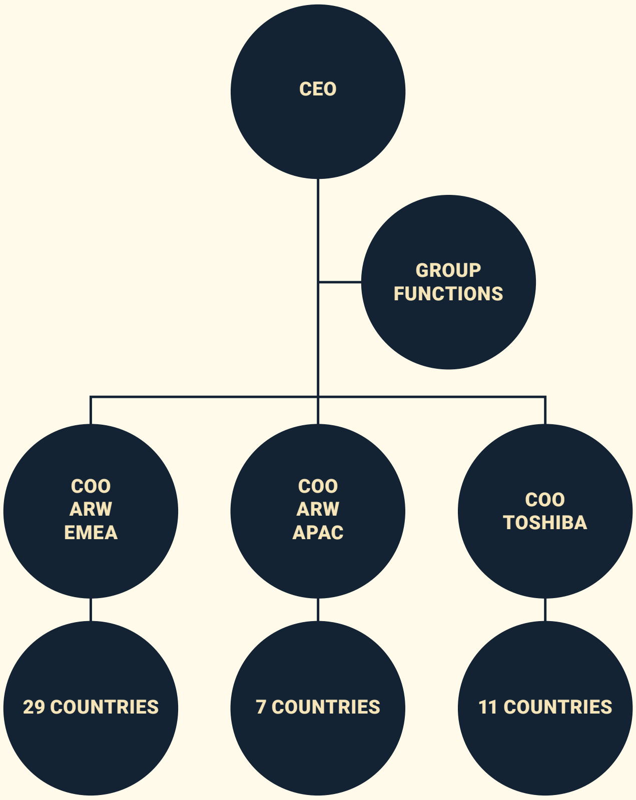
Our values

Success – a team effort.

Beijer Ref's company culture is based on a long tradition of entrepreneurship and enterprise. Ever since the Beijer brothers laid the foundation for their life's work more than 150 years ago, the factor that supports success has been a strong willingness to develop and evolve. Over the years Beijer Ref has grown, both organically and through acquisition. Today, Beijer Ref is a group of companies across four continents, all specialised within refrigeration and HVAC. Despite its geographical spread, there is a clear and common Beijer Ref spirit. It has resulted in four core values that serve as a guide for all employees - committed, engaged, straightforward and united.

OUR CORE VALUES

Together, the values stand for the employees' commitment and loyalty to the group's stakeholders, a devotion to always offering the best products and the best service. The values also describe a concern, about each other and the world around us, from a sustainability perspective. It shall also be straightforward to do business with Beijer Ref, with clear and short decision paths. Communication shall be straightforward, consistent and reliable. Being present in many continents shall be an advantage, without beeing complex. Above all, it is Beijer Ref's conviction that every part of the organisation plays an important role in creating success, and that performance is a result of a team effort.



It is important that the values permeate the entire business, and Beijer Ref works actively to bring the core values into our various processes and activities so that they become a natural part of our day-to-day work. From a central perspective, the HR department sets up frameworks and guidelines for how this can be done. It is then the responsibility of each company to take this work forward. One example is the model for appraisal interviews that has been developed, which clarifies how to set goals for the employees' development. One point describes how to annually measure and rate how the employees live up to the core values. The values are also an important part of all recruitment processes and thus become a guideline when Beijer Ref is looking for new talent.

Collaboration between the subsidiaries has also been in focus. During the year, Beijer Ref has worked at several levels to promote the exchange of knowledge and experience within the group. Several conferences have been arranged, where employees within the same field, but who work in different markets, have been given the opportunity to meet and discuss goals and strategy. Various activities involving the company culture are natural elements of these gatherings. To further encourage collaboration between the subsidiaries, Beijer Ref aims to introduce English as the main language with a specially developed English Language Strategy.

BEIJER REF EXCHANGE PROGRAM

With the aim of further strengthening the Beijer Ref spirit, the group has launched an exchange programme. The programme means that the subsidiaries may nominate employees who, if they are selected, work on a specific project at another subsidiary in another market for a specified period of time between two to four months. The plan is that the programme shall be recurring and the employees selected to participate are able to develop new skills while experiencing different business environments and cultures.

A DECENTRALISED ORGANISATION

Beijer Ref has always worked according to a decentralised organisational model, a factor that has been important for the group's success over the years. This means that local management has the authority to make decisions. The goal is to create effective local companies that work closely with their markets and receive the support they need from head office.

Out of the group's 3,700 employees, about 25 work in central functions. They work to implement the business strategy and handle typical staff functions such as finance, HR, legal, sustainability and logistics. Ongoing management is performed through representation on local boards, a well developed reporting system and close dialogue.

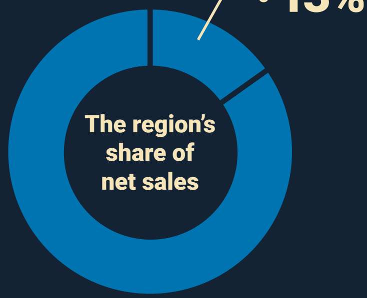
Nordic region

Denmark
Finland
Norway
Sweden

Net sales, sek m
1 717

EBIT, sek m
282

ROWC, %
58



In the Nordic region, Beijer Ref's companies operate mainly as distributors in the field of refrigeration, although comfort cooling (HVAC) is steadily growing. Refrigeration installers and service companies are typical direct customers, while end customers include, for example, grocery stores with refrigeration and freezer systems. Beijer Ref's operations in the Nordic region have extensive experience and competence in refrigeration technology, and supply everything from small components to total solutions for refrigeration systems.

AN AWARE CUSTOMER BASE

During the year, all markets in the region showed good growth. It is primarily the F-gas regulation that drives demand for Beijer Ref's products, and the end customers in the Nordic countries are at the forefront when it comes to upgrading and converting to new environmental technologies. It is above all the food industry, which in this context includes both grocery stores and transport, which is proactive when it comes to investing in new technologies. Despite this, Beijer Ref estimates that only about 15 to 20 per cent of grocery stores in the Swedish market have upgraded their refrigeration technology. Due to rising demand, the group has invested in its filling capacity for the environmentally-friendly refrigerants CO_2 and propane. SCM Ref in Vislanda has also manufactured a version of the transcritical refrigeration unit CUBO2 Smart designed for smaller applications such as schools, restaurants and petrol stations.

HVAC IS GROWING

Comfort cooling is an area that is growing in the Nordic region. The addition of an unusually warm summer meant that sales of comfort cooling increased, and the Finnish market accounted for the largest increase. Beijer Ref's assessment is that the HVAC segment in the Nordic countries will grow further in 2019. As a result, investments in heat pumps and chillers are increasing for the coming year.

Central Europe

REGIONAL LOGISTICS CENTRE IN THE NETHERLANDS

At the end of 2017, Beijer Ref opened a major logistics and support centre in the Netherlands. The centre, which consists of offices, automated warehouse and hall for manufacturing refrigeration units, is intended to serve as an efficient hub for nearby markets. It is also an example of how Beijer Ref wishes to work on warehousing and distribution. Creating efficient, modern and regional centres that can serve several countries is the future. The warehouse has opened up in stages during the year, the last of which the automated warehouse shall be completed during the first half of 2019. The group will then also open a training centre in environmentally friendly refrigerants, Beijer Ref Academy, which will primarily specialise in ammonia-based refrigeration technology.

Beijer Ref has a presence in the United Kingdom, the biggest market in Central Europe, in the form of three refrigeration wholesalers. During the year, 3DPlus was added, a company that Beijer Ref established together with its strategic supplier Mitsubishi Heavy Industries (MHI). This jointly owned company means that Beijer Ref has exclusive rights to distribute MHI in the United Kingdom. The other companies distribute leading brands in a market with a high demand for upgrading existing refrigeration and HVAC technology.

Sales growth was also affected by the warm summer, which drove demand for comfort cooling. HRP, the company that Beijer Ref acquired during 2016, have in only two years turned a negative trend into record growth in 2018. HRP received the Best Distributor award at the industry's NACR Awards, which were held at the beginning of 2019.

E-COMMERCE IN MORE MARKETS

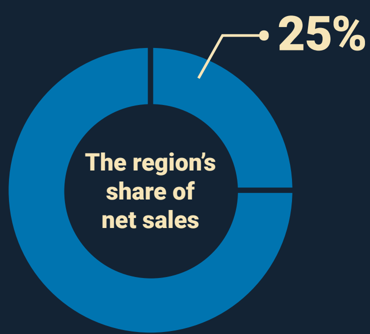
In 2017, a new e-commerce solution was launched in Germany, where a number of key customers were given the opportunity to test the platform. The technology has subsequently been refined and will also be launched in other countries in the region. E-commerce is a growing channel, but thus far it is a complement to other sales channels. The objective is that at least ten per cent of Beijer Ref's sales will come from digital channels by 2022.

Belgium
Germany
Ireland
Netherlands
Switzerland
UK

Net sales, sek m
3 307

EBIT, sek m
274

ROWC, %
29



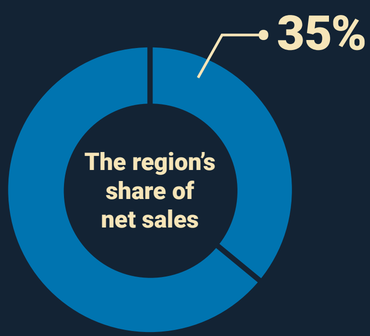
Southern Europe

France
Italy
Portugal
Spain

Net sales, sek m
4 688

EBIT, sek m
409

ROWC, %
29



Southern Europe is Beijer Ref's biggest region. The area is also one of the biggest for the group's HVAC segment, as the need for air conditioning is greater in markets with a warmer climate. Beijer Ref, which is the sole distributor of Toshiba's products in Southern Europe, has also focused on developing a partnership with Carrier over the last three years. Since the acquisition of Lumelco in Spain and GH2C in France in 2018, more strong brands have been added to the product portfolio. Lumelco has exclusive rights to distribute Mitsubishi Heavy Industries in Spain and Portugal, and GH2C supplies products from Daikin among others.

RECORD YEAR DESPITE COOL SUMMER

While summer in Northern and Central Europe led to record heatwaves, the summer season in Southern Europe was cooler than normal. In spite of this, Beijer Ref's companies in the region reached record totals in 2018. The main reason for this growth is the F-gas regulation, which significantly influences end customers to invest in new, environmentally friendly technologies. Sales of CO_2 boosters have hit new records.

MERGING IN FRANCE

During the year, efficiency measures in France have created even better conditions for growth. All of the group's four French companies' support functions and warehousing have been merged. This measure has already had an effect on results. Also, a branch was opened in a new export market – Martinique.

Eastern Europe

INVESTMENT IN OUR OWN ESTABLISHMENTS HAS BEEN EFFECTIVE

In the Eastern Europe region, the group has a presence in eight markets that are generally fragmented. Beijer Ref has therefore established most of its businesses itself. Work to build up a presence in the region has been ongoing for some time and has resulted in Beijer Ref now holding a leading position in the area.

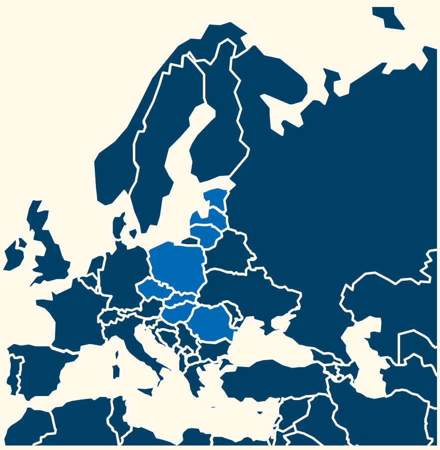
Efficiency measures are performed on an ongoing basis. The companies in the Czech Republic and Slovakia have been coordinated so that they now share support functions and warehousing. In Estonia, operations have moved into new, larger premises in order to meet a growing market demand.

ENVIRONMENTAL TECHNOLOGY IN DEMAND

The F-gas regulation is driving demand for more environmentally friendly technologies in the region, especially in Estonia, Poland and Romania where the group has sold a number of transcritical units units during the year. Sales of comfort cooling have also increased in the same markets and the collaboration with Carrier has been particularly successful.

CENTRAL FILLING STATION

To be able to develop its presence in the region, the group has continued to invest in its filling station for refrigerants in Hungary. This station is a significant hub for Beijer Ref's companies in Hungary, Romania, the Czech Republic and Slovakia, and is essential for continued growth in Eastern Europe.



Czech Republic
Estonia
Hungary
Latvia
Lithuania
Poland
Romania
Slovakia

Net sales, sek m

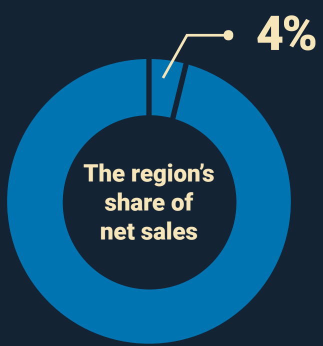
493

EBIT, sek m

59

ROWC, %

31



Africa

Beijer Ref has been operating in the Africa region since 2009 and is growing both organically and through acquisitions.

When Beijer Ref acquired one of southern Africa's leading refrigeration wholesalers, TecsaReco, the group gained access to a number of new brands and a larger product range. During the year, the company has developed successfully and there has been good collaboration with Beijer Ref's other two companies in the market.

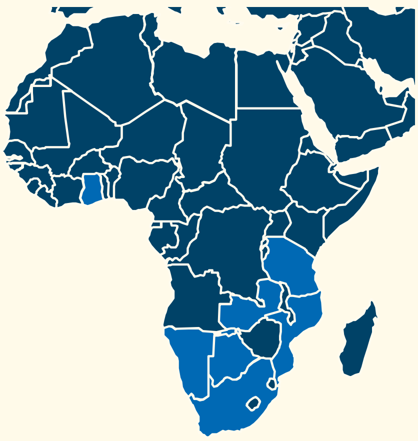
EXCLUSIVE AGREEMENTS GIVE BENEFITS

The partnership with Carrier, with which Beijer Ref has exclusivity agreements in South Africa, has developed with good sales results in 2018. During the year, Bejier Ref was also able to distribute a new HVAC brand in the region – Gree of China. The agreement means that Beijer Ref now has an even stronger offering to a market that is expected to grow in the coming years as the population gradually gains more buying power.

LOCAL MANUFACTURE OF ENVIRONMENTAL TECHNOLOGY

Investments in Beijer Ref's OEM and more environmentally friendly technology have continued. During the year, the first transcritical refrigeration unit was sold to a grocery store in Johannesburg. The group's strategy is to have a well-functioning local organisation within the region that can install such technology. SCM Ref Africa was therefore established during the year. This company characterises the group's clear ambition to work purposefully with technology that is based on natural refrigerants. The goal is that the company will be able to manufacture its first transcritical booster in the first quarter of 2019.

In 2018, the market recovered and Beijer Ref showed organic growth.

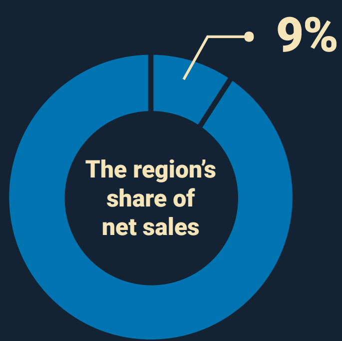


Botswana
Ghana
Mozambique
Namibia
South Africa
Tanzania
Zambia

Net sales, sek m
1 164

EBIT, sek m
68

ROWC, %
15



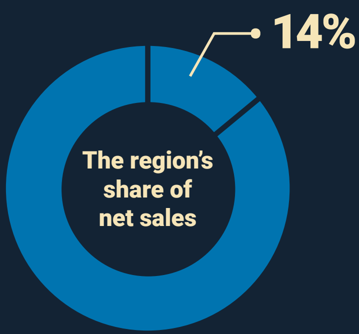
Asia Pacific

Australia
China
India
Malaysia
New Zealand
Singapore
Thailand

Net sales, sek m
1 874

EBIT, sek m
99

ROWC, %
15



LARGE ACQUISITION IN AUSTRALIA

Beijer Ref began the year with the acquisition of Heatcraft, one of Australia's leading refrigeration wholesalers. The acquisition means that the group's sales in Asia Pacific have doubled. Sales in the region now account for about 20 per cent of the group's total sales, and also mean that seasonal variations have been evened out. The acquisition also included a plant in Wuxi, China, which now becomes the group's base for OEM manufacturing in Asia Pacific. The rights to the Kirby brand were also included. During the year, Heatcraft had access to the group's central agreements for purchasing and distribution. Interest in the market in green technology is also increasing since Australia introduced a quota system for HFC refrigerants during 2018. Beijer Ref received many orders for transcritical systems during the year.

NEW SUPPORT CENTRE IN NEW ZEALAND

More efficiency measures were implemented in New Zealand, where Beijer Ref opened a new logistics and support centre in the spring. The operations now share warehousing and support functions, which will give benefits in the future.

POTENTIAL IN INDIA

The refrigeration market in India is growing as a large part of the population enjoys greater buying power. A warm climate also contributes to a high interest in refrigeration and HVAC and the sales trend has once again been in double digits. During the year, the Indian company was renamed Beijer Ref India, as a mark of the group's investment in the market. Bejer Ref will closely follow how the phasing out of HFC refrigerants develops, so as to be ready to meet the needs of more environmentally-adapted refrigeration systems in the future.

The share's performance

At year end, Nasdaq OMX Stockholm had risen by 7.7 per cent (6.4) since the beginning of the year. The price paid for Beijer Ref's class B share rose during 2018 by 38.3 per cent (46.5).

SHAREHOLDERS

Beijer Ref's class B share has been publicly listed since 1983 and since 2 January 2019 has been on Nasdaq OMX Stockholm's Large Cap list. The share capital of Beijer Ref totals SEK 371,685,513, divided into 127,434,690 (127,434,690) shares, each with a quota value of SEK 2.92. Beijer Ref had 6,721 (4,963) shareholders on 31 December 2018. There are two share classes: 9,918,720 class A shares and 117,515 970 class B shares. Each class A share represents ten votes and each class B share one vote. The distribution of ownership is set out in the table.

GOOD LONG-TERM RETURN

The profit per share after tax totalled SEK 6.07 (4.02). Total return for the Beijer Ref class B share was 40.1 (49.1) per cent, which may be compared with the SIXRX index, which had a return of -4.41 per cent. In the last five years, the class B share has had a total return of 31.1 per cent per year. The corresponding figure for the SIXRX index 2 is 8.2 per cent per year.

SHARE PRICE AND TRADING

The company completed a share split 3:1 in 2018, which has resulted in increased liquidity in the share. In 2018, a total of 26,813,417 Beijer Ref shares were traded (11,696,592). The total value of trading in the share was SEK 4,566,937,865 (986,668,088). The average daily trading volume was 107,254 (46, 599) shares or SEK 18.3 (3.9) million. The highest price paid during the year was recorded on 9 August 2018 at SEK 201 and the lowest on 15 January 2018, at SEK 99. At 31 December 2018, the company had a market capitalisation of SEK 18.6 (13.4) billion. More information about the Beijer Ref share may be found at www.beijerref.com.

SHARE DIVIDEND

The Board of Directors has proposed a dividend of SEK 3.00 (1.92) for the financial year 2018, corresponding to a total dividend of SEK 380 (244) million. The proposed dividend corresponds to 49 (48) per cent of the group's profit after tax for 2018 and 10.2* (7.5) per cent of equity at year end. The direct yield, i.e. the proposed dividend as a percentage of the year's final share price, is 2.1 (1.8) per cent. The board's proposal also means that the dividend will be paid in two instalments, in April and October 2019, to meet the group's seasonal variations.

*) Total dividend in relation to equity before non-controlling interests

THREE GOOD REASONS TO OWN SHARES IN BEIJER REF

1. GROWING MARKET AND TECHNOLOGY SHIFT

The market is growing and favourable external conditions have a positive effect on the company. The business is relatively insensitive to economic fluctuations because most of the end products are intended for the food industry. A growing population and an increasingly prosperous middle class also increase the demand for Beijer Ref's comfort cooling products.

Beijer Ref has the ambition to grow in both new and existing markets. There are still several geographical markets where the group is not represented today, but which may be possible in the future.

The market is also undergoing a technology shift, where end customers are converting to more environmentally-friendly alternatives for regulatory reasons. Beijer Ref is well positioned and has alternatives based on future green products, compared to the present system that is driven by refrigerants that have a negative environmental impact.

2. CLEAR FOCUS

Beijer Ref focuses on what the company is good at, i.e. delivering refrigeration and HVAC products. The company has a strong corporate culture. Entrepreneurship has always been one of Beijer Refs' strengths and throughout the company's history the group has expanded its business through acquisitions. This has resulted in employees always focusing on developing the business by combining the best practices from each company to create something even stronger.

Beijer Ref's business concept is that the group companies worldwide have a common strategy and mission and also conduct their business with continuity. Internal coordination benefits in purchasing and logistics can always be developed further. The group's large distribution network with over 400 branches in around 40 countries worldwide.

3. STABLE DEVELOPMENT

Beijer Ref is one of the world's largest refrigeration wholesalers. Over time, the share has generated returns above the index on NASDAQ and the company has distributed more than 30 per cent of the annual profit. This has been made possible by a strong balance sheet and a stable group of owners.

OWNERSHIP, 10 LARGEST SHAREHOLDERS AND OTHER OWNERS

on 2018-12-31	*A shares*	*B shares*	*Total*	*Votes*	*Capital*
Carrier	2 152 260	47 881 616	50 033 876	32.0%	39.3%
Magnusson, Joen (private and companies)	3 120 000	212 406	3 332 406	14.5%	2.6%
Bertland, Per (private and companies)	2 361 000	175 000	2 536 000	11.0%	2.0%
Jürgensen, Peter Jessen	1 681 860		1 681 860	7.8%	1.3%
SEB Investment Management		9 824 361	9 824 361	4.5%	7.7%
Fjärde AP-Fonden		6 553 033	6 553 033	3.0%	5.1%
Lannebo fonder		5 162 853	5 162 853	2.4%	4.1%
Hain, Jan (private and companies)	480 000	385 000	865 000	2.4%	0.7%
Handelsbanken fonder		4 687 247	4 687 247	2.2%	3.7%
Verdipapirfonde Odin Sverige		3 089 759	3 089 759	1.4%	2.4%
Total, 10 largest shareholders	**9 795 120**	**77 971 275**	**87 766 395**	**81.2%**	**68.9%**
Other owners	123 600	38 646 715	38 770 315	18.8%	31.1%
Shares in own custody	–	897 980	897 980		
Total	**9 918 720**	**117 515 970**	**127 434 690**	**100.0%**	**100.0%**
Votes			216 703 170		

SHARE DISTRIBUTION BY SIZE

Owners of	*Number of shareholders*	*Number of A shares*	*Number of B shares*	*Holding (%)*	*Votes (%)*	*Market value (sek k)*
1 - 500	4 670	–	484 365	0.38	0.22	70 659
501 - 1000	689	840	509 512	0.40	0.24	74 328
1001 - 2000	466	2 760	667 815	0.53	0.32	97 421
2001 - 5000	429	3 000	1 367 556	1.08	0.64	199 499
5001 - 10000	159	–	1 126 280	0.88	0.52	164 302
10001 - 20000	123	3 000	1 715 259	1.35	0.81	250 222
20001 - 50000	74	–	2 310 758	1.81	1.07	337 093
50001 - 100000	30	48 000	2 153 734	1.73	1.22	314 187
100001 -	81	9 861 120	107 180 691	91.84	94.96	15 635 519
Total 2018-12-31	**6 721**	**9 918 720**	**117 515 970**	**100.00**	**100.00**	**17 143 230**

SHARE DATA* (sek)

	2018	*2017*	*2016*	*2015*	*2014*
Profit per share before dilution [1]	6.07	4.02	3.06	2.88	2.49
Profit per share after dilution [2]	6.04	4.02	3.06	2.88	2.49
Equity per share before dilution [3]	30	26	23	21	21
Equity per share after dilution [4]	31	26	23	21	21
Dividend [5]	3.00	1.92	1.83	1.75	1.67
Dividend as % of profit per share	0.49	0.48	0.60	0.61	0.67
Total dividend, sek m	380	244	233	223	212
Share price [6]	145.9	105.5	72.0	66.8	42.5
Yield, % [7]	2.1	1.8	2.5	2.6	3.9
Cash flow per share [8]	7.49	4.99	3.76	3.84	3.04
Number of outstanding shares	126 536 710	127 173 090	127 173 090	127 173 090	127 173 090
Average number of outstanding shares [9]	126 802 780	127 173 090	127 173 090	127 173 090	127 173 090

*) Share split as per April 25, 2018, Conversion of number of shares has been performed in order to enable comparability between the years.

Definitions
(1) Net profit for the year divided by the average number of outstanding shares
(2) Net profit for the year divided by the total number of shares
(3) Total equity at year end divided by the average number of outstanding shares
(4) Adjusted total equity at year end after exercise of option programme divided by the total number of shares.
(5) For 2018, in accordance with the Board of Directors' proposal
(6) At 31/12
(7) Dividend in relation to share price at 31 December
(8) Cash flow from the current operation before changes in working capital divided by average number of outstanding shares
(9) Average number of outstanding shares are calculated quarterly

OMXS PI, OMX Stockholm PI, an index which weighs together the value of all shares listed on NASDAQ OMX Stockholm.
SIXRX, SIX Return Index, the average development on NASDAQ OMX Stockholm, including dividends.

Group summary

The Board of Directors and the CEO of Beijer Ref AB (publ), corporate identity number 556040-8113, hereby submit the annual report and consolidated financial statements for the financial year 2018.

The Beijer Ref group is one of the world's largest refrigeration wholesalers focused on trading and distribution in commercial and industrial refrigeration, as well as air conditioning. The product range consists mainly of products from leading international manufacturers and also some manufacturing and assembly of the group's own products combined with service and support for the products.

The group creates value by adding technical expertise to the products, providing knowledge and experience about the market and delivering efficient logistics and warehousing. The business is divided into six geographical segments: the Nordic countries, Southern Europe, Central Europe, Eastern Europe, Africa and Asia Pacific. Growth occurs both organically and through acquisitions of companies that complement our current operations.

THE PARENT COMPANY'S ACTIVITIES

Beijer Ref AB is the parent company of the Beijer Ref group. The parent company exercises central functions such as group management, group finance, group-wide purchasing, logistics and corporate law. The company's registered office is in Malmö. The parent company reports a profit after tax of SEK 403 (301) million for the financial year 2018.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The company's acquisition of TecsaReco in South Africa was completed on 1 March 2018, since when it has been included in the company's accounts. Annual sales total approximately SEK 450 million and the company has about 300 employees and 23 branches.

Beijer Ref acquired Heatcraft Australia Pty Ltd in May 2018. The company has about 300 employees and sales of approximately SEK 1.1 billion. The acquisition also includes operations in China and Singapore.

In July 2018, Beijer Ref and Mitsubishi Heavy Industries Air Conditioning Europe Ltd completed the formation of the subsidiary 3DPlus, with Beijer Ref as the majority shareholder. The company only had a marginal impact on profits in 2018.

The acquisition of the Spanish air conditioning company Lumelco S.A. is included in the company's accounts as of August 2018 and strengthens Beijer Ref's position in the comfort cooling segment. The company has annual sales of approximately SEK 400 million and around 60 employees. The acquisition is expected to generate positive long-term effects in terms of both sales and profits.

SALES AND PROFIT

The group's sales increased by 32 per cent to SEK 13,015 (9,830) million. Organic sales growth was 13.4 per cent compared to the previous year. 2018 has been characterised by stable demand and increased prices. Commercial and industrial refrigeration had sales of SEK 7,532 (5,921) million and accounted for 58 (60) per cent of total sales. Comfort cooling had sales of SEK 4,364 (3,480) million and accounted for 33 (35) per cent of net sales. OEM accounts for 9 (5) per cent of total sales.

The group's operating profit amounted to SEK 1,085 (725) million for the full year 2018. The group's net financial items amounted to SEK -31 (-26) million over the full year. Profit before tax amounted to SEK 1,055 (699) million and profit after tax amounted to SEK 780 (521) million for the full year. Profit per share was SEK 6.07 (4.02).

PROFITABILITY

Return on operating capital and capital employed was 19.4 (14.9) per cent and 17.3 (13.7) per cent respectively.
Return on equity was 22.0 (16.6) per cent.

INVESTMENTS, LIQUIDITY AND NUMBER OF EMPLOYEES
Cash flow from investing activities amounted to SEK -1,081 (-101) million. Cash and cash equivalents including unutilised lines of credit amounted to SEK 1,202 (983) million at year end. Average number of employees was 3,703 (2,717).

CASH FLOW, FINANCING AND EQUITY RATIO
Cash flow from current activities amounted to SEK 949 (502) million. Net liabilities were SEK 2,522 (1,649) million. Shareholder equity amounted to SEK 3,785 (3,294) million. The change in shareholder equity amounted to SEK 491 (326) million, which corresponds to the year's comprehensive income of SEK 814 (561) million after deduction of dividend to the parent company's shareholders of SEK 244 (233) million, repurchase of own shares and received option premium of SEK 87 million. Other difference consists of transactions with non-controlling interests. The equity ratio was 38.4 (44.1) per cent at year end.

RESEARCH AND DEVELOPMENT
Beijer Ref's presence in the market is important for the suppliers' research and development, so as to be able to develop more environmentally-friendly products in the future.

OUTLOOK FOR 2019
The stable demand for refrigeration products, and also for air conditioning systems, is expected to continue in 2019. The link to food distribution is an important factor in the stability of demand for refrigeration products, as this is the largest end-user area. The fact that welfare is increasing leads to increased demand for the company's comfort cooling products.

Environmental aspects affect the market to a significant extent, and Beijer Ref is well-advanced in product development – so as to be able to meet the heightened environmental requirements and comply with the EU phasing-out programme.

2018 was an intensive year for acquisitions. Activity aimed at acquisitions is expected to continue through 2019, since acquisition is an integral part of the strategy.

Financial review*	2018	2017
Operating income, sek m	13 015	9 830
EBITDA, sek m	1 191	810
Operating profit, (EBIT), sek m	1 085	725
Operating margin (EBIT), %	8.3	7.4
Profit for the year, sek m	780	521
Return on average capital employed, %	17.3	13.7
Return on average equity, %	22.0	16.6
Return on average operating capital, %	19.4	14.9
Equity ratio, %	38.4	44.1
Number of employees	3 703	2 717
Profit per share after tax, sek	6.07	4.02
Shareholders' equity per share before dilution, sek	30	26
Shareholders' equity per share after dilution, sek	31	26

*) Financial information for 2014 - 2016, see page 92.

SUSTAINABILITY
Beijer Ref endeavours to contribute to a sustainable development. The group performs notifiable activities involving the handling of refrigerants. With a view to reducing the greenhouse effect, the EU and UN have announced decisions that mean that Freon gases shall be replaced with other types of refrigerants by 2030.

Beijer Ref is not involved in any environmental disputes. For more information about Beijer Ref's environmental activities, see pages 26-29.

Corporate governance and corporate responsibility

Beijer Ref is a Swedish public limited company listed on Nasdaq OMX Stockholm, Large Cap.

THE CHAIRMAN OPENS

2018 goes down in history as one of Beijer Ref's strongest years. Sales and profits were the best ever. We have increased our presence in important markets through strategic acquisitions. The acquisition of the Australian refrigeration wholesaler Heatcraft has helped to even out seasonal variations and the group's risk diversification has increased. Everything is in line with the strategy that the board has established.

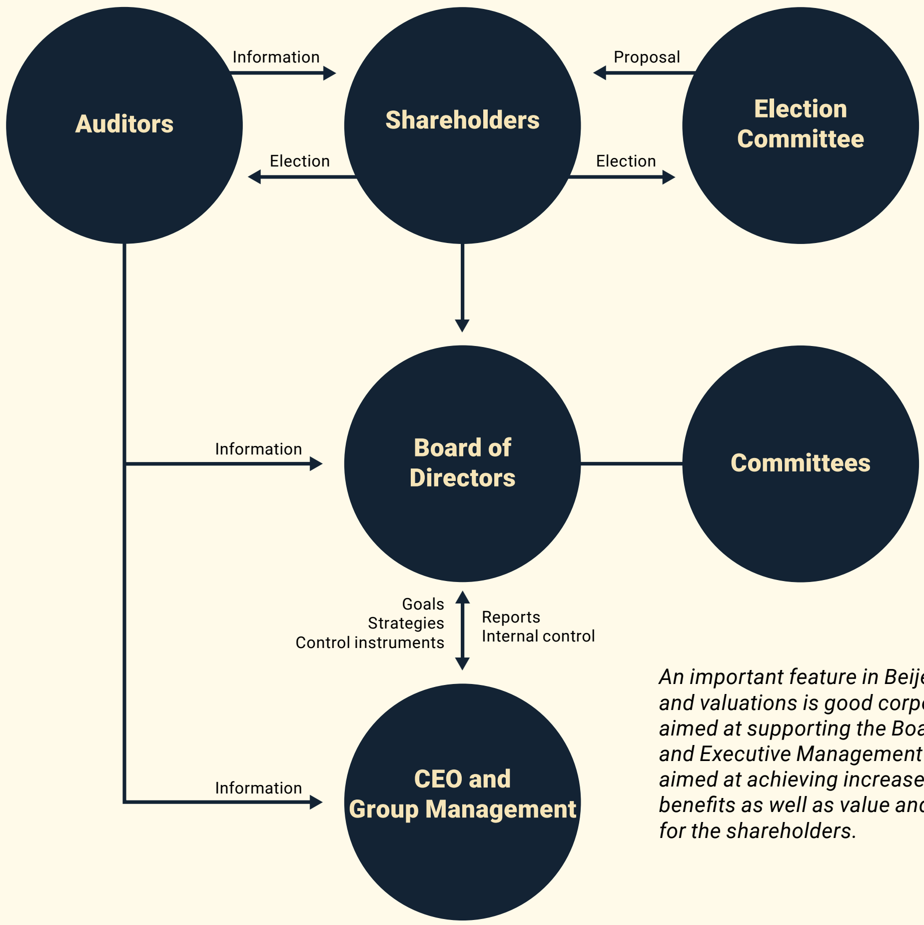
In 2018, discussions in the boardroom have largely focused on how Beijer Ref will continue to evolve within our strategic focus areas, leading to sustainable growth, both organically and through acquisitions. It is clear that the group's decentralised organisational model is an important factor that allows for agile actions in the subsidiaries. The importance of having the right expertise in the right place that knows its market and target group is crucial in this respect. Head office has expanded the organisation, with expertise in HR and law for example, ensuring that quality is maintained at international level.

Advances in refrigeration technology and products designed for natural refrigerants continue to be highly important for the industry and for Beijer Ref. We closely monitor market developments and plan for the strategic direction that the group must take to continue to drive growth. It is clear that a major player like Beijer Ref has considerable opportunities to take up a position within OEM and reap success as one those leading development in the field.

Sustainability issues have also been a permanent feature of board meetings during the year. Work has continued according to the sustainability framework that has been developed . Environmental issues and training in ethical rules are important examples that have been reported. Talent development is also an area that we believe is important to follow continuously, as are plans for succession. It is part of our work to make assessments of risks and how to manage them.

Successful work by the board is based partly on the composition of members who represent a breadth of knowledge and experience from different industries and partly on maintaining a certain continuity. In the case of Beijer Ref, both these parameters are met. I and my colleagues on the board have had the privilege of working together for several years and have found a way of working that is efficient and that provides the conditions for effective decisions. That the largest owners are represented on the board is an advantage that helps us to keep decision paths short. There will be a change in 2019 as Carrier's representative Ross B. Shuster has declined re-election. The nominating committee's proposal is that he will be replaced by Chris Nelson from the same company, a choice that will help bring the board additional expertise in sales and management.

The board will continue to work with a long-term approach and rigour, with strategic growth initiatives a priority. Optimisation of operating capital is also high on the agenda, as is continued preparation for the transformation that the market is going through as a result of the EU and other geographical region's F gas regulations.



An important feature in Beijer Ref's culture and valuations is good corporate governance aimed at supporting the Board of Directors and Executive Management in their work aimed at achieving increased customer benefits as well as value and transparency for the shareholders.

The share price also developed positively in 2018 and it is gratifying that we can propose to the annual general meeting a dividend of SEK 3 per share, an increase of over 50 per cent compared to the previous year.

In conclusion, I would like to thank Beijer Ref's management, other employees and the board members for their work in 2018. Beijer Ref has the future on its side and me and my colleagues on the board look forward to continuing to contribute to the group's development in a sustainable direction.

Bernt Ingman
Chairman of the Board

Beijer Ref applies the Swedish Corporate Governance Code and here presents the 2018 annual corporate governance report. Investigation of the corporate governance report has been performed in accordance with RevU 16 by the company's auditor.

SHAREHOLDER INFLUENCE THROUGH THE ANNUAL GENERAL MEETING

The shareholders' influence is exercised through participation at the annual general meeting, which is Beijer Ref's highest decision-making body. The annual general meeting decides on the articles of association and elects board members, the chair and the auditor and decides on their fees. The annual general meeting also decides on the adoption of the profit and loss and balance sheet, on the allocation of the company's profit and on exemption from liability to the company by the board members and CEO. The annual general meeting also decides on the composition and work of the nominating committee and decides on principles for remuneration and terms of employment for the CEO and other senior executives. The annual general meeting of Beijer Ref is usually held in April.

ANNUAL GENERAL MEETING 2018

The annual general meeting 2018 was held on 5 April 2018 in Malmö. 176 (153) shareholders attended, in person or by proxy. These represented approximately 86 (84) per cent of the total votes. Four shareholders, Carrier, Peter Jessen Jürgensen, Joen Magnusson and Per Bertland, together represented approximately 76 (79) per cent of the votes represented at the AGM. Bernt Ingman was elected as chair of the meeting. All board members elected by the AGM apart from William Striebe and Ross B Shuster were present.

The full minutes of the meeting may be found on Beijer Ref's website. Among other things, the AGM decided on:

- Dividend in accordance with the proposal of the board and the CEO of SEK 5.75 (after completion of 1.92 split) per share for the financial year 2017.
- Re-election of board members: Peter Jessen Jürgensen, Bernt Ingman, Joen Magnusson, William Striebe, Ross B Shuster, Monica Gimre and Frida Norrbom Sams. Bernt Ingman was re-elected as chair of the board.
- Determination of remuneration to the board and auditor.

• Principles for remuneration and other terms of employment for the CEO and other senior executives.
• Decision on splitting the number of shares in the company: share split of 3:1
• Decision on changes to the description of business operations in the company's articles of association
• Introduction of a long-term incentive programme for 70 executives in the Beijer Ref group, decision on issuing call options, authorisation to acquire own shares
• Re-election of PricewaterhouseCoopers AB as the company's auditor in 2018.

Beijer Ref's next annual general meeting will be held on 10 April 2019 in Malmö. For further information on the next AGM, see page 94 of this annual report.

For information about shareholders and the Beijer Ref share, see pages 44-45 and Beijer Ref's website.

NOMINATING COMMITTEE
The nominating committee represents the company's shareholders and nominates board members and auditors and proposes their fees.

NOMINATING COMMITTEE BEFORE AGM 2019
The nominating committee was appointed in October 2018 and shall, according to the AGM, consist of five members. The members of the nominating committee were appointed from among the company's largest shareholders and were: Johan Strandberg (SEB Funds) and chair of the nominating committee, Bernt Ingman (chairman of the Beijer Ref board), Muriel Makharine (UTC/Carrier), Arne Lööw (Fjärde AP-fonden) and Joen Magnusson (own holding). The 2018 nominating committee has held 4 (5) meetings. The nominating committee has performed its work by evaluating the board's work, composition and competence.

PROPOSALS TO THE AGM 2019
The nomination committee has worked out the following proposals to be presented to the AGM 2019 for decision: The nominating committee has decided to propose to the AGM:
• re-election of the board members: Peter Jessen Jürgensen, Bernt Ingman, Joen Magnusson, William Striebe, Monica Gimre, Frida Norrbom Sams
• new election of Chris Nelson of Carrier, since Ross B. Shuster has declined re-election
• re-election of Bernt Ingman as chairman of the board and
• re-election of PricewaterhouseCoopers AB as the company's auditor in 2019.

THE BOARD
The board has overall responsibility for the organisation and management of Beijer Ref. According to the articles of association, the board of directors shall consist of a minimum of 4 and a maximum of 8 members, with or without deputies. The board members are elected annually at the AGM for the period until the end of the next AGM.

THE COMPOSITION OF THE BOARD IN 2018
In 2018, the board of Beijer Ref consisted of seven members elected by the AGM. The CEO participates in all board meetings and other executives in the group participate as rapporteur on specific issues as necessary. For further information on the board members, see pages 54-55 and note 6, page 77.

RESPONSIBILITIES OF THE CHAIRMAN
The chairman is responsible for ensuring that the work of the board is well organised and effective and that the board fulfils its duties. The chairman monitors the business in dialogue with the CEO. He is responsible for ensuring that the other members of the board receive the information and documentation necessary for a high quality of discussion and decisions, as well as verifying that the board's decisions are implemented.

THE BOARD'S INDEPENDENCE
The board's assessment, which is shared by the nominating committee, regarding the members' positions of dependence in relation to Beijer Ref and the shareholders appears on pages 54-55. As is shown, Beijer Ref complies with the Swedish Corporate Governance Code requirement that the majority of the AGM-elected members are independent in relation to Beijer Ref and the executive management, and that at least two of these are also independent in relation to Beijer Ref's major shareholders.

THE WORK OF THE BOARD IN 2018
During 2018, the board of Beijer Ref had 6 (6) ordinary meetings, at one of which the company's strategic direction was addressed. At each ordinary board meeting, the company's financial position and investment activities were discussed. Work in 2018 has been largely focused on issues involving strategy and continued expansion. The company's auditors were present at the board meeting that discussed the annual accounts. Between the board meetings, a large number of contacts have taken place between the company, its chair and other board members. Members are regularly sent written information concerning the company's activities, financial status and other relevant information. The measures taken by the board to monitor the functioning of internal control in relation to financial reporting and reporting to the board include requesting in-depth information in certain areas, in-depth discussions with parts of group management and requesting descriptions of the components of internal control in connection with reporting. The board has rules of procedure which are established at the statutory board meeting after the AGM. At the same time, the board establishes instructions for the CEO. Frida Norrbom Sams and Ross B Shuster have missed one board meeting each and William Striebe has missed two board meetings. Other members attended all Board meetings during the year.

EVALUATION OF BOARD MEMBERS AND THE CEO 2018
The chairman of the board is responsible for evaluating the board's work, including the input of individual members. This is done through an annual, structured evaluation with subsequent discussions by the board, at which the results of the survey, including comments submitted, are presented by giving individual responses to each question, as well as averages and standard deviation.
During 2018 the evaluation has been done through a web-based evaluation of the board where the board members individually, and anonymously, decide on statements regarding the board as a whole, the chair of the board, the CEO's work on the board and their own input. The evaluation focuses on improving the board's efficiency and focus areas as well as the need for specific skills and working methods. The evaluation is then presented by the chairman of the board to the nominating committee and has been the basis for proposals for board members and remuneration levels. The nominating committee has also interviewed individual board members. In addition to the above annual board and CEO evaluation, the board evaluates the work of the CEO continuously by following the development of the business towards the established goals.

BOARD COMMITTEES

The board has an audit committee consisting of Bernt Ingman, chair, and Frida Norrbom Sams.

The audit committee met 6 (5) times during 2018. The work has mainly focused on:

- Current and new accounting principles
- Review of interim reports, year-end report and annual report
- Review of reports by the company's auditor including the auditor's audit plan
- Assistance in drawing up proposals for the AGM's decision on the election of the auditor
- Review of procedures and work plan for the work of the committee
- Ensuring that policies exist and rules are complied with
- Follow-up and reporting back concerning the company's tax situation and tax audits
- Review of Beijer Ref's risk analysis

The board of Beijer Ref as a whole constitutes the company's remuneration committee and fulfils its tasks. Questions are prepared during the first board meeting of the year and decided at the board meeting held in connection with the AGM. The remuneration committee has, among other things, the task of monitoring and evaluating:

- The application of the company's guidelines for remuneration to senior executives and the current remuneration structures and levels of remuneration in the company,
- All programmes for variable remuneration for company management.

EXTERNAL AUDITORS

The AGM appoints the External Auditor. Beijer Ref's Auditor is the authorised accounting firm Pricewaterhouse Coopers AB, with authorised public accountants Lars Nilsson and Mikael A Nilsson. Lars Nilsson is the principle auditor. PricewaterhouseCoopers AB has been elected by the annual general meeting 2018 as Beijer Ref's auditor for the period until the AGM 2019.

INTERNAL AUDITS

There is a limited internal control function. The function has performed a mapping of risks, developed focus areas and carried out a self-assessment procedure with the group's companies. There is no fully developed internal auditor function in the Beijer Ref group. In accordance with the rules of the Swedish Corporate Governance Code, the board of Beijer Ref AB has decided on the need for a special internal audit function. The board has found that there is currently no need for such an organisation in the Beijer Ref group. The background to this position is the company's risk profile and the control functions and control activities that are built into the company's structure, such as active boards in all companies, a high degree of presence from local management and board representation by management at the level above etc. Beijer Ref has defined internal control as a process that is influenced by the board, the audit committee, the CEO, group management and other employees and designed to provide a reasonable assurance that Beijer Ref's goals are achieved in terms of: efficient and appropriate operations, reliable reporting and compliance with applicable laws and regulations. The internal control process is based on a control environment that creates discipline and provides a structure for the components of the process – risk assessment, control structures and follow-up. For information on internal control relating to financial reporting, see the section on internal control. For information on risk management, see pages 52-53.

CEO AND GROUP MANAGEMENT

Per Bertland is President and CEO of the Beijer Ref group. The President and CEO continuously manages Beijer Ref's operations. The CEO is assisted by a group management team consisting of the heads of business operations , purchasing, IT, legal and finance staff. At the end of 2018, group management, including the CEO, consisted of 6 people. For further information about group management, see pages 56-57.

REMUNERATION TO SENIOR EXECUTIVES

The senior executives consist of CEO, CFO, COO Beijer Ref ARW, COO Beijer Ref Toshiba and General Counsel. The board's proposal for guidelines for remuneration to senior executives is in line with previous years. The remuneration paid consists of a fixed salary, variable salary, pension and other compensation such as a company car. The total remuneration shall be in line with market practise and support the interests of shareholders by enabling the company to attract and retain senior executives. The fixed salary is renegotiated annually and takes into account the individual's area of responsibility, expertise, performance and experience. The variable part of the salary is based on financially quantifiable target attainment. The individual receives a maximum amount equal to six months' salary. For more detailed information, see note 6, page 77 of this annual report.

Before the 2019 annual general meeting, the board proposes that the AGM adopts guidelines with a similar wording and with the amendment that the variable remuneration to the CEO shall be capped at 55% of annual salary.

FURTHER INFORMATION ABOUT CORPORATE GOVERNANCE

The following information may be found at www.beijerref.com:

- Previous annual corporate governance reports
- Notice of the AGM
- Minutes
- Quarterly interim reports

INTERNAL CONTROL

The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. Internal control of financial reporting is intended to provide reasonable assurance of the reliability of the external financial reporting in the form of quarterly reports, annual accounts and year-end releases, and that the external financial reporting is prepared in accordance with law, applicable accounting standards and other requirements for listed companies.

EXTERNAL CONTROL INSTRUMENTS

The external instruments that form the framework for corporate governance within Beijer Ref include:

- The Swedish Companies Act
- Swedish and international financial reporting law
- Nasdaq OMX Stockholm's rules
- The Swedish Corporate Governance Code

INTERNAL CONTROL INSTRUMENTS

The binding internal control instruments include:

- The articles of association
- The rules of procedure for the board
- The board's instructions to the CEO
- Authorisation rules
- Ethical guidelines
- Financing policy
- The finance manual
- The internal control process
- The whistleblower process

Risks and risk handling

The Beijer Ref Group's operations are affected by a number of external factors the effects of which on the Group's operating profit can be controlled to a varying degree.

Group-wide rules and regulations, which are determined by the Board of Directors, form the foundation for the handling of these risks at different levels within the Group. The objective of these rules is to achieve an overall picture of the risk situation, to minimise negative effects on the result and to clarify responsibilities and authorities within the Group. Monitoring to ensure that the rules and regulations are complied with is made by the person responsible and is reported to the Board of Directors.

CONTROL ENVIRONMENT AND STRUCTURE

Beijer Ref is a company with a strong owner influence and the owners are represented on the Board of Directors. Beijer Ref is decentralised in its nature and the individual companies' own organisations fulfil important functions relating to company culture and the control environment through the short decision-making routes which exist and the strong presence of local management. The legal organisation extensively coincides with the operational organisation and there are, therefore, few decision-making venues which are disengaged from the responsibilities regulated in civil law which are vested in the different legal entities. The management focus is based on the work of the Board of Directors, which is the backbone of the Executive Management and impact the different company boards. The rules and regulations which deal with company management, such as the Companies Act, form the foundation for how the Board work is carried out and, as a result of this, to the working procedures, authorities and responsibilities which are regulated through this legislation. The decisions made by the Boards of Directors are documented and carefully monitored. Senior Executives from the Group and the business area management teams are represented in Boards of Directors at the underlying organisational level and also in individual companies of significance. It is through this Board work that control activities and monitoring are decided and implemented with strong local support. Throughout the Group, the procedure applied is that, in critical matters such as important personnel matters, organisational matters, etc., the nearest manager goes to their manager to get support for decisions before they are made.
The principle about far-reaching decentralisation is of great importance for the different companies' feeling for their importance and for their work motivation. The distribution of responsibilities and authorities lead to a strong will to live up to these responsibilities and the ensuing expectations.

RISK ASSESSMENT

Risk assessment relating to the financial reporting in Beijer Ref is aimed at identifying and evaluating the most significant risks which influence the internal control relating to the financial reporting in the Group's companies, business areas and processes. The current position is assessed and points for improvement established. The control activities are also evaluated on a continuous basis.
Concerning sustainability risks, the Group has developed a framework that deals with procedures and guidelines in areas such as the environment, employees, business ethics and efforts to avoid corruption, responsible supply chain and partnerships. The framework is disseminated to all subsidiaries, which then report back on action plans and results. Regarding risks concerning compliance with new environmental laws and resolutions for HFC gases, Beijer Ref has conducted a review of its own management of the issues and has found that there is no particular risk present. Concerning risks related to ethical working conditions (social and environmental standards), business ethics and code of conduct, and the measures to guard against corruption, the Group has evaluated its own and its subsidiaries' management of these issues. Via establishing a Code of Conduct for employees and suppliers, risks in the areas of ethical working conditions, business ethics and corruption should be minimised.

MONITORING

Monitoring aimed at securing the efficiency in the internal control relating to the financial reporting is made by the Board of Directors, the CEO, the CFO and the Group Management. The monitoring includes the monitoring of monthly financial reports against budget and target, quarterly reports with results supplemented with written comments in the Group's companies and regions. The monitoring also includes the monitoring of observations reported by Beijer Ref's Auditor. Beijer Ref works in accordance with an annual plan, which has its starting point in the risk analysis and comprises prioritised companies, acquired companies, main processes and specific risk areas.

IDENTIFIED RISKS	EXPOSURE AND MANAGEMENT OF RISKS
Risks in the product range	The risk that Beijer Ref does not get new environmentally friendly products on the market. This risk is militated against by a central category manager for each product segment taking responsibility for the product throughout its entire life cycle and who is also responsible for bringing in new products.
Access to capital and interest rate risks	New banking requirements and higher interest rates, as well as the general the economic situation, may affect the availability of capital. This is militated against by that Beijer Ref has financing with a number of different banks with varying maturities.
Stagnating markets	The risk that the growth rate cannot be maintained unless Beijer Ref enters new and emerging markets. A significant part of Beijer Ref's future growth is in new markets but also that the company wants to broaden its product range.
Currency risks	The Company is exposed to currency fluctuations, and continually hedges the foreign exchange exposure in subsidiaries so as to counterbalance this risk.
Risk of fire, destruction and natural disasters	In new emerging markets, the risk of natural disasters is greater and the Company weaves this risk into its insurance coverage and business interruption insurance so as to minimise the risk of harm and losses.
Beijer Ref's corporate culture	There is a risk that Beijer Ref's corporate culture will be depleted unless the culture is preserved and maintained on current basis. Beijer Ref has implemented a Code of Conduct in order to strengthen and maintain the culture.
Digitalisation and E-commerce	Digitalisation and E-commerce create new trade patterns and behaviours that are continuously being evaluated. The risk is minimised by working under various different brands and via a differentiated product offering. There is always a risk that the company will be affected by new players who challenge the industry.
Risk related to dealers – Customers deal directly with suppliers	Customers tend to contract directly with suppliers, in order to obtain lower prices. Beijer Ref has many smaller customers, which can counterbalance this risk.
Increased competition and concentration in Europe	Beijer Ref has a strong position in Europe and has historically had a head start, which can lead to downward price pressure on the market prices. Better products and new markets may reduce this risk.
Suppliers sell directly to larger customers and by-pass the wholesaler	Beijer Ref's distribution network via branches and its presence in around 40 countries counteracts this risk.
Risks related to product liability	Poor quality products always negatively affect the Beijer Ref brand. The Company always works with at least two brands at a minimum in all markets, and within different price segments.
Risk of irregularities	Beijer Ref has a decentralised organisation and its subsidiaries are governed by regular Board of Directors' meetings. A self-assessment of the internal control is done yearly.
Dependency on Toshiba	Toshiba is an important supplier to Beijer Ref within HVAC. Beijer Ref has however, the strategy of having at least one supplier within each price segment and at least two suppliers in each market. Carrier, Toshiba and Mitsubishi Heavy Industries are all important suppliers for the company.
Risks in the new markets	Before Beijer enters new markets, a market analysis of the market is conducted, in order to become aware of the risks and to be able to better manage them.
Risk related to data retrieval (computer crashes and data breaches)	Data break-down affects Beijer Ref's sales and costumer relationship to a limited extent since the Group has several different ERP-systems.
Changed legal requirements and regulations	Changed legal and regulatory requirements affect Beijer Ref's business, not least, changes in environmental requirements. The Company regularly monitors these requirements as part of its global surveillance. The company is positively affected by the European phase-out program for CO_2 equivalents, while the demand for the company's environmentally friendly range is increasing. The phasing out will continue until 2030 and the new technologies will gradually be established outside Europe.
Competition with existing customers	In pace with Beijer Ref delivering more and more systems, the installation is usually included, which can compete with existing customers. The risk is mitigated by educating and offering services that customers take responsibility for.
Political risks	Political risks can affect liquidity and the general business climate. Beijer Ref continuously monitors and evaluates the political situation as part of the business analysis and avoids particularly vulnerable markets.

Board of Directors

BERNT INGMAN
Chairman. Born 1954. Elected 2006.
Education: MBA.
Other assignments: Management Consultant. Chairman of SBC Sveriges BostadsrättsCentrum AB. Chairman of Handelsbankens lokalkontor i Kista. Chairman of Pricer AB.
Not dependent.
Work experience: CFO of Munters AB. CFO of Husqvarna AB.
Shareholding in Beijer Ref 2018:
120,000 A shares, 18,000 B shares.

MONICA GIMRE
Board Member. Born 1960. Elected 2015.
Education: Master of Science in Chemical Engineering.
Other assignments: EVP Tetra Pak Processing Systems.
Not dependent.
Work experience: VP Technical Service Tetra Pak, VP Market support Tetra Pak Processing for China, South East Asia, North America and Central Europe, MD Tetra Pak Systems UK, VP Marketing & Portfolio Management Tetra Pak Processing Systems, R&D Manager Alfa Laval South East Asia, VP Supply Chain Tetra Pak Processing Systems.
Shareholding in Beijer Ref 2018: 0.

PETER JESSEN JÜRGENSEN
Board Member. Born 1949. Elected 1999.
Education: Graduate engineer and MBE in Denmark.
Other assignments: Chairman of Bio Aqua A/S, Profort A/S, Labotek A/S, Labotek Nordic AB, Bies Ökoproduktion Aps. Board Member of IKI Invest A/S. CEO of Labotek Deutschland GmbH.
Dependent of the largest shareholders. Not dependent of the company and the management.
Work experience: Engineer in Atlas. Work in the family company HJJ as Managing Director of the subsidiary Ajax and later as Managing Director of IKI and Managing Director of TTC in Denmark.
Shareholding in Beijer Ref 2018: 1,681,860 A shares.

JOEN MAGNUSSON
Board Member. Born 1951. Elected 1985.
Education: MBA.
Other assignments: Kungliga Fysiografiska Sällskapets Ekonomiska råd and other assignments.
Dependent of the largest shareholders. Not dependent of the company and the management.
Work experience: Managing Director of G & L Beijer AB until 30 June 2013. Employed in Teglund Marketing AB, Statskonsult AB, Skrinet AB.
Shareholding in Beijer Ref 2018: 3,120,000 A shares, 212,406 B shares.

FRIDA NORRBOM SAMS
Board Member. Born 1971. Elected 2015.
Education: M. Sc. in Business Administration.
Other assignments: EVP, Applications Division NKT A/S, Board Member of Ballingslöv International AB.
Not dependent.
Work experience: EVP, Head of EMEA at Husqvarna Group, VP Sales and Service region 2 at Husqvarna Group, SVP & Managing Director North Europe Sanitec Oy, EVP & CIO Sanitec Oy, Senior Manager BearingPoint/Andersen Business Consulting.
Shareholding in Beijer Ref 2018: 10,038 B shares.

ROSS B SHUSTER
Board Member. Born 1965. Elected 2016.
Education: MBA and Bachelor of Science of Mechanical Engineering.
Other assignments: President of International for United Technologies' Climate, Controls & Security business unit.
Dependent of the largest shareholders. Not dependent of the company and the management.
Work experience: President of Asia for United Technologies Carrier business unit.
Shareholding in Beijer Ref 2018: 0.

WILLIAM STRIEBE
Board Member. Born 1950. Elected 2009.
Education: Doctor of Laws degree from University of Connecticut Law School, BA in history, Fairfield University.
Other assignments: Vice President, Global Business Development, UTC Climate, Controls & Security.
Dependent of the largest shareholders. Not dependent of the company and the management.
Work experience: Vice President, Business Development, United Technologies Building and Industrial Systems. Vice-President within legal matters for Carrier's North-American operation. Vice President with responsibility for Carrier's business development and legal matters in Europe.
Shareholding in Beijer Ref 2018: 0.

Executive Group Management

MARIA RYDÉN
CFO & EVP. Born 1966. Employed since 2017.
Education: MBA, University of Växjö.
Other assignments: Chairman of Kompis Assistans, Board Member of Swedish Growth Fund.
Work experience: MD Ikano Vårdboende, CFO Ikano Fastigheter, Dole, Switchcore and Arthur Andersen.
Shareholding in Beijer Ref 2018: 700 B shares and 22,000 call options.

PER BERTLAND
CEO & President. Born 1957. Employed since 1990.
Education: MBA, University of Lund.
Other assignments: Chairman of Dendera Holding, Board Member of Lindab AB.
Work experience: COO, Beijer Ref. CFO, Indra AB and Ötab Sport AB within the Aritmos Group.
Shareholding in Beijer Ref 2018: 2,361,000 A shares, 176,000 B shares and 30,000 call options.

SIMON KARLIN
COO & EVP, Beijer Ref ARW EMEA.
Born 1968. Employed since 2001.
Education: MBA, University of Lund.
Work experience: Business & Finance Director Beijer Ref, Business control Svedala Industri Group.
Shareholding in Beijer Ref 2018: 118,800 B shares and 30,000 call options.

YANN TALHOUET
COO & EVP, Beijer Ref Toshiba HVAC. Born 1974.
Employed since 2010.
Education: MA, Paris Dauphine University, MBA, Insead, Fontainebleau.
Work experience: MD of Toshiba HVAC Western Europe, Carrier Corporation. Management Consultant in A.T. Kearney.
Shareholding in Beijer Ref 2018: 0. Call options: 15,000.

KATARINA OLSSON
General Counsel & EVP, Beijer Ref AB. Born 1971. Employed since 2016.
Education: Master of Law, University of Lund, LLM, Queen Mary and Westfield College, London University.
Other assignments: Board Member of Wacht & Troy AB.
Work experience: Risk Management Director at ICA AB, Corporate Legal Counsel at ICA AB, Corporate Legal Counsel at Ericsson AB.
Shareholding in Beijer Ref 2018: 950 B shares. 0 call options.

JONAS STEEN
COO & EVP, Beijer Ref ARW APAC. Born 1976, Employed since 2010.
Education: Master of Science in Chemical Engineering, Bachelor of Science in Business Administration.
Work experience: VP Beijer Ref Nordic/East Europe, Business Control Trelleborg Group.
Shareholding in Beijer Ref: 6,000 B shares and 12,000 call options.

In the Group Management from 1 January 2019.

AUDITORS
PricewaterhouseCoopers AB

LARS NILSSON
Authorised Public Accountant, auditor in charge. Born 1965.
Auditor in the Beijer Group since 2012.

MIKAEL NILSSON
Authorised Public Accountant. Born 1981.
Auditor in the Beijer Group since 2017.

Financial Information

Consolidated profit and loss account

SEK K	Note	2018	2017
OPERATING INCOME			
Net sales	5	13 014 804	9 829 830
Other operating income	7	19 698	21 470
Total income		**13 034 502**	**9 851 300**
OPERATING EXPENSES			
Raw materials and necessities		-453 140	-245 796
Goods for resale		-8 427 026	-6 585 405
Other external costs	8, 9	-1 094 830	-785 136
Personnel costs	6	-1 863 117	-1 398 190
Depreciation and write-down of intangible and tangible fixed assets	16, 17	-105 928	-85 364
Other operating expenses		-4 980	-26 455
Operating profit		**1 085 481**	**724 954**
RESULT OF FINANCIAL INVESTMENTS			
Financial income	11	13 274	4 996
Financial expenses	12	-43 902	-31 435
Profit before tax		**1 054 853**	**698 515**
Tax on the year's profit	14	-275 303	-177 709
Net profit for the year	15	**779 550**	**520 806**
Attributable to:			
The parent company's shareholders		769 340	511 271
Non-controlling interests		10 210	9 535
The year's profit per share before dilution, sek [1]		6,07	4,02
The year's profit per share after dilution, sek [1]		6,04	4,02
Dividend per share, sek [2]		3,00	1,92

1) Conversion of number of shares has been performed following completion of share split in order to enable comparability between the years
2) For 2018, in accordance with the Board of Directors' proposal

The Group's report on other comprehensive income

SEK K	2018	2017
Net profit for the year	779 550	520 806
OTHER COMPREHENSIVE INCOME		
Items which will not be reversed in the profit and loss account		
Revaluation of the net pension commitment	13 297	288
Changes in the fair value of equity investments at fair value through other comprehensive income	-7 096	–
Items which can later be reversed in the profit and loss account		
Exchange rate differences	64 100	43 497
Hedging of net investment	-35 462	-4 044
Other comprehensive income for the year	**34 839**	**39 741**
Total comprehensive income for the year	**814 389**	**560 547**
Attributable to:		
The parent company's shareholders	801 283	551 596
Non-controlling interests	13 106	8 951

Consolidated balance sheet

SEK K	Note	2018-12-31	2017-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	16	2 076 938	1 678 541
Tangible fixed assets	17	457 895	311 821
Financial assets at fair value through profit or loss	19	45 203	24 844
Deferred tax assets	25	174 092	121 146
Other receivables	20	94 826	90 682
Total fixed assets		**2 848 954**	**2 227 034**
Current assets			
Inventories	21	3 507 088	2 631 179
Trade debtors and other receivables	20	2 575 524	2 042 834
Income taxes recoverable		3 915	2 356
Liquid funds	22	909 430	559 387
Total current assets		**6 995 957**	**5 235 756**
TOTAL ASSETS		**9 844 911**	**7 462 790**
SHAREHOLDERS' EQUITY			
Share capital	23	371 685	371 685
Other contributed capital		901 172	901 172
Reserves		-4 669	-30 253
Profit brought forward		2 435 973	1 991 065
Total		**3 704 161**	**3 233 669**
Non-controlling interests	31	80 957	60 014
Total equity		**3 785 118**	**3 293 683**
LIABILITIES			
Long-term liabilities			
Borrowing	24, 30	2 823 139	1 625 544
Other long-term liabilities		6 391	11 863
Deferred tax liabilities	25	103 882	88 199
Pension commitments	26	113 394	117 433
Other provisions	27	42 726	25 355
Total long-term liabilities		**3 089 532**	**1 868 394**
Current liabilities			
Trade creditors and other liabilities	28	2 322 589	1 741 464
Borrowing	24, 30	494 639	464 959
Current tax liabilities		101 035	65 725
Other provisions	27	51 998	28 565
Total current liabilities		**2 970 261**	**2 300 713**
Total liabilities		**6 059 793**	**4 169 107**
TOTAL LIABILITIES AND EQUITY		**9 844 911**	**7 462 790**

Consolidated changes in equity

SEK K	Share capital	Other contributed capital	Reserves	Profit brought forward	Non-controlling interests	Total equity	Note
	Attributable to the parent company's shareholders						
Shareholders' equity on 2016-12-31	**371 685**	**901 172**	**-70 290**	**1 712 657**	**52 033**	**2 967 257**	
Net profit for the year				511 271	9 535	520 806	
Revaluation of the net pension commitment				288		288	
Exchange rate differences			44 081		-584	43 497	
Hedging of net investment			-4 044			-4 044	
Other comprehensive income for the year	**–**		**40 037**	**288**	**-584**	**39 741**	
Total comprehensive income for the year	**–**		**40 037**	**511 559**	**8 951**	**560 547**	
Dividend for 2016				-233 151		-233 151	
Dividend to holders with no controlling influence					-970	-970	
	–	–	–	-233 151	-970	-234 121	
Shareholders' equity on 2017-12-31	**371 685**	**901 172**	**-30 253**	**1 991 065**	**60 014**	**3 293 683**	
Net profit for the year				769 340	10 210	779 550	
Revaluation of the net pension commitment				13 455	-158	13 297	2
Changes in the fair value of equity investments through other comprehensive income				-7 096		-7 096	
Exchange rate differences			61 046		3 054	64 100	
Hedging of net investment			-35 462			-35 462	
Other comprehensive income for the year	**–**		**25 584**	**6 359**	**2 896**	**34 839**	
Total comprehensive income for the year	**–**		**25 584**	**775 699**	**13 106**	**814 389**	
Dividend for 2017				-243 748		-243 748	
Repurchase of own shares				-98 484		-98 484	
Option premium received from exercising of option to purchase				11 441		11 441	
Non-controlling interests on acquisitions of subsidiary					9 849	9 849	
Transactions with non-controlling interests					-1 259	-1 259	
Dividend to holders with no controlling influence					-753	-753	
	–	–	–	-330 791	7 837	-322 954	
Shareholders' equity on 2018-12-31	**371 685**	**901 172**	**-4 669**	**2 435 973**	**80 957**	**3 785 118**	

Consolidated cash flow statement

SEK K	Note	2018	2017
CURRENT OPERATIONS			
Operating profit		1 085 481	724 954
Adjustments for items not included in the cash flow:			
Depreciation and write-downs of intangible and tangible fixed assets	16, 17	105 928	85 364
Change in pension, guarantee and other provisions		37 770	-2 922
Profit on sale of tangible fixed assets		205	-177
Total		**1 229 384**	**807 219**
Paid interest	12	-43 902	-30 205
Paid income tax		-236 359	-135 323
Cash flow from current operations before changes in working capital		**949 123**	**641 691**
CHANGES IN WORKING CAPITAL			
Change in inventories		-244 145	-122 308
Change in operating receivables		95 920	-171 391
Change in operating liabilities		-110 591	154 175
Cash flow from current operations		**690 308**	**502 167**
INVESTMENT OPERATIONS			
Received interest	11	5 358	3 469
Acquisition of shares and participations		-14 544	-14 508
Acquisition of tangible and intangible fixed assets	16, 17	-160 563	-87 078
Liquid funds in acquired operations	32	127 565	—
Sale of shares and participations		1 884	1 620
Acquisition of operations	32	-1 186 483	-6 594
Sale of tangible fixed assets		2 573	1 962
Sale of operations		143 631	—
Cash flow from investment operations		**-1 080 579**	**-101 129**
FINANCIAL OPERATIONS			
Proceeds from borrowings		1 056 792	46 678
Paid dividend to shareholders		-243 748	-233 151
Repurchase of own shares		-98 484	—
Option premium received from exercising of option to purchase		11 441	—
Dividend to holders with non-controlling interest		-752	-970
Cash flow from financial operations	29	**725 249**	**-187 443**
Change in liquid funds		**334 978**	**213 595**
Exchange rate difference, liquid funds		15 065	3 712
Liquid funds on 1 January		559 387	342 080
Liquid funds on 31 December	22	**909 430**	**559 387**

Parent company profit and loss account

SEK K	Note	2018	2017
OPERATING INCOME			
Other operating income	7	59 622	48 803
Total income		**59 622**	**48 803**
OPERATING EXPENSES			
Other external costs	8	-46 240	-26 351
Personnel costs	6	-37 643	-30 709
Depreciation and write-down of intangible and tangible fixed assets	16, 17	-2 765	-1 950
Operating profit		**-27 026**	**-10 207**
RESULT OF FINANCIAL INVESTMENTS			
Result of participations in Group companies	10	346 961	260 454
Financial income	11	62 805	43 284
Financial expenses	12	-77 911	-40 033
Profit after financial investments		**304 829**	**253 498**
APPROPRIATIONS			
Appropriations	13	113 766	59 047
Profit before tax		**418 595**	**312 545**
Tax on the year's profit	14	-15 705	-11 533
Net profit for the year	15	**402 890**	**301 012**

Parent company's report on other comprehensive income

SEK K	2018	2017
Net profit for the year	402 890	301 012
Total comprehensive income for the year	**402 890**	**301 012**

Parent company balance sheet

SEK K	Note	2018-12-31	2017-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Capitalised expenditure for software	16	8 083	6 665
Total intangible fixed assets		**8 083**	**6 665**
Tangible fixed assets			
Buildings and land	17	1 912	2 037
Equipment, tools and installations	17	2 656	3 135
Total tangible fixed assets		**4 568**	**5 172**
Financial fixed assets			
Participations in Group companies	18	2 528 549	2 137 002
Financial assets at fair value through profit and loss	19	24 844	24 844
Receivables from Group companies		1 152 993	567 822
Other long-term securities holdings		1 000	1 000
Total financial fixed assets		**3 707 386**	**2 730 649**
TOTAL FIXED ASSETS		**3 720 037**	**2 742 486**
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		877 202	917 751
Other current receivables		11 803	10 066
Prepaid expenses and accrued income		8 253	1 400
Total current receivables		**897 258**	**929 217**
Cash and bank			
Cash and bank		475 385	181 509
TOTAL CURRENT ASSETS		**1 372 643**	**1 110 726**
TOTAL ASSETS		**5 092 680**	**3 853 212**
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital	23	371 685	371 685
Fund for development expenditures		8 083	–
Total restricted equity		**379 768**	**371 685**
Non-restricted equity			
Share premium reserve		901 604	901 604
Profit brought forward		129 385	167 247
Net profit for the year		402 890	301 012
Total non-restricted equity		**1 433 879**	**1 369 863**
TOTAL EQUITY		**1 813 647**	**1 741 548**
Untaxed reserves			
Tax allocation reserves		23 990	–
Total untaxed reserves		**23 990**	**–**
LIABILITIES			
Long-term liabilities			
Borrowing	24, 30	2 810 809	1 625 544
Other long-term liabilities		1 000	1 000
Total long-term liabilities		**2 811 809**	**1 626 544**
Current liabilities			
Trade creditors		2 255	5 253
Borrowing	24, 30	381 444	436 246
Liabilities to Group companies		16 167	9 811
Tax liabilities		14 011	11 326
Other liabilities		729	2 674
Accrued expenses and prepaid income		28 628	19 810
Total current liabilities		**443 234**	**485 120**
TOTAL EQUITY AND LIABILITIES		**5 092 680**	**3 853 212**

Parent company changes in equity

SEK K	Share capital	Fund for development expenditure	Non-restricted equity	Total equity
Equity 2016-12-31	**371 685**		**1 302 002**	**1 673 687**
Net profit for the year			301 012	301 012
Total comprehensive income for the year	**—**		**301 012**	**301 012**
Dividend for 2016			-233 151	-233 151
Equity 2017-12-31	**371 685**		**1 369 863**	**1 741 548**
Net profit for the year			402 890	402 890
Total comprehensive income for the year	**—**		**402 890**	**402 890**
Fund for development expenditures		8 083	-8 083	—
Repurchase of own shares			-98 484	-98 484
Option premium received from exercising of option to purchase			11 441	11 441
Dividend for 2017			-243 748	-243 748
Equity 2018-12-31	**371 685**	**8 083**	**1 433 879**	**1 813 647**

Parent company cash flow statement

SEK K	Note	2018	2017
CURRENT OPERATIONS			
Operating profit		-27 026	-10 207
Adjustment for items not included in the cash flow:			
Depreciation and write-downs of intangible and tangible fixed assets	16, 17	2 765	1 950
Profit on sale of tangible fixed assets		-177	—
Total		**-24 438**	**-8 257**
Paid interest		-35 867	-28 174
Paid income tax		-13 020	-8 235
Cash flow from current operations before changes in working capital		**-73 325**	**-44 666**
CHANGES IN WORKING CAPITAL			
Change in operating receivables		-415 475	207 854
Change in operating liabilities		10 231	12 393
Cash flow from current operations		**-478 569**	**175 581**
INVESTMENT OPERATIONS			
Acquisition of shares and participations		-417 641	-24 509
Acquisition of intangible and tangible fixed assets	16, 17	-3 814	-4 986
Received interest		62 805	43 284
Received dividend		364 736	273 341
Sale of shares and participations		8 320	1 690
Sale of tangible fixed assets		405	—
Cash flow from investment operations		**14 811**	**288 820**
FINANCIAL OPERATIONS			
Proceeds from borrowings		1 088 425	—
Amortisation of liabilities		—	-49 741
Paid dividend		-243 748	-233 151
Repurchase of own shares		-98 484	—
Option premium received from exercising of option to purchase		11 441	—
Cash flow from financial operations		**757 634**	**-282 892**
Change in cash and bank		**293 876**	**181 509**
Cash and bank on 1 January		181 509	—
Cash and bank on 31 December		**475 385**	**181 509**

Notes

1 General information

Beijer Ref AB (publ), the parent company, and its subsidiaries (together, the Group) is a technology-oriented trading Group which, through added-value products, offers competitive solutions within refrigeration and air conditioning. The product programme consists mainly of products from leading international manufacturers and, in addition, some manufacturing of our own products, combined with service and support relating to 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. The Group has subsidiaries in large parts of Europe and in Africa and Asia Pacific.

The parent company is a public limited company which is located and registered in Malmö, Sweden. The address to the head office is Stortorget 8, SE-211 34 Malmö.

These consolidated accounts were approved for publication by the Board of Directors on 12 March 2019.

2 Applied reporting and valuation principles

General reporting principles
These consolidated accounts have been prepared in accordance with the Annual Accounts Act, RFR 1. Supplementary reporting regulations for Groups and International Financial Reporting Standards (IFRS) and IFRIC interpretations such as they have been adopted by the EU. Standards which have been published, but which have not yet come into force are not adhered to at present.

The Annual Report for the parent company has been prepared in accordance with the Annual Accounts Act. The parent company applies the same reporting principles as the Group with the exceptions and additions stipulated by the Swedish Financial Accounting Standards Council's recommendation RFR 2, 'Reporting for legal entities'. In the parent company is reported 'Financial instruments' in accordance with the exemption in RFR 2. Financial instruments are instead reported with a basis in acquisition values in accordance with the Annual Accounts Act. The reporting principles for the parent company are stated in the section 'Parent company reporting principles'. The principles have been consistently applied for all the years presented, unless otherwise stated.

Implementation of new reporting principles
New and amended standards applied by the Group
None of the IFRS or IFRIC interpretations, which for the first time are obligatory for the financial year that started in January 2018, have had any significant impact on the Group.

Analyses of potential effects regarding the implementation of IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments have been performed at both the Group and Subsidiary level. The analyses show that the new standards don't have any material impact on the Group's financial statements other than increased disclosure requirements. The prospective method is applied.

New standards and interpretations of existing standards which have not yet been applied prematurely by the Group
In the preparation of the consolidated accounts at 31 December 2018, several standards and interpretations have been published which have not yet come into force. Below follows the standard which have an influence on Beijer Ref's financial reports:

IFRS 16 "Lease" is a new leasing standard which will replace IAS 17. The standard demands that assets and liabilities attributable to all leasing agreements, with some exceptions, are reported in the balance sheet. This reporting is based on the approach that the lessee has a right to use an asset during a specific period and, at the same time, an obligation to pay for this right. The standard is applicable for financial years starting on 1 January 2019 or later.

Beijer Ref has assessed the effect of the transition to the new accounting standard and the initial assessment is that IFRS 16 will have a positive effect on operating profit and a less positive effect on profit after financial items. The estimated effects on the balance sheet are described in note 9. The leasing portfolio contains approximately 1,500 agreements and comprises primarily operational leases for offices, warehouses, company cars, forklift trucks and office equipment.

Beijer Ref has identified many agreements, primarily relating to properties, with the right to extend. As a result of these considerations, many leases have been deemed to be longer than according to the contract. All leasing agreements for property that fall due in 2019 have been extended by three years.

Beijer Ref has chosen to report the transition to the new standard using the simplified method. The relief rule not to create a comparative year has been applied. A discount rate has been fixed per country based on the market rate with the addition of a margin. Right of use agreements of less than 12 months are reported as short-term agreements and are therefore not included in the reported liabilities or rights of use. Right of use agreements with an acquisition value below USD 5,000 have been classified as low-value agreements and are not included in the reported liabilities or rights of use. The new standard will affect the key figures and these will be reported in connection with the publication of the interim report for the first quarter.

None of the other IFRS or IFRIC interpretations, which have not yet come into force, are expected to have any significant influence on the Group.

Conditions on the preparation of the Group's financial reports
The parent company's functional currency is SEK, which is also the reporting currency for both the parent company and the Group. All amounts stated have been rounded up or down to the nearest thousand unless otherwise stated.

The reporting principles applied in the preparation of these consolidated accounts are stated below. These principles have been applied consistently for all the years presented unless otherwise stated.

Consolidated accounts
Subsidiaries
Subsidiaries are all companies over which the Group has a controlling interest. The Group controls a company when it is exposed to, or has the right to, a variable return from its investment in the company and has the opportunity to influence the return through its influence in the company.

Subsidiaries are included in the consolidated accounts from the date on which the controlling interest is transferred to the Group. They are excluded from the consolidated accounts from the date on which the controlling interest ceases.

Acquisition accounting is used for reporting the Group's acquisitions of subsidiaries.

The acquisition of a subsidiary consists of the actual value of transferred assets, liabilities and the shares issued by the Group. The consideration also includes the actual value of all assets or liabilities which are a consequence of an agreement about conditional consideration. Conditional considerations are classified either as equity or financial liability depending on whether it is settled with an equity instrument or cash and is reported initially at actual value. Revaluations relating to conditional considerations, which are reported in subsequent periods, are reported either as an equity instrument or financial liability with revaluation to actual value over the profit and loss account.

Acquisition-related costs are written off when they arise. Identifiable acquired assets and liabilities taken over in a business combination are initially valued at actual values on the date of acquisition. For every acquisition, the Group determines if all holdings with non-controlling interest in the acquired company are reported at actual value or at the holding's proportional share of the net assets of the acquired company. The amount by which the purchase price, holding with non-controlling interest and actual value on the date of acquisition of previous shareholdings exceeds the actual value of the Group's share of identifiable acquired net assets is reported as goodwill or as other intangible asset. If the amount is less than the actual value of the acquired subsidiary's net assets, such as in the event of a 'bargain purchase', the difference is reported direct in the profit and loss account.

Intra-Group transactions and balance sheet items, as well as unrealised profits on transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction constitutes evidence that there is a need for a write-down in respect of the transferred asset. Where applicable, the reporting principles for subsidiaries have been changed to guarantee a consistent application of the Group's principles.

Transactions with holders with non-controlling interest
Transactions with holders with non-controlling interest are treated as transactions with the Group's shareholders. On acquisitions from holders with non-controlling interest, the difference between paid consideration and the actual acquired proportion of the reported value of the subsidiary's net assets is reported in shareholders' equity. Gains and losses on divestments to holders with no controlling influence are also reported in shareholders' equity.

When the Group no longer has a controlling or significant interest, every remaining holding is revalued at actual value and the change in reported value is reported in the profit and loss account. The actual value is used as the first reported value and forms the foundation for the continued reporting of the remaining holding as associated company, joint venture or financial asset. All amounts relating to the divested unit, which have previously been reported in other total results, are reported as if the Group had directly divested the pertaining assets or liabilities. This can result in amounts which have previously been reported in other total results being reclassified to profit or loss.

Reporting for segments
An operating segment is a part of the Group which carries out an operation from which it can generate revenues and incur costs and for which independent financial information is available. 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. In 2018, the Group had the following operating segments: Southern Europe, the Nordic countries, Central Europe, Eastern Europe, Africa and Asia Pacific. For further description of the regions, see pages 38-43.

Classification, etc
Fixed assets and long-term liabilities consist essentially only of amounts which are expected to be recovered or paid after more than twelve months calculated from the balance sheet date. Current assets and current liabilities consist essentially only of amounts which are expected to be recovered or paid within twelve months calculated from the balance sheet date.

Valuation principles, etc
Assets and liabilities have been valued at their acquisition value unless it is otherwise stated below.

Intangible assets
Intangible assets acquired by the company are reported at their acquisition value less accumulated depreciation and write-downs with the exception of what relates to goodwill and intangible assets with an indefinite useful life which is reported at acquisition value less accumulated write-downs. Additional expenditure for an intangible asset is added to the acquisition value only if it increases future financial benefits. All other expenditure is written off as it arises. Depreciation is based on acquisition values less residual values, if any. Depreciation is made in a straight line over the period of use of the asset and is reported as a cost in the profit and loss account. The residual values and period of use is tested on every balance sheet date and adjusted when required.

Research and development
Expenditure for research and development is reported as costs as it arises. Costs arisen in development projects (which applies to the design and testing of new or improved products) are reported as intangible assets when the following criteria are fulfilled:
(a) it is technically possible to complete the intangible asset so that it can be used,
(b) the Executive Management intends to complete the intangible asset and use or sell it,
(c) there are conditions for using or selling the intangible asset,
(d) it can be shown how the intangible asset will generate probable future financial benefits,
(e) adequate technical, financial or other resources for completing the development and for using or selling the intangible asset are available, and
(f) the expenditure attributable to the intangible asset during its development can be calculated in a reliable way.

Research and development expenditure which has previously been reported as a cost is not reported as an asset in the ensuing period. Research and development expenditure which has been capitalised is written off in a straight line from the date when the asset is ready for use. The amortisation is made over the anticipated period of use. However, this is not for more than five years.

Goodwill
Goodwill consists of the amount by which the acquisition value exceeds the actual value on the Group's share of the acquired subsidiary's identifiable net assets on the date of acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets. Goodwill is tested annually in order to identify any needs for a write-down and is reported at acquisition value less accumulated write-down. Write-down of goodwill is not reversed. Profit or loss on the divestment of a unit includes the remaining net value of the goodwill that refers to the divested unit.

Goodwill is distributed on cash-generating units on an assessment of any need for a write-down. Cash-generating units are the regions, Southern Europe, the Nordic countries, Central Europe, Eastern Europe, Africa and Asia Pacific, which are the same as those identified as operating segments.

Amortisation periods, Intangible assets:

	Group	Parent company
Acquired intangible assets:		
Computer programs	3-10 years	3 years
R & D	5 years	–
Agencies	40 years	–
Customer lists	10-20 years	–

The portion which consists of "Agencies" relates to an exclusive and time-unlimited distribution right of a world-leading manufacture (Toshiba). There is a significant value in the right to sell Toshibas air-conditioning and heating products and its European organisation, which has been made into an integrated part of Beijer Ref. Toshiba, is an organisation with a long history and a strong market position in several areas, also outside the refrigeration and air conditioning sectors. The management's best judgement is that a useful life of 40 years best corresponds to an approximation of the period during which the asset generates future financial advantages.

Tangible assets
Tangible fixed assets are reported as assets in the balance sheet when, based on available information, it is probable that the future economic use linked with the holding accrues to the Group/company and that the acquisition value of the asset can be calculated in a reliable way. Tangible fixed assets are reported at acquisition value

with a deduction for depreciation. Depreciation is based on acquisition values less estimated residual value. Depreciation is made in a straight line over the estimated use of the asset. The assets' residual values and period of use are tested on every balance sheet date and adjusted when required.

The following depreciation periods are applied:

	Group	Parent company
Buildings	25-50 years	40 years
Land improvements	20 years	—
Machinery and other technical plant	5-10 years	—
Equipment, tools and installations	3-10 years	3-10 years

Additional expenditure is added to the reported value of the asset or is reported as a separate asset, depending on which is appropriate, only when it is probable that future financial benefits linked with the asset will accrue to the Group and the acquisition value of the asset can be measured in a reliable way. All other forms of repair and maintenance are reported as costs in the profit and loss account during the period in which they arise.

Profits and losses on divestment are determined by a comparison between the sales proceeds and the reported value and are reported in 'Other operating income' or 'Other operating expenses'.

Write-down of non-financial assets
Assets which have an indefinite period of use are not written off but are tested annually relating to the need for write-down, if any. Assets which are written off are assessed with regard to depreciation whenever events or changes in conditions indicate that the reported value is not recoverable. A write-down is made with the amount by which the reported value of the asset exceeds its recovery value. The recovery value is the higher of an asset's actual value less selling expenses and the value of use. When assessing the need for a write-down, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash-generating units).

When calculating the value of use, future cash flows are discounted at an interest rate after tax which is intended to take into account the market's evaluation of risk-free interest and risk linked with the specific asset. An asset which is dependent on other assets is not considered to generate any independent cash flows. Such an asset is, instead, assigned to the smallest cash-generating unit in which the cash flows can be determined.

A write-down is reversed if there has been a change in the calculations applied to determine the recovery value. A reversal is only made to the extent that the reported value of the asset would have been if no write-down had been made. On every balance sheet date, an examination is made to establish if reversal should be made.

Financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss; financial instruments held to maturity; and financial assets valued to discounted cost. The classification is dependent on the objective for which the instruments were acquired. The Executive Management determines the classification of the instruments at the first reporting. In the 2018 Annual Report there are financial assets valued at fair value through profit and loss, and financial assets valued to discounted acquisition cost. Items included in the financial assets line that can be sold in the annual report for 2017 can now be found in the line Financial assets valued at fair value through profit or loss.

Financial assets valued to discounted acquisition cost are non-derivative financial assets with determined or determinable payments which are not listed in an active market. The characteristic is that they arise when the Group provides money, products or services direct to a customer with no intention of trading with the arisen receivable. They are included in current assets, with the exception of items with a due date of more than 12 months after the balance sheet date, which are classified as fixed assets. The Group's loans and receivables consist of 'Trade debtors and other receivables', and 'Liquid funds' in the balance sheet.

Financial assets valued at fair value through profit and loss are assets which are not derivatives and where the assets have been identified as that they cannot be sold or have not been classified in any of the other categories. They are included in fixed assets unless it is the intention of the management to divest the asset within 12 months after the end of the reporting period.

Acquisitions and sales of financial instruments are reported on the transaction date, i.e. the date on which the Group undertakes to acquire or sell the asset. Financial instruments valued at actual value via the profit and loss account are initially reported at actual value whilst attributable transaction costs are reported in the profit and loss account. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has either expired or been transferred and the Group has transferred virtually all risks and benefits linked with the ownership. Financial assets valued to discounted acquisition cost are reported after the date of acquisition at accrued acquisition value by application of the effective rate method. Financial assets valued at fair value through profit and loss are initially reported at actual value and in subsequent periods, if it is possible to determine, otherwise the valuation is made at acquisition value. When securities classified as financial assets valued at fair value through profit and loss are sold or written down, accumulated adjustments of actual value are transferred from shareholders' equity to financial income/expense in the profit and loss account. The group has identified financial assets as investments in equity instruments that are valued at fair value via other comprehensive income. Dividends and any impairment are included in equity. Accounting principles applied up to and including 31 December 2017 can be found in Note 2 to the Annual Report for 2017.

Write-downs of financial assets
At the end of every reporting period, the Group assesses if there is objective evidence that there is a need for write-down in respect of a financial asset or a group of financial assets. A financial asset or group of financial assets has a need for write-down and is written down only if there is objective evidence for a need for write-down as a consequence of the fact that one or several events have occurred after the asset has been reported the first time and that this event has an influence on the estimated future cash flows for the financial asset or group of financial assets which can be estimated in a reliable way.

Write-down for financial assets in the financial assets valued at fair value through profit and loss category is calculated as the difference between the reported value of the asset and the current value of estimated future cash flows discounted at the original effective rate. If the need for write-down decreases in a subsequent period and the decrease can be attributable to an event which occurred after the write-down was reported, the reversal of the previously reported write-down is reported in the consolidated profit and loss account. When it concerns an own-capital instrument classified as financial assets valued to discounted cost, a significant or prolonged fall in actual value for an instrument to a level below its acquisition value is taken into consideration as evidence that there is a need for write-down. If such evidence exists for financial assets valued to discounted cost, the accumulated loss – calculated as the difference between the acquisition value and actual value, with a deduction for previous write-downs, if any, which have been reported in the profit and loss account – is removed from shareholders' equity in the balance sheet and reported in the profit and loss account. Any impairment of equity instruments that are valued via equity is entered in equity. Write-downs of equity instruments, which have previously been reported in the profit and loss account, are not reversed over the profit and loss account.

Inventories
Inventories are entered at the lower of acquisition value and net sales value. The acquisition value is calculated in accordance with the 'first-in, first-out' principle or in accordance with weighted average prices. Weighted average prices are applied in those units

in the Group where a variation in the price of goods is deemed to be significant. In semi-finished or finished products of the company's own manufacture, the acquisition value consists of direct manufacturing costs, such as direct material and payroll expenses, and a reasonable proportion of indirect manufacturing costs. On valuation, normal capacity utilisation has been taken into account. Loan costs are not included. The net sales value is the estimated sales price in the current operations with a deduction for applicable variable selling expenses.

Trade debtors
Trade debtors are initially reported at actual value and, thereafter, at accrued acquisition value by application of the effective rate method, less a provision for depreciation, if any. A provision for depreciation of trade debtors is made when there is objective evidence that the Group will not be able to receive all amounts which have fallen due in accordance with the original terms of the receivables. Significant financial difficulties of the debtor; the probability that the debtor will become bankrupt or go through financial reconstruction, and non-payments or delayed payments, are regarded as indications that a need for the write-down of a trade debtor could exist. The size of the provision consists of the difference between the reported value of the asset and the current value of estimated future cash flows, discounted by the original effective rate. The reserved amount is reported in the item 'Other external costs' in the profit and loss account. When a trade debtor cannot be recovered, it is written off. Recovery of previously written off amounts is credited to 'Other external costs' in the profit and loss account.

Liquid funds
Liquid funds comprise cash and immediately available bank balances.

Share capital
Ordinary shares are classified as shareholders' equity. When a Group company buys the parent company's shares (buy-back of own shares), the purchase price paid, including directly attributable transaction costs (net after tax), if any, reduces profit brought forward until the shares are cancelled or divested. If these shares are later divested, the amounts received (net after directly attributable transaction costs and tax effects, if any) are reported in profit brought forward.

Trade creditors
Trade creditors are initially reported at actual value and, thereafter, at accrued acquisition value by application of the effective rate method.

Borrowing
Borrowing is initially reported at actual value, net after transaction costs. Thereafter, borrowing is reported at accrued acquisition value and the difference, if any, between the amount received (net after transaction costs) and the repayment amount is reported in the profit and loss account, distributed over the loan period, by application of the effective rate method.

Borrowing is classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

Taxes
Total tax consists of current tax and deferred tax. Taxes are reported in the profit and loss account except where the underlying transaction is reported as a component in 'Other comprehensive income' or directly against shareholders' equity. In such instances, the tax is also reported in 'Other comprehensive income' and shareholders' equity respectively. Current tax is tax calculated on taxable profit for the period. To this also belongs adjustment of current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance sheet method on all temporary differences between reported and fiscal values on assets and liabilities. However, the deferred tax is not reported if it arises as a result of a transaction which constitutes the first reporting of an asset or liability which is not an acquisition of an operation and which affects neither reported nor fiscal results on the date of acquisition. Deferred income tax is calculated by application of tax rates (and tax legislation) which have been decided or announced as per the balance sheet date and which are anticipated to apply when the deferred tax assets are realised or the deferred tax liability is settled. In the consolidated accounts, on the other hand, untaxed reserves are divided into deferred tax liability and shareholders' equity.

Deferred tax assets are reported to the extent it is likely that future fiscal surpluses will be available, against which the temporary differences can be utilised. Deferred tax is calculated on temporary differences which arise on participations in subsidiaries, except where the date for reversal of the temporary difference can be controlled by the Group and it is likely that the temporary difference will not be reversed in the foreseeable future.

Provisions (with the exception of deferred tax)
A provision is reported in the balance sheet when the company has a formal or informal commitment as a consequence of an event that has occurred and it is probable that an outflow of resources will be required to settle the commitment and a reliable estimate of the amount can be made.

The provisions are valued at the current value of the amount that can be expected to be required to settle the commitment. In this connection, a discount rate before tax is applied which reflects a current market valuation of the time-dependent value of money and the risks linked with the provision. The increase in the provision which is due to the fact that time passes is reported as an interest expense.

Guarantee reserve
A provision is reported when the underlying product or service has been sold. The guarantee provision is calculated on the basis of previous years' guarantee expenditure and of forecast future guarantee commitments.

Restructuring reserve
A provision is reported when a detailed restructuring plan has been adopted and the restructuring has either started or been announced publicly.

Remuneration of employees
Pension commitments
The Group's pension costs are reported in full under the heading Personnel Costs in the profit and loss account.

In defined contribution plans, the company pays fixed contributions to a separate legal entity and has no commitment to pay additional contributions. The Group's profit is charged for costs as the benefits are earned.

In defined benefit pension plans there is stated the amount for the pension benefit an employee receives after retirement. This is usually based on one or several factors such as age, period of service and salary. The Group carries a risk of ensuring that the payments undertaken are made. The defined benefit pension plans are both funds invested in various pension plans and floating debts. Where the funds are invested, the assets which belong to the plans are separated from the Group's assets in externally managed funds. These managed assets can only be used to pay benefits in accordance with the pension agreements.

In the balance sheet is reported the net of the calculated current value of the commitments and the actual value of the managed assets, either as a provision or a long-term financial receivable. Where a surplus in the plan cannot be utilised in full, only the portion of the surplus which the company can recover through reduced contributions or repayments is reported. Set-off against a surplus in a plan against a deficit in another plan is only made if the company has the right to utilise a surplus in one plan to regulate a deficit in another plan, or if the commitments are intended to be settled on a net basis.

The pension cost and the pension commitment for the defined benefit pension plans is calculated in accordance with the projected unit credit method. The method distributes the cost for pensions in step with the employees carrying out services for the company which increase their right to future compensation. The company's commitment is based on calculations by independent actuaries. The commitment consists of the current value of the anticipated future payments. The actuarial calculations are based on assumptions about discount rates, anticipated return on plan assets, future salary increases, inflation and demographic conditions. The most important actuarial assumptions are stated in Note 26.

When determining the current value of the commitment and the actual value of the managed assets, actuarial profits and losses could arise. These arise either because the actual outcome is different from the previous assumption or because assumptions change. The actuarial profits and losses are reported direct in other comprehensive income as they arise. Costs for previous employment are reported immediately. Interest expenses and the anticipated return on plan assets is reported net as an income/expense by applying the discount rate, which is used to discount the pension commitment included in the consolidated pension provision. Costs for the year's earning and net income/expense are reported in the operating result.

Commitments for retirement pension and family pension for salaried employees in Sweden are secured through insurance in Alecta. This is a defined benefit plan which comprises several employers. As the Group has not had access to information which makes it possible to report this scheme as a defined benefit plan, this plan is, therefore, reported as a defined contribution plan.

Payments on termination of employment
A provision in connection with termination of employment of staff is only reported if the company is demonstrably obliged to end an employment before the normal date or when payments are made as an offer to encourage voluntary termination. When the company needs to make staff redundant, a detailed plan is prepared which contains at least work location, positions and the approximate number of people involved, as well as payments for each staff category or position and the time for the implementation of the plan.

Variable remuneration
Variable remuneration of Senior Executives is reported in Note 6. The variable remuneration is decided annually by the Beijer Ref AB Board of Directors and can amount to not more than six months' salary. The variable remuneration is based on qualitative and quantitative target fulfilment. Otherwise, variable remuneration of employees in addition to senior executives exists only to a limited extent. Remuneration is reported in the period when the legal commitment arises.

Long-term incentive programme
During the year, the company has issued call options for class B shares in Beijer Ref AB. Each call option entitles the acquisition of one (1) repurchased share of Series B in the Company during the period from 1 June 2021 until 30 June 2021. The premium for the call options correspond to the market value of the call options according to the external independent valuation, Black & Scholes model. The call options are freely transferable.
The option premium received in payment of the call options affects retained earnings. In order to secure the delivery of shares to participants in the option programme, the company was authorised by the AGM to repurchase its own shares. The purchase value of the repurchase of own shares affects retained earnings.
Repurchase of own shares has a dilution effect and the relevant key figures are shown before and after dilution.

Revenues
As from 1 January 2018, the Company applies a new accounting policy regarding revenues (IFRS 15). The new policy means that revenue from the Group's sales is recognised when the control of the products is transferred to the customer, which occurs when the products are delivered to the customer and there are no unfulfilled obligations that may affect the customer's acceptance and approval of the products. The products are often sold with volume discounts based on cumulative sales over a 12-month period. Revenues from sales are recognised based on the agreed price less any volume discounts and discounts for cash payment. Volume discounts are calculated on the basis of the expected sales volume and revenues are recognised only to the extent that it is highly likely that a significant reversal is unlikely to occur. A liability is recognised for the anticipated volume discounts in relation to sales until the close of the reporting period. The liabilities relating to volume discounts are reported as accrued expenses in the balance sheet. Return rights and guarantees are in accordance with industry standards; any guarantee reserve is entered as other provisions.

For financial years 2017 and earlier, IAS 18 was applied, which accounting policies follow in this paragraph. Revenue recognition is made in the profit and loss account when it is probable that the future financial benefits will accrue to the company and these benefits can be calculated in a reliable way. The revenues include only the gross inflow of financial benefits the company receives or can receive on its own account. Income on sale of goods is reported as income when the company has transferred the significant risks and benefits linked with the ownership of the goods and the company does not exercise any real control over the goods sold. The revenues are reported at the actual value of what has been received or will be received with a deduction for VAT, made discounts and returned goods. Income from services is reported in the period they have been carried out. The criteria for revenue recognition are applied to each transaction per se. Payments in the form of interest, commission and dividend are reported as income when it is probable that the financial benefits linked with the transaction accrue to the company and that they can be calculated in a reliable way. Interest income is reported as revenue distributed over the duration by application of the effective rate method. Dividend income is reported when the right to receive payment has been determined.

Leasing – lessees
In the consolidated accounts, leasing is classified either as financial or operational leasing. Financial leasing exists when the financial risks and benefits linked with the ownership have been essentially transferred to the lessee. If this is not the case, it is a matter of operational leasing. Operational leasing means that the leasing charge is written off over the duration with the use as a starting point, which can differ from what has de facto been paid as a leasing charge during the year. No significant financial lease contracts exist.

With effect from 1 January 2019, the company applies a new accounting policy with regard to leasing (IFRS 16). The new accounting standard requires that assets and liabilities attributable to all leasing agreements, with some exceptions, are reported in the balance sheet. This reporting is based on the view that the lessee has a right to use an asset during a specified period of time and also a liability to pay for this right. For further information, see under the heading ”Introduction of new accounting policies” and note 9.

Hedge reporting
The Group applies hedge reporting for financial instruments aimed at hedging net investments in operations abroad. When the transaction is entered into the relation between the hedging instrument and the hedged item is documented or the transaction as well as the objective of the risk handling and the strategy for taking different hedging actions. The Group also documents its assessment, both at the start of the hedging and current, as to whether the derivative instruments used in the hedging transaction are effective with regard to mitigating changes in actual value or cash flow for hedged items.

Hedgings are designed to ensure that they can be expected to be effective. Changes in actual value for derivative instruments which do not meet the conditions for hedge reporting are reported immediately in the profit and loss account. Changes in actual value on the hedging instrument are reported in the total result until the maturity date. An ineffective part, if any, is reported immediately in the profit and loss account.

Translation of foreign currency
Functional currency and reporting currency
Items included in the financial reports for the different units in the Group are valued in the currency used in the financial environment in which the respective company mainly operates (functional currency). In the consolidated accounts SEK is used, which is the parent company's functional currency and reporting currency.

Transactions and balance sheet items
Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates applicable on the date of transaction. Exchange gains and losses, which arise on payment of such transactions and on the translation of monetary assets and liabilities in foreign currency at the balance sheet date rate, are reported in the profit and loss account.

Group companies
Results and financial position for all Group companies (none of which have a high inflation currency), which have functional currency other than the reporting currency, are translated into the Group's reporting currency as follows:

- assets and liabilities for each balance sheet are translated at the balance sheet date rate,
- income and expenses for each profit and loss account are translated at the average exchange rate and
- all exchange rate differences which arise are reported as a separate component in 'Other comprehensive income'.

On consolidation, the year's exchange rate differences, which arise as a result of translation of net investments in foreign operations and of borrowing and other currency instruments which have been identified as hedgings of such investments, are reported as a component in 'Other comprehensive income' and accumulated among reserves in shareholders' equity. On the divestment of a foreign operation, such exchange rate differences are reported as a part of the capital gain/loss in the profit and loss account.

Goodwill and adjustments of actual value which arise on the acquisition of a foreign operation are treated as assets and liabilities in this operation and translated at the balance sheet date rate. The arisen exchange rate differences are reported as a separate component in 'Other comprehensive income'.

Dividends
Dividend to the parent company's shareholders is reported as liability in the Group's financial reports in the period when the dividend is approved by the parent company's shareholders.

Related parties transactions
Information about the Board of Directors', the President's and other senior executives' salaries and other remuneration, costs and obligations relating to pensions and similar benefits, agreements made relating to severance pay is outlined in Note 6. Other transactions with related parties appear in Note 33.

Parent company reporting principles

The parent company's financial reports have been prepared in accordance with the Annual Accounts Act and RFR 2. Financial instruments are reported on accordance with the exception in RFR 2, i.e. IAS 39 is not applied. Financial instruments are instead reported with a basis in acquisition values in accordance with the Annual Accounts Act.

In its financial reports, the parent applies the company International Financial Reporting Standards (IFRS) which have been approved by the EU when this is possible within the framework of the Annual Account Act and taking into account the relationship between reporting and taxation.

Subsidiaries
In the parent company's accounts are reported participations in subsidiaries at acquisition value with a deduction for write-downs, if any. As dividend from subsidiaries is only reported a dividend received from profits earned after the acquisition.

Group contributions
Group contributions which the parent company receives from subsidiaries are reported as appropriations.

3 Financial risk handling

Financial risks
Through its operations, the Group is exposed to a large number of different financial risks, inclusive of the effects of changes in prices in the loan and capital markets, exchange rates and interest rates. The Group's overall risk-handling programme focuses on the unpredictability in the financial markets and strives to minimise potential unfavourable effects on the Group's results. The risk handling is managed by a central finance department (Group Finance) in accordance with principles approved by the Board of Directors. Group Finance identifies, evaluates and hedges financial risks in close collaboration with the Group's operational units. The Board of Directors formulates principles for both the overall risk handling and for specific areas such as currency risks, interest risks, and investment of surplus liquidity.

Financial instruments by category in the Group

The reporting principles for financial instruments have been applied as below:

2018-12-31	*Total*
Assets in the balance sheet	
Financial assets valued at fair value through profit and loss	45 203[1)]
Financial assets valued at discounted acquisition cost	
Trade debtors and other receivables	2 670 350
Liquid funds	909 430
Total	**3 624 983**
Liabilities in the balance sheet	
Debt valued at discounted acquisition cost	
Borrowing	3 317 778
Other long-term liabilities	6 391
Trade creditors and other liabilities	2 322 589
Total	**5 646 758**

1) Financial asset valued at fair value, see note 19.

2017-12-31	*Total*
Assets in the balance sheet	
Financial assets available for sale	24 844[1)]
Trade debtors and other receivables	2 133 515
Liquid funds	559 387
Total	**2 717 746**
Liabilities in the balance sheet	
Borrowing	2 090 503
Other long-term liabilities	11 863
Trade creditors and other liabilities	1 741 464
Total	**3 843 830**

1) Financial asset available for sale, see note 19.

Financial assets valued at fair value consist of two holdings, one of which (SEK 20 million) refers to listed shares and is valued at market value on the balance sheet date. The second holding (SEK 25 million) is an unlisted holding and is valued at estimated fair value. Financial assets and financial liabilities where there is a legal right to offset the reported amounts are reported with a net amount in the balance sheet.

Market risk

Currency risks

The Group is exposed to transaction risks on acquisitions/sales and financial transactions in foreign currency. The majority of the sales are made in the local currency of the respective subsidiary, only around 2 per cent (1) is made in another currency whilst approximately 26 per cent (26) of purchases are made in a currency other than the respective local currency. The currency exposure relating to purchases is primarily in EUR and USD. In order to handle these risks, quotations and price lists usually contain a currency clause and continual price adjustments are made on a par with changed purchasing prices caused by, among other things, exchange rate fluctuations.

A weakened SEK of 10 per cent against the EUR relating to product transactions involves a change in the profit margin of approximately -0.8 (-0.9) percentage points. The correspondent weakening against the USD gives a change in the profit margin of -0.7 (-0.7) percentage points.

The group is subject to translation risk when converting into the group currency, SEK. This currency risk is generally not hedged. In some cases hedging of net investment is done by hedging the external loans. During 2018, this has had an effect of SEK 35 million on the comprehensive income. Exchange rate differences compared with the previous year are shown in note 15. On the balance sheet date, the group had no outstanding forward exchange contracts or other financial instruments of a material nature for which fair value shall be reported. The effect on operating profit of a strengthening of SEK by 10% against all currencies would be SEK -100 (-70) million and would reduce the operating margin by -0.8 (-0.7) percentage points.

Interest risks

The Group's revenues and cash flow from operations are essentially independent of changes in market interest levels. The Group has no significant interest-bearing assets. The Board of Directors of Beijer Ref continuously evaluates the issue of possibly committing to fixed interest rates. Based on total borrowing in accordance with Note 24 at balance sheet date, an increase in the interest rate of one percentage point would result in an increased interest expense of SEK 30M (21) for the Group.

Credit risk

The Group has no significant concentration of credit risks. The Group adapts itself to local conditions in the respective market and works with local knowledge in order to ensure that sales of products are made to customers with an appropriate credit background. Due to the fact that the Group has of a large number of customers and transactions, the credit risk is kept at a low level.

Liquidity risk

The handling of liquidity risks is made with prudence as the starting point. This involves maintaining sufficient liquid funds, available financing and sufficient agreed bank overdraft facilities. On the balance sheet date, liquid funds including unutilised bank overdraft facilities totalled SEK 1,202M (983). In addition, there are limits granted by the Group's banks to cover the working capital requirement which may arise. Further information is presented in Note 24.

Below is shown the Group's duration analysis of the liabilities which are classified as financial liabilities. The amounts stated are in contractual undiscounted cash flows.

Capital risk

The Group's objective relating to the capital structure is to secure the Group's ability to continue its operation in order to enable it to generate a return for its shareholders, whilst the capital structure is kept at an optimum in order to keep the capital costs down. In order to change the capital structure, for example, the dividend can be changed, new shares issued or assets sold to reduce the liabilities.

The capital risk is measured as debt ratio, which means interest-bearing liabilities reduced by liquid funds in relation to shareholders' equity.

Group	2018	2017
Interest-bearing liabilities	3 431 172	2 207 936
Liquid funds	-909 430	-559 387
Net debt	2 521 742	1 648 549
Shareholders' equity	3 785 118	3 293 684
Debt ratio	0.67	0.50

Duration analysis 2018-12-31 Financial instruments	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years	> 5 years
Borrowing inclusive of interest payments	56 425	63 125	666 022	1 261 994	1 399 872	
Trade creditors and other long-term liabilities	1 504 971	108 400	44 918	16 651	1 295	2 724
Total	**1 561 396**	**171 525**	**710 940**	**1 278 645**	**1 401 167**	**2 724**

Duration analysis 2017-12-31 Financial instruments	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years	> 5 years
Borrowing inclusive of interest payments	11 538	6 055	470 641	78 986	1 581 011	
Trade creditors and other long-term liabilities	1 189 991	79 410	19 553	11 843	2 671	11 661
Total	**1 201 530**	**85 465**	**490 194**	**90 829**	**1 583 682**	**11 661**

4 Important estimates and assessments for reporting purposes

The Corporate Management and the Board of Directors make assessments and assumptions about the future. These assessments and assumptions influence reported assets and liabilities, as well as revenues and costs, and other given information. These assessments are based on historic experiences and the different assumptions deemed to be reasonable under current circumstances. Conclusions drawn by these means form the foundation for decisions relating to reported values of assets and liabilities where these cannot be determined through other information. Areas which include such assessments and assumptions which can significantly influence the Group's result and financial position include:

- The examination of the need for a write-down of goodwill and other assets with an indefinite useful life: The need for a write-down of goodwill is examined annually in connection with the annual accounts or as soon as changes indicate that a need for a write-down should exist, such as a changed business climate or a divestment or closure of an operation.A write-down is made if the reported value exceeds the estimated value in use. See also Note 2 and Note 16. The Group's goodwill amounts to approximately 40 per cent of the Group's equity.

- Other tangible and intangible assets are reported at acquisition value with a deduction for accumulated depreciation and write-downs, if any. Intangible assets with an indefinite useful life are included in the annual examination of the need for a write-down, see above. Depreciation is made over the estimated useful life down to an assessed residual value. The reported value of the Group's fixed assets is examined as soon as changed circumstances show that there is a need for a write-down. The value in use is measured as anticipated future discounted cash flow, primarily from the cash-generating unit to which the asset belongs but, in specific cases, also in relation to individual assets. An examination of the reported value of an asset also arises in connection with a decision having been taken about a close-down. The asset is taken up at the lowest of the reported value and the actual value after a deduction for selling expenses. Tangible and intangible assets except goodwill amount to approximately 27 per cent of the Group's equity.

- Calculation of deferred tax asset and tax liability respectively: Assessments are made to determine both current and deferred tax assets or liabilities, especially with regard to deferred tax assets. In this connection, the likelihood that the deferred tax assets will be utilised for settlement against future taxable profits is assessed. The actual value of these future taxable profits can differ with regard to future business climate and earning capacity or changed fiscal regulations. See also Note 25.

5 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, working capital, depreciation and investments. Internal sales within each segment are eliminated in net sales by operation, internal sales between segments are eliminated on total level. Previous were all internal sales eliminated within the segment independence on counterpart. Comparative figures for the previous period have been recalculated. The working capital included inventories, trade debtors and trade creditors and is an average based on monthly values for the year. Investments are reported in the segment where the asset is found and consists of the year's investments, including investments from acquisition of companies.

12 months **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**
Sales	1 952	1 472	3 698	3 054	5 056	4 024	524	406	1 302	793	2 005	1 039	14 536	10 788
Internal sales	-235	-103	-391	-322	-368	-231	-31	-18	-138	-59	-130	-50	-1 294	-783
Net sales by segment	1 717	1 369	3 307	2 732	4 688	3 793	493	388	1 164	734	1 874	989	13 242	10 005
Internal sales by segment													-227	-175
Net sales													13 015	9 830
Result by operation	282	164	274	172	409	302	59	35	68	47	99	75	1 191	795
Undistributed costs[1]													-105	-70
Operating profit													**1 085**	**725**
Financial net													-31	-26
Tax													-275	-178
Net profit													**780**	**521**
Working capital, average for the period	491	427	953	766	1 425	1 135	194	163	474	345	691	363	4 228	3 198
Group eliminations													-7	-3
Total average working capital													4 222	3 195
Depreciations	17	18	35	31	25	23	4	3	6	3	18	7	106	85
Investments	21	13	84	47	24	18	2	2	6	2	24	5	161	87

1) The increase in Group-wide expenses is explained primarily by expenses in connection with acquisitions, as well as purchasing and digitalisation projects.

Net sales in Sweden amount to approximately SEK 531M (371). The individually significant country is France where net sales amount to approximately SEK 2,704M (2,243). Total fixed assets reduced by deferred tax assets and financial instruments amount to SEK 52M (74) in Sweden. The individually significant countries are France and Switzerland where total fixed assets reduced by deferred tax assets and financial instruments amount to SEK 475M (495) and SEK 308M (286) respectively.

6 Employees and remuneration of employees

Average number of employees	**2018**		**2017**	
Parent Company	Total	of whom men	Total	of whom men
Sweden	17	59%	15	60%
Total in Parent Company	**17**	**59%**	**15**	**60%**
Subsidiaries	Total	of whom men	Total	of whom men
France	489	81%	475	82%
South Africa	743	82%	391	87%
UK	333	66%	290	70%
Italy	236	82%	210	82%
The Netherlands	171	84%	172	84%
Spain	203	79%	139	82%
Portugal	22	68%	4	77%
Sweden	88	85%	86	90%
Norway	95	88%	101	89%
Switzerland	76	79%	75	79%
Denmark	79	82%	80	83%
Thailand	126	44%	117	41%
Germany	75	81%	72	85%
Poland	44	82%	44	82%
Finland	45	80%	40	83%
Hungary	26	81%	26	81%
Romania	27	63%	25	60%
Belgium	23	83%	22	86%
Czech Republic	11	73%	11	73%
Mozambique	10	80%	10	80%
Ghana	2	100%	2	100%
Estonia	7	86%	7	86%
Ireland	8	63%	9	56%
Lithuania	9	78%	9	78%
Latvia	6	83%	6	83%
Zambia	6	100%	7	100%
Botswana	8	50%	5	40%
Slovakia	5	80%	4	75%
Namibia	13	69%	4	100%
Tanzania	2	100%	–	–
New Zealand	117	79%	125	78%
Australia	364	84%	83	90%
Malaysia	22	59%	21	62%
India	35	91%	30	93%
China	155	80%	–	–
Singapore	5	100%	–	–
Total in subsidiaries	**3 686**	**79%**	**2 702**	**80%**
Total Group	**3 703**	**79%**	**2 717**	**80%**

Salaries, other remuneration and social costs (sek k)	**2018** *Salaries & other remuneration*	*Social costs*	*Total remuneration of employees*	**2017** *Salaries & other remuneration*	*Social costs*	*Total remuneration of employees*
Parent Company [1]	28 895	16 231	45 126	25 229	11 881	37 110
of which pension costs [2]		5 375	5 375		4 821	4 821
Subsidiaries	1 368 763	332 642	1 701 406	1 031 058	250 551	1 281 609
of which pension costs		99 877	99 877		65 378	65 378
Group	**1 397 658**	**348 873**	**1 746 532**	**1 056 287**	**262 432**	**1 318 719**
of which pension costs [3]		**105 252**	**105 252**		**70 199**	**70 199**

1) The Parent Company's recognised personnel costs have been affected by repayment from the pension foundation.
2) Of the parent company's pension costs, SEK 1,581K (1,591) relate to the Board of Directors and the CEO.
3) Of the Group's pension costs, SEK 8,494K (5,992) relate to the Board of Directors and the CEO.

6 Employees and remuneration of employees *(continued)*

Benefits for senior executives
For 2018, a directors' fee of SEK 610K was paid to the Chairman and SEK 310K to each of the other Board Members with the exception of Board Members employed in the UTC group, to whom no remuneration has been paid. The Board consists of five men and two women (five men and two women). The CEO, Per Bertland, has received a salary, remuneration and other benefits amounting to SEK 8,770K (7,798), including a bonus payment of SEK 2 934K (2 491). An annual amount equivalent to 30 per cent of his gross salary is appropriated to a pension insurance scheme. The pension solution is contribution-based. The retirement age for the CEO is 65. Where notice of termination is given by the company, the CEO will receive 12 months' salary and a severance pay equivalent to 12 months' salary. On these 24 months' salary the company will pay a pension insurance premium of 30 per cent. Notice of termination by the CEO is six months and does not trigger any severance pay. On new employment, there is no deduction of severance pay. A bonus payment is decided annually by the Board of Directors and can amount to a maximum of 55% of the annual salary. The bonus payment is based on qualitative and quantitative target fulfilment.

The Group's other senior executives, consists of two women and two men (one woman, two men). Other senior executives consist of the CFO, COO ARW EMEA, COO Toshiba HVAC and General Counsel. All senior executives also hold the title EVP. For further information about the senior executives, see pages 56-57. They received salary, remuneration and other benefits amounting to SEK 12,826K (8,028) including bonus payments of SEK 3,838K (1,942). Pension solutions to three of the senior executives are contribution-based and amount to 25 per cent of gross salary. The fourth senior executive has a defined benefit pension solution, the terms of which are based on rules and regulations in France. Where notice of termination is given by the by the company, the senior executives receive up to 12 months' salary.

The Board of Directors handles matters relating to remuneration of the senior executives on CEO and Executive Vice President level. The Board, as a whole, constitutes the Remuneration Committee. The matter is prepared during the first Board Meeting of the year and decided at the Board Meeting held in connection with the Annual Meeting of shareholders.

Long-term incentive programme
Beijer Ref AB's long-term incentive programme was approved by the shareholders at the annual general meeting in 2018. The programme, which was adopted by 57 persons, meant that the participants had the opportunity to acquire, at market price, call options in respect of Beijer Ref AB (publ) class B shares and that in connection with the transfer of the call options the participants received a subsidy in the form of a gross salary supplement corresponding to 50 per cent of the premium paid for the options. In total, the participants in the programme acquired 898,000 options.

To ensure the delivery of shares to participants in the incentive programme, during the year Beijer Ref has exercised the annual general meeting's authorisation to buy back own shares. In total, the company repurchased 636,380 shares during 2018 and now holds 897,980 shares at an average purchase value of SEK 111.

The incentive programme runs between 2018 and 2021. The total cost of the programme has been charged to the company's operating profit at SEK 8 million during 2018, which is in line with the AGM's decision.

7 Other operating income

Group	2018	2017
Rents	3 042	5 953
Exchange gains	5 620	1 861
Capital gain	1 046	787
Commission	62	130
Other	9 928	12 739
Total	**19 698**	**21 470**
Parent company		
Group revenues	59 445	48 796
Exchange gain	–	7
Other	177	–
Total	**59 622**	**48 803**

8 Remuneration of auditors

Group	2018	2017
PwC		
Audit assignment [1]	9 463	6 278
Audit business in addition to audit assignment [2]	302	581
Tax consultancy	962	1 000
Other services [3]	1 300	1 078
Total	**12 027**	**8 937**
Other auditors		
Audit assignment	1 432	871
Audit business in addition to audit assignment	59	–
Tax consultancy	72	121
Total	**1 563**	**992**
Total	**13 590**	**9 929**
Parent company		
PwC		
Audit assignment	900	700
Audit business in addition to audit assignment	–	184
Other services	244	176
Total	**1 144**	**1 060**

1) of which SEK 1,159K (1,045) refers to PWC Sweden
2) of which SEK 32K (2) refers to PWC Sweden
3) of which SEK 1,300K (265) refers to PWC Sweden

9 Lease contracts

Group	2018	2017
The year's leasing cost	278 061	206 794
Leasing charge which falls due		
- within 1 year	274 820	187 668
- within 1-5 years	502 204	467 694
- later than 5 years	238 340	225 619

The above amounts mainly relate to operational lease contracts for premises, but leasing charges for cars, trucks and office equipment are also included. The lease contracts run with customary index clauses and the car contracts run with normal interest terms.

With effect from January 2019, Beijer Ref applies the new accounting standard IFRS 16 Leases. The effect of the transition to IFRS 16 is estimated to be as follows:

Assets with right of use	
Buildings	886 422
Leasing vehicles	90 501
Fork-lift trucks	35 358
Office equipment	8 513
Machinery	1 202
Total leasing assets	**1 021 996**
Deferred tax assets	11 154
Total effect on assets	**1 033 150**
Equity and leasing liabilities	
Equity	-31 556
Long-term leasing liability	767 077
Short-term leasing liability	297 629
Total leasing liability	**1 064 706**
Total equity and leasing liabilities	**1 033 150**

10 Results of participations in Group companies

Parent company	2018	2017
Dividends received, Group companies	364 736	273 341
Capital result from sold participations in Group companies	-17 775	-12 887
Total	**346 961**	**260 454**

11 Financial income

Group	2018	2017
Interest income	5 334	3 450
Exchange gain	7 916	1 527
Other financial income	24	19
Total	**13 274**	**4 996**
Parent company		
Interest income, Group companies	62 805	43 250
Interest income, external	–	34
Total	**62 805**	**43 284**

12 Financial expenses

Group	2018	2017
Interest expenses	-43 902	-30 205
Other	–	-1 230
Total	**-43 902**	**-31 435**
Parent company		
Interest expenses, Group companies	-12	-1 011
Interest expenses, external	-35 855	-27 163
Exchange loss	-42 044	-11 859
Total	**-77 911**	**-40 033**

13 Appropriations

Parent company	2018	2017
Group contribution	137 756	59 047
Tax allocation reserve	-23 990	–
Total	**113 766**	**59 047**

14 Tax on the year's profit

Group	2018	2017
Current tax	-266 962	-181 485
Deferred tax (Note 25)	-8 341	3 776
Tax on the year's profit	**-275 303**	**-177 709**
Reconciliation of effective tax		
Profit before taxes	1 054 853	698 515
Tax expense calculated according to actual tax rate, 22% (22%)	-232 068	-153 673
Effect of different tax rates	-37 623	-31 170
Non-deductible costs	-42 048	-10 987
Non-taxable income	36 312	4 680
Tax attributable to previous years	-160	1 304
Tax losses for which no deferred tax asset was recognised	7 092	7 620
Revaluation of prior years' losses	–	7 946
Non-capitalised tax losses	-273	–
Temporary differences, non-capitalised	2 686	–
Other*	-9 221	-3 429
Net effective tax	**-275 303**	**-177 709**
Effective tax rate	26,1%	25,4%

*) Other consists of French tax (CVAE) and repayment of tax related to dividend in France (2017)

Deferred tax expense in other comprehensive income amounts to SEK 11,407K (-30) and relates to pension provisions SEK 1,120K (-30), cash flow hedging SEK 8,631K (0) and equity investments SEK 1,656K (0).

Parent company	2018	2017
Current tax	-15 705	-11 533
Tax on the year's profit	**-15 705**	**-11 533**
Reconciliation of effective tax		
Profit before taxes	418 595	305 465
Tax expense calculated according to actual tax rate, 22% (22%)	-92 091	-67 202
Non-deductible costs	-3 983	-4 464
Non-taxable income	80 242	60 133
Tax attributable to previous years	127	–
Net effective tax	**-15 705**	**-11 533**
Effective tax rate	3,8%	3,8%

15 Currency effect in result

Group	2018	2017
Currency effect in operating profit	5 620	1 861
Currency effect in financial income and expenses	7 916	1 527
Currency effect in profit after tax	**13 536**	**3 388**
Parent company		
Currency effect in operating profit	–	7
Currency effect in financial income and expenses	-42 044	-11 859
Currency effect in profit after tax	**-42 044**	**-11 852**

16 Intangible fixed assets

CAPITALISED EXPENDITURE FOR SOFTWARE

Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	182 108	151 759
Acquisitions during the year	26 448	20 559
Acquisition of companies	54 114	–
Divestments and disposals	-82	–
Reclassification	–	8 086
The year's translation differences	5 667	1 704
Total	**268 255**	**182 108**
Accumulated amortisation		
On 1 January	-132 975	-111 637
Acquisitions during the year	-15 131	-13 795
Acquisition of companies	-48 661	–
Divestments and disposals	82	–
Reclassification	–	-5 897
The year's translation differences	-4 174	-1 646
Total	**-200 859**	**-132 975**
RESIDUAL VALUE	67 396	49 133

CAPITALISED EXPENDITURE FOR RESEARCH AND DEVELOPMENT, ETC

Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	10 620	6 301
Acquisitions during the year	1 111	1 291
Reclassification	–	2 813
The year's translation differences	398	215
Total	**12 129**	**10 620**
Accumulated amortisation		
On 1 January	-4 724	-2 933
The year's amortisation	-1 517	-1 265
Reclassification	–	-446
The year's translation differences	-146	-80
Total	**-6 387**	**-4 724**
RESIDUAL VALUE	5 742	5 896

AGENCIES AND CUSTOMER LISTS

Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	562 313	541 595
Acquisitions during the year	–	518
Acquisition of companies	52 654	3 778
Reclassification	–	1 725
The year's translation differences	19 231	14 697
Total	**634 198**	**562 313**
Accumulated amortisation		
On 1 January	-103 707	-83 900
The year's amortisation	-19 971	-16 852
The year's translation differences	-3 600	-2 955
Total	**-127 278**	**-103 707**
RESIDUAL VALUE	506 920	458 606

GOODWILL

Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	1 164 906	1 142 746
Acquisition of companies	296 888	19 188
Reclassification	–	-2 004
The year's translation differences	35 086	4 976
RESIDUAL VALUE	1 496 880	1 164 906

The recoverable amount for a cash-generating unit is determined based on calculations of value of use. These calculations are based on estimated future cash flows which, in turn, are based on financial budgets approved by the Executive Management for the immediate year. Thereafter, estimates have been made and cover a five-year period. Cash flows beyond the five-year period are calculated based on maintained profitability and no growth. The most important variables for the calculation of value of use are operating margin, growth and discount rate. These are estimated based on sector experience and historic experience.

The discount rate before tax has been determined with the aid of current tools for the calculation of the yield requirements on capital and the weighted average of the yield requirement on the company's total capital.

The discount rate has been adapted to the respective segment based on an overall assessment consisting of operating margin, size of segment and assessed geographical market risk. The discount rate varies from 7.46 per cent (7.75) up to a maximum of 7.96 per cent (8.25). Calculated on the recoverable amount, it demonstrates a prudent safety margin of 29-76 per cent (31-53) in addition to the recorded value per segment.

Sensitivity analyses have been made for all segments. These show a prudent margin between recoverable values and book values. The sensitivity analysis shows that an increase in the discount rate by one percentage point gives a margin between the recovery value and the book value per segment of 14-57 per cent (16-36). A sensitivity analysis relating to growth shows that at 0 per cent growth leads to a margin in the range of 27-69 per cent (29-47). On a sensitivity analysis of the operating margin with minus one percentage point per segment, it gives a margin in the range of 10-49 per cent (12-29).

The calculations show that there is no need for a write-down.

GOODWILL PER SEGMENT	**2018**	**2017**
Nordic countries	356 185	350 777
Central Europe	324 379	296 330
Southern Europe	472 093	341 998
Eastern Europe	10 145	10 049
Africa	208 633	84 673
Asia Pacific	125 444	81 079
Total	**1 496 880**	**1 164 906**

TOTAL INTANGIBLE FIXED ASSETS

Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	1 919 947	1 842 401
Acquisitions during the year	27 559	22 368
Acquisition of companies	403 656	22 966
Divestments and disposals	-82	–
Reclassification	–	10 620
The year's translation differences	60 382	21 592
Total	**2 411 462**	**1 919 947**
Accumulated amortisation		
On 1 January	-241 406	-198 470
The year's amortisation	-36 619	-31 912
Acquisition of companies	-48 661	–
Divestments and disposals	82	–
Reclassification	–	-6 343
The year's translation differences	-7 920	-4 681
Total	**-334 524**	**-241 406**
RESIDUAL VALUE	2 076 938	1 678 541

CAPITALISED EXPENDITURE FOR SOFTWARE

Parent company

Accumulated acquisition values	**2018**	**2017**
On 1 January	10 794	6 030
Acquisitions during the year	3 655	4 764
Total	**14 449**	**10 794**
Accumulated amortisation		
On 1 January	-4 129	-2 729
The year's amortisation	-2 237	-1 400
Total	**-6 366**	**-4 129**
RESIDUAL VALUE	8 083	6 665

17 Tangible fixed assets

BUILDINGS AND LAND
Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	273 569	264 855
Acquisitions during the year	5 426	8 181
Acquisition of companies	35 477	—
Divestments and disposals	-129	121
Divested operations	-26 633	—
Reclassification	51	—
The year's translation differences	6 008	412
Total	**293 769**	**273 569**
Accumulated depreciation		
On 1 January	-140 137	-133 105
The year's depreciation	-7 607	-6 345
Acquisition of companies	-18 111	—
Divestments and disposals	129	496
Divested operations	15 154	—
The year's translation differences	-2 946	-1 183
Total	**-153 518**	**-140 137**
RESIDUAL VALUE	140 251	133 432

MACHINERY AND OTHER TECHNICAL PLANT
Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	153 009	148 944
Acquisitions during the year	12 938	8 555
Acquisition of companies	113 452	—
Divestments and disposals	-3 698	-3 247
Reclassification	—	49
The year's translation differences	333	-1 292
Total	**276 034**	**153 009**
Accumulated depreciation		
On 1 January	-107 097	-101 446
The year's depreciation	-15 586	-9 493
Acquisition of companies	-67 467	—
Divestments and disposals	2 756	2 790
Reclassification	—	-55
The year's translation differences	-345	1 107
Total	**-187 739**	**-107 097**
RESIDUAL VALUE	88 295	45 912

EQUIPMENT, TOOLS AND INSTALLATIONS
Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	563 459	539 217
Acquisitions during the year	93 417	46 988
Acquisition of companies	94 160	—
Divestments and disposals	-15 548	-18 905
Divested operations	-52	—
Reclassification	246	-7 512
The year's translation differences	14 528	3 671
Total	**750 210**	**563 459**
Accumulated depreciation		
On 1 January	-431 849	-415 083
The year's depreciation	-46 116	-37 614
Acquisition of companies	-67 507	—
Divestments and disposals	14 046	17 223
Divested operations	43	—
Reclassification	-205	6 398
The year's translation differences	-11 840	-2 773
Total	**-543 428**	**-431 849**
RESIDUAL VALUE	206 782	131 610

CONSTRUCTION IN PROGRESS

Group	**2018**	**2017**
On 1 January	867	3 000
Acquisitions during the year	21 223	986
Acquisition of companies	565	—
Divestments and disposals	-21	—
Reclassification	-92	-3 157
The year's translation differences	25	38
RESIDUAL VALUE	22 567	867

TOTAL TANGIBLE FIXED ASSETS
Group

Accumulated acquisition values	**2018**	**2017**
On 1 January	990 904	956 016
Acquisitions during the year	133 004	64 710
Acquisition of companies	240 126	—
Divestments and disposals	-19 396	-22 031
Divested operations	-26 685	—
Reclassification	205	-10 620
The year's translation differences	20 894	2 829
Total	**1 339 052**	**990 904**
Accumulated depreciation		
On 1 January	-679 083	-649 634
The year's depreciation	-69 309	-53 452
Acquisition of companies	-149 557	—
Divestments and disposals	16 931	20 509
Divested operations	15 197	—
Reclassification	-205	6 343
The year's translation differences	-15 131	-2 849
Total	**-881 157**	**-679 083**
RESIDUAL VALUE	457 895	311 821

BUILDINGS AND LAND
Parent company

Accumulated acquisition values	**2018**	**2017**
On 1 January	5 875	5 875
Total	**5 875**	**5 875**
Accumulated depreciation		
On 1 January	-3 838	-3 714
The year's depreciation	-125	-125
Total	**-3 963**	**-3 838**
RESIDUAL VALUE	1 912	2 037

EQUIPMENT, TOOLS AND INSTALLATIONS
Parent company

Accumulated acquisition values	**2018**	**2017**
On 1 January	6 096	5 874
Acquisitions during the year	159	222
Divestments and disposals	-855	—
Total	**5 400**	**6 096**
Accumulated depreciation		
On 1 January	-2 961	-2 536
The year's depreciation	-403	-425
Divestments and disposals	620	—
Total	**-2 744**	**-2 961**
RESIDUAL VALUE	2 656	3 135

18 Participations in Group companies

Parent company	2018	2017
On 1 January	2 137 002	2 127 070
Acquisitions	403 098	9 932
Sales	-11 551	–
Book value of shares in Group companies	**2 528 549**	**2 137 002**

Specification of the parent company and the Group holdings of shares and participations in Group companies [1]

Owned by the Parent Company	*Company ID No.*	*Registered office*	*Direct share of capital, % [2]*	*Book value 2018*	*Book value 2017*
G & L Beijer Förvaltning AB	556020-8935	Malmö	100	7 418	7 418
freddox AB	559116-3372	Malmö	100	50	50
GFF SAS	552130296	Lyon	100	611 643	611 643
Delclim SAS	49360517	Villeurbaunne	100	111 226	111 226
Kylma AB	556059-7048	Solna	100	7 637	7 637
Fastighets AB Asarum 40:196	556072-3289	Malmö	100	–	11 551
SCM Ref AB	556546-2412	Alvesta	100	2 480	2 480
Clima Sverige AB	556314-6421	Ängelholm	100	500	500
H. Jessen Jürgensen AB	556069-2724	Gothenburg	100	360	360
G & L Beijer A/S	56813616	Ballerup	100	142 552	142 552
OY Combi Cool AB	5999255	Helsinki	100	561	561
Schlösser Möller Kulde AS	914492149	Oslo	100	14 292	14 292
Ecofrigo AS	894871172	Moss	100	27 322	27 322
Børresen Cooltech AS	918890025	Oslo	100	7 811	7 811
Beijer Ref Eesti OÜ	10037180	Tallinn	100	325	325
Max Cool SIA	344341	Riga	100	29	29
UAB Beijer Refrigeration, Lithuania	1177481	Vilnius	100	2 836	2 836
Coolmark B.V.	24151651	Barendrecht	100	84 284	84 284
Uniechemie B.V.	8032408	Apeldoorn	100	27 667	27 667
Werner Kuster AG	280.3.001.874-3	Frenkendorf	100	27 716	27 716
Charles Hasler AG	020.3.911.192-5	Regensdorf	100	140 252	140 252
Dean & Wood Ltd	467637	Leeds	100	109 153	109 153
RW Refrigeration Wholesale Ltd	3453694	Leeds	100	6 548	6 548
DWG Refrigeration Wholesale Ltd	299353	Dublin	100	5 159	5 159
Beijer Ref Hungary Kft	01-09-163446	Budapest	100	5 409	5 409
Beijer Ref Romania s.r.l.	J35-2794-29	Timisoara	100	3 127	3 127
Beijer Ref Slovakia s.r.o	36551856	Nové Zámky	100	158	158
Beijer Ref Czech s.r.o	16734874	Plzen	100	1 161	1 161
Beijer Ref Italy Srl	728980152	Milan	100	59 602	28 797
Frigoram Commerciale SpA [3]	7202290156	Milan	100	–	30 805
SCM Frigo S.p.a	04342820281	Padua	100	143 038	143 038
ECR Belgium BVBA	0807.473.926	Aartselaar	100	23 200	23 200
Beijer ECR Iberica S.L	ES B85608925	Madrid	100	20 669	20 669
SAS Cofriset	961500261	Lyon	100	163 101	163 101
Beijer Ref Deutschland GmbH	HRB195155	Munich	100	131 226	131 226
Metraclark South Africa (Pty) Ltd	2008/016731/07	Johannesburg	100	60 435	60 435
Beijer B.Grimm (Thailand) Ltd	105537024313	Bangkok	49	8 366	8 366
Beijer Ref Holdings Ltd, NZ	5654928	Auckland	100	48 161	48 161
Beijer Ref Holdings AU Pty Ltd	607082379	Victoria	100	73 625	73 625
HRP Holdings Ltd	393196	Leeds	100	36 470	36 470
Beijer Ref Support B.V.	68371063	Oirschot	100	191	191
SCM Ref B.V.	68371160	Oirschot	100	191	191
Beijer Ref Portugal Unipessoal, Lda.	514531720	Vila do Conde	100	9 500	9 500
TecsaReco (Pty) Ltd	2017/452901/07	Tulsa Park	100	206 231	–
Tecsa Distributors Namibia	2012/0555	Windhoek	100	15 039	–
Bonsoir Botswana	2012/10024	Gabarone	100	6 836	–
3D Plus Limited	10965805	Leeds	66	19 639	–
Lumelco S.A.	A28118354	Madrid	100	155 353	–
Total Group				**2 528 549**	**2 137 002**

1) The specification does not include dormant companies.
2) Share of capital corresponds with share of vote for the total number of shares, with the exception of Beijer B. Grimm (Thailand) Ltd and RNA Malaysia where share of vote amounts to 51 per cent.
3) During the year, Frigoram Commercial SpA was merged into Beijer Ref Italy and increased book value with the corresponding.

Note 18 continues on page 82

18 Participations in Group companies

(continued)

Specification of the parent company and the Group holdings of shares and participations in Group companies

Owned by the Group	*Company ID No.*	*Registered office*	*Indirect share of capital, %* [1]
H. Jessen Jürgensen A/S	16920401	Ballerup	100
Armadan A/S	16920436	Ballerup	100
BKF-Klima A/S	18297094	Ballerup	100
TT-Coil A/S	19509519	Ballerup	100
Air-Con Teknik A/S	49360517	Ebeltoft	100
TT-Coil Norge AS	947473697	Mysen	100
ECR Nederland B.V.	17014719	Nuenen	100
Paulus Schweiz AG	280.3.017.001-9	Frenkendorf	100
SCM Ref Africa (Pty) Ltd	1999/025734/07	Centurion	100
Metraclark LDA	100248697	Cidade de Maputo	100
Metraclark Refrigeration and AC Wholesalers Namibia (Pty) Ltd	2008/992	Windhoek	100
Metraclark Botswana (Pty) Ltd	2003/5506	Gabarone	100
Metraclark (Zambia) Limited	109483	Lusaka	51
Metraclark Tanzania (Pty) Ltd	121736	Dar es-Salaam	100
Metraclark Ghana Ltd	CS578702015	Accra	100
Eurocool (Pty) Ltd	2013/128289/07	Johannesburg	100
TFD SNC	534687306	Saint Priest	100
Beijer Ref Polska Sp.z o.o	206476	Warszawa	100
G & L Beijer AB	556076-3442	Malmö	100
G & L Beijer Ltd	SC38231	Glasgow	100
SCM Ref SAS, France	811242882 R.C.S.	Lyon	100
RNA Engineering & Trading Sdn. Bhd.	224933-A	Kuala Lumpur	49
Patton Ltd	92864	Auckland	100
RealCold NZ Ltd	5735187	Auckland	100
SCMREF (Thailand) Co Ltd	0115550008521	Samutprakarn provine	100
Beijer Ref Australia Pty Ltd	133913283	Victoria	100
Patton Refrigeration (India) Pvt Ltd	U29191DL2007PTC170816	New Delhi	100
Mcdalea Pty Ltd	145801298	New South Wales	60
Metjak Pty Ltd	120512610	Western Australia	100
AC & Ref Parts CQ Pty Ltd	126029472	Queensland	60
Fridgehub.co.uk Ltd	8103679	Leeds	100
HRP Ltd	832237	Leeds	100
Kirby HVAC & R Pty Ltd	ABN 42624910041	Milperra	100
Beijer Ref (Wuxi) Co, Ltd	9132021472563266C	Wuxi	100
Beijer Ref Singapore Pte Ltd	199608760N	Singapore	100
Lumelco Portugal LDA	510444555	Vilar	100
Beijer Ref APAC Pty Ltd	ACN 624879090	West Melbourne	100

1) Share of capital corresponds with share of vote for the total number of shares, with the exception of Beijer B. Grimm (Thailand) Ltd and RNA Malaysia where share of vote amounts to 51 per cent.

19 Financial assets at fair value

Group	2018	2017
On 1 January	24 844	24 844
Acquisition of subsidiary	20 359	—
On 31 December	**45 203**	**24 844**
Parent Company		
On 1 January	24 844	24 844
On 31 December	**24 844**	**24 844**

The book value of holdings of financial assets amounts to SEK 45 (25) million. The holdings consist of an 18% holding in a Spanish wholesale refrigeration company and 5.4% ownership of Kulthorn Kirby Ltd, which is listed on the Bangkok stock exchange. The Kulthorn Kirby holding has been added during the year in connection with the acquisition of Heatcraft AU.

The fair value of the holding in the Spanish refrigeration wholesaler has not been calculated reliably per 31/12/2018, which is why valuation has been done at estimated fair value.

The holding in Kulthorn Kirby has been valued at fair value as per the balance sheet date. The change in fair value has been recognised through other comprehensive income and the effect since the acquisition date is SEK -7,096 thousand.

There is judged to be no need for impairment of the holding.

20 Trade debtors and other receivables

Group	2018	2017
Trade debtors	2 203 556	1 726 243
Prepaid expenses and accrued income	202 038	162 699
Other receivables	264 756	244 574
Total	**2 670 350**	**2 133 516**
Deduct long-term portion	-94 826	-90 682
Short-term portion	2 575 524	2 042 834

All long-term receivables mature within five years of the balance sheet date. Actual value of trade debtors and other receivables correspond with reported values. There is no concentration of credit risks relating to trade debtors as the Group has a large number of customers who, in addition, are spread internationally.

Age analysis	2018	2017
Non-matured receivables	1 670 825	1 327 364
Receivables due between 1-30 days	402 293	306 171
Receivables due between 31-60 days	92 859	60 618
Receivables due between 61-90 days	31 288	27 174
Receivables due >90 days	142 227	127 944
Total	**2 339 492**	**1 849 271**

Provisions for doubtful receivables	2018	2017
On 1 January	-123 028	-101 349
Costs for bad debt losses	14 092	10 990
Acquisition of companies	-29 199	—
Allocated during the period	2 199	-32 669
On 31 December	**-135 936**	**-123 028**
Total trade debtors	**2 203 556**	**1 726 243**

21 Inventories

Group	2018	2017
Raw materials and supplies	180 557	92 448
Work-in-progress	77 475	48 159
Finished products and goods for resale[1)]	3 244 762	2 488 803
Advances to suppliers	4 294	1 769
Total inventories	**3 507 088**	**2 631 179**
1) Of which reported to net sales value	25 023	33 585

22 Liquid funds

Liquid funds in the Group consist of cash and bank and amounted to SEK 909,430K (559,387).

23 Share capital

Number of shares	2018	2017
A shares with number of votes 10	9 918 720	9 918 720
B shares with number of votes 1	117 515 970	117 515 970
Total	**127 434 690**	**127 434 690**
Shares in own custody	-897 980	-261 600
Number of outstanding shares	**126 536 710**	**127 173 090**

Each share has a nominal value of SEK 2.92, converted following this year's completion of share split.

Proposal for distribution of profit

Profit at the disposal of the Annual Meeting of shareholders:

Share premium reserve	901 604
Profit brought forward	129 385
Net profit for the year	402 890
Total	**1 433 879**

The Board of Directors and the President propose that the profit be distributed as follows:

Dividend, SEK 3.00 per share	379 610
To be carried forward	1 054 269
Total	**1 433 879**

24 Borrowing

Group	2018	2017
Long-term		
Bank loans	2 123 139	1 625 544
Commercial paper	700 000	–
Total long-term	**2 823 139**	**1 625 544**
Current		
Bank overdraft facilities	386 913	447 372
Bank loans	107 726	17 587
Total current	**494 639**	**464 959**
Total borrowing	**3 317 778**	**2 090 503**

Parent Company	2018	2017
Long-term		
Bank loans	2 110 809	1 625 544
Commercial paper	700 000	–
Total long-term	**2 810 809**	**1 625 544**
Current		
Bank overdraft facilities	381 444	436 246
Total current	**381 444**	**436 246**
Total borrowing	**3 192 253**	**2 061 790**

The Group's borrowing by currency is as follows:

	2018	2017
EUR	1 397 654	1 074 082
SEK	1 334 317	374 280
GBP	310 712	313 123
NZD	160 123	153 926
CHF	67 388	69 548
PLN	23 904	28 327
NOK	2 434	25 750
DKK	-19 195	-3 269
THB	9 133	16 432
Other currencies	31 308	38 304
Total	**3 317 778**	**2 090 503**

The Parent Company's borrowing by currency is as follows:

	2018	2017
EUR	1 273 970	1 067 267
SEK	1 334 317	374 280
GBP	310 712	313 123
NZD	158 281	153 926
CHF	67 388	66 497
PLN	23 904	28 327
NOK	2 434	8 085
DKK	-19 195	-3 269
THB	9 133	16 432
Other currencies	31 309	37 122
Total	**3 192 253**	**2 061 790**

Of the parent company's total limits amounting to SEK 4,085 million, 19% falls due in November 2019, 48% in November 2020 and the remainder in November 2023. The financing agreements include all long-term bank loans as well as most of the reported overdraft facility. The parent company's limits are mainly divided into two financing sources, revolving credit facilities and long-term loans. Most of the company's financing is via banks but there is also bond financing. The average credit period for all limits is approximately 2.5 years.

All financial conditions (equity/assets ratio and interest coverage ratio) that we are required to report in accordance with the financing agreements were met as per 31/12/2018. The company certificate programme is classified as long-term, since the company has available credit facilities corresponding to the programme issued.

25 Deferred tax

	Amount on 2017 01-01	Acquisitions/ Divestments	Reported over the profit and loss account	Reported in other comprehensive income	Translation differences	Amount on 2017 12-31	Acquisitions/ Divestments	Reported over the profit and loss account	Reported in other comprehensive income	Translation differences	Amount on 2018 12-31
Group											
Deferred tax asset:											
Fixed assets	5 532		96		95	5 723	1 644	2 119	1 656	89	11 231
Trade debtors	3 685		5 018		185	8 888	2 012	1 996		179	13 075
Inventories	7 669		317		-76	7 910	20 154	9 757		-164	37 658
Provision for pensions	24 995		-1 886	-30	253	23 332		-2 125	1 120	362	22 689
Other provisions	17 912		3 946		170	21 778	21 972	-5 439	8 631	752	47 694
Loss carry forwards	62 450		-7 896		645	55 449	1 437	-15 371		1 562	43 076
Set-off	-432		-1 502			-1 934		603			-1 331
Total deferred tax asset	**121 811**		**-1 907**	**-30**	**1 272**	**121 146**	**47 219**	**-8 460**	**11 407**	**2 780**	**174 092**
Deferred tax liabilities:											
Fixed assets	-79 479	-1 357	3 601		-4 053	-81 288	-13 428	5 617		-1 920	-91 020
Inventories	-9 436		580		11	-8 845		239		-453	-9 059
Tax allocation reserves								-5 134			-5 134
Set-off	432		1 502			1 934		-603			1 331
Total deferred tax liabilities	**-88 483**	**-1 357**	**5 683**		**-4 042**	**-88 199**	**-13 428**	**119**		**-2 373**	**-103 882**
Deferred tax	**33 328**	**-1 357**	**3 776**	**-30**	**-2 770**	**32 947**	**33 791**	**-8 341**	**11 407**	**407**	**70 210**

Deferred tax attributable to fixed assets, pension commitments and the major part of loss carry forward is expected to be utilised after 12 months. Otherwise, a duration of less than 12 months is expected. There is no time limit on the loss carry forward.
In addition to accumulated loss carryforwards, there is approx. SEK 22.3M (7.3) in accumulated losses that have not been capitalised due to uncertainty in their utilisation.

26 Pension commitments

Group	2018	2017
The amounts reported in the balance sheet have been calculated as follows:		
Current value of invested commitments [1]	304 486	298 983
Actual value of plan assets	-230 198	-217 867
Deficit in invested plans	**74 288**	**81 116**
Current value of uninvested commitments	39 106	36 317
Net liability in the balance sheet	**113 394**	**117 433**

1) 2018 value includes a liability for a direct pension of SEK 1,000K (1,000)

	2018	2017
The change in the defined benefit obligation during the year is as follows:		
On 1 January	334 299	296 424
Costs for service during the current year	9 846	10 431
Costs for service during previous years	1 470	-490
Interest expense	2 093	3 925
Contributions from employees	9 530	15 347
Revaluation from change in demographic and financial assumptions	-15 176	-1 123
Revaluation from change in experience assumptions	2 251	-512
Payments made	-23 151	-20 412
Settlement	—	38 141
Other	265	289
Translation difference	21 165	-7 720
On 31 December	**342 592**	**334 299**
The change in the actual value of plan assets during the year are as follows:		
On 1 January	217 867	172 610
Interest income	2 748	2 565
Revaluation effects	-748	-1 317
Contributions from the employer	6 363	5 221
Contributions from employees	9 530	15 347
Payments made	-19 761	-10 461
Settlement	—	39 805
Translation difference	14 199	-5 903
On 31 December	**230 198**	**217 867**
The plan assets consist of the following:		
Invested with pension managers	224 277	212 576
Cash	1 450	1 133
Other	4 472	4 157
Total	**230 198**	**217 867**
The amounts reported in other comprehensive income are the following (revaluations):		
Actuarial (profit) or loss on the current value of the commitment	(12 926)	(1 634)
Return on plan assets excluding amounts included in the interest expence	748	1 317
Total pension cost or (income)	**(12 177)**	**(318)**

Defined benefit plans
Within the Group there are several defined benefit plans, where the employees have a right to compensation after they have finished employment based on final salary and period of employment. The defined benefit plans exist in Switzerland, Italy, Holland, France, Thailand and Sweden.

Pension insurance in Alecta
Commitments for retirement pension and family pension for salaried employees in Sweden are secured through insurance in Alecta. In accordance with the statement by the Swedish Financial Reporting Board, UFR 10, this is a benefit-based plan which comprises several employers. For the 2018 financial year, the company has not had access to information which makes it possible to report this scheme as a benefit-based plan. The pension plan in accordance with ITP, which is secured through insurance in Alecta, is, therefore, reported as a contribution-based plan. The year's contributions for pension insurance plans subscribed in Alecta amount to SEK 1.9M (1.8). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2018 year end, Alecta's surplus in the form of the collective consolidation level amounted to 142 per cent (154). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's insurance technical calculation assumptions which do not correspond with IAS 19.

The most important actuarial assumptions were the following:

				2018
	Holland	*Switzerland*	*France*	*Italy*
Discount rate, %	2.05	0.95	1.58	1.45

				2017
	Holland	*Switzerland*	*France*	*Italy*
Discount rate, %	2.07	0.70	1.52	1.30

The sensitivity in the defined benefit obligation for changes in the weighted significant assumptions is:

	Decrease in the obligation	Increase in the obligation
Holland		
Discount rate, +0,5%	-10 008	
Discount rate, -0,5%		11 714
Switzerland		
Discount rate, +0,5%	-15 196	
Discount rate, -0,5%		17 416
France		
Discount rate, +0,5%	-2 589	
Discount rate, -0,5%		1 737
Italy		
Discount rate, +0,5%	-1 007	
Discount rate, -0,5%		1 075

The above sensitivity analyses are based on a change in one assumption whereas all other assumptions are kept constant. In practice, it is unlikely that this occurs and changes in some of the assumptions can be correlated. On calculation of the sensitivity in the defined benefit obligation for significant actuarial assumptions, the same method is applied (the present value of the defined benefit with application of the projected unit credit method at the end of the reporting period) as on calculation of the pension provision which is reported in the report over financial position.

The composition of the defined benefit net obligation by country is reported below:

						2018
	Holland	*Switzerland*	*France*	*Italy*	*Other*	*Total*
Present value of the obligation	88 091	192 560	32 669	26 309	3 964	343 592
Fair value of plan assets	-84 748	-140 978	-4 472			-230 198
Total	**3 343**	**51 581**	**28 197**	**26 309**	**3 964**	**113 394**

						2017
	Holland	*Switzerland*	*France*	*Italy*	*Other*	*Total*
Present value of the obligation	88 824	188 193	29 491	25 586	3 205	335 299
Fair value of plan assets	-80 396	-133 314	-4 157			-217 867
Total	**8 429**	**54 879**	**25 334**	**25 586**	**3 205**	**117 433**

27 Other provisions

Group	2018	2017
Guarantee commitments	41 114	16 424
Other	53 610	37 496
Total	**94 724**	**53 920**
Long-term portion	42 726	25 355
Current portion	51 998	28 565
Total	**94 724**	**53 920**
Guarantee commitments		
Net value at the start of the period	16 424	7 149
Provisions made during the period	26 766	13 181
Acquisitions of companies	5 581	–
Amounts utilised during the period	-8 006	-3 888
Restored unutilised amount	-109	-352
Translation difference	458	334
Net value at the period end	**41 114**	**16 424**
Other provision		
Net value at the start of the period	37 496	40 403
Acquisitions of companies	7 314	–
Provisions made during the period	57 571	41 203
Amounts utilised during the period	-49 813	-37 091
Restored unutilised amount	-435	-8 690
Changes of discounted amounts	183	–
Translation difference	1 294	1 671
Net value at the period end	**53 610**	**37 496**

Guarantee reserve
A guarantee reserve is reported when the underlying product or service has been sold. The warranty provision is calculated on the basis of previous years' warranty expenditure and a calculation of the future guarantee risk.

Other provision
A provision, reported as other provision, consists largely of sales-related provisions such as bonus and commission.

28 Trade creditors and other liabilities

Group	2018	2017
Trade creditors	1 450 692	1 128 433
Advances from customers	23 500	8 589
Accrued expenses and prepaid income	626 048	427 079
Other current liabilities	222 349	177 363
Total	**2 322 589**	**1 741 464**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

29 Net debt reconciliation

	2016	Cash flow	Foreign exchange effect	Non-cash flow	2017	Cash flow	Foreign exchange effect	Non-cash flow	2018
Pension commitments	124 814	-6 746	-1 817	1 182	117 433	-9 754	6 966	-1 251	113 394
Long-term borrowing	1 550 525	66 587	8 432	–	1 625 544	1 071 545	28 590	97 460	2 823 139
Short-term borrowing	482 063	-19 909	2 805	–	464 959	-14 932	44 612	–	494 639
Deduct:									
Liquid funds	342 080	213 595	3 712	–	559 387	334 978	15 065	–	909 430
Net debt	**1 815 322**				**1 648 549**				**2 521 742**

30 Contingent commitments/Contingent liabilities

Group	2018	2017
Guarantees	10 027	12 371
Total	**10 027**	**12 371**
Parent company		
Guarantees, SHB for the benefit of subsidiaries	2 888	1 712
Guarantees, Nordea	8 558	6 682
Guarantees, other	18 751	4 233
Total	**30 197**	**12 627**
Guarantees for the benefit of Group companies	30 197	12 627
Total	**30 197**	**12 627**

The parent company's guarantee commitments are to banks for subsidiaries' credits.

Exemption rules for subsidiary companies
A parent company guarantee has been issued in accordance with section 479C of the United Kingdom Companies Act 2006 regarding the financial year 2018 for the subsidiaries Retail Support Team Ltd, 3D Air Sales Ltd, HRP Holdings Ltd, Fridgehub.co.uk Ltd, 3D Plus Ltd and MGS (South West) Ltd, registered in the United Kingdom. The parent company guarantee applies to all outstanding liabilities for the subsidiaries as per the balance sheet date until commitments are fulfilled. The subsidiaries described have applied for exemption from the statutory audit pursuant to section 479(A) of the United Kingdom Companies ACT 2006.

A parent company guarantee has been issued in accordance with Article 2:403 paragraph 1F of the Netherlands Civil Code concerning the financial year 2018 for the subsidiary Beijer Ref Support B.V, registered in the Netherlands. The parent company guarantee applies to all outstanding liabilities for the subsidiary as per the balance sheet date until commitments are fulfilled. The subsidiary described has applied for exemption from the obligation to register the annual accounts with the Netherlands Chamber of Commerce pursuant to Article 2:403 paragraph 1 of the Netherlands Civil Code.

31 Transactions with holders with no controlling influence

	2018	2017
On 1 January	60 014	52 033
Share of the year's result	10 210	9 535
Translation difference	3 054	-584
Dividend	-753	-970
Transactions with non-controlling interests	-1 259	–
Non-controlling interests on acquisition of subsidiary	9 849	–
Revaluation of the net pension commitment	-158	–
On 31 December	**80 957**	**60 014**

Holders of non-controlling interests refers to Beijer B. Grimm (Thailand), Metraclark Zambia Limited, Mcdalea Ltd, AC & Ref Parts CQ Pty Ltd, RNA Malaysia and 3DPlus. The company 3DPlus was formed in 2018.

On 3 December 2018, the group acquired the remaining 40% of the share capital of Metjak Pty Ltd for SEK 4,253K. Immediately prior to the acquisition, the reported value of the existing non-controlling interest of 40% in Metjak Pty Ltd was 2,994 thousand. The group reports a decrease in equity attributable to the acquisition of SEK 1,259K.

32 Acquisitions of companies

For each acquisition, the company performs a materiality assessment based on net sales, product area and market. It is our assessment that an acquisition is significant in cases where the net sales of the acquired company exceed 5% of total net sales. Information about significant acquisitions is provided in the note below on business combinations. An aggregated assessment is performed for other acquisitions and are included in the 'Other Reported Value' column below.

2018

Fourth quarter
In December, the remaining part (40%) of Metjak Pty Ltd in Australia was acquired and this is now a wholly-owned subsidiary.

Third quarter
On 2 July 2018, Beijer Ref AB and Mitsubishi Heavy Industries Air Conditioning Europe Ltd completed the formation of the subsidiary 3D Plus in the UK, with Beijer Ref as the majority shareholder. The formation of the subsidiary has only a marginal effect on net sales and the balance sheet total in 2018, as it is a newly formed company.

Acquisition and takeover of the Spanish and Portuguese air conditioning company Lumelco S.A., which is included in the company's accounts as of August. The takeover has an effect on net sales with SEK 50 million and the profit with SEK 3 million in 2018. The acquisition is expected to generate long-term positive effects in terms of both net sales and profit. The company has long been a distributor of Mitsubishi Heavy Industries' products and has annual net sales of approximately SEK 400 million and over 60 employees.

Second quarter
Beijer Ref acquired Heatcraft Australia Pty Ltd. The company has just over 300 employees and net sales in 2017 totalled approximately SEK 1.1 billion. Sales are made through around 65 branches. The acquisition also includes an operation in Singapore and a manufacturing unit in China. The total purchase price was SEK 725 million. This purchase price included operations in New Zealand that were divested at the time of acquisition due to current competition law. This sale was made at an amount corresponding to SEK 143 million and resulted in a decrease in acquired goodwill of SEK 51 million. The company's profits are included in the Group's accounts as of 5 May. The company makes a positive contribution to net sales with SEK 755 million and a positive effect on the operating profit with SEK 21 million. With the acquisition of Heatcraft, Beijer Ref becomes a significantly stronger player in Australia.

In May, the assets of the French HVAC distribution company GH2C were also acquired. The purchase price amounted to SEK 10 million and the assets are from the acquisition included in our previously wholly owned French subsidiary Delclim SAS. Annual sales amount to approximately SEK 60 million and the company has 11 employees.

First quarter
The company completed the acquisition of the wholesale company TecsaReco in South Africa. The company has annual net sales of SEK 450 million with 300 employees across 23 branches. The company is incorporated into the consolidated accounts as of 1 March 2018. TecsaReco has affected the Group's net sales by approximately SEK 409 million and the operating profit by around SEK 28 million.

2017

Fourth quarter
Agreement to acquire South African company TecsaReco. The takeover is scheduled for 1 March 2018.

Third quarter
Acquisition of the Portuguese refrigeration distribution company DX Por with net sales of approximately SEK 40 million. The company is the main distributor for Toshiba HVAC in Portugal. DX Por is integrated into Beijer Ref's organisation as of September 2017.

Second quarter
No acquisitions made during the quarter.

First quarter
No acquisitions made during the quarter.

Acquisitions of companies[1] 2018 sek m	**Heatcraft Reported value**	**Fair value adjustment**	**Other Reported value**	**Fair value adjustment**	**Fair value in the Group**
Goodwill	0	96	2	255	353
Other intangible fixed assets	6	15	1	38	59
Tangible fixed assets	86	0	7	0	94
Financial fixed assets	34	-5	0	0	29
Deferred tax assets	25	10	0	13	48
Inventories	332	-39	314	-34	574
Other current assets	305	-2	295	-3	595
Liquid funds	116	0	11	0	128
Deferred tax liability	0	-4	0	-10	-15
Provision	-4	0	-6	0	-10
Interest-bearing loan	0	0	-97	0	-97
Other current liabilities	-245	-2	-313	-13	-572
Total identifiable net assets	**656**	**69**	**215**	**246**	**1 186**
Effect on the cash flow					
Consideration	-725		-461		-1 186
Liquid funds in acquired companies	116		11		128
	-609		-450		-1 059

1) Unless otherwise stated, all acquisitions refer to 100%

33 Transactions with related parties

Purchase of goods is made on normal commercial terms from Carrier which is an owner company. During the year, purchases at a value of SEK 251.8M (179.6) were made. Sales to Carrier are also made on normal commercial terms. During the year, sales at a value of SEK 110.9M (99.6) were made.

Beijer B. Grimm (Thailand) Ltd rents premises in a property owned by a company controlled by Harald Link, who is a co-ownership party in Beijer B. Grimm (Thailand) Ltd. The rent amounted to SEK 818K (728) for the year.

H. Jessen Jürgensen A/S rents premises in a property owned by parties related to Peter Jessen Jürgensen, board member of Beijer Ref AB. The rent is on market terms and amounted to SEK 5,064K (5,410) for the year.

Remuneration of senior executives is shown in Note 6.

34 Events after the balance sheet date

As of 2 January 2019, the Beijer Ref share is being traded on Nasdaq Stockholm's Large Cap.

No other events have occurred that have had any significant impact on the Group's result and financial position.

Proposal for distribution of profit

Profit at the disposal of the Annual Meeting of shareholders:

Share premium reserve	901 604
Profit brought forward	129 385
Net profit for the year	402 890
Total	**1 433 879**

The Board of Directors and the President propose that the profit be distributed as follows:

Dividend, SEK 3.00 per share	379 610
To be carried forward	1 054 269
Total	**1 433 879**

The Board of Directors finds that the proposed dividend is within the framework of the company's long-term objective and is defensible taking into account what is stipulated in Chapter 17 Para. 3 of the Companies Act relating to the demands which the nature, extent and risks of the operations places on the size of shareholders' equity and the need for consolidation, liquidity and the position in general for the parent company and the Group. The consolidated equity ratio after the proposed dividend amounts to 35 per cent.

The profit and loss account and balance sheet will be submitted for adoption to the Annual Meeting of shareholders on 10 April 2019.
It is proposed that the dividend is to be paid in two installments, in April and October. The proposed record dates are 12 April and 11 October 2019 respectively.

Beijer Ref AB (publ)
Corporate Identity Number: 556040-8113
Address: Stortorget 8, SE-211 34 Malmö, Sweden
Registered Office: Malmö

The Board of Directors and the CEO assure that the annual accounts have been prepared in accordance with generally accepted accounting principles for stock market companies. The given information corresponds with the actual circumstances in the operations and nothing of significant importance has been left out which could affect the picture of the Group and the parent company created by the annual accounts.

Malmö 12 March 2019

Bernt Ingman
Chairman

Peter Jessen Jürgensen
Board Member

Monica Gimre
Board Member

William Striebe
Board Member

Ross B Shuster
Board Member

Frida Norrbom Sams
Board Member

Joen Magnusson
Board Member

Per Bertland
CEO

Our Audit Report was submitted on 12 March 2019
PricewaterhouseCoopers AB

Lars Nilsson
Authorised Public Accountant
Auditor in charge

Mikael Nilsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Beijer Ref AB (publ), corporate identity number 556040-8113

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Beijer REF AB (publ) for the year 2018 with the exception of the Corporate Governance Report on pages 48-53. The annual accounts and consolidated accounts of the company are included on pages 46-47 and 58-88 in this document. 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 parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not include the Corporate Governance Report found on pages 48-53. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Based on this we scope entities considered to be significant and decided upon which audit procedures to be performed. We have included major sales entities from each segment respectively. Entities not considered to be significant have been reviewed by the central audit team through analytical procedures, in order to identify possibly material misstatements.

When preparing the audit plan, we have decided which audit procedures to be performed for each significant entity. The majority of the group operations are located outside of Sweden and we receive reporting from our local audit teams throughout the year. The central audit team assesses annually which level of involvement, in the audit of the local entities that will be required in order for us to be able to ensure that sufficient audit procedures have been performed. We select on a rotation basis which entities to visit by the central audit team. In addition, the central audit team has audited the parent company, the consolidation, the annual accounts and significant estimates. Based on audit procedures described above, our opinion is that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Impairment of intangible assets

As of December 31, 2018, goodwill and other intangible assets amount to MSEK 2 077. In note 16 to the annual report, goodwill and other intangible assets are allocated on geographical segment and the basis and assumptions made by management in connection to the impairment tests are described.

Management performs impairment tests based on discounted cash flows from the cash generating units (CGU) where goodwill and other intangible assets are recognized, which comprise of the geographical segments. Management has not identified any need for impairment during 2018.

Impairment tests are based on assumptions about future cash flows as well as conditions that are complex and include significant judgments.

The assumptions made by management regarding growth, EBIT margins and weighted average cost of capital (WACC) include significant judgments.

How our audit addressed the Key audit matter

As part of our audit, we have focused on indicators that could potentially lead to a need for impairment regarding goodwill and other intangible assets.

During our audit, we have reviewed the impairment model used by management and we have verified important assumptions against budgets and strategic plans of the company.

We have challenged the assumptions made by management, primarily regarding those assumptions that will have most impact on the impairment tests, such as growth, EBIT margins and WACC. We have performed independent sensitivity analysis to verify the head rooms of each CGU, respectively. We have tested the effect of changes in growth and WACC and based on this assessed the risk of an impairment situation.

Key audit matter

Consolidation, accounting and disclosure of acquisitions

During the year the group has made several acquisitions. A description of the acquisitions are presented in detail in note 32 to the annual report.

Of the acquired companies, Heatcraft is the most significant. Heatcraft is a large refrigerator wholesale company in Australia, with operations in also in New Zealand and China.

The recognition of the acquisition has required significant estimates and assessments by the company management. In accordance with IFRS 3, acquired assets and assumed liabilities should be measured at fair value. The Company management should identify and ensure completeness and measurement of separately identifiable intangible assets and liabilities. This assessment is complex, and includes assumptions and estimates.

The total consideration for all acquisitions made was SEK 1,187 million, and the allocation has resulted in goodwill of SEK 353 million, as well as intangible assets amounting to SEK 59 million.

How our audit addressed the Key audit matter

We have evaluated judgments made by management related to estimates regarding value of identified assets and liabilities acquired. The PPA has resulted in that 83 % of the excess value has been recognized as goodwill and the main part of the remaining excess value as other intangible assets.

Judgments made by management are mainly based on experience from prior year's acquisitions where future cash flows have been estimated.

As a base for our audit of the acquisitions, we have read the share transfer agreement and reached an understanding of the acquisitions.

We have challenged judgments made by management related to estimates regarding value of identified assets and liabilities acquired and performed audit tasks to verify the opening balances following on acquisitions.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-45 and 92-94. This information is not a part of the annual report except for the statutory sustainability report and our opinion for it.The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information except for the statutory sustainability report and our opinion for it, and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Beijer REF AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

• has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

• in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 48-53 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, was appointed auditor of Beijer Ref AB (Publ) by the general meeting of the shareholders on the 5 April 2018 and has been the company's auditor since the 29 april 2005.

Malmö den 12 March 2019
PricewaterhouseCoopers AB

Lars Nilsson
Authorised Public Accountant
Auditor in charge

Mikael Nilsson
Authorised Public Accountant

Five-year summary

SEK M	2018	2017	2016	2015	2014
Sales and results					
Net sales	13 015	9 830	9 045	8 361	7 189
Other operating income. etc	20	21	39	19	21
Operating expenses excluding amortisation	-11 843	-9 041	-8 413	-7 743	-6 666
Amortisation	-106	-85	-78	-69	-62
Operating profit	1 085	725	593	567	481
Net interest income and expenses	-31	-26	-33	-42	-35
Profit before taxes	1 055	699	560	525	447
Tax	-275	-178	-161	-152	-122
Net profit for the year	780	521	399	373	325
Attributable to:					
Parent company's shareholders	769	511	389	366	316
Non-controlling interests	10	10	10	7	8
Capital structure					
Cash and bank including unutilised bank overdraft facilities	1 202	983	782	751	504
Shareholders' equity	3 785	3 294	2 967	2 634	2 617
Capital employed (1)	7 223	5 513	5 147	4 504	4 309
Operating capital (2)	6 288	4 929	4 780	4 070	3 987
Interest-bearing liabilities	3 431	2 208	2 157	1 831	1 666
Total assets	9 845	7 463	6 855	6 040	5 699
Key figures (3)					
Equity ratio, % (4)	38.4	44.1	43.3	43.6	46.0
Return on equity after full tax, % (5)	22.0	16.6	14.2	14.2	12.9
Return on capital employed, % (6)	17.3	13.7	12.3	13.0	11.9
Return on operating capital, % (7)	19.4	14.9	13.4	14.1	12.7
Interest coverage ratio (8)	25.0	23.2	16.6	11.9	12.7
Debt ratio (9)	0.7	0.5	0.6	0.6	0.5
Operating margin, % (10)	8.3	7.4	6.6	6.8	6.7
Other information					
Average number of employees	3 703	2 717	2 667	2 506	2 215
of whom outside Sweden	3 598	2 616	2 566	2 411	2 115
Payroll excluding social security contributions	1 398	1 056	1 006	1 025	791
of whom outside Sweden	1 325	988	944	967	733
Cash flow from investment operations	1 081	101	80	237	81

Definitions

(1) Total assets minus non-interest-bearing liabilities including deferred tax.
(2) Capital employed minus liquid funds, financial assets and other interest-bearing assets.
(3) The profit/loss items in the Group's key figures relate to remaining operations for all periods.
(4) Shareholders' equity including holdings with no controlling influence as a percentage of total assets.
(5) Profit after deduction for full tax as a percentage of average equity.
(6) Profit before taxes plus financial costs as a percentage of average capital employed.
(7) Operating profit as a percentage of average operating capital.
(8) Profit before taxes plus financial costs divided by financial costs.
(9) Net debt divided by equity.
(10) Operating profit as a percentage of net sales for the year.

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.

Chiller Liquid refrigeration unit.

CO_2 equivalent A measurement of greenhouse gas emissions and how much carbon dioxide is needed to produce the same effect on the climate.

F-gas Artificial gases containing fluorine, such as HCFCs and HFCs.

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, China, India, Malaysia, New Zealand, Singapore, 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

Other

CSR Corporate Social Responsibility.

KPI Key Performance Indicator.

PIM Product Information Management, centralised management of product information that is needed to market and sell the products through one or more distribution channels.

To the Shareholders

The Annual Meeting of shareholders will be held at 3 pm on Wednesday 10 April 2019 at Börshuset, Skeppsbron 2, Malmö, Sweden.

RIGHT TO PARTICIPATE IN THE ANNUAL MEETING OF SHAREHOLDERS

In accordance with the Simplified Share Handling Act, with which the company complies, shareholders who wish to participate in the Annual Meeting of shareholders must be entered in the Register of Shareholders maintained by Euroclear Sweden AB, not later than 4 April 2019.
To be entitled to vote at the Annual Meeting, shareholders whose shares are nominee-registered through the trust department in a bank or private securities brokerage company must re-register their shares temporarily in their own name with the Euroclear.

NOTIFICATION

Shareholders who wish to participate in the Annual Meeting must notify the Board of Directors not later than noon on 4 April 2019 by mail to: Beijer Ref AB, Stortorget 8, SE-211 34 Malmö, Sweden; or by telephone +46 40-35 89 00; or by e-mail to lpl@beijerref.com.
For information about the details required in a notification by e-mail, visit our website www.beijerref.com.

DIVIDEND

The Board of Directors proposes a dividend of SEK 3.00 for the 2018 financial year. The board also propose that the dividend will be paid in two instalments, and that the record days will be 12 April and 11 October 2019, respectively. Payment is expected to be remitted by Euroclear on 17 April and 16 October 2019, respectively.

FINANCIAL INFORMATION 2019

- The Interim Report for the first quarter will be published on 16 April 2019.
- The Interim Report for the second quarter will be published on 12 July 2019.
- The Interim Report for the third quarter will be published on 22 October 2019.
- The Year-End Report for 2019 will be published on 30 January 2020.
- The Annual Report for 2019 will be published in March 2020.

Production: Beijer Ref AB/Trägårdh Kommunikation
Copywriting: Trägårdh Kommunikation
Photos: Linus Morales, Dio Zhao and others
Print: CA Andersson & Co, Malmö
Translation: Semantix, Malmö

On our website, www.beijerref.com, you will always find the latest information.
Here, we publish financial information, news releases and much more.

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

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