



Interim report January–June 2018

BEWiSynbra Group AB (publ), corp. reg. no. 556972-1128

Second Quarter, April–June 2018

- Net sales increased by 126.5%, totaling SEK 1,034.4 million (456.7). Synbra was responsible for 98.4% of this increase. Adjusted for currency exchange rates, sales increased by 120.8%.
- EBITDA before items affecting comparability totaled SEK 93.9 million (25.8).
- Operating income (EBIT) before items affecting comparability amounted to SEK 71.5 million (13.1).
- Operating income (EBIT) totaled SEK 96.6 million (11.1).
- Earnings were positively impacted by items affecting comparability amounting to SEK 25.1 million (-2.1).
- On April 5, an extraordinary general meeting passed a resolution on a directed new share issue of SEK 400 million, also part of the financing of the Synbra acquisition. Moreover, a four-year senior secured bond of EUR 75 million with a variable interest rate of EURIBOR 3M + 4.75% was issued in April.
- On May 14, the BEWi Group completed its acquisition of Synbra Holding B.V., and an extraordinary general meeting on July 12 resolved that the Parent Company would change its name to BEWiSynbra Group AB (publ).

January–June 2018

- Net sales increased by 71.9 percent, totaling SEK 1,525.6 million (887.7). Synbra was responsible for 70.5% of this increase. Adjusted for currency exchange rates, sales increased by 67.1%.
- EBITDA before items affecting comparability totaled SEK 128.1 million (36.4).
- Operating income (EBIT) before items affecting comparability amounted to SEK 91.7 million (11.0).
- Operating income (EBIT) totaled SEK 107.5 million (12.7).

Performance summary

SEK m

	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Net sales	1,034.4	456.7	1,525.6	887.7	1,875.5
EBITDA before items affecting comparability	93.9	25.8	128.1	36.4	110.2
EBITDA	118.9	23.7	143.9	38.1	86.5
EBIT before items affecting comparability	71.5	13.1	91.7	11.0	58.6
EBIT	96.6	11.1	107.5	12.7	34.8
Items affecting comparability	25.1	-2.1	15.8	1.7	-23.8
Adjusted EBITDA margin, %	9.1%	5.6%	8.4%	4.1%	5.9%
EBITDA margin, %	11.5%	5.2%	9.4%	4.3%	4.6%
Adjusted EBIT margin, %	6.9%	2.9%	6.0%	1.2%	3.1%
EBIT margin, %	9.3%	2.4%	7.0%	1.4%	1.9%
Operating cash flow, before CAPEX	22.0	5.8	2.7	-43.6	102.5
Capital expenditure	-38.1	-25.0	-53.9	-50.6	-96.2
Equity ratio, %	26%	26%	26%	35%	29%

COMMENTS BY CEO

On May 14, we announced the completion of the acquisition of Synbra Holding B.V. The current half-year report thus marks the first time we are reporting the consolidated results for the new Group.

Under our new name, BEWiSynbra Group, we are now forming Europe's leading player for EPS products. Integrating the two companies without disruptions for our customers has been a prime consideration from the start, and it is with great satisfaction that we can report that our progress to date is in line with our ambitions.

If we take our raw material production units as an example, they have already been integrated under new management, and product and delivery planning are being optimized to ensure the best possible service levels for our customers.

The same applies to our Danish company, which is also operating under new management, combining the strengths of former competing business units, and now covering both the packaging and insulation markets. Previously BEWi was only active in the packaging segment in Denmark.

Integration workstreams have also been set up to coordinate HQ functions such as Finance and Administration and Procurement in order to create the most efficient processes and services. Shared policies are being established for the Group as a whole.

The operations of the new BEWiSynbra Group will be much more integrated than was the case for the two companies prior to the acquisition. This includes trading more than 50% of the raw material internally; in other words, a larger part of the value chain will be managed internally. Market wise, we will be less exposed to the Nordic market and will grow in Europe, with both raw material deliveries and our own downstream in Benelux, Portugal and Spain.

Regarding the market situation in general, we are seeing continued stable demand in our markets: general economic conditions remain solid, particularly in the construction, industrial and e-commerce segments.

Since June I have had the privilege of heading the new Group Management with members from both the former BEWi Group and Synbra. Together, we represent a great deal of expertise when it comes to market, products and production. We are committed to making BEWiSynbra a model company for all its stakeholders.

Rik Dobbelaere

SECOND QUARTER OF 2018

Net sales totaled SEK 1,034.4 million, up SEK 577.7 million or 126.5% year-on-year. The increase is attributable primarily to the contribution of SEK 449.5 million from Synbra. The change in sales is presented below.

Increase in net sales since the year-earlier period	SEK m	%
Organic growth	77.2	16.9%
Currency effects	26.1	5.7%
Acquisitions	474.4	103.9%
Total increase	577.7	126.5%

The increase of the organic growth was driven by Business Area Raw Material and was primarily a result of increased volumes attributable to the new production line for extrusion technology and the fact that the effects of a production stoppage impacted the corresponding period in the preceding year. Continued high price levels in the raw material market also contributed to the increase in sales. Market conditions for Business Area Packaging are still considered robust and the strong demand has led to a shortage of capacity in Sweden, resulting in disruptions in production. In the former BEWi, the increase in sales in Insulation was driven by the new divisions in Finland. Synbra contributed strongly to sales in all three Business Areas and explain the majority of the increase in sales compared with the corresponding period last year.

EBITDA before items affecting comparability totaled SEK 93.9 million, an increase of SEK 68.1 million. Despite the increase in sales, raw materials production in the former BEWi generated a somewhat lower margin compared to the same period last year. This was the result of higher purchase prices, not compensated during the period. In Packaging, capacity problems and disruptions to production in Sweden resulted in more production being outsourced, with higher purchase and shipping costs as a result. Insulation operations in the former BEWi was in line with the preceding year. The increase in the Group's EBITDA during the quarter is explained solely by the contribution from Synbra in all Business Areas. This meant that the EBITDA margin before items affecting comparability increased by 3.5 percentage points since the year-earlier period, from 5.6 % to 9.1%.

During the quarter, properties in Sweden and Denmark within the insulation and packaging operations respectively were divested, which gave rise to capital gains totalling SEK 51.5 million. The Group also recognized SEK 13.5 million in transaction costs related to the Synbra acquisition and SEK 12.8 million in integration expenses. Items affecting comparability totaled a net positive amount of SEK 25.1 million. Items affecting comparability contributed 2.4 percentage points to the unadjusted margin at both the EBITDA and EBIT levels. Unadjusted operating income (EBIT) totaled SEK 96.6 million, up SEK 85.5 million. The increase was attributable to a combination of the contribution from Synbra and capital gains from the divestment of properties.

Net financial expenses totaled SEK 17.5 million, an increase of SEK 10.0 million, which was a result of higher borrowing costs since the issuance of the bonds — both the EUR 75 million bond issued during the quarter and the SEK 550 million bond issued in June of last year, which thus did not have a full impact on interest expenses during the year-earlier period.

Tax expenses increased by SEK 26.5 million, primarily attributable to Synbra, but also to the remeasurement of deferred tax in the former BEWi.

JANUARY–JUNE 2018

Net sales totaled SEK 1,525.6 million, up SEK 637.9 million or 71.9% year-on-year. The increase is attributable primarily to the contribution of SEK 449.5 million from Synbra. The distribution of the increase is presented below.

Increase in net sales since the year-earlier period	SEK m	%
Organic growth	105.1	11.8%
Currency effects	42.1	4.8%
Acquisitions	490.7	55.3%
Total increase	637.9	71.9%

Higher volumes and prices resulted in an increase in sales in Business Area Raw Material in the former BEWi. A similar trend was noted in Packaging in the former BEWi, while Insulation experienced an opposite trend in volumes, driven by a harsh winter at the beginning of the year and a conscious strategy in Sweden of focusing more on price than volumes. This was offset, however, by the contribution from the acquired units in Finland, but above all by the contribution from Synbra, which was responsible for most of the increase in sales.

EBITDA before items affecting comparability totaled SEK 128.1 million, up SEK 91.7 million, and the margin increased by 4.3 percentage points to 8.4%. The increase was the result of a healthy margin in the raw materials operation during the first quarter and of a significant contribution from Synbra. Net items affecting comparability, primarily capital gains of SEK 51.5 million in connection with property divestments, transaction costs of SEK 22.7 million and integration costs of SEK 12.8 million, totaled a positive SEK 15.8 million. Unadjusted operating income (EBIT) totaled SEK 107.5 million, an increase of SEK 94.8 million.

Net financial items amounted to SEK -29.2 million (-12.9), impacted by the higher financing expenses related to the bonds. Tax expenses totaled SEK 31.5 million (1.8) and were primarily attributable to Synbra.

FINANCIAL POSITION AND LIQUIDITY

The equity ratio was 26% (29% at December 31, 2017). Cash and cash equivalents totaled SEK 84.0 million (110.6 at December 31, 2017) and net debt amounted to SEK 1,263.4 million (466.4 at December 31, 2017). The increased net debt during the first half of the year is nearly entirely attributable to the fact that the Synbra acquisition was to a large extent financed through the issuance of a corporate bond of EUR 75 million. At the end of the period, no liquidity in the overdraft facility had been used. The Group's borrowings are presented in more detail in Note 5.

CASH FLOW

Cash flow from operating activities totaled SEK -18.7 million (-1.4) during the quarter and SEK -44.8 million (-55.6) during the period from January to June. The negative cash flow during the quarter and the first half of the year was primarily an effect of higher accounts receivable, which in turn was a result of the phaseout of the factoring taken over in Synbra. Cash flow from capital expenditure operations totaled SEK -937.3 million (-25.0) in the quarter and SEK -962.4 million (-48.2) in the period from January to June, and is primarily attributable to the acquisition of the shares in Synbra. Cash flow from financing activities totaled SEK 980.5 million (-60.3) in the quarter and SEK 978.2 million (120.1) in the period from January to June, and is mainly attributable to the new issue of shares for SEK 400 million and the issue of a bond for EUR 75 million for the purpose of financing the acquisition of Synbra and the subsequent settlement of external debts in the Synbra Group.

CAPITAL EXPENDITURES

Capital expenditures in the operation totaled SEK 38.1 million (25.0) during the quarter and to SEK 53.9 million (50.6) during the period January – June, and were made primarily in Sweden and Denmark, where existing production facilities were upgraded in order to create modern, efficient units for the purpose of optimizing the production structure. In Sweden, this was mainly dependent on the move during 2017 of the operations acquired in Lindesberg to other production facilities, while in Denmark it related primarily to the planned closure of the plant in SÅby during the latter half of 2018 and the move of operations there to the plant in Hobro.

ACQUISITIONS

On May 14, 2018, all shares were acquired in Synbra Holding B.V., the parent company of the Synbra Group, a Dutch specialist in cellular plastics with operations in Northern Europe and Portugal. The Group, which has sales of approximately EUR 220 million, is an established manufacturer of construction and packaging solutions and an excellent complement to BEWi as regards both products and geography. The acquisition was financed through a combination of a new share issue and corporate bonds as well as the divestment of properties, and the payments from these transactions were used to pay the cash price of SEK 978.8 million, to settle loans to credit institutions and pension obligations in the acquired companies and to pay financing and transaction costs. The company is consolidated as of May 1, adjusted for material transactions during the period from May 1 to May 14, the acquisition date, and made a significant contribution to the Group's increase in sales and improved earnings in the second quarter. Intensive work on integrating the Synbra Group has been in progress since the acquisition date.

On January 2, 2018, BEWi acquired 60 percent of the shares in Ruukin EPS Oy, a Finnish manufacturer of insulating materials. The shares were acquired for a cash price of SEK 9.8 million. The company has sales of EUR 2.5 million, and produces insulation products at a plant in Ruukki, Finland.

The acquisition of Synbra Holding B.V. and Ruukin EPS Oy is presented in more detail in Note 7.

EMPLOYEES

At the end of the period, the number of full-time employees totaled 1 130 compared with 398 at December 31, 2017. The increase is attributable primarily to the operations acquired, and almost exclusively to the acquisition of Synbra.

THE PARENT COMPANY

BEWiSynbra Group AB (publ) is the Parent Company of the Group. Earnings after tax in the quarter totaled SEK -8.6 million (-2.0). Equity in the Parent Company at June 30, 2018, totaled SEK 624.7 million (240.0 at December 31, 2017).

SHARE CAPITAL AND NUMBER OF SHARES

On April 5, an extraordinary general meeting passed a resolution on an issue of 9,376,465 Series A shares valued at SEK 400 million as a part of the financing of the Synbra acquisition. After the issue, the share capital in the Parent Company amounted to SEK 955 thousand and the number of shares outstanding totaled 19,689,497, of which 19,376,465 were Series A and 313,032 were Series B. Series A shares entitle the holder to one vote per share, while series B shares entitle the holder to 0.99 votes per share.

SIGNIFICANT RISKS AND UNCERTAINTIES

The Group's and the Parent Company's risks and risk management are described in the 2017 Annual Report. An acquisition of the scope that the Synbra Group represents does not in itself change the risks described in the Annual report, but does change their weighting. Of the risks described, the Synbra acquisition involves increased emphasis on acquisitions and integration among the operational risks, while the financial risks are characterized by increased focus on currency risk in the form of greater exposure between EUR and SEK (the reporting currency) as well as increased interest-rate risk linked to higher net debt.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Net sales	1,034.4	456.7	1,525.6	887.7	1,875.5
Other operating income	–	–	–	8.7	9.3
Total operating income	1,034.4	456.7	1,525.6	896.3	1,884.8
Raw materials and consumables	-587.3	-261.0	-871.1	-526.8	-1,110.3
Goods for resale	-27.4	-18.4	-42.7	-38.2	-68.5
Other external costs	-193.1	-87.4	-292.4	-170.9	-368.2
Personnel costs	-159.2	-66.1	-227.0	-122.3	-251.4
Depreciation/amortization and impairment of tangible and intangible assets	-22.3	-12.7	-36.4	-25.4	-51.6
Capital gain from sale of assets	51.5	–	51.5	–	–
Total operating expenses	-937.8	-445.6	-1,418.1	-883.6	-1,850.0
Operating income	96.6	11.1	107.5	12.7	34.8
Financial income	1.9	0.0	2.1	0.1	2.6
Financial expenses	-19.4	-7.5	-31.3	-13.0	-30.6
Net financial items	-17.5	-7.5	-29.2	-12.9	-28.0
Income before tax	79.1	3.5	78.3	-0.2	6.8
Income tax	-27.2	-0.7	-31.5	-1.8	32.8
Net profit/loss for the period	51.9	2.8	46.8	-2.0	39.6
Other comprehensive income:					
<i>Items that may later be reclassified to profit or loss</i>					
Exchange rate differences	9.1	0.8	27.9	-0.5	9.8
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of net pension obligations	-0.3	0.2	-0.2	0.3	0.6
Income tax pertinent to remeasurements of net pension obligations	0.0	0.0	0.0	-0.1	-0.1
Other comprehensive income for the period, net after tax	8.8	0.9	27.7	-0.3	10.2
Total comprehensive income/loss for the period	60.7	3.7	74.5	-2.3	49.8
Net profit/loss for the period attributable to:					
Parent Company shareholders	51.8	2.7	47.0	-2.2	38.8
Non-controlling interests	0.1	0.1	-0.2	0.2	0.8
Total comprehensive income attributable to:					
Parent Company shareholders	60.4	3.6	74.0	-2.5	49.0
Non-controlling interests	0.3	0.1	0.5	0.2	0.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK m	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	920.7	176.8	183.7
Other intangible assets	115.7	98.6	95.7
Total intangible assets	1,036.4	275.4	279.4
Property, plant and equipment			
Land and buildings	325.9	135.6	150.2
Plant and machinery	381.3	195.7	232.3
Equipment, tools, fixtures and fittings	51.9	11.7	37.5
Construction in progress and advance payments	108.7	70.8	33.1
Total property, plant and equipment	867.8	413.8	453.1
Financial assets			
Net pension assets	38.5	-	-
Derivative instruments	-	4.3	-
Other long-term receivables	1.1	0.3	1.0
Participation in other companies	2.5	0.0	1.0
Total financial assets	42.1	4.6	2.0
Deferred tax assets	35.2	0.4	37.3
Total non-current assets	1,981.5	694.2	771.8
Current assets			
Inventory	368.7	188.0	183.7
Current receivables			
Accounts receivable	749.0	289.6	218.8
Tax assets	6.1	2.8	3.7
Other current receivables	44.3	11.7	30.5
Prepaid expenses and accrued income	24.8	18.1	15.4
Cash and cash equivalents	84.0	39.5	110.6
Total current receivables	908.2	361.7	379.0
Total current assets	1,276.9	549.7	562.7
TOTAL ASSETS	3,258.4	1,243.9	1,334.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, cont.

Amounts in SEK m	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
EQUITY			
Share capital	1.0	0.1	0.5
Additional paid-in capital	637.3	244.9	244.5
Reserves	40.4	3.1	13.4
Accumulated profit (including net profit for the period)	168.2	80.0	121.2
Equity attributable to Parent Company shareholders	846.9	328.1	379.6
Non-controlling interests	12.2	1.2	10.3
Total equity	859.1	329.3	389.9
LIABILITIES			
Non-current liabilities			
Pensions and similar obligations to employees	14.3	7.1	6.6
Other provisions	9.5	3.4	7.2
Deferred tax liability	48.2	10.2	9.8
Bond loan	1,298.3	535.3	537.8
Derivative liability	25.4	0.0	2.7
Other interest-bearing liabilities	32.9	30.6	31.3
Liabilities to associated companies	–	1.0	–
Total non-current liabilities	1,428.6	587.6	595.4
Current liabilities			
Other interest-bearing liabilities	16.2	7.1	7.9
Other financial liabilities	2.5	2.6	2.4
Accounts payable	574.9	222.2	231.4
Current tax liabilities	36.1	3.1	5.1
Other current liabilities	115.2	43.2	30.6
Accrued expenses and deferred income	225.8	48.8	71.8
Total current liabilities	970.7	327.0	349.2
Total liabilities	2,399.3	914.6	944.6
TOTAL EQUITY AND LIABILITIES	3,258.4	1,243.9	1,334.5

STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

Amounts in SEK m	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Opening balance	389.9	331.5	331.5
Net profit/loss for the year	46.8	-2.0	39.6
Other comprehensive income	27.7	-0.3	10.2
Total comprehensive income	74.5	-2.3	49.8
New issue	393.3	–	–
Acquisition minority interest	2.7	–	8.6
Divestment minority interest	-1.3	–	–
Total transactions with shareholders	394.7	–	8.6
Closing balance	859.1	329.3	389.9
<i>Of which attributable to non-controlling interests</i>	<i>12.2</i>	<i>1.2</i>	<i>10.3</i>

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK m	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
EBIT	96.6	11.1	107.5	12.7	34.8
Adjustment for non-cash items, etc.	-29.4	12.6	-18.4	14.1	47.4
Net financial items	-14.6	-6.1	-20.5	-9.8	-24.5
Income tax paid	-26.0	-1.0	-27.1	-2.2	-6.8
Cash flow from operating activities before changes in working capital	26.6	16.6	41.5	14.8	50.9
Changes in working capital	-45.2	-18.0	-86.3	-70.4	20.3
Cash flow from operating activities	-18.6	-1.4	-44.8	-55.6	71.2
Acquisitions non-current assets	-38.1	-25.0	-53.9	-50.6	-96.2
Divestment non-current assets	112.3	–	112.2	–	–
Business acquisitions/financial investments	1,011.5	–	1,020.7	2.4	-10.9
Cash flow from investment activities	-937.3	-25.0	-962.4	-48.2	-107.1
Borrowings	754.9	540.4	754.9	1,102.2	1,105.1
Repayment of debt	-167.7	-600.7	-170.0	-982.1	-982.1
New issue, net	393.3	–	393.3	–	–
Cash flow from financing activities	980.5	-60.3	978.2	120.1	123.0
Cash flow for the period	24.6	-86.7	-29.0	16.3	87.1
Opening cash and cash equivalents	57.3	126.1	110.6	23.2	23.2
Exchange rate differences in cash	2.1	0.1	2.4	0.0	0.3
Closing cash and cash equivalents	84.0	39.5	84.0	39.5	110.6

PARENT COMPANY INCOME STATEMENT

Amounts in SEK m	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Net sales	2.5	0.0	4.8	0.0	3.9
Other operating expenses	-7.2	-0.4	-11.4	-0.8	-9.4
Operating income	-4.7	-0.4	-6.6	-0.8	-5.5
Interest income and similar items	14.4	2.4	21.0	2.6	16.2
Interest expenses and similar items	-15.4	-3.3	-23.0	-3.8	-18.0
Total expense from financial items	-1.0	-1.0	-2.0	-1.1	-1.8
Appropriations	–	–	–	–	2.7
Income before tax	-5.7	-1.4	-8.6	-2.0	-4.6
Tax on net profit/loss for the period	–	–	–	–	–
Net loss for the period	-5.7	-1.4	-8.6	-2.0	-4.6

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousand	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Non-current assets	1,986.3	818.1	818.1
Current assets	40.8	16.4	32.8
Total assets	2,027.1	834.5	850.9
Equity	624.7	242.6	240.0
Non-current liabilities	1,336.0	572.3	574.5
Current liabilities	66.4	19.6	36.4
Total equity and liabilities	2,027.1	834.5	850.9

NOTES

Note 1 General Information

BEWiSynbra Group AB (publ), corporate registration number 556972-1128, is a holding company registered in Sweden with a registered office in Solna, address Evenemangsgatan 31, SE-169 79 Solna, Sweden. The BEWiSynbra Group's interim report for January–June 2018 was approved by the Board of Directors on August 29, 2018 for publication.

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

Note 2 Accounting policies

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

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

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

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

Note 3 Related-party transactions

Sales to BEWi Holding AS, with the same ownership constellation behind it as Frøya Invest AS, owners of 51.6 percent of the shares in BEWiSynbra Group AB, totaled SEK 39.8 million (31,4) during the quarter and SEK 85.5 million (72.9) during the period January - June. The business combinations during the 1st half year of last year, M-plast Oy and assets from Por-Pac AB's factory in Lindesberg, took place via companies that are part of the BEWi Holding AS Group. Sales during the quarter to 34 percent owned Isobouw GmbH (formerly 100 percent owned by Synbra) totaled SEK 64.3 million. The transactions were conducted on normal market terms.

Note 4 Segment information

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

Amounts in SEK m	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Revenue					
<i>Raw Material</i>					
Segment revenue	634.4	280.0	993.0	540.7	1,189.6
Intra-segment sales	-176.3	-62.2	-258.8	-94.6	-197.2
Revenue from external customers	458.1	217.8	734.2	446.1	992.4
<i>Insulation</i>					
Segment revenue	347.9	117.4	440.6	208.1	458.7
Intra-segment sales	-22.2	-9.9	-32.7	-18.8	-65.2
Revenue from external customers	325.7	107.5	407.9	189.3	393.5
<i>Packaging</i>					
Segment revenue	259.8	134.3	395.7	256.4	495.2
Intra-segment sales	-9.2	-2.9	-12.2	-4.1	-5.6
Revenue from external customers	250.6	131.4	383.5	252.3	489.6
EBIT					
Raw Material	24.0	9.0	45.3	-6.3	44.5
Insulation	60.1	-2.6	51.8	2.0	-3.7
Packaging	46.0	8.0	56.1	21.3	20.3
Unallocated	-33.5	-3.3	-45.7	-4.3	-26.3
Total, Group	96.6	11.1	107.5	12.7	34.8
Financial items	-17.5	-7.5	-28.1	-12.9	-28.0
Income before tax	79.1	3.5	79.4	-0.2	6.8

EBIT for Insulation in the quarter and the period from January to June 2018 was impacted positively by a capital gain on property sales of SEK 22.7 million. EBIT for Packaging in the quarter and the period from January to June 2018 was impacted positively by a capital gain on property sales of SEK 28.8 million.

Synbra's part of change in segment sales

	Apr–Jun 2018		Jan–Jun 2018	
	SEKm	%	SEKm	%
Raw material	125.3	52.1	125.3	43.5
Insulation	203.2	93.1	203.2	93.0
Packaging	121.0	101.5	121.0	92.2

External revenue by country (selling company's geography)

	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Finland	373.8	232.3	677.8	473.1	1,071.2
Netherlands	357.3	-	357.3	-	-
Sweden	125.4	150.7	240.8	272.9	518.1
Denmark	129.1	63.4	195.0	122.4	240.3
Portugal and Spain	34.3	-	34.3	-	-
Norway	14.5	10.3	20.4	19.3	45.9
Total, Group	1,034.4	456.7	1,525.6	887.7	1,875.5

Note 5 The Group's borrowings

	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Net debt (SEK m)			
Non-current liabilities			
Bond loan	1,298.3	535.3	537.8
Liabilities to credit institutions	22.2	19.7	19.3
Liabilities, financial leases	10.7	10.9	12.0
Liabilities to associated companies	-	1.0	-
Total	1,331.2	566.9	569.1
Current liabilities			
Liabilities to credit institutions	2.2	3.5	3.6
Liabilities, financial leases	3.3	2.6	3.3
Debt factoring	9.7	-	-
Liabilities to non-controlling interests	1.0	1.0	1.0
Total	16.2	7.1	7.9
Total liabilities	1,347.4	574.0	577.0
Cash and cash equivalents	84.0	39.5	110.6
Net debt	1,263.4	534.5	466.4

The Group's current loan structure

The Group was refinanced in the spring of 2017, at which point the Parent Company issued a corporate bond of SEK 550 million that was simultaneously listed on the Nasdaq Stockholm corporate bond list. The bond will expire on June 8, 2020. Moreover, a new overdraft facility of SEK 100 million was received from the Group's principal bank. As part of the financing of the Synbra acquisition, a new corporate bond of EUR 75 million was issued on April 19, 2018, which was listed on the Nasdaq Stockholm corporate bond list on June 14. The bond will expire on April 19, 2022. In connection with the issue of the new bond, the Group's principal bank increased the overdraft facility by SEK 175 million to a total of SEK 275 million. The overdraft facility was unutilized at June 30, 2018.

The bond is recognized under the effective interest method at amortized cost after deductions for transaction costs. Interest terms, as well as nominal interest rates and average interest rates recognized during the quarter and the first half year are presented in the table below.

Interest rates bonds

Bond loans	Interest terms	Nominal interest		Average interest	
		Apr-Jun 2018	Jan-Jun 2018	Apr-Jun 2018	Jan-Jun 2018
550 MSEK	Stibor 3m + 4.40%	3.98-4.03 %	3.88-4.03 %	5.04 %	5.00 %
75 MEUR	Euribor 3m + 4.75%	4.42 %	4.42 %	5.56 %	5.56 %

In order to hedge the EUR exposure on intra-group lending to subsidiaries, the Group entered into a currency interest swap in connection with issuing of the first bond, where the Group borrows EUR 41.2 million and lends the equivalent amount in SEK, valued at the swap entrance at SEK 401.7 million. The swap expires in April 2020. The swap is reported in net in the balance sheet as a derivative, and the carrying amount at June 30, 2018 amounted to SEK 25.4 million (2.7 at December 31, 2017). The currency interest swap carries an interest margin of 0.24% between borrowing and lending. In addition to the bond, the Group has a number of liabilities regarding financial leases and a number of liabilities in acquired companies in the form of liabilities to credit institutions and liabilities pertaining to factoring. Factoring in Synbra is being gradually phased out and replaced with the increased overdraft facility.

Pledged assets

For the overdraft facility and bond, collateral has been lodged in the form of business mortgages and pledged shares in subsidiaries.

Note 6 Fair value, financial instruments

Financial instruments (SEK m)	Level 1	Level 2	Level 3	Total	Carrying amount
Financial assets measured at fair value through profit and loss					
Participation in other companies	–	–	2.5	2.5	2.5
Financial liabilities measured at amortised cost					
Bond loans	1,344.4	–	–	1,344.4	1,298.3
Other financial liabilities					
Earnouts	–	–	1.8	1.8	1.8
Long-term derivative liability	–	25.4	–	25.4	25.4
Current derivative liability	–	0.7	–	0.7	0.7
Total	–	26.1	–	27.9	27.9

Financial instruments are initially measured at fair value, adjusted for transaction costs, except for financial instruments subsequently measured at fair value through profit and loss. For those instruments, transactions costs are recognized immediately in profit and loss. The Group is classifying its financial instruments based on the business model applied for groups of financial instruments within the Group and whether separate financial instruments meet the criteria for cash flows that are solely being payments of principal and interest on principal amount outstanding. The Group is classifying its financial instruments into the groups financial assets and financial liabilities measured at fair value through profit and loss and financial assets and financial liabilities measured at amortized cost. The table above shows the fair value of financial instruments measured at fair value, or where fair value differs from the carrying amount because the item is recognized at amortized cost (the bond loan). The carrying amount of the Groups' other financial assets and liabilities is considered to constitute a good approximation of the fair value, since they either carry floating interest rates or are of a non-current nature.

Level 3 – Changes during the period (SEK m)	Participation in other companies	Earnouts
At 31 December 2017	1.0	2.4
Exchange rate difference	0.1	0.2
Through acquisitions of Group companies	1.4	–
Liability settlement	–	-0.8
At March 31, 2018	2.5	1.8

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

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

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

Note 7 Business acquisitions

Acquisition of Synbra Holding B.V.

On May 14, 2018 all shares were acquired in Synbra Holding B.V., the parent company of the Synbra Group, a Dutch specialist in cellular plastics with operations in Northern Europe and Portugal. The Group, which has sales of approximately EUR 220 million, is an established manufacturer of construction and packaging solutions and an excellent complement to BEWi as regards both products and geography. In addition to a cash price of SEK 978.8 million, BEWi also settled external loans to credit institutions of SEK 88.4 million in Synbra and paid SEK 33.9 million into two pensions funds linked to Synbra's previous operations in the UK. To finance the acquisition, BEWi issued new shares of SEK 400 million as well as a new corporate bond of EUR 75 million. Financing costs in connection with these issuances totaled SEK 6.7 million and SEK 23.3 million, respectively, and have been recognized directly against equity and bond debts. Transaction costs recognized in profit or loss totaled SEK 6.9 million during 2017 and SEK 22.7 million during 2018, and were recognized under Other external costs.

The company is consolidated as of May 1, adjusted for material transactions (such as the divestment of 66% of Synbra's share in its German subsidiary Isobouw GmbH) during the period from May 1 to May 14, the acquisition date. In the second quarter, Synbra contributed SEK 449.5 million to the Group's net sales and SEK 75.6 million to EBITDA before items affecting comparability (before transaction costs). The purchase price and fair value of assets and liabilities acquired are shown in the table below. The acquisition analysis is preliminary; all surplus amounts have initially been allocated to goodwill. A complete acquisition analysis is expected to be completed during the third quarter, at which time the material differences are expected to be related to a reduction of goodwill and an equivalent increase of intangible assets, such as brands, customer relations and technology. Moreover, the fair value of inventory and tangible assets in the form of properties is expected to differ from the preliminary acquisition analysis below. Goodwill is not tax-deductible.

Purchase price at May 14, 2018 (SEK m)

Cash purchase price	978.8
Total purchase price	978.8

Recognized amount of identifiable assets acquired and liabilities assumed

Intangible assets	20.6
Property, plant and equipment	424.7
Financial assets	1.4
Deferred tax assets	7.9
Inventory	177.2
Current receivables	375.2
Cash and cash equivalents	-2.7
Provisions	-10.3
Debt factoring	-89.3
Other interest-bearing liabilities to credit institutions	-88.4
Deferred tax liabilities	-33.8
Current liabilities	-521.7
Total identifiable net assets	260.8
Goodwill	718.0

* The acquisition analysis is preliminary.

Acquisition of Ruukin EPS Oy

On January 2, 2018, BEWi acquired 60 percent of the shares in Ruukin EPS Oy, a Finnish manufacturer of insulating materials. The shares were acquired for a cash price of SEK 9.8 million. Under the agreement, the seller has an option to divest the remaining shares to BEWiSynbra in accordance with a predetermined pricing mechanism and a given time frame. According to the agreement, BEWiSynbra is also entitled to acquire the remaining shares, calculated according to the same pricing mechanism, given certain conditions. The company has sales of EUR 2.5 million, and produces insulation products at a plant in Ruukki, Finland. Goodwill arising in connection with the acquisition pertains to expected profitability and estimated synergies related to a stronger position for the Group in the Finnish insulation market. Goodwill is not tax-deductible. Non-controlling interests have been valued at the proportional share of the interest in the recognized value of the identifiable net assets of the acquired company. Transaction costs attributable to the acquisition totaled SEK 0.4 million during 2017 and SEK 0.2 million during 2018, and were recognized under Other external costs in profit or loss. The company is consolidated from the date of acquisition (i.e. from the beginning of the year) and in the first half of 2018 contributed SEK 13.4 million to the Group's net sales and SEK -0.5 million to EBITDA before items affecting comparability (before transaction costs). The purchase price and fair value of assets and liabilities acquired are shown in the table below.

Purchase price at January 2, 2018 (SEK m)

Cash purchase price	9.8
Total purchase price	9.8

Recognized amount of identifiable assets acquired and liabilities assumed

Property, plant and equipment	5.7
Inventory	1.3
Current receivables	1.7
Cash and cash equivalents	1.4
Interest-bearing liabilities	-2.2
Current liabilities	-1.0
Total identifiable net assets	6.9
Non-controlling interests	-2.8
Goodwill	5.7

* The acquisition analysis is preliminary.

Acquisition-related liabilities

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

Acquisition-related liabilities (SEK m)	Earnouts	Liabilities to non-controlling interests
At 31 December 2017	2.4	1.0
Exchange rate difference	0.2	0.0
Liability settlement	-0.8	-
At March 31, 2018	1.8	1.0

Note 8 Significant events after the end of the period

On July 12, an extraordinary general meeting resolved that the Parent Company would change its name from BEWi Group AB (publ) to BEWiSynbra Group AB (publ). The change of name was registered with the Swedish Companies Registration Office on August 14.

Note 9 Definitions of alternative performance measures not defined by IFRS

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

Financial calendar

- Interim Report for July–September 2018

November 29, 2018

Stockholm, August 29, 2018.

Board of Directors, BEWiSynbra Group AB (publ)

This report has not been audited.