QleanAir Annual Report

2019

QleanAir SCANDINAVIA


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Content

Annual Report 2019

Business Description

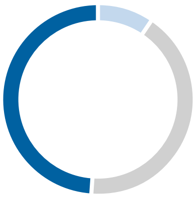
The year in brief: Increased revenue with investments in new product categories

Revenues increased from MSEK 401 to MSEK 457. The adjusted operating profit increased to MSEK 84 (73) and the adjusted operating margin increased to 18.3% (18.2).

The Group's operating cash flow at year-end was MSEK 62 (69).

Sales per geography 2019

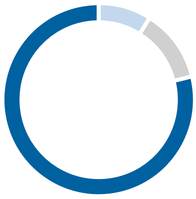
Total: 457 MSEK



Americas	MSEK 43
APAC	MSEK 191
EMEA	MSEK 222

Sales per product category 2019

Total: 457 MSEK



Facility Solutions	MSEK 42
Room Solutions	MSEK 56
Cabin Solutions	MSEK 360

Väsentliga händelser 2019

QleanAir's stock was listed on Nasdaq First North Premier Growth Market on December 12, 2019

New financing in connection with listing, along with acquisition of SFS Finance

Strong performance in the Americas by investing in Room Solutions

Year in numbers

Order intake
2018: 314

366

Order intake, development %

+17

Net sales MSEK
2018: 401

457

Net sales, development %

+14

EBIT MSEK
2018: 62

32

EBIT margin %
2018: 15.4

7.0

Adjusted EBIT MSEK
2018: 73

84

Adjusted EBIT margin %
2018: 18.2

18.3

Result of the year MSEK
2018: 21

-7

Earnings per share
2018: 1.58

-0.56

Cash flow from operations MSEK
2018: 69

62

Equity/Asset ratio %
2018: 11

16

A word from the CEO

Andreas Göth
CEO QleanAir Holding AB

Focus on new product categories for cleaner indoor environments gives a clear direction

The European sales organisation focuses its activities on growing Facility Solutions within the priority customer segments logistics, food production and lighter production. During the year, several new agreements were signed in Sweden and Germany. In the US, QleanAir has continued to reach agreements for clean rooms for hospital pharmacies, and sales for Room Solutions increased. Looking at the market, we are in an exciting phase. Intensive work is ongoing in the organisation for current clean room installations in the United States. The focus on the new product categories Facility Solutions and Room Solutions is starting to reflect in sales and earnings.

The share of revenue from the new product categories was just over twenty per cent. The strong sales growth for Cabin Solutions, especially in Japan, meant that the relative share of revenue for the new product categories remained stable despite good growth in these areas. The underlying markets are strong. In the United States, the expected new regulatory framework for the safe handling of certain pharmaceuticals drives demand for new clean rooms at hospital pharmacies. In Europe, the need for improved work environment and demands for cleaner industrial processes drive demand for solutions for logistics, production and food handling. Air quality is an increasingly important issue for European companies.

Clean air as a service creates customer value

In 2019, the number of installed units increased to approximately 8,400 (7,600) on a customer base consisting of more than 2,500 customers. For Cabin Solutions, the Tokyo office segment continued to develop strongly while Europe contributed to the result. In Japan, the market is driven by new legislation (the "Health Promotion Act") which, among other things, contains regulation aimed at protecting people from passive smoking in public areas. The legislation comes into force on April 1, 2020. Customer value for us is about the total solution, clean air as a service. QleanAir solves customers' problems with indoor air by signing a rental agreement with service and functional guarantee. Our customers renewed/extended and increased their engagement with QleanAir in 2019. This shows the strength of our business model, the proportion of long-term leases renewed/extended was over 75 per cent for the full year 2019. The proportion of recurring revenue from units in our own balance sheet was unchanged at 42 per cent.

Focus on profitable growth

Overall, it is with great satisfaction that I look back on 2019. In addition to conducting a large number of activities related to the new product categories Facility Solutions, Room Solutions, the listing on First North premier, and the structure of the sales organisation, we have also been able to focus our work on profitable growth within our original product category Cabin Solutions. We actively monitor the development of Covid-19 and take ongoing measures to limit the negative effects on the business. It is too early to say how and when this will affect QleanAir.

In conjunction with the IPO, we renegotiated the company's existing loan structure, which will reduce our borrowing costs over time and ensure financial flexibility. QleanAir's stock has been traded since December 12, 2019 on the Nasdaq First North Premier Growth Market with the short name QAIR.

QleanAir's foundation is to work to create healthy indoor environments that help improve the productivity of people, products and processes. It is our mission and the foundation of our corporate culture, and the way to reach our long-term ambitions. In December 2019, QleanAir cleaned 3.5 (2.9) billion cubic meters of air per month, an increase of 20 per cent compared to December 2018. In 2019, QleanAir as an organisation has proven to have the capacity to live up to the values and challenges we face, something that makes me both proud and optimistic for the future.

A big thank you to everyone in the QleanAir team!

Andreas Göth
CEO QleanAir Holding AB
Solna, April 20, 2020

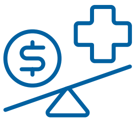
Business model

QleanAir's business model is based on leasing standalone solutions that improve air quality in various indoor environments. The offering includes services such as installation, maintenance, consulting, fault handling and functional guarantee of the products, as well as general quality testing of indoor air.

Rental- and service agreements
QleanAir offers a complete solution that includes installation, service and functional guarantee (so-called Rental with Performance Guarantee contracts). The contracts usually run over a three-year period where the customer then chooses if they want to extend the current contract on an annual basis, or for another three years.

Financing and rental
Unless the contract is sold to a finance company, our solutions are rented on a contractual basis where quarterly payments are received from the customer, which guarantees an even annual revenue flow and a good overview of future revenue streams.

9 out of 10 people breathe air with high air pollution levels[1]



The socio-economic costs of bad air are estimated at SEK 56 billion annually in Sweden alone[2]

QleanAir's business is integrated throughout the value chain by installing and managing units in customers' premises. Installation, service and maintenance is provided by local suppliers operating under the name of QleanAir, according to company prescribed instructions and methods. The rental model offers benefits for both the customer and QleanAir. The customer leaves the work to clean the air in its premises to us, while focusing on its core business. We retain complete control over our systems and can thus ensure high quality, and that the brand and our services are associated with high performance solutions over time. In addition, our solutions meet the requirements for a number of certifications that emphasise the good performance and safety of the products.

For continued efficient tie-up of capital and a good cash flow in connection with the delivery of our services to the customer, we intend to continue to sell a substantial part of the rental agreeements to external financing companies. In 2019, these represented about 31 per cent of QleanAir's installed base. At the same time, the rental and service agreements we keep in our own book generate recurring revenue. In 2019, recurring revenue represented 42% of the company's total revenue.

1. World Health Organisation (WHO)
2. Dagens Industri – Luften i 30 svenska städer sämre än målet

Business concept

QleanAir shall offer modular solutions for indoor air cleaning in order to protect people, products and processes.

Mission

QleanAir operates to create healthy indoor environments that contribute to improved productivity of people, products and processes.

Vision

QleanAir shall be a world leading supplier of freestanding solutions for air cleaning within indoor environments in those product categories in which the company chooses to Operate.

Values

For work environment and health with quality and confidence.

Objectives and strategy

QleanAir offers solutions that protect people, products and processes from air pollution in indoor environments. Our original product category Cabin Solutions (cabins that protect the environment from exposure to harmful tobacco smoke through filtration of particles and gases) has been supplemented by Facility Solutions (air purifiers for e.g. industrial premises) and Room Solutions (clean rooms for operations that require a high purity or sterile environment). All product areas are based on the same type of air purification technology, which allows us to expand the product portfolio and scale production in a cost-effiecient way.

In addition, QleanAir has a clear strategy for continued capital efficient and profitable growth, where our strategic plan is focused on the following initiatives:

Development of the Sales organisation

QleanAir aims to strengthen the sales organisation by recruiting new sales personnel with a main focus on the current key markets within Facility Solutions and Room Solutions. Much of the sales work involves informing current and potential customers about the positive effects our air cleaning solutions have on the work environment and human health, product quality and the efficiency of processes. Through providing this information we can utilise our strong customer base within Cabin Solutions for cross sales of other product categories.

Launch of new products and solutions

Product development is a key part of QleanAir's business. The focus is on improved solutions based on our patent-protected technology, development of new product categories and broadening the product range – primarily Facility Solutions and Room Solutions. This, together with the integration of new technologies in e.g. IoT enables better data management, resource optimisation and real-time monitoring, which creates increased value for our customers.

Strategic resource allocation

We will optimise QleanAir's cost structure by repositioning our production, and have assembly centres closer to our main markets. During the year, we established a number of new supplier collaborations in the US and opened an assembly centre for Room Solutions under our own management in Columbus, Ohio. We have also expanded the already established production operations through partnerships for Cabin Solutions in China to meet rising demand in the Japanese market.

Future opportunities

QleanAir has identified several opportunities beyond the current business plan:

- Launch of new products and technologies.
- Geographic expansion into new markets.
- Widening of end markets to sports clubs, schools and hotels.
- Introduction of new concepts and services that accelerate organic growth

Financial targets and dividend policy

Growth
The Group's goal is to achieve an average annual organic growth of about 10 per cent in the medium term.

Profitability
The Group's objective is to achieve an EBIT margin of 15–20% in the medium term.

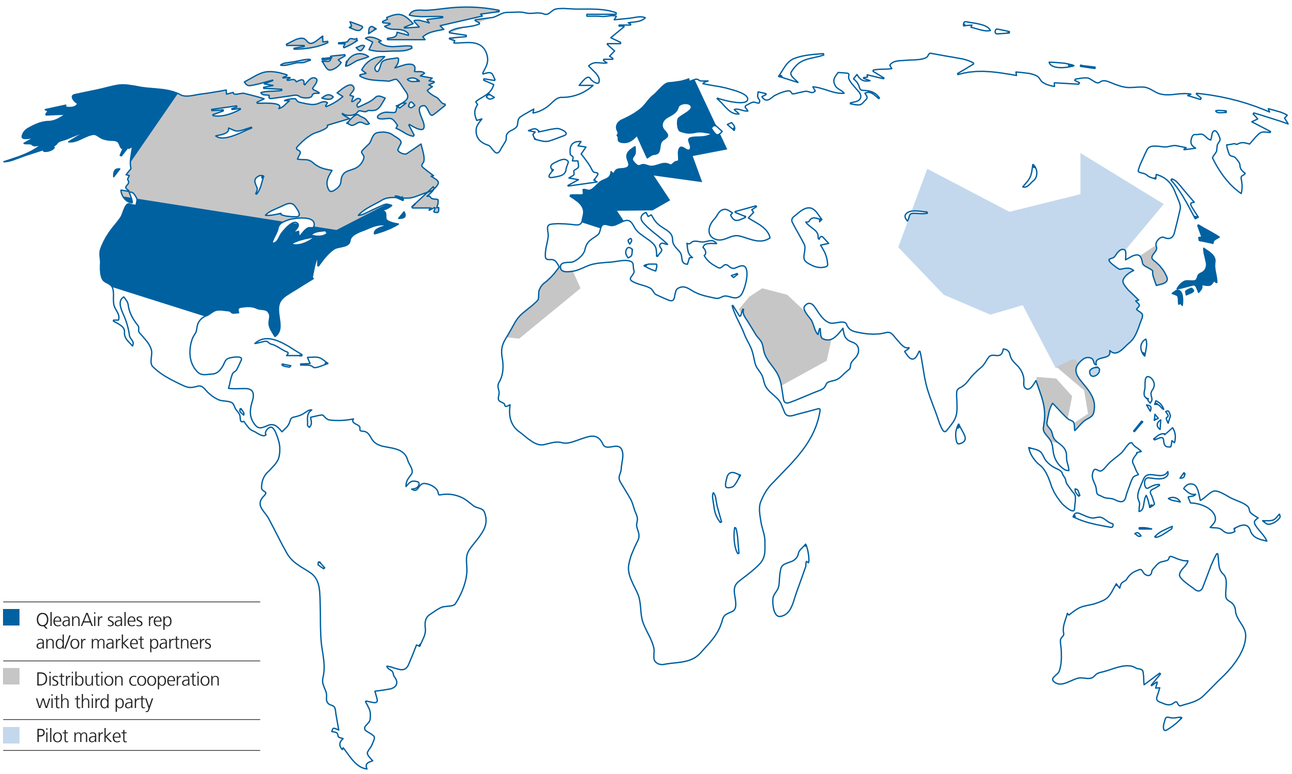
Dividend Policy
The goal is to distribute between 30-50 per cent of the profit for the year for dividends. The dividend proposal will take into account QleanAir's long-term development potential, financial position and investment needs.

	Targets	Performance 2019
Organic sales growth	~10% **Net sales CAGR** Average annual organic sales growth of circa 10 per cent	14% **Net sales CAGR** During 2019 exchange rate fluctuations affected the net sales with + 6 per cent
Profitability	15–20% **EBIT margin** EBIT margin of 15–20 per cent	18% **Adjusted EBIT margin**
Divided policy	30–50% **Payout ratio** 30–50 per cent of net profit paid out as dividend	No dividend proposed

Market overview

QleanAir is a niche supplier of premium solutions for air purification of indoor environments such as offices, industries and public places. Our solutions are used to protect people, processes and products from harmful particles and gases that are captured and filtered through our products and technical solutions.

Business overview



QleanAir operates in EMEA[1], APAC[2] and Americas[3] with headquarters in Solna, Sweden. Our main markets are Japan, Germany, USA and Sweden, but we also operate in other European and Asian countries as well as a number of smaller export markets. In recent years, the importance of air quality in society has been emphasised by authorities around the world, and as a result, a number of regulatory changes have increased the requirements for cleaner air.

Driving forces

The main forces driving the market development for air purification in indoor environments are stricter legislation in air quality, increased requirements and focus on work environment issues, and increased demand for Clean Air as a Service.

Stricter legislation in air quality

The growing exposure to air pollution is harmful to both human health and nature. At the same time, attention from media and healthcare organisations has increased the pressure on state and global law enforcement agencies to tighten legislation within the area. An expected new US standard for sterile working conditions in drug preparation[4] has led to significant growth in the market for clean rooms that meet these requirements, which has contributed to a strong development for QleanAir's product category Room Solutions. During the period 2016–2019, net sales for Room Solutions showed an average annual growth rate ("CAGR") of 63 per cent[5]. In 2018, the EU Non-Financial Reporting Act came into force, requiring companies with over 500 employees to report their environmental impact - an area where air quality is included[6].

Increased awareness of the health impacts of air quality has thus tightened the demands on society as a whole, but also on companies to follow the set goals.

Stricter requirements and focus on occupational safety and health

In addition to the stricter legislation, companies are becoming increasingly aware of the importance of maintaining a high level of air quality at and in connection with the workplace. As research has highlighted the importance of clean air in workplaces, companies today are inclined to pay for solutions to protect employees, processes and products against air pollution.

Increased demand for Clean Air as a Service

More and more customers are requesting Clean Air as a Service: a comprehensive system that does not require the addition of other products or services, and no internal expertise in installation and maintenance. With complete solutions, customers do not have to worry about air quality in the workplace but can instead focus on their main business. In addition, solutions that measure air quality in premises are expected to increase as the issue is raised further.

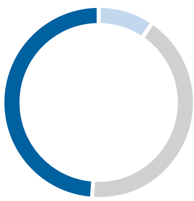
Clean Air as a Service also provides financial and functional flexibility to avoid large initial investment costs and increased agility in a constantly changing market climate[7].

Market by product category

QleanAir's different product categories have clearly niche end markets in different geographical regions based on business climate as well as legal, cultural and political differences. Within each product category, QleanAir has a number of geographical focus markets: Germany, Austria and the Nordic region within standalone air purifiers; US in clean rooms; as well as Japan, Germany and Austria in cabin solutions. To promote comparability in the company's installed base, QleanAir recalculates clean rooms in its installed base as one unit per SEK 100,000 in order value. According to QleanAir's assessment, the market-based order value per clean room amounts to between SEK 500,000 and 2,500,000, which in our installed base corresponds to between 5 to 25 installed units, depending on the clean room's order value.

Sales per geography 2019

Total: 457 MSEK



Americas	MSEK 43
APAC	MSEK 191
EMEA	MSEK 222

1. EMEA refers to Europe, the Middle East and Africa.
2. APAC refers to Asia (excl. the Middle East) and Oceania.
3. Americas refers to North and South America.
4. USP – USP Publishes New and Revised Compounding Standards, 2019
5. Based on unaudited information derived from QleanAir's internal reporting system.
6. European Commission – Non-financial reporting - EU rules require larhe companies to publish regular reports on the social and environmental impacts of their activities, 2018
7. L.E.K. Consulting GmbH – 2019 Market Report

Business areas

QleanAir's operations are divided into the three product categories: Facility Solutions, Room Solutions and Cabin Solutions. Below is a description of each area.

Facility Solutions

Facility Solutions include air cleaning solutions that remove airborne pollutants in industrial and logistics environments that are often exposed to dust and particulate pollutants such as warehouse and freight companies, food handling and the automotive industry.

In 2019, Facility Solutions accounted for approximately 9 per cent of total net sales. QleanAir works actively to increase Facility Solutions sales through upselling to existing customers, primarily within Cabin Solutions, but also through reworking of specific industry segments. Sales in this product category are primarily driven by the Nordic countries and Germany.

End markets

Within Facility Solutions, there are three clear current end markets that consist of logistics, food and automotive.

Logistics

The logistics market includes logistics, distribution and shipping companies that conduct a large part of their operations in large premises. Logistics premises tend to contain dust and other particles that are unhealthy for employees to breathe. QleanAir has therefore provided a number of these premises with standalone solutions that purify the air. In addition to protecting the staff working in the room against polluted air, they also work to keep products and machines clean from dust and other particles

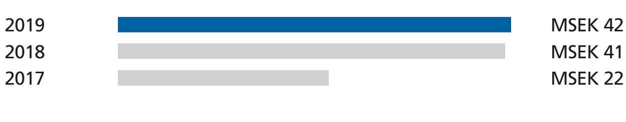
Food

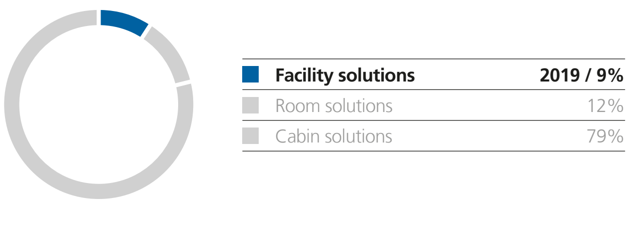
The food market is made up of companies with premises for the manufacture and storage of food products that require good air quality to ensure the quality of the food. The standalone solutions offered by QleanAir protect food from pollution and contamination in the form of bacteria and mould. In addition, the working environment for those working on managing the production and logistics of food products is improved.

Manufacturing

Manufacturing such as vehicle manufacturers (OEMs) and its direct subcontractors. QleanAir's solutions improve both working conditions by cleaner air while also contributing to cleaner processes and extending the lifetime of sensitive tools and machines.

Net sales Facility Solutions



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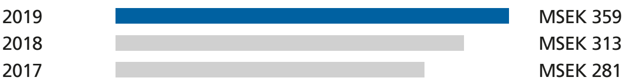
Cabin solutions

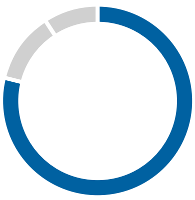
Within Cabin Solutions, QleanAir offers booths that capture and filter tobacco smoke including gases, particles and odors, while safely handling ash and cigarette butts. The primary purpose of the cabins is to reduce exposure of passive smoking and thus help to ensure a healthy working environment.

Cabin Solutions is QleanAir's original product category, which represented approximately 79 per cent of total net sales in 2019. Cabin Solutions' largest source of revenue is the Japanese and German markets, but significant sales are made in several other European countries. QleanAir works actively to offer air purifying solutions from the other product categories (Facility Solutions and Room Solutions) to existing customers within Cabin Solutions.

In Sweden, we have gone from focusing on Cabin Solutions to becoming a successful supplier of solutions within Facility Solutions and Room Solutions.

Net sales Cabin Solutions





Cabin solutions	**2019 / 79%**
Room solutions	12%
Facility solutions	9%

End markets

Solutions within Cabin Solutions can be divided into four defined end markets that consist of offices, industry and manufacturing, public places and others.

Offices

The office market is currently QleanAir's leading end market within Cabin Solutions. The cabins are mainly located near workplaces and in common areas where they clean the air in the workplace, protect employees from passive smoking and ensure clean air outside entrances to the office building.

Industry and manufacturing

The industry and manufacturing market include sales of cabins to industries and other manufacturing operations with high hygiene and safety requirements such as the automotive industry, chemical plants, the food industry and marine segments. Cabins that are installed indoors within industry and manufacturing areas primarily lead to a healthier working environment and also reduce work stoppages that can occur during smoke breaks. Cabins in the vicinity of the workplace mean that the employees who smoke can take shorter breaks while reducing the exposure of smoke to other employees, which enables increased efficiency in the workplace.

Public spaces

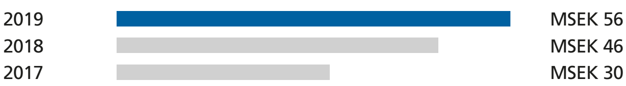
Public spaces accounted for a small part of Cabin Solutions' installed base in 2019. In public spaces, cabins are installed at airports, train stations, ships, hotels, restaurants and casinos.

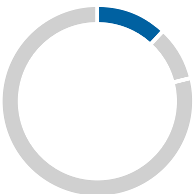
Room solutions

The majority of Room Solutions are modular clean rooms, whose popularity has increased as healthcare and the pharmaceutical industry place higher demands on cleanliness in handling and storage of medicines. Other companies in the Biotech and Medtech industries, as well as other industries that set the same requirements for cleanliness, have also shown interest in QleanAir's solutions as they offer particle-free conditions in the workplace. The increased interest in solutions within Room Solutions is an effect of the increased demands expected by the authorities (especially in the US) on the healthcare and pharmaceutical industries.

In 2019, Room Solutions accounted for about 12 per cent of QleanAir's total net sales. Together with Facility Solutions, Room Solutions was introduced with the aim of transforming the business through a diversification of our solutions. QleanAir is actively working to increase sales within Room Solutions by focusing on growth in the US, which today is the product category's largest market. We also have a targeted investment in our home market in Sweden.

Net sales Room Solutions





Room solutions	**2019 / 12%**
Facility solutions	9%
Cabin solutions	79%

End markets

Solutions within Room Solutions can be divided into three defined current end markets: hospital pharmacies, drug providers and BioTech, MedTech and other end markets.

Hospital Pharmacies

Hospital pharmacies need to quickly and easily provide patients with individualised medication on site. These must comply with the laws and regulations that exist for hazardous substance treatment, which is facilitated by the use of modular clean rooms. These are used for the preparation, composition and storage of medicines with regulatory classification.

Drug Preparation

Just like a hospital pharmacy, there are companies involved in drug preparation that delivers patient-specific medication, but which are not affiliated with a specific hospital. They offer a centralised merging of services to hospitals and other providers of long-term care. Like hospital pharmacies, demand is driven by stricter requirements for clean rooms for all handling of regulated classified drugs.

BioTech and MedTech

BioTech and MedTech companies need to be able to work in an environment undisturbed by airborne particles that can adversely affect the work process. To these customers, QleanAir delivers clean rooms with regulatory classification that are required to maintain a particle-free working environment. At the time of writing, these end customers exist on the Swedish market only.


ECOLAB

Management Report

2

For more than 25 years, QleanAir Scandinavia has developed innovative air purification solutions that create healthy indoor environments for people, products and processes. With unique specialist expertise, high quality products, market leading services and lifetime functional guarantee, we can offer efficient and customised solutions that deliver clean air over time. The product portfolio consists of ready-to-use clean rooms, free-standing air purifiers and solutions for cleaning tobacco smoke and protection against passive smoking. QleanAir is a Swedish company headquartered in Solna (Stockholm). We operate within B2B in over 25 countries around the world and continue to grow.

The Board of Directors and the CEO of QleanAir Holding AB, corporate identity number 556879-4548, hereby submit the annual and consolidated accounts for 2019.

The nature and focus of the business

For more than 25 years, QleanAir Scandinavia has developed innovative air purification solutions that create healthy indoor environments for people, products and processes.

With unique specialist expertise, high quality products, market leading services and lifetime functional guarantee, we can offer efficient and customised solutions that deliver clean air over time.

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QleanAir is a Swedish company headquartered in Solna (Stockholm). We operate within B2B in over 25 countries around the world and continue to grow.

Research and Development

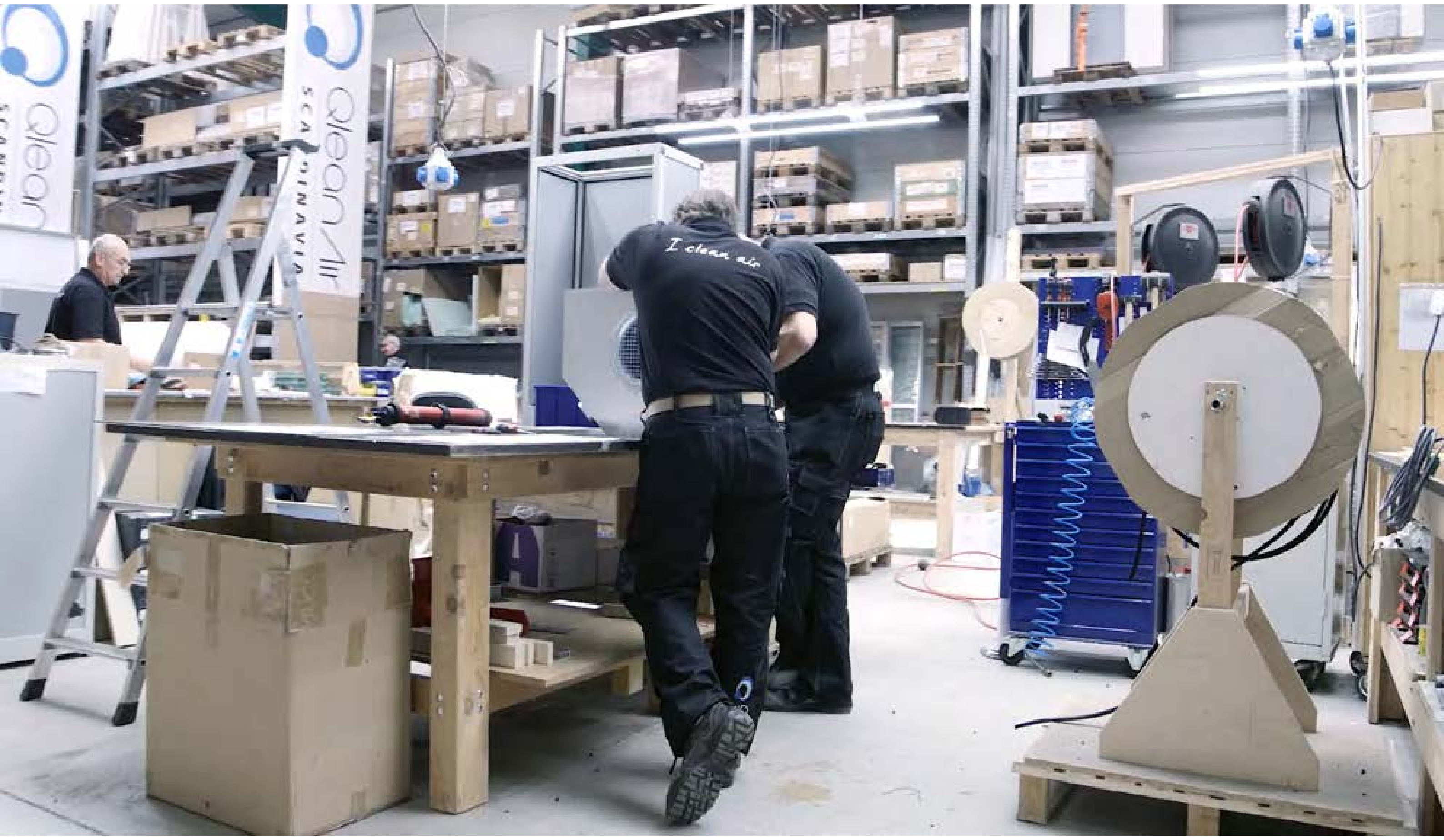
QleanAir's Research and Development department with a close relationship with customers to continuously identify development opportunities of QleanAir's products and services. The strategic work consists partly of identifying new products and partly of improving existing products and product portfolio. The work is also conducted through close collaboration with QleanAir's suppliers. QleanAir has developed a five-step process for product development that explains the typical workflow from idea to launch. QleanAir strives to identify patentable technical solutions, products, product details and features in their own products, and if possible patent them.

Significant events during the financial year

On December 12, 2019, QleanAir was listed on the Nasdaq First North Premier Growth Market. In connection with the listing, a new credit facility was entered into and Smoke Free Systems Finance AB (556789-5536) was acquired. More information is provided in notes 9.2 and 14.

Ownership

QleanAir Holding AB has been listed on the Nasdaq First North Premier Growth Market since December 12, 2019. Information on shareholders can be found on page 72.



Expected future development

In terms of market, we are in an exciting phase. We are working intensively in the organisation with ongoing clean room installations in the United States. The focus on the new product categories Facility Solutions and Room Solutions is starting to appear in sales and earnings. The underlying markets are strong. In the United States, the new expected regulatory framework regarding safe handling of certain drugs drives demand for new clean rooms at hospital pharmacies. In Europe, the need for improved work environment and demands for cleaner industrial processes drive demand for solutions for logistics, production and food handling. Air quality is an increasingly important issue for European companies. In Japan, the market is driven by new legislation, the "Health Promotion Act" which includes regulation aimed at protecting people from passive smoking in public areas. The legislation will come into force on April 1, 2020. We are actively monitoring the development of Covid-19 and taking ongoing measures to limit the negative effects on the business. It is too early to say how and when this will affect QleanAir.

Financial goals

QleanAir has the following financial goals:

- Growth: the company's goal is to achieve an average annual organic sales growth about 10 per cent in the medium term.
- Profitability: the company's goal is to achieve an EBIT margin of 15-20 per cent in the medium term.
- Dividend policy: the company's goal is to deliver between 30-50% of net profit for the year for distribution. The dividend proposal must take into account the company's long-term development potential.

Significant risks and uncertainties

QleanAir is subject to risks related to legislation on protection against passive smoking. QleanAir's solutions are used, among other things, to protect people from passive smoking by trapping and filtering the particles and gases released in connection with smoking. The jurisdictions within which QleanAir conducts its operations have different levels of legislation and regulations regarding protection against passive smoking, which results in varying conditions for the company to market and sell its products in each market.

QleanAir is dependent on third-party suppliers for manufacturing, assembly and logistics as well as installation, service and maintenance, and is subject to risks related to this. QleanAir outsources manufacturing, assembly and logistics to suppliers and partners in Sweden, Germany, Poland and China. Installation, service and maintenance are outsourced to external service partners in the local markets, who represent QleanAir to customers. If the suppliers do not fulfill their commitments, this could have a negative impact on our business.

QleanAir is subject to risks related to air quality regulations and standards. If QleanAir's products no longer meet the requirements of applicable regulations or standards, and QleanAir fails to adapt the products accordingly, or if rules and standards are further amended, there is a risk that the company's operations will be adversely affected.

QleanAir relies on external financing companies to maintain a low capital tied up. If such cooperation fails, it may have a negative impact on the company's operations and financial position. See note 26 for more information on risk regarding financial instruments and risk management objectives and principles.

Guidelines for senior executives

At the Extraordinary General Meeting on October 7, 2019, it was decided to adopt guidelines for remuneration and other terms of employment for senior executives. In summary, the basic principle applies that remuneration and other terms of employment for senior executives must be market-based and competitive in order to ensure that the Group can attract and retain competent senior executives at reasonable costs for the Company. For further description of guidelines for remuneration to senior executives, see the note 18.

Corporate governance report

The corporate governance report is presented on page 66.

Branches abroad

QleanAir Group conducts operations abroad through subsidiaries, branches or representative offices in Norway, Denmark, Finland, the Netherlands, Germany, Belgium, Austria, France, Switzerland, Poland, Japan, USA and China. Markets in, for example, the Middle East and South Korea are managed through distributors.

Financial overview in the Group

Sales for the full year amounted to MSEK 456.9 M (400.8), an increase of 14 per cent. For the full year 2019, adjusted EBIT amounted to MSEK 83.7 (73.1). For the full year, cash flow from operating activities amounted to MSEK 62.5 (69.3). Adjusted for non-recurring items, cash flow from operating activities amounted to MSEK 87.9 (80.6). Cash at the end of the period excluding available check credit amounted to MSEK 57.0 (74.9). Interest-bearing net debt amounted to MSEK 236.7 (273.8), excluding rental liabilities, which are now reported as interest-bearing debt. See page 73 for further information.

Significant events after the end of the financial year

The Board estimates that the outbreak of the virus Covid-19 will affect the financial development. Management and the Board actively monitor the development and take regular measures to limit the negative effects on the business. It is too early to say how and when it will affect QleanAir

Parent Company

The parent company owns and manages shares in subsidiaries and provides management and consulting services in connection therewith. Sales for the parent company for January-December 2019 amounted to MSEK 10.2 (10.2). Profit for the period was MSEK -5.3 (-5.2). QleanAir Holding AB with corporate registration number 556879-4548 is a Swedish limited company with its registered office in Solna, Sweden.

Multi-year comparison (refers to the Group)

		2019	2018	2017	2016
Net sales	TSEK	456,879	400,813	336,239	318,877
EBITDA	TSEK	79,756	72,898	45,482	44,781
Result after financial items	TSEK	8,837	40,064	14,005	17,759
Balance sheet total	TSEK	602,950	586,048	548,414	518,358
Number of employees	no	96	87	80	74
Equity/asset-ratio, subordinated shareholder loans as equity	%	16%	52%	48%	60%
Order intake	TSEK	365,979	313,379	227,246	226,857

Proposed allocation of profits (SEK					
The following profits are at the disposal of the Annual General Meeting (SEK)					
Profit brought forward		113,568,737			
Loss for the year		-26,450,582			
		87,118,155			
The Board of Directors proposes that the following be carried forward		**87,118,155**			

Regarding the Group's and the Parent Company's results and position in general, reference is made to subsequent income statements and balance sheets as well as cash flow analyses and supplementary information. All amounts are expressed in SEK millions, unless otherwise stated.

Financial information

Consolidated income statement

TSEK	Note	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Net sales	5	456,879	400,813
Operating expenses			
Merchandise		-160,959	-137,888
Other external expenses		-110,210	-90,852
Costs for employee benefits		-104,883	-98,728
Depreciation and impairment of tangible and intangible non-current assets	8, 16	-47,682	-11,106
Other operating expenses		-1,071	-447
Operating profit		**32,073**	**61,792**
Interest expenses and similar income items	20	-22,503	-22,172
Interest income and similar income items	20	24	113
Other financial income and costs	21	-757	330
Profit before tax		**8,837**	**40,064**
Tax on profit for the year	22	-21,732	-21,395
Deferred tax	10, 22	5,374	2,333
Loss for the year		**-7,521**	**21,003**
Earnings per share basic, SEK		-0,56	1,58
Loss for the year		**-7,521**	**21,003**
Currency translation differences foreign subsidiaries		1,605	2,232
Total result for the year		**-5,916**	**23,235**
Profit/loss attributable to:			
Shareholders parent company		-5,916	23,235
Non-controlling interest		0	0
Net loss for the year		**-5,916**	**23,235**

Consolidated balance sheet

Assets

TSEK	Note	2019-12-31	2018-12-31
Intangible non-current assets			
Capitalised development costs	7	5,934	7,143
Customer contracts	7	0	8
Goodwill	6	343,704	343,704
		349,637	**350,855**
Tangible non-current asset			
Right-of-use assets	16	22,632	0
Furnishings in rented premises		400	635
Rented inventory		33,272	18,045
Inventory		6,140	4,939
		62,445	**23,618**
Financial non-current assets			
Deferred tax assets	10	11,427	0
Non-current receivables	9,12	0	14,110
		11,427	**14,110**
Total non-current assets		**423,509**	**388,584**
Current assets			
Goods in stock etc.	11		
Merchandise		32,147	22,984
		32,147	**22,984**
Current receivables			
Accounts receivable	9,12	35,936	49,338
Other receivables		11 296	6,288
Prepaid expenses and accrued income	15	43,068	43,919
		90,300	**99,545**
Cash and cash equivalents	9,13	**56,994**	**74,935**
Total current assets		**179,441**	**197,464**
Total assets		**602,950**	**586,048**

Equity and liabilities

TSEK	Note	2019-12-31	2018-12-31
Equity	17		
Share capital		7,430	6,642
Other paid-in capital		121,140	58,929
Reserves		5,269	3,664
Retained earnings		-28,572	-26,262
Loss for the year		-7,521	21,002
Total equity		**97,746**	**63,975**
Provisions			
Provisions for taxes	10	0	3,193
		0	**3,193**
Non-current liabilities			
Subordinated loans from shareholders	9	0	237,302
Liabilities to credit institutions	9	249,684	65,000
Long-term lease liabilities	16	14,053	0
		263,737	**302,302**
Current liabilities			
Liabilities to credit institutions	9	18,671	30,000
Bank overdraft facilities	9	18,677	16,424
Short-term lease liabilities	16	9,351	0
Trade accounts payable	9	41, 496	34,707
Tax liabilities		1,626	4,000
Other current liabilities		9,803	10,766
Contractual liabilities and other liabilities	19	141,842	120,682
		241,466	**216,579**
Total equity and liabilities		**602,950**	**586,048**

Consolidated statement of changes in equity

TSEK	Note	Share capital	Other paid-in capital	Reserves	Retained earnings	Total equity
2019	17					
Opening balance		6,642	58,929	3,664	-5,260	63,975
				-	-	-
		6,642	58,929	3,664	-5,260	63,975
Adjustment transition to IFRS 16					-480	-480
Changed accounting principle internal sales					1,284	1,284
Adjusted opening balance, 01/01/2019		**6,642**	**58,929**	**3,664**	**-4,457**	**64,778**
New share issue by set-pff	13	788	62,212	-	-	63,000
Effect Acquisition of SFS Finance	13	-	-	-	-24,116	-24,116
Transactions with owners		**788**	**62,212**	**0**	**-24,116**	**38,884**
Loss of the year		-	-	-	-7,521	-7,521
Other comprehensive income		-	-	1,605	0	1,605
Closing balance 31/12/2019		**7,430**	**121,141**	**5,269**	**-36,094**	**97,746**
2018	17					
Opening balance		6,642	58,929	1,432	-22,788	44,215
				-	-	-
		6,642	58,929	1,432	-22,788	44,215
Profit for the year		-	-	-	21,002	21,002
Adjustment internal sales 2011-2018		-	-	-	-3,475	-3,475
Other comprehensive income		-	-	2,232	-	2,232
Comprehensive income for the year		-	-	2,232	17,527	19,760
Closing balance 31/12/2018		**6,642**	**58,929**	**3,664**	**-5,260**	**63,975**

Adjustment of internal sales between QleanAir Scandinavia AB (Sweden) and QleanAir Scandinavia KK (Japan) retroactively 2011-2018. Internal sales refer to tangible fixed assets, for further information see Note 8.

Consolidated report of cash flow

TSEK	Note	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating profit		32,073	61,792
Adjustments for non-cash items	23	46,706	17,616
		78,780	**79,408**
Income tax paid		-21,675	-18,077
Interest received		24	113
Interest paid		-11,002	-4,601
Exchange gain/loss		-1,236	-624
Cash flow from operating activities before changes in working capital		**44,889**	**56,219**
Cash flow from changes in working capital			
Decrease (+)/Increase (-) of goods in stock		-8,390	6,186
Decrease (+)/increase (-) of trade receivables		5,032	1,231
Increase/decrease in receivables		2,778	-13,185
Decrease (-)/increase (+) of current liabilities		12,430	19,630
Increase(+)/Decrease (-) in accounts payable		5,758	-807
Cash flow from current operations		**62,498**	**69,273**
Investment activities			
Acquisition of tangible non-current assets		-17,447	-14,271
Acquisition of intangible non-current assets		-1,774	-1,738
Acquisition of group companies	13	-6,603	-
Cash flow from investment activities		**-25,824**	**-16,009**
Financing activities			
New loans	9	277,254	-
Amortisation Leasing liabilities	16	-9,713	-
Amortisation of liabilities	9	-324,902	-33,429
Cash flow from financing activities		**-57,361**	**-33,429**
Cash flow for the year		-20,688	19,835
Cash and cash equivalents at start of year		74,935	50,991
Exchange rate differences in cash and cash equivalents		2,747	4,110
Cash and cash equivalents at end of period	13	**56,994**	**74,935**

In 2019, overdrafts have been reclassified from working capital to financing operations. For comparability, 2018 has been adjusted accordingly.

Notes to the consolidated financial statements

1 Nature of the business

The QleanAir group has a long tradition of taking care of what is important for life. Environmental problems, health and safety have for decades been at the top of the QleanAir group's priorities. For more than 25 years, QleanAir Scandinavia has been working to develop solutions that protect people from exposure to passive smoking. QleanAir Scandinavia has also moved into traditional air purification. The products purify the air through high-performance air filters.QleanAir Scandinavia's latest innovation, QleanSpace, is a clean space in which the environment is controlled by filter, automatically controlled fans and a unique monitoring system.

2 General information and compliance with IFRS

QleanAir Holding AB, the group's parent company, is a limited liability company based in Stockholm. The head office is at Torggatan 13, Box 1178, 171 23 Solna, Sweden.

The group operates abroad through subsidiaries, branches or representative offices in Norway, Denmark, Finland, the Netherlands, Germany, Belgium, Austria, France, Switzerland, Poland, Japan and the USA. Markets in, for example, the Middle East and South Korea are handled through distributors.

The group's financial reports have been prepared in accordance with the Annual Reports Act, RFR 1 Complementary Financial Reporting Rules for Groups and International Financial Reporting Standards (IFRS) as they have been adopted by the EU. The consolidated financial statements for the year ended December 31, 2019 were approved for issuance by the Board of Directors on April 20, 2020 (see Note 29). According to the regulations in Sweden, amendments to the financial reports are not allowed after approval. As of 2019, the Group applies the new standard for accounting of leasing agreements (see Note 3.1 below). Adaptation to this standard has been made by applying the method of modified retroactive application, where the cumulative effect of the transition to IFRS 16 is reported against equity as an adjustment of opening capitalised earnings for the current period. Comparative information is not recalculated. The Group is therefore not obliged to present a third report on the Group's financial position on that date.

3 Changes in financial reporting principles

3.1 Standards, amendments and interpretations concerning new standards

IFRS 16 is a new accounting standard for leases and the greatest impact is related to the accounting for lessees that are changed and recognised in the balance sheet. The standard has been applied from 1 January 2019. For the QleanAir Group, this means a changed accounting of leases for premises, service cars and other leasing objects. Implementation of the new standard results in increased assets and interest-bearing liabilities in the balance sheet, thus affecting the net financial position. It will also have a positive impact on operating income in the income statement based on the fact that part of the leasing costs is reported as an interest expense within the financial net. In the cash flow analysis, leasing payments are divided between interest paid on operating cash flow and amortisation of leasing liabilities within the financing operations. It thus has a positive effect on operating cash flow. The company has chosen the limited retroactive transition method, which means that IFRS 16 is applied retroactively without recalculating comparative figures. Thus, the opening balance for 2019 has been restated in accordance with the new standard. For leases previously classified as operating leases with the QleanAir Group as a lessee, a leasing liability is reported at the present value of future leasing payments, amounting to SEK 32.2 million as of January 1, 2019. Right-of-use assets are reported at SEK 31.6 million. The marginal loan interest rate used in the calculation amounts to 2.5 - 2.8%. As of the date of approval of these financial reports, certain new standards, amendments and interpretations of existing standards that have not yet come into force have been published by the IASB. These have not been applied in advance by the Group.

IFRS 16 Leases (IFRS 16)

TSEK	Closing balance 31 Dec 2019 before the transition to IFRS 16 Leases	Assessed adjustments resulting from the transition to IFRS 16 Leases	Assessed adjusted opening balance 01 Jan 19
Right of use	-	31,551	31,551
Leasing liabilities, interest-bearing	-	-32,170	-32,170
Deferred tax		138	138
Equity		**480**	**480**

4 Overview of financial reporting principles

4.1 Overall considerations

The most important financial reporting principles used in the preparation of the consolidated financial statements are summarised below.

4.2 Basis for consolidation

The consolidated financial statements consolidate the parent company's and subsidiaries' operations from 1 January 2019 to 31 December 2019 inclusive. The consolidated financial statements are prepared in accordance with the acquisition method and include the companies in which the parent company has a determining influence directly or through subsidiaries. Determining influence means that the parent company has, directly or through subsidiaries, influence over the company, has the right to variable returns and has the opportunity to exercise its influence over the company in order to influence returns. All subsidiaries have a balance sheet date of 31 December.

The group's internal transactions and balance sheet items are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed in consolidation, the impairment requirement of the underlying asset is also examined from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure compliance with the group's financial reporting principles.

Profit and other comprehensive income of subsidiaries that are acquired or disposed of during the year are recognised from the date that the acquisition or the divestment takes effect, as applicable.

4.3 Parent company

The parent company applies the Annual Reports Act and RFR 2 Accounting for Legal Persons. This means that EU-approved IFRS rules and statements are applied as far as possible within the framework of the Annual Reports Act and Swedish taxation. Depreciation of goodwill occurs in the parent company over 15 years since QleanAir can identify a cash flow from the acquisition that also covers goodwill. All group contributions received or paid are reported as appropriations.

Shares in subsidiaries

Shares in subsidiaries are recognised in accordance with the cost method.

Acquisition-related costs for subsidiaries, which are expensed in the consolidated financial statements, are included as part of the acquisition value for participations in subsidiaries. The carrying amount of shares in subsidiaries is tested for possible impairment when there is an indication of a need for impairment.

Leasing

In the Parent Company, all leasing contracts are reported as operating leases. The company charges leasing fees on a straight-line basis over the lease period. Associated costs, such as maintenance and insurance, are expensed as incurred.

Tax

The Parent Management Reports untaxed reserves including deferred tax liability. In the Group's consolidated accounts, on the other hand, untaxed reserves are divided into deferred tax liabilities and equity.

Intra-group services

The parent company's services consist of providing management and consulting services. The costs are invoiced to the subsidiaries on a quarterly basis.

4.4 Business combinations

The group applies the acquisition method when reporting business combinations. The remuneration that is transferred by the group to obtain control of a subsidiary is calculated as the sum of fair values on the date of acquisition of the transferred assets, the liabilities assumed and the equity shares issued by the group, which includes the fair value of an asset or liability arising from a conditional purchase price agreement. Acquisition costs are expensed as they arise.

The group recognises identifiable acquired assets and assumed liabilities in business combinations regardless of whether they have been previously recognised in the acquired company's pre-acquisition financial statements. Acquired assets and assumed liabilities are usually valued at fair value on the date of acquisition.

Goodwill is determined according to separate reporting of identifiable intangible assets. It is calculated as the excess amount of the sum of (a) the fair value of the transferred remuneration, (b) the reported amount of any non-controlling interest in the acquired company and (c) the fair value on the date of acquisition of any existing ownership interest in the acquired company and the fair values on the acquisition date of identifiable net assets. If the fair values of identifiable net assets exceed the estimated amount as described above, the excess amount (i.e. profit on a low-price acquisition) is recognised directly in on the income statement.

4.5 Translation of foreign currency

Functional and presentation currency

The consolidated financial statements are presented in SEK, which is also the parent company's functional currency.

Transactions and balance sheet items in foreign currency

Non-monetary items are not translated on the balance sheet date and are measured at acquisition value (translated at the transaction date rate) except non-monetary items measured at fair value which are translated at the exchange rate on the date on which the fair value was determined.

Foreign operations

In the consolidated financial statements, all assets, liabilities and transactions in group companies that have a functional currency other than SEK (the group's reporting currency) are converted into SEK at the time of consolidation. The functional currency of group companies remained unchanged during the reporting period.

During the consolidation, assets and liabilities have been recalculated at the closing price at the balance sheet date. Income and expenses have been translated into SEK at an average rate during the reporting period. Exchange differences are recorded directly against other comprehensive income and are recognised in the currency translation reserve in equity.

4.6 Income

Income arises from the sale of goods and the rental and sale of equipment.

Income is recognised as the amount to which the company expects to be entitled in exchange for transferring promised goods and services to the customer, excluding value added tax and less discounts. Price in customer agreements are used as basis for revenues. The group often performs sales transactions that include several of the group's products and services, such as delivery of equipment and its servicing. The group uses the income reporting criteria set out below for each separately identifiable component of the sales transaction. The remuneration received from the transactions is allocated to separate identifiable components in proportion to their relative fair value. All revenues are attributable to agreements with customers. IFRS 15 applies with exception of Sales of goods to finance companies where the regulations of IFRS 16 regarding manufacturers or resellers who are lessors are applied.

Sales of goods

Revenue from sale of goods is reported at a given time, which is when the promised product is transferred to the customer and the customer gains control of the product. The customer receives control when they receive the goods, can control their use and obtain financial benefits from the asset. This usually occurs when the products are made available to the customer at the agreed time and place. Invoicing and payment takes place upon delivery.

Rental of goods including service

The Group generates revenue from rental and service of equipment. Rental income and service income are reported on a straight-line basis over the contract period. Billing and payment are made quarterly during the rental period.

Sale of goods to finance companies

Leases sold to external finance companies. Revenue is recognised when the lease is transferred to the finance company reduced by a service provision corresponding to the term of the agreement. Revenue is recognised when the lease is transferred to the finance company, reduced by a service provision corresponding to the term of the agreement. Consequently, the risk but not the control has been transferred to the customer at the time of sale. Revenue recognition is thus made in accordance with IFRS 16 p 71c, ie in accordance with the direct sales policy for which IFRS 15 is applied. Invoicing and payment of the entire product value is made upon delivery to the customer.

Sale and installation of Room Solutions (Clean room)

When the outcome can be reliably assessed, the commission income and related expenses are recognised according to the degree of completion of the contract (accounting over time) on the balance sheet date. The contracted revenue is valued at the fair value of the compensation that has been or will be received. When the Group is unable to reliably calculate the outcome of an assignment, revenue is recognised only to the extent that assignment expenses incurred can be recovered. Contract expenses are recognised in the period in which they arise. At all times when it is probable that the total contract expenses will exceed the total contract income, the expected loss is reported immediately in the result. The degree of completion of a contract is assessed by project managers by comparing the estimated time spent with the total estimated time for construction and installation of the clean room.

Interest and dividends

Interest income and expenses are accrued using the effective interest method. Dividend income is reported at the time when the right to receive payment has been determined.

4.7 Operating expenses

Operating expenses are reported on the income statement when the service is used or on the date of its creation.

4.8 Borrowing expenses

Borrowing expenses are expensed in the period when they arise and are reported in the item "Interest expenses and similar income items" (see Note 16).

Borrowing expenses include interest expenses calculated using the effective interest method. Interest expenses include accrued amounts such as direct transaction costs and similar costs for obtaining loans.

4.9 Goodwill

Goodwill represents future financial benefits arising from a business combination, but which are not individually identified and separately reported. See Note 4.4 for information on how goodwill is determined on initial recognition. Goodwill is reported as acquisition value less accumulated impairments. See Note 4.13 for a description of impairment testing methods.

4.10 Intangible non-current assets

Reporting of other intangible assets

Customer contracts

Customer contracts that meet the conditions for a separate account in a business combination are recognised as intangible assets and are initially measured at fair value (see Note 7).

Capitalised development costs

Capitalised development costs consist of proprietary products for air purification, patents and tests. Expenditure directly attributable to the development phase of a project is recognised as an intangible asset provided that it meets the following requirements:

- Development expenditure can be measured reliably
- The project is technically and commercially feasible
- The group intends and has sufficient resources to complete the project
- The group has the conditions to use or sell the product
- The product will generate probable future financial benefits

Development expenses that do not fulfil these criteria for capitalisation are entered as costs as they arise.

Accounting in subsequent periods

All intangible assets, including capitalised development expenses, have a determinable useful life. They are therefore reported at acquisition value whereby capitalised expenses are depreciated on a straight-line basis over the estimated useful life. Residual value and useful life are reviewed at each balance sheet date. In addition, an impairment test is carried out as described in Note 4.13. The following useful lives are applied:

- Customer contracts: Over the remaining term of the contract
- Proprietary products: 5 years
- Patents and tests: 5 years

Depreciation is included in the item "Depreciation and impairment of tangible and intangible non-current assets".

4.11 Tangible non-current assets

Rented inventory

Rented inventory is initially reported at acquisition value including expenses to get the asset in place and in condition for use according to group management's intentions. Rented inventory is thereafter reported at acquisition value after deduction of cumulative depreciation and impairment. Depreciation of rented inventory is done on a straight-line basis of acquisition value with a useful life of 5 years. On disposal of rented inventory, the remuneration received is reported in the income statement in the item ”Net sales” and the book value of the rented inventory in the item ”Merchandise”.

The risk of renting out equipment is assessed as low. If a customer does not pay, QleanAir has the option of repossessing the product as QleanAir owns the product under a rental agreement.

The group as lessor

The group's equipment rental is classified as operational leasing and is thus reported in income on a straight-line basis over the lease period. The reported amount of this equipment is in the item ”Rented inventory” in the balance sheet.

Other inventory

Other inventory (i.e. fittings in rented premises and furniture) is initially reported at acquisition value including expenses to get the asset in place and in condition for use according to group management's intentions. The inventory is thereafter reported at acquisition value after deduction of cumulative depreciation and impairment.

Depreciation of inventory is done on a straight-line basis of acquisition value with a useful life of 5 years. Gains or losses arising from the disposal of other inventory are determined as the difference between what has been received and the reported value of the assets and are reported on the income statement in the items ”Other income” or ”Other expenses”.

Depreciation method right-of-use assets

Depreciation of Right-of-use assets is made on a straight-line basis over the estimated usage time.

4.12 The Group as lessee

For all agreements entered on 1 January 2019 and later, the Group assesses whether the agreement is a lease agreement or contains a lease agreement. A lease is defined as ”an agreement, or part of an agreement, that assigns the right of use of an asset (the underlying asset) for a specified period in exchange for compensation”. To apply this definition, the Group assesses whether the agreement meets the requirements based on three evaluations criteria, which are:

– The agreement contains an identified asset that is either specifically identified in the agreement or implicitly specified by being identified at the time the asset has been made available to the Group.
– The Group is entitled to substantially all of the financial benefits arising from the use of the identified asset during the entire period of the lease, taking into account the Group's rights within the defined scope of the agreement.
– The Group has the right to control the use of the identified asset during the entire lease period. The Group assesses whether it holds the right to control the ”how and for what purpose” the asset should be used throughout the lease period.

Valuation and accounting of lease agreements as lessee

At the beginning of the lease agreement, the Group recognises a right of use and a lease liability in the balance sheet. The right to use is valued at acquisition value, which includes the sum initially valued at the lease liability, any initial direct expenses incurred by the Group, an estimate of the Group's costs for dismantling and disposal of the asset at the end of the lease period, and any lease payments that were made before the lease was paid (reduced by eventual benefits received). The Group writes off the right of use linearly from the beginning of the lease to the earliest point of the right to use the lease and the lease agreement ends. The Group also makes an assessment of any need for impairment of the right of use when there is an indication of a decline in value. At the beginning of the lease, the Group values the leasing liability at the present value of the leasing fees not paid at this time. Leasing fees are discounted using the implicit interest rate of the lease if this interest rate can be easily determined or the Group's marginal loan rate. Leasing fees that are included in the valuation of the lease debt include fixed fees (including the fixed fees for their substance), variable leasing fees based on an index or price, amounts expected to be paid by the Group under residual value guarantees and payments according to options that the Group is reasonably sure will to be utilised. After the commencement date, the debt is reduced by payments and increased by the interest rate. The liability is revalued to reflect any new assessment or change or if there are changes in the fees fixed to its substance. When the lease liability is revalued, the corresponding adjustment must be made in respect of the right of use or in the result if the right of use has already been assigned a value of zero. The Group has chosen to report short-term leases and leases for which the underlying asset has a low value by utilising the practical solution found in IFRS 16. Instead of accounting for a right of use and a lease liability, leasing fees for these leases are expensed on a straight-line basis over leases. Use rights in the balance sheet have been included in the item Use Right-of-use assets, while the lease liability is included in the items Long-term leasing liabilities and Short-term leasing liabilities.

Utility Right-of-use assets / Leasing (according to IFRS 16, from 2019-01-01)

The majority of the Group's Right-of-use assets consist of local leases. The leasing agreements are normally written for fixed periods of up to three to five years, but there can be opportunities for extension, this is described below. The terms are negotiated separately for each agreement and contain a large number of different contract terms. The leasing agreements do not contain any special conditions or restrictions that would mean that the leases would be terminated if the conditions were not met, but the leased assets must not be used as collateral for loans.

The leasing agreements are reported as rights of use and with a corresponding liability, on the date on which the leased asset is available for use by the Group. Each lease payment is divided between the amortisation of the debt and the financial cost. The financial cost should be distributed over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during the respective period. The right of use is amortised on a straight-line basis over the shorter of the asset's useful life and the duration of the lease.

Assets and liabilities arising from leasing agreements are initially reported at present value.

Leasing liabilities have been calculated on discounted future commitments for existing contracts relating primarily to local rents. Used maturities for the leases correspond to actual contractual remaining maturities. Leasing agreements that are shorter than 12 months are not included. Also, leasing agreements for assets of lesser value (less than TSEK 50) are not included. Payments for short contracts and leases of lesser value are expensed on a straight-line basis in the income statement. The lease payments are discounted with the implicit interest rate in the agreement. If the interest rate cannot be easily determined, as is usually the case, the marginal loan rate is used. The marginal loan interest rate is determined based on the country, maturity and creditworthiness of each unit.

Right-of-use-assets are valued at cost and include the following:

– the amount of the lease liability originally valued at
– leasing fees paid on or before the commencement date, less any benefits received in connection with the signing of the lease,
– initial direct expenditure
– expenses for restoring access to the condition prescribed in the terms of the lease

4.13 Testing impairment needs for goodwill, other intangible assets and tangible non-current assets

For impairment testing, the assets are grouped into as small cash-generated units as possible. A cash-generating unit is an asset group with substantially independent payments. Consequently, the impairment requirements of certain assets are examined individually, and some are tested at the cash-generating unit level. Goodwill is distributed among the cash-generating units that are expected to benefit from synergies in the related business combinations and represent the lowest level in the group where group management monitors goodwill.

The need for impairment of the cash-generating units to which goodwill has been allocated is tested at least once a year. The impairment needs of all other individual assets or cash-generating units are examined when events or changes in circumstances indicate that the reported value cannot be recovered.

An impairment is reported for the amount by which the reported value of the asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value reduced by selling expenses and useful value. In order to determine the useful value, group management estimates expected future cash flows from each cash-generating unit and establishes an appropriate rate to calculate the present value of those cash flows. The data used in the assessment of impairment needs is directly linked to the group's last approved budget, adjusted as needed to exclude the effects of future reorganisations and asset improvements. Discount factors are determined individually for each cash-generating unit and reflect group management's assessment of their respective risk profiles such as market and asset-specific risk factors. Impairment of cash-generating units first reduces the reported value of any goodwill distributed to the cash-generating unit. Any remaining impairment proportionally decreases the other assets in the cash-generating units. With the exception of goodwill, all assets are reassessed for signs that a previous impairment is no longer justified. An impairment is reversed if the recoverable value of the cash-generating unit exceeds the reported value.

4.14 Financial instruments

Recognition and valuation at first accounting

Financial assets and financial liabilities are recognised when the Group becomes a party to the terms of the financial instrument. Financial assets are removed from the balance sheet when the contractual rights relating to the financial asset expire, or when the financial asset and all significant risks and benefits are transferred. A financial liability is removed from the balance sheet when extinguished, i.e. when completed, cancelled or terminated.

Classification and valuation of financial assets at initial recognition.

In addition to accounts receivable that do not contain a significant financing component and are valued at the transaction price in accordance with IFRS 15, all financial assets are initially valued at fair value adjusted for transaction costs (where applicable). Financial assets, other than those identified and effective as hedging instruments, are classified into the following categories:

– Accrued acquisition value
– Fair value through profit or loss
– Fair value via other comprehensive income

During the periods included in the financial report, the Group has not categorised any financial assets that are measured at fair value through profit or loss at fair value through other comprehensive income. The classification is determined by both:

– the company's business model for management
– of the financial asset and
– the characteristics of the contractual cash flows from the financial asset

All income and expenses related to financial assets recognised in profit or loss are classified in any of the items Financial expenses, Financial income or Other financial items, except for impairment of accounts receivable classified under Other expenses.

Subsequent valuation of financial assets, financial assets valued at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not recognised at fair value through profit or loss:

– they are held within the framework of a business model whose objective is to hold them
– financial assets and the collection of contractual cash flows; and
– the contractual terms for the financial assets give rise to cash flows that are only payments of capital amounts and interest on the outstanding capital amount.

After the first accounting date, these financial assets are valued at amortised cost using the effective interest method. Discounting is omitted if the effect of discounting is immaterial. The Group's cash and cash equivalents, accounts receivable and most other receivables belong to this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment rules use more forward-looking information to report expected credit losses as a result of the introduction of the model with expected losses This replaced IAS 39's previous impairment model with losses incurred. The financial assets covered by the new requirements include bonds and promissory notes that are measured at amortised cost or fair value through other comprehensive income, accounts receivable, contract assets recognised and valued in accordance with IFRS 15 and loan commitments that are not measured at fair value through profit or loss. Accounting for loan losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers more extensive information when assessing credit risk and the valuation of expected credit losses, including past events, current conditions and reasonable and substantiated forecasts that affect the expected possibility of obtaining future cash flows from the asset.

Accounts receivable and other receivables as well as contract assets

The Group uses a simplified method of accounting for accounts receivable and other receivables as well as contract assets and reports expected loan losses for the remaining maturity. These credit losses are expected to fall into contractual cash flows, given the risk of non-payment at any point during the term of the financial instrument. When calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a reservation matrix. The Group assesses impairment of accounts receivable individually.

Classification and valuation of financial liabilities

The Group's financial liabilities include loans, accounts payable and other liabilities. Financial liabilities are initially valued at fair value adjusted for transaction costs (if applicable), unless the Group has classified the financial liability at fair value through profit or loss. Financial liabilities are valued at accrued cost using the effective interest method after first recognition, except financial liabilities that are measured at fair value through profit or loss and which after initial recognition are valued at fair value with gains or losses recognised in profit or loss.

All interest-related fees and, if applicable, changes in the fair value of an instrument recognised in profit or loss are included in the items Financial expenses or Financial income.

4.15 Goods in stock

Goods in stock are valued at the acquisition value or the net realisable value according to the first in first out principle, whichever is the lowest. The net realisable value is the estimated selling price in current operations, less any applicable sales costs.

4.16 Income taxes

The tax expense recognised in profit or loss consists of the sum of the deferred tax and current tax that is not recognised in other comprehensive income or directly in equity.

Current tax assets and/or liabilities consist of obligations to, or claims from, tax authorities relating to the current reporting period or prior periods, which have not been paid at the balance sheet date. Current tax shall be paid on taxable profits, which are different from the profit in the financial reports. Calculation of the current tax is based on tax rates and rules that are decided or in practice decided at the end of the reporting period.

Deferred tax is calculated with the aid of the balance sheet method on all temporary differences between the reported values of assets and liabilities and their value for tax.

Deferred tax assets and liabilities are calculated without discounting at the rates expected to apply to the accounting period in which they are exercised, provided that they are decided or in practice decided at the end of the reporting period.

Deferred tax assets and liabilities are only offset when the group has a right and an intention to offset current tax assets and liabilities from the same tax authority.

Changes in deferred tax assets or liabilities are recognised as a partial amount of tax income or expenses in the income statement.

4.17 Cash and cash equivalents

Cash and cash equivalents consist of cash and disposable balances with banks and similar institutions.

4.18 Equity, reserves and dividends

Share capital represents the nominal value of issued shares.

Other contributed capital includes any premium received in the event of a new share issue. Any transaction costs associated with the new issues of shares are deducted from this fund, taking into account any income tax effects. The item Reserves contains translation differences from the translation of financial reports for the group's foreign operations into SEK (see Note 4.5). Retained earnings include all retained earnings and share-based compensation for current and earlier periods. All transactions with the parent company's owner are reported separately in equity.

4.19 Post-employment benefits and short-term employee benefits

Post-employment benefits

The group provides post-employment benefits through defined contribution pension plans.

Defined contribution plans

The group pays defined contributions to independent companies for a number of government plans and insurance for individual employees. The group has no legal or informal obligation to pay anything in addition to the payment of the fixed contribution, which is recognised as an expense in the period in which the relevant service is performed.

4.20 Significant assessments by group management in the application of financial reporting principles

When preparing financial statements, group management makes a number of assessments, calculations and assumptions about the reporting and measurement of assets, liabilities, income and expenses.

Significant assessments by group management

The following are significant assessments made by group management in applying the group's financial reporting principles that have the most significant effect on the financial reports.

Reporting of deferred tax assets

The assessment of the extent to which deferred tax assets can be reported is based on an assessment of the probability of the group's future taxable income against which deferred tax assets can be used. In addition, material considerations are required

when assessing the impact of certain legal or financial constraints or uncertainties in different tax jurisdictions (see Note 4.16).

4.21 Uncertainty in the estimates

The following information is on estimates and assumptions that have the most significant effect on the reporting and measurement of assets, liabilities, income and expenses.

The outcome of these may differ significantly.

Impairment testing of goodwill and shares in subsidiaries

To assess the impairment requirement, group management calculates the recoverable amount of each cash-generating unit based on expected future cash flows and uses an appropriate rate to be able to discount cash flow. There are uncertainties in assumptions about future growth, operating profit and the determination of an appropriate discount rate.

5 Net sales

The group's income broken down by geographical market is as follows:

Financial year 2019	Sale of goods	Sales of goods to finance company	Rental of goods inclu-ding service and other	Total
Income				
EMEA (domicile)	20,947	84,751	116,741	222,439
APAC	5,742	113,226	72,249	191,217
Americas	34,898	6,551	1,774	43,224
Other countries	0	0	0	0
Total	**61,587**	**204,528**	**190,764**	**456,879**

Sales and installation of clean rooms are included in Sales of goods in the table above.

No customer's turnover amounts to 10% or more of the Group's total revenue. Sales of goods and Sales of goods to finance companies are reported at a certain time. Rental of goods incl. service is reported over time. All revenues are attributable to agreements with customers. Regarding Sales of goods to finance companies, revenue recognition is made in accordance with the regulations in IFRS 16 for manufacturers who are lessors, since the company formally retains control over the products after the deal is completed. In practice, however, these regulations mean that income recognition is made according to the same principle as when selling goods directly to the customer for which IFRS 15 applies.

The group's income broken down by product category is as follows:

TSEK	2019	2018
Cabin Solutions	359,502	313,181
Facility Solutions	41,647	41,396
Room Solutions	55,730	46,236
Total	**456,878**	**400,813**

6 Goodwill

The main changes in reported goodwill values are as follows:

	2019	2018
Acquisition value acquired businesses	343,704	343,704
Closing balance 31 December	**343,704**	**343,704**
Cumulative impairment	**0**	**0**

Impairment testing

In the annual impairment test, goodwill is allocated in its entirety to the subsidiary group QleanAir Scandinavia AB.

The recoverable amounts were determined on the basis of useful value calculations, which included a detailed five-year forecast, followed by extrapolation of expected cash flows for the unit's remaining useful life using the growth rates determined by group management. The present value of expected cash flows is determined using the discount factor of 7.6% (8.0%) and with a growth of 0 - 3% (0 - 2%). The discount rate has been set at 7.6% in the light of the assumed market premium and small company premium, assumed beta value and current interest rate situation. Support for the assumptions has been derived from an external market and valuation report. If the estimated operating margin during the forecasted period had been one per centage point lower than management's estimate, the total recoverable amount would decrease by 9%. If the estimated growth rate for extrapolating cash flows beyond the budget period had been one per centage point lower than the basic assumption of 3%, the total recoverable amount would be reduced by 14%. If the estimated weighted cost of capital applied to discounted cash flows for the group had been one per centage point higher than the basic assumption of 7.6%, the total recoverable amount would be reduced by 17%. These calculations are hypothetical and should not be seen as an indication that these factors are more or less likely to change. The sensitivity analysis should therefore be interpreted with caution. None of the hypothetical cases above would give rise to an impairment of goodwill. An increase in the required rate of return of 4.5 per centage points would not cause any impairment needs.

Growth rates

The growth rate reflects the average long-term growth rate for the Group's products. The cash flow forecast is made for the next five years based on the preliminary outcome 2019 with a cautious assumption of no growth for the next five years, and then a sustainable growth of 3%. The number of forecast periods assumed thereafter is endless.

Discount factor

The discount factor reflects appropriate adjustment for market risk and specific risk factors.

Cash flow assumptions

The assumptions in the forecast are based on the 2019 preliminary results, Assumptions are also based on experience from previous years. Group management is not currently aware of any other likely changes that would require changes to the most important estimates.

7 Intangible non-current assets

The group's other intangible non-current assets refer to capitalised development costs and customer contracts and consist of the following:

Capitalised development costs	Proprietary products	Patents and tests	Total
Opening acquisition value 01/01/2019	17,491	4,064	21,555
Investments	1,202	573	1,774
Cumulative acquisition value 31/12/2019	**18,693**	**4,637**	**23,330**
Opening depreciation 01/01/2019	-12,396	-2,015	-14,412
Depreciation	-2,288	-696	-2,984
Closing accumulated depreciation	**-14,684**	**-2,712**	**-17,396**
Closing residual value 31/12/2019	**4,009**	**1,925**	**5,934**
Customer contracts			
Opening acquisition value 01/01/2019			9
Depreciation			-8
Closing residual value 31/12/2019			**0**
Opening acquisition value 01/01/2018	16,474	3,343	19,817
Investments	1,017	721	1,738
Cumulative acquisition value 31/12/2018	**17,491**	**4,064**	**21,555**
Opening depreciation 01/01/2018	-9,659	-1,411	-11,071
Depreciation	-2,737	-604	-3,341
Closing accumulated depreciation	**-12,396**	**-2,015**	**-14,412**
Closing residual value 31/12/2018	**5,095**	**2,049**	**7,143**
Customer contracts			
Acquired			20
Depreciation			-11
Closing residual value 31/12/2018			**9**

8 Tangible non-current assets

The reported value of the group's inventory is as follows:

Acquisition value, gross	Furnishings in rented premises	Rented inventory	Inventory	Total
Opening balance 1 January 2019	2,791	38,228	14,063	55,082
Purchasing	0	14,580	2,866	17,447
Added through acquisitions		64,768		64,768
Disposals	0	-7,488	-290	-7,778
Exchange rate differences, net	0	1,390	202	1,582
Closing balance 31 December 2019	**2,791**	**111,468**	**16,842**	**131,101**
Depreciation and disposals				
Opening balance 1 January 2019	-2,157	-20,183	-9,124	-31,464
Adjustment Japan 2011-2018	0	1,284	0	1,284
Write-down equity	0	-30,737	0	-30,737
Disposals	0	4,898	-8	4,891
Exchange rate differences, net	0	-742	-52	-794
Depreciation	-235	-33,080	-1,517	-34,832
Closing balance 31 December 2019	**-2,392**	**-78,196**	**-10,701**	**-91,288**
Reported value 31 December 2019	**400**	**33,272**	**6,140**	**39,813**
Acquisition value, gross				
Opening balance 1 January 2018	2,791	33,881	11,375	48,047
Purchasing	0	11,013	3,418	14,431
Disposals	0	-9,300	-941	-10,240
Exchange rate differences, net	0	2,633	211	2,844
Closing balance 31 December 2018	**2,791**	**38,228**	**14,063**	**55,082**
Depreciation				
Opening balance 1 January 2018	-1,917	-14,340	-8,646	-24,904
Disposals	0	5,315	911	6,226
Exchange rate differences, net	0	-1,427	-131	-1,558
Adjustment Japan 2013-2017	0	-3,475	0	-3,475
Depreciation	-239	-6,256	-1,258	-7,753
Closing balance 31 December 2018	**-2,157**	**-20,183**	**-9,124**	**-31,464**
Reported value 31 December 2018	**635**	**18,045**	**4,939**	**23,618**

All depreciation (or any reversal) is included in the item "Depreciation and impairment of tangible and intangible non-current assets".

Adjustment of internal sales between QleanAir Scandinavia AB (Sweden) and QleanAir Scandinavia KK (Japan) retroactively for the years 2011-2018.

8.1 Leasing agreements as lessee

Future minimum lease payments are as follows:

	Minimum lease payments 31/12/2019			
	Within 1 year	1-5 years	After 5 years	Total
Rental of premises	8,344	13,812	-	22,156
Vehicles	880	248	-	1,128
Other	120	0	-	120

The leases have a maturity of between 1 month and 44 months.

	Minimum lease payments 31/12/2019			
	Within 1 year	1-5 years	After 5 years	Total
Rental of premises	6,967	14,741	-	21,708
Vehicles	948	262	-	1,210
Other	70	0	-	70

The leases have a maturity of between 1 month and 36 months.

8.2 Operational leasing agreements as lessor

The group rents out equipment under operational leasing agreements.

	Minimum lease payments			
	Within 1 year	1-5 years	After 5 years	Total
31/12/2019	36,407	142,782	6,903	186,092
31/12/2018	39,990	89,106	5,166	134,262

For further information, see notes 4.6 and 4.11.

9 Financial assets and liabilities

9.1 Categories of financial assets and liabilities

Note 4.14 describes each category of financial assets and liabilities and associated financial reporting principles. The reported values of financial assets and liabilities are as follows:

31 December 2019	Accrued acquisition value	Fair value through profit or loss (FVTPL)	Derivatives for hedging purposes (FV)	Total
Other financial non-current assets				
Accounts receivable and other receivables	35,936			35,936
Cash and cash equivalents	56,994			56,994
Total assets	**92,930**	**0**	**0**	**92,930**

31 December 2019	Fair value through profit or loss (FVTPL)	Other liabilities (accrued acquisition value)	Total
Financial liabilities			
Long-term borrowing		249,684	249,684
Short-term borrowing		18,671	18,671
Supplier liabilities and other liabilities		41,496	41,496
Total liabilities	**0**	**309,851**	**309,851**

31 December 2018	Accrued acquisition value	Fair value through profit or loss (FVTPL)	Derivatives for hedging purposes (FV)	Total
Other financial non-current assets				
Accounts receivable and other receivables	63,448	-	-	63,448
Cash and cash equivalents	74,935	-	-	74,935
Total assets	**138,383**	**0**	**0**	**138,383**

31 December 2018	Fair value through profit or loss (FVTPL)	Other liabilities (accrued acquisition value)	Total
Financial liabilities			
Long-term borrowing		302,302	302,302
Short-term borrowing		46,424	46,424
Supplier liabilities and other liabilities		34,707	34,707
Total liabilities	**0**	**383,433**	**383,433**

The methods used to calculate the fair value of financial assets and liabilities are described in Note 9.4. A description of the group's risk regarding financial instruments, including risk management objectives and principles, can be found in Note 26.

9.2 Borrowing

Borrowings include the following financial liabilities, measured at accrued acquisition value:

	Short-term		Long-term	
SEK	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Overdraft	18,677	16,424	–	–
Bank loans	18,671	30,000	249,684	65,000
Subordinated loan shareholders	–	–	–	237,302
Total reported value	**37,348**	**46,424**	**249,684**	**302,302**

Borrowing at accrued acquisition value:

Borrowing from banks has been secured by the provision of shares in the operating subsidiary as security. Current interest rates for bank loans are variable and the average for the financial year has been 3.3%.

9.3 Liabilities attributable to financing activity

Changes in liabilities attributable to financing activities can be classified as follows:

	Non-current liabilities	Current liabilities	Total
01/01/2019	**302,302**	**30,000**	**332,302**
Cash flow effect:			
-Repayments	-323,286	-11,329	-334,615
-Payments	270,668		270,668
No cash flow effect:			
Capitalised interest	0		0
31/12/2019	**249,684**	**18,671**	**268,355**
01/01/2018	**314,731**	**20,000**	**334,731**
Cash flow effect:			
-Repayments	-30,000		-30,000
-Payments		10,000	10,000
No cash flow effect:			
Capitalised interest	17,571		17,571
31/12/2018	**302,302**	**30,000**	**332,302**

10 Provisions for taxes

Amounts relating to deferred tax assets and liabilities in the balance sheet relate to the following:

Deferred tax assets	2019	2018
Deferred tax assets on temporary differences	16,912	-
	16,912	**-**
Offset	-5,485	-
Reported deferred tax assets	**11,427**	**-**
Deferred tax liabilities		
Deferred tax liabilities on temporary differences	5,485	3,193
	5,485	**3,193**
Offset	-5,485	-
Reported deferred tax liabilities	**-**	**3,193**

Deferred tax assets and tax liabilities are reported net if they relate to the same tax authority and are offset.

Deferred tax assets and liabilities reported in the balance sheet relate to the following:

			2019			2018
	Assets	Liabilities	Net	Assets	Liabilities	Net
Tangible non-current assets	16,912	-	16,912	-	-	-
Untaxed reserves	-	5,485	-5,485	-	3,193	-3,193
Tax assets and liabilities, net	**16,912**	**5,485**	**11,427**	**-**	**3,193**	**-3,193**

The change in deferred taxes is as follows:

The Group 2019	Non-current assets	Untaxed reserves	Summa
31 December 2018	-	-3,193	-3,193
Changed accounting principles IFRS 16	140	-	140
Acquistion of Operations	5,291	-2,442	2,849
Through Equity	6,257	-	6,257
Through income statement	5,224	150	5,374
31 December 2019	**16,912**	**-5,485**	**11,427**
The Group 2018			
31 December 2018	-	-5,526	-5,526
Through income statement	-	2,333	2,333
31 December 2018	**-**	**-3,193**	**-3,193**

11 Goods in stock

Inventories are valued at the lower of cost and net realisable value. Cost includes all expenses that are directly attributable to the products. Costs for commonly replaceable items are allocated according to the first in, first out principle. The net realisable value is the estimated sales price in the ongoing operations reduced by any applicable selling costs.

12 Non-current receivables and accounts receivable

The group's accounts receivable consists of both current and non-current receivables. Where receivables have a maturity of more than 1 year, they have been classified as non-current receivables in the balance sheet.

	31/12/2019	31/12/2018
Non-current receivables gross		14,110
Non-current receivables gross	35,936	49,338
Total	**35,936**	**63,449**

Net reported value of accounts receivable is considered as a reasonable approximation of fair value.

All of the group's accounts receivable have been reviewed for signs of impairment need. No impairment needs are judged to exist.

An analysis of unimpaired accounts receivable that have fallen due can be found in Note 26.1.

13 Cash and cash equivalents

Cash and cash equivalents at a bank:	31/12/2019	31/12/2018
- SEK	3,744	12,321
- CHF	1,348	1,620
- DKK	513	1,602
- EUR	8,397	16,632
- JPY	40,442	37,443
- NOK	112	1,050
- PLN	323	885
- USD	1,984	2,201
-	131	1,182
Total	**56,994**	**74,935**

14 Acquisition of SFS Finance AB

On December 16, 2019, QleanAir acquired 100% of the equity instruments in SFS Finance AB, a company based in Solna, and thus gained a determining influence in the company. SFS Finance is a finance company whose business idea is to acquire contracts from QleanAir and rent the products to end customers who have signed an agreement with QleanAir. Since SFS Finance has a customer, QleanAir, and leases to QleanAir's customers, there is an industrial logic in QleanAir's acquisition of SFS Finance. The acquisition was based on an external valuation carried out by a third party. SFS Finance was consolidated as of December 16, 2019. SFS Finance contributed MSEK 2.0 in revenues and MSEK 0.7 in operating profit to the Group in 2019. Full year 2019, SFS Finance had revenues of MSEK 55.4 and an operating profit of MSEK 1.4.

Acquisition value of the shares:	TSEK
Fair value of the purchase price	
Amount settled with cash and cash equivalents	8,700
Total	**8,700**
Reported amounts of identifiable net assets	
Tangible non-current assets	64,768
Deferred tax assets	2,848
Total non-current assets	**67,616**
Current receivables	7,211
Cash and cash equivalents	2,097
Total current assets	9,308
Total assets	**76,924**
Borrowing	37,454
Total non-current liabilities	**37,454**
Other liabilities	30,770
Total current liabilities	30,770
Total liabilities	**68,224**
Identifiable net assets	8,700
Goodwill on acquisition	0
Purchase price, cash and cash equivalents	**8,700**
Acquired cash and cash equivalents	-2,097
Net cash flow on acquisition	**6,603**

In connection with the acquisition, an internal gain included in tangible non-current assets at TSEK 56,568 has been eliminated directly against equity at TSEK 30,373 and impaired over the income statement in the period at TSEK 26,195. The deferred tax on this has been dissolved accordingly.

As a separate transaction following the acquisition of SFS Finance AB, a one-off write-down of the acquired fixed assets was carried out in the consolidated financial statements. The impairment loss, MSEK 56, corresponds to the so-called internal gains arising from the sale of products from QleanAir to SFS Finance AB up to the time of acquisition. Internal gains that occurred in 2019, MSEK 26.2, were charged to the profit for the year before tax, while the balance, MSEK 30.4, was eliminated directly against the Group's equity after deduction of deferred tax. A deferred tax receivable amounting to a total of approximately MSEK 11 has been booked based on the temporary difference that arises in fixed assets as a result of the Group impairment loss.

15 Prepaid costs and accrued income

	31/12/2019	31/12/2018
Prepaid rents	2,267	4,131
Accrued income	23,999	23,414
Other assets	16,802	16,371
Total	**43,068**	**43,919**

16 Rights-of-use assets and leasing liabilities

The following amounts related to leasing agreements are reported in the consolidated balance sheet:

Leasing TSEK

	31/12/2019	01/01/2019[1]
Premises	21,421	29,097
Vehicles	1,096	2,241
Other	115	228
Total	**22,632**	**31,566**

Lease liabilities TSEK

	31/12/2019	01/01/2019[1]
Long-term	14,053	22,472
Short-term	9,351	9,713
	23,404	**32,185**

Future maturity structure lease liabilities

	31/12/2019
Within 1 year	9,351
Year 1-5	14,053
After year 5	-
	23,404

Additional Rights of use 2019 amounted to TSEK 891.

The following amounts related to leasing contracts are reported in the income statement:

Amounts reported Group Income Statement TSEK

	2019[2]
Depreciation Right-of-use assets	
-Premises	8,540
- Vehicles	1,191
- Other	127
Total depreciation	**9,858**
Interest expenses for leasing liabilities	810
Costs attributable to short-term leasing agreements[3]	368
Total costs attributable to leasing agreements	**11,036**

The total cash flow for leasing agreements in 2019 was TSEK 10,523. Below is a reconciliation of operational commitments in accordance with IAS 17 as of December 31, 2018 compared to reported leasing liabilities according to IFRS 16 Leasing agreement as of January 1, 2019.

Information of transition TSEK

Commitments for operating lease agreements as of December 31, 2018	22,988
Discounted according to the Group's marginal loan interest rate of 2.5-2.8%	-1,464
Adjustment regarding extension options or termination clauses	9,604
Additional contracts	891
Exchange rate differences	535
Adjustment for agreements of lesser value and short-term agreements	-368
Reported leasing liabilities 1 Januari 2019	**32,185**

1. Last year, only leasing assets and leasing liabilities attributable to financial leases were reported in accordance with IAS 17 Leasing Agreements. The assets were presented as part of tangible fixed assets and the liabilities as part of the Group's borrowing. For adjustments reported on the transition to IFRS 16 Leasing agreements as of January 1, 2019, see below in this note. For further information on the transition and new accounting principles, see Note 3 Change of accounting principles section 3.1 IFRS 16 Leasing agreement.

2. Costs attributable to leasing agreements were in 2018 reported in accordance with IAS 17 as other external costs

3. In the transition to IFRS 16, operating leases with a remaining lease term of less than 12 months as of January 1, 2019 have been reported as short-term leases.

The table below shows a summary of the transition effect regarding IFRS 16 Leasing agreements on the Group's assets, liabilities and shareholders' equity on January 1, 2019 compared with accounting principles applied in previous years. The comparative figures have not been recalculated as the Group has applied a simplified method when implementing IFRS 16.

TSEK	Opening balance 2019-01-01	Effect of IFRS 16	New opening balance 2019-01-01
Right-of-use assets	-	31,566	31,566
Deferred tax assets		139	139
Change total assets		**31,705**	
Equity	**63,975**	**-480**	**63,495**
Liabilities to credit institutions, Long-term leasing liabilities	-	22,472	22,472
Liabilities to credit institutions, Short-term leasing liabilities	-	9,713	9,713
Change total liabilities		**32,185**	

The following table shows the effect of the introduction of IFRS 16 Leasing agreements on the consolidated income statement for the 2019 financial year. The comparative figures have not been recalculated as the Group has applied a simplified method when implementing IFRS 16.

Result in total

	Including IFRS 16	IFRS 16 effect	Excluding IFRS 16
EBITDA	79,755	-10,523	69,232
Depreciation of tangible and intangible fixed assets	-47,682	9,858	-37,824
EBIT	**32,073**	**-665**	**31,408**
Net financial items	-23,236	810	-22,426
Result before tax	**8,837**	**145**	**8,982**
Tax	-16,358	-32	-16,390
Net result	**-7,521**	**113**	**-7,408**

17 Equity

17.1 Share capital

The share capital of QleanAir Holding AB consists solely of fully paid ordinary shares with a quota value of SEK 0.50. All shares have the same right to dividend and repayment of invested capital and correspond to one vote at QleanAir Holdings' Annual General Meeting.

Subscribed and paid shares

	31/12/2019	31/12/2018
Share capital	7,430	6,642
Total decided shares 31 December	**7,430**	**6,642**

The Group has issued a total of 14,859,200 shares as of December 31, 2019. Each share has the same right to distribute and repay invested capital and corresponds to one vote at QleanAir Holding's AGM.

17.2 Other paid-in capital

Amounts received for issued shares in excess of nominal value during the year (premium) are included in the item "Other paid-in capital".

17.3 Reserves

Refers to the translation reserve and covers all exchange rate differences that occur when converting financial reports from operations that have prepared their financial reports in a currency other than the currency in which the group's financial reports are presented.

18 Employee benefits etc.

18.1 Costs for employee benefits

Costs that are reported for employee benefits are broken down as follows:

	2019		2018	
	Salaries and other remuneration	Social expenses (of which pension costs)	Salaries and other remuneration	Social expenses (of which pension costs)
Parent Company	5,822	2,046	7,873	2,992
		(810)		(1,406)
Subsidiaries				
QA Scandinavia AB	22,783	9,346	26,729	9,572
		(2,226)		(2,693)
IFS BV	1,227	338	2,910	631
		(40)		(120)
QA Scandinavia KK	25,437	3,073	20,433	2,414
		(2,057)		(2,149)
QA Scandinavia GmbH	8,493	1,764	7,501	1,580
		(83)		(83)
QA Scandinavia Inc	13,400	1,172	7,926	668
		(0)		(0)
Total group	**77,161**	**17,739**	**73,372**	**17,857**
		(6,016)		**(6,451)**

Salaries and remuneration by country and between board members etc. and employees:

	2019		2018	
	Board and former CEO (of which bonuses etc.)	Other employees	Board and former CEO (of which bonuses etc.)	Other employees
Moderbolaget	3,673	2,149	6,413	1,460
	(0)		(0)	
Dotterföretag				
QA Scandinavia AB	-	22,783	-	26,729
	(0)		(0)	
IFS BV	-	1,227	-	2,910
	(0)		(0)	
QA Scandinavia KK	-	25,437	-	20,433
	(0)		(0)	
QA Scandinavia GmbH	-	8,493	-	7,501
	(0)		(0)	
QA Scandinavia Inc	-	13,400	-	7,926
	(0)		(0)	
Totalt i koncernen	**3,673**	**73,488**	**6,413**	**66,959**
	(0)		**(0)**	

Costs that are reported for employee benefits are broken down as follows:

	Group		Parent company	
	2019	2018	2019	2018
Salaries, BoD and CEO	3,673	6,413	3,673	6,413
Salaries, other employees	73,488	66,959	2,149	1,460
Share-based payments	0	0	0	0
Pension, defined contribution BoD and CEO	548	480	548	548
Pension, defined contribution other employess	5,469	5,971	262	858
Other social security contribution	11,722	11,406	1,236	1,586
Total	**94,900**	**91,229**	**7,868**	**10,865**

Expensed remuneration and other benefits to the BoD, CEO and other senior executives

	Basic salary / board fees	Variable remuneration	Other benefits	Total
Rolf Classon	200			**200**
Christina Lindstedt	100			**100**
Andreas Göth	1,692	1,229	66	**2,987**
Henrik Resmark	1,409	666	66	**2,141**
Total	**3,402**	**1,895**	**132**	**5,428**

Other benefits are car benefits.

The group has entered into an agreement with the CEO, Andreas Göth, whereby upon termination the company shall observe a notice period of six (6) months and Andreas Göth a notice period of six (6) months.

In the event of termination by the company, Andreas Göth (in addition to the termination salary) is entitled to severance pay equal to six (6) times the fixed monthly salary at the end of the employment. The severance pay is paid monthly one sixth at a time starting in the month following the termination of employment. From the severance pay must be deducted what Andreas Göth actually receives from other employment during the period during which the severance pay is paid.

18.2 Average number of employees

	2019		2018	
	Average number of employees	Of which men	Average number of employees	Of which men
Parent Company	2	100%	2	100%
Subsidiaries				
QA Scandinavia AB, Scandinavia	34	62%	35	62%
IFS BV, Holland	3	67%	5	79%
QA Scandinavia Japan KK, Japan	30	66%	24	75%
QA Scandinavia GmbH, Germny	13	73%	12	75%
QA Scandinavia Inc, USA	14	77%	9	89%
QA China, China	0	0%	0	0%
Total for the Group	**96**	**68%**	**87**	**72%**

Guidelines for remuneration to senior executives

The total remuneration to senior executives must be comprised of fixed remuneration, variable remuneration, pensions and other benefits. Variable remuneration must be paid in cash and based on the outcome in relation to profit targets within the individual area of responsibility and coincide with the shareholders' interests. Variable remuneration shall correspond to a maximum of 75 per cent of the fixed annual salary of the CEO and a maximum of 50 per cent of the fixed annual salary of other senior executives. Unless otherwise specifically agreed, senior executives shall be offered pension terms that are market-based in relation to the situation in the country where executives are permanently resident. As a general rule, variable remuneration should not be included in pensions.

Other benefits, such as a company car, extra health insurance or occupational health care, must be of limited value in relation to other remuneration and may be paid to the extent that this is deemed to be market-based for senior executives in corresponding positions in the labor market in which the executive operates.

In the event of termination by the Company, the notice period for all senior executives shall be a maximum of twelve months with the right to severance pay after the end of the notice period corresponding to a maximum of 100 per cent of the fixed salary for a maximum of twelve months. In conclusion it should not be more than 24 fixed monthly salaries. Any right to severance pay should, as a general rule, be reduced in situations where compensation during the current period is received from another employer. In the event of termination by senior executives, the notice period shall normally be six months for the President and three to six months for other senior executives. To the extent that members elected by the AGM perform work that goes beyond the work of the board, they should be able to be remunerated for such work. The remuneration must be market-based and must be approved by the Board. The guidelines comprise the persons who during the period the guidelines apply are included in the circle of senior executives. The guidelines apply to agreements concluded after the date of listing of the Company's shares on First North Premier, and in the event that changes are made to existing agreements after that date. The Board of Directors shall have the right to deviate from the guidelines if there are special reasons for doing so in an individual case.

18.3 Average number of employees

Of the 4 members of the board, 2 are women.

18.4 Remuneration to auditors

	2019	2018
– Audit assignments	1,211	747
– Audit activities in addition to audit assignments	1,186	137
Total	**2,397**	**884**

Audit assignments refer to the auditor's work on the statutory audit and Audit activities in addition to audit assignments refer to various types of quality assurance services. Other services are those that are not part of audit assignments, auditing activities or tax advice. The increase in costs during 2019 is mainly related to the listing on the Nasdaq First North premier. Auditing company is Grant Thornton Sweden AB.

19 Contractual liabilities and other liabilities

	31/12/2019	31/12/2018
Accrued holiday pay	5,861	6,773
Prepaid service income	92,216	78,604
Other	43,764	35,305
Total	**141,842**	**120,682**

Advances received for prepaid service income refer to customer payments received for future performance commitments (contractual liabilities).

20 Interest expenses and income

Financial expenses for the reporting periods consist of the following:

	2019	2018
Interest expenses on borrowing at accrued acquisition value:		
Interest expenses, group companies	18,146	17,571
Interest expenses, leasing liabilities	810	0
Other interest expenses	3,548	4,601
Total interest expenses	**22,503**	**22,172**
Financial income for the reporting periods comprises the following:		
Interest income cash and cash equivalents	24	113

21 Other financial income and expenses

Other financial items consist of the following:

	2019	2018
Foreign exchange gains	-757	330
Total	**-757**	**330**

22 Tax

The following components are included in the tax costs:

	2019	2018
Current tax	21,732	21,395
Deferred tax in respect of:		
Untaxed reserves	-150	-2,333
Temporary differences	5,224	0
Recognised tax	**16,358**	**19,062**
Reported result before taxes	8,837	40,064
Tax according to current rate 21.4 % (22.0%)	1,891	8,814
Tax effect of:		
Non-deductible expenses	4,366	5,833
Non-taxable income	0	-1
Loss carryforward utilised	3,502	1,160
Difference in tax rate between parent company and foreign subsidiaries	6,599	3,256
Recognised tax	**16,358**	**19,062**

23 Cash flow adjustments

The following non-cash adjustments have been made in profit before tax in order to arrive at cash flow from current operations:

Adjustments:

	2019	2018
Depreciation and impairment of non-financial items	47,682	11,106
Cost of sold goods on sale of non-current assets	2,888	4,021
Provisions	-3,864	2,489
Total adjustments	**46,706**	**17,616**

24 Related party transactions

The group's key persons include the board of directors and the CEO as described below. In addition, QleanAir Holding AB during the period 1 January 2019 to 16 December 2019 had a loan from its largest shareholder, Qevirp 41 Limited (see Note 9.2), on which interest of TSEK 18,146 has been charged to the group's income statement 2019.

QleanAir acquired SFS Finance AB from Qevirp 41 Ltd, where the purchase price was based on an external valuation of SFS Finance AB. Shareholder loans to Qevirp 41 have been repaid, partly in cash and partly through a set-off issue. At the end of the period, subordinated shareholder loans amounted to MSEK 0.

Unless otherwise stated, there are no transactions with special terms and conditions and no guarantees have been issued or received. Outstanding balances are usually settled with cash and cash equivalents.

24.1 Transactions with key persons

The group's key persons are QleanAir Holdings' board of directors and CEO. Remuneration to key persons comprises the following costs:

	2019	2018
Salaries including bonus	3,861	6,413
Statutory and contractual social expenses	2,046	2,269
Of which pension expenses	810	1,142
Total	**6,130**	**8,682**

Board fees have been paid to chair Rolf Classon at TSEK 200 (200) and to board member Christina Lindstedt at TSEK 100 (100).

25 Pledged assets and contingent liabilities

Pledged assets:

Pledged shares in QleanAir Scandinavia AB at a consolidated value of MSEK 377.1 (387.6) relating to long-term debt to credit institution in QleanAir Holding AB. Corporate mortgages of MSEK 60.0 (40.0) for overdraft credit in QleanAir Scandinavia AB. Guarantee of approximately MSEK 1.9 (0.1). A total of approximately MSEK 439.0 (427.7).

Contingent liabilities

In December 2019 there were no contingent liabilities.

26 Risk relating to financial instruments

Risk management objectives and principles

The group is exposed to various risks in relation to financial instruments. Summary information on the group's financial assets and financial liabilities broken down into categories can be found in Note 8.1. The main types of risk are market risk, credit risk and liquidity risk.

The group's risk management is coordinated at its headquarters in close cooperation with the board and actively focuses on securing the group's short to medium term cash flows by minimising exposure on financial markets. Long-term financial investments are managed to generate lasting returns.

The group does not actively trade financial assets for speculative purposes, nor does it issue options. The most significant financial risks to which the group is exposed are described below. For further information, see Significant risks and uncertainties in the Management Report.

26.1 Market risk analysis

The group is exposed to market risk and in particular to currency risk, interest rate risk and certain other price risks, as a result

of both operating and investment activities. One market risk is legislation on tobacco smoking. The market risk relating to legislation refers to a number of countries in which QleanAir operates.

The political agenda is steering legislation towards a restriction on tobacco smoking. QleanAir originated in Sweden, where new laws and regulations against smoking indoors were introduced in the early 1990s. Building on knowledge from these laws, QleanAir has become the market leader in Europe in the management of protection against tobacco smoke and passive smoking in the workplace. All EU members currently have laws regulating smoking in the workplace. Today, there is also a working group under The Directorate- General for Employment, Social Affairs and Inclusion, which will assess whether member states have done enough on this issue. This group shall also consider any additional need for EU legislation.

QleanAir actively monitors and works with all issues related to tobacco smoking, in workplaces in particular. Based on what is known today, the company estimates that the risk of the EU presenting a proposal that completely prohibits QleanAir's solutions in workplaces exists but is unlikely at present.

26.1.1 Sensitivity to foreign currency

Most of the group's transactions are made in Euro and Japanese YEN. Exposure to changes in exchange rates arises from the group's

sales to and purchases from other countries.

In order to reduce the group's exposure to foreign exchange risk, cash flows that are not in SEK are monitored and forward exchange contracts are concluded in accordance with the group's risk management guidelines. In cases where the amounts to be paid and received in a particular currency are expected to substantially balance each other, no further hedging is done. Forward exchange contracts are concluded mainly for currency exposures that are not expected to be offset against other foreign exchange transactions.

Foreign exchange gains have affected other financial items by TSEK -757 (300), (see Note 21).

Currency effect
If SEK is strengthened or weakened by 10% against EUR and YEN respectively, QleanAir's total revenue as a per centage is affected according to the table below:

	Income, change 2019 (%)	Income, change 2018 (%)
EUR	+/- 3.3%	+/- 3.7%
YEN	+/- 4.2%	+/- 3.6%

26.1.2 Credit risk analysis

Credit risk is the risk that a counterparty does not meet an obligation to the group. The group is exposed to this risk for various financial instruments, such as by granting loans to and claims on customers, making deposits etc. The group's maximum exposure to credit risk is limited to the reported value of financial assets on the balance sheet date, as summarised below:

Types of financial assets — reported values

	31/12/2019	31/12/2018
Other non-current receivables	0	14.110
Accounts receivable and other receivables	47,232	55,626
Cash and cash equivalents	56,994	74,935
Total	**104,226**	**144,672**

The receivables are due for payment as follows:

	31/12/2019	31/12/2018
Due within 1 year	104,226	130,561
Due 1-2 years	0	9,009
Due 2-3 years	0	5,101
Total	**104,226**	**144,671**

The group continuously monitors non-payment by customers and other counterparties, identified individually or in groups, and incorporates this information into its credit risk controls. If external credit ratings and/or reports relating to customers and other counterparties are available at a reasonable cost, they are obtained and used. The group's policy is to do business only with creditworthy counterparties.

Group management considers that all of the above financial assets that have not been impaired or fallen due for payment before the current balance sheet date have a high credit quality.

Some of the current accounts receivable have fallen due for payment on the balance sheet date. These can be listed as follows:

	31/12/2019	31/12/2018
Not yet due	14,967	29,677
Due up to 30 days	8,482	13,301
Due 31-60 days	3,603	121
Due 61-90 days	269	964
Due 91 days and older	8,927	5,302
Of which reserved for bad debt losses	-312	-27
Total	**35,936**	**49,338**

In the case of accounts receivable and other receivables, the group is not exposed to any significant credit risks in respect of any individual counterparty or group of counterparties with similar characteristics. Accounts receivable consist of a large number of customers in different industries and geographical areas. Based on historical information about customers' cancellations, group management considers that accounts receivable that have not fallen due or been impaired have a good credit quality. Non-current receivables from an individual party are also considered to have good credit quality as the receivables are also based on payment flows from a large number of customers in different industries.

The credit risk for cash and cash equivalents is considered negligible, as counterparties are well-known banks with high credit ratings by external analysts.

26.2 Sensitivity to interest rate risk

The group's long-term borrowings consist of bank loans that run at variable rates. Thus, only changes in market interest rates through bank loans as of 31 December 2019 are exposed to interest rate risk. In order to minimise the group's exposure to interest rate risk, interest rate trends are continuously monitored and decisions on possible interest rate hedging are discussed at the group's board meetings.

On the balance sheet date, the group had liabilities at variable interest rates of TSEK 287,032, of which bank loans represent TSEK 268,355. A change in interest rates of 1 per cent +/- for bank loans would affect the group's interest expenses before tax by TSEK 2,870.

26.3 Liquidity risk analysis

Liquidity risk is the risk that the group will not be able to meet its obligations. The group manages liquidity needs by monitoring planned loan payments for long-term financial liabilities and forecasting receipts and payments in day-to-day operations. The data used to analyse these cash flows is consistent with that used in the analysis of agreed maturities below. Liquidity needs are monitored in different time spans, daily and weekly. Long-term liquidity needs for a period of 360 days are identified quarterly. The net cash requirements are compared with available credit facilities to determine the safety margin or any deficits. This analysis shows that available loan facilities are expected to be sufficient during this period.

The group's objective is to have cash and cash equivalents that meet the liquidity requirements for periods of at least 30 days. This objective was achieved during the reporting periods. In addition, the financing of long-term liquidity needs is secured by an adequate amount of credit facilities granted and the possibility of selling long-term financial assets.

The group takes into account expected cash flows from financial assets when assessing and managing liquidity risk, in particular cash reserves and accounts receivable. The group's existing cash reserves and accounts receivable (see Note 8) exceed the present requirements for cash outflows. Cash flows from accounts receivable and other receivables are all due within six months.

As of 31 December 2019, the group's non-derivative financial liabilities have agreed maturities (including interest payments where applicable) that can be summarised as follows:

- Credits refer to bank loans and overdraft facilities. Bank loans are at variable rates and current average interest rates for the financial year have been 3.3%.
- The overdraft facility amounts to TSEK 60,000 and the unused portion on the balance sheet date amounts to TSEK 41,323.

27 Principles and procedures for asset management

The group's objectives for asset management are:

- to ensure the group's ability to continue operations
- to provide an appropriate return to shareholders by pricing products and services corresponding to the level of risk The group monitors capital on the basis of the reported value of equity plus its subordinated loans, reduced by cash and cash equivalents as reported in the statement of financial position and cash flow hedges recognised in other comprehensive income.

Management assesses the Group's capital needs with a view to maintaining an effective overall financing structure and at the same time avoiding excessive leverage effects. This also includes subordinate levels of the Group's various debt classes. The Group manages the capital structure and makes adjustments in the changed economic conditions and with respect to the risk properties of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the number of dividends to the shareholders, repay capital to the shareholders, issue new shares or sell assets to reduce the liabilities. The Group's goal with asset management is to maintain a relationship between capital and total financing that is in accordance with the Group's so-called covenants included in the credit terms. The Group is subject to externally imposed capital requirements regarding the net debt / equity ratio (2.5-3.0) and interest coverage ratio (3.0).

The group has fulfilled all agreed commitments (covenants) with the banks in 2019.

28 Events after the balance sheet date

The Board estimates that the outbreak of the virus Covid-19 will affect the financial development. Management and the Board actively monitor the development and take regular measures to limit the negative effects on the business. It is too early to say how and when it will affect QleanAir.

29 Issue of financial reports

The group's financial reports for the reporting period ending 31 December 2019 were approved by the board of directors on 20 April 2020.

Parent company income statement

TSEK	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating income etc.			
Net sales	30	10,200	10,200
		10,200	**10,200**
Operating expenses			
Other external expenses	31	-20,116	-1,006
Personnel expenses	32	-7,897	-10,615
Depreciation of intangible fixed assets		-8,254	-8,254
Operating profit		**-26,067**	**-9,674**
Profit from financial investments			
Other interest and similar income items		-	0
Interest income from group companies		-	-
Interest expenses and similar income items		-3,224	-3,600
Interest expenses to group companies		-18,146	-17,571
Profit after financial items		**-47,437**	**-30,845**
Appropriations			
Group contributions received		21,000	5,000
Tax on profit for the year	33	-14	-14
Loss for the year		**-26,451**	**-25,859**

Parent company balance sheet

Assets

TSEK	Note	31/12/2019	31/12/2018
Goodwill	34	58,462	66,716
Financial non-current assets			
Interests in group companies	35	429,000	429,000
Total non-current assets		**487,462**	**495,716**
Current assets			
Current receivables			
Tax assets		457	479
Other receivables		2,290	44
Prepaid expenses and accrued income		6,357	546
		9,104	**1,069**
Cash and bank deposits		**728**	**3,506**
Total current assets		**9,832**	**4,575**
Total assets		**497,295**	**500,291**

Equity and liabilities

TSEK	Note	31/12/2019	31/12/2018
	36		
Restricted equity			
Share capital		7,430	6,642
Unrestricted equity			
Share premium reserve		122,162	59,949
Retained earnings		-8,593	17,267
Profit for the year		-26,451	-25,859
Total equity		**94,548**	**57,998**
Non-current liabilities	36		
Subordinated loans from shareholders	37	-	237,302
Liabilities to credit institutions		255,000	65,000
		255,000	**302,302**
Current liabilities			
Liabilities to credit institutions		20,000	30,000
Trade accounts payable		9,151	55
Liabilities to group companies		109,990	102,440
Other current liabilities		-	119
Accrued expenses and deferred income	38	8,606	7,376
		147,747	**139,990**
Total equity and liabilities		**497,295**	**500,291**

Changes in equity, parent company

31/12/2019	Share capital	Share premium reserve	Unrestricted reserves	Profit for the year	Total equity
Opening balance	6,642	59,949	17,267	-25,859	57,998
Reversal of previous year's profit			-25,859	25,859	0
New issue/Bonus issue	788	62,213	0		63,000
Profit for the year				-26,451	-26,451
Closing balance	**7,430**	**122,162**	**-8,593**	**-26,451**	**94,548**
31/12/2018					
Opening balance	6,642	59,949	43,041	-25,773	83,858
Reversal of previous year's profit			-25,773	25,773	0
Profit for the year				-25,859	-25,859
Closing balance	**6,642**	**59,949**	**17,267**	**-25,859**	**57,998**

Parent company’s cash flow

Parent company’s report of cash flow	01/01/2019-31/12/2019	01/01/2018-31/12/2018
Parent company’s report of cash flow	-26,067	-9,674
Operating profit	8,254	8,254
Adjustments for non-cash items	-9,869	-3,600
Interest paid	8	-221
Income tax paid/repaid	**-27,674**	**-5,241**
Cash flow from operating activities before changes in working capital		
Changes in working capital	0	0
Change in goods in stock/work in progress	-444	0
Change in accounts receivable	851	-328
Change in other current receivables	9,096	-226
Change in accounts payable	27,842	29,008
Change in other current liabilities	**9,670**	**23,213**
Cash flow from current operations		
Investment activities	0	0
Acquisition of intangible non-current assets	0	0
Acquisition of tangible non-current assets	0	0
Acquisition of group companies	**0**	**0**
Cash flow from investment activities		
Financing activities	275,000	0
Borrowings	-287,448	-20,000
Amortisation of loans	**-12,448**	**-20,000**
Cash flow from financing activities	-2,778	3,213
Cash flow for the year/change in cash and cash equivalents	3,506	292
Cash and cash equivalents at start of year	0	0
Cash and cash equivalents in merged subsidiaries	0	0
Exchange rate differences in cash and cash equivalents	**728**	**3,506**

Notes parent company

30 Intra-group purchases and sales

	2019	2018
Sales to subsidiaries	10,200	10,200

31 Information about auditor's fee and cost reimbursement

Grant Thornton Sweden AB

	2019	2018
Audit assignments	440	184
Audit activities in addition to audit assignments	1,113	123
Total	**1,553**	**307**

Audit assignments refer to the auditor's work on the statutory audit and audit activities refers to various types of quality assurance services. Other assignments are those that are not part of audit assignments, auditing activities or tax advice.

32 Number of employees, salaries, other benefits and social costs

Average number of employees by women and men

	2019	2018
Men	2	2
Total	**2**	**2**
Salaries and remuneration		
The board and the CEO	3,673	6,413
Other employees	2,149	1,460
Total salaries and remuneration	**5,822**	**7,873**
Statutory and contractual social expenses	2,046	2,992
Of which pension expenses	810	1,406
Total salaries, remuneration, social expenses and pension expenses	**7,868**	**10,865**

Of the company's pension expenses, 548 (480) refers to the board and CEO.

33 Tax on profit for the year

	2019	2018
The following components are included in the tax costs:		
Current tax	-14	-14
Recognised tax	**-14**	**-14**
Reported income before taxes	-26,501	-25,845
Tax according to current rate	5,671	5,686
Tax effect of:		
Non-deductible expenses	-5,685	-5,700
Recognised tax	**-14**	**-14**

34 Goodwill

	31/12/2019	31/12/2018
Opening acquisition value	116,237	116,237
Closing accumulated acquisition value	**116,237**	**116,237**
Opening depreciation	-49,522	-41,268
Depreciation for the year according to plan	-8,254	-8,254
Closing accumulated depreciation	**-57,775**	**-49,522**
Closing residual value	**58,462**	**66,716**

Goodwill is entirely attributable to QleanAir Holding AB's acquisition of the operating subsidiary QleanAir Scandinavia AB and can be derived from a previous change of ownership that took place in 2012.

Goodwill is amortised over a period of 15 years. The depreciation rate is based on the long-term strategic significance of the acquisition and is set at 15 years thanks to the company's structure and the unit's earning capacity. In addition to amortisation of goodwill in the Parent Company, the acquisition for impairment is tested annually. For further description of the impairment test, see note 6.

35 Interests in group companies

Interests in group companies are reported according to the acquisition value method. Impairment testing of the reported value of the interests is carried out when there is an indication that the value of the interests has decreased. If the reported value exceeds the recoverable amount, an impairment is made. Dividends received are reported in the income statement under profit from interests in group companies.

	2019-12-31	2018-12-31
Opening acquisition value	429,000	429,000
Closing acquisition value	**429,000**	**429,000**

Direct ownership

Company name	Number of shares	Equity participation %	Recognised value
QleanAir Scandinavia AB	**1,000,000**	**100**	**429,000**

Company name and registration number	Registered location	Equity	Result after net financial items
QleanAir Scandinavia AB (556303-9162)	**Solna**	**151,953**	**33,395**

In the annual impairment test, goodwill is allocated in its entirety to the subsidiary group QleanAir Scandinavia AB.

Indirect ownership

Company name and registration number	Number of shares	Participation %	Recognised value
International Facility Solutions B.V., Naarden, NL, 32088469	18,000	100	–
QleanAir Scandinavia GmbH, Frankfurt, DE, 143/150/21007	1	100	275
QleanAir Scandinavia KK, Tokyo, JP, 0104-01-077796	200	100	10,000
QleanAir Scandinavia Inc, USA, 5767624	100	100	8
QleanAir Scandinavia (Shanghai) Co Ltd, 91310115MA1K438WXU	100	100	1,320
Smoke Free Systems Finance, 556789-5536	200,000	100	8,700
Total			**20,303**

	Equity	Result
International Facility Solutions B.V., Naarden, NL	-10,905	-1,546
QleanAir Scandinavia GmbH, Frankfurt, DE	-32,957	-7,157
QleanAir Scandinavia KK, Tokyo, JP	68,299	34,765
QleanAir Scandinavia Inc, USA	-14,072	-2,469
QleanAir Scandinavia (Shanghai) Co Ltd	1,245	-870
Smoke Free Systems Finance	20,189	2,506

36 Financial liabilities

	31/12/2019	31/12/2018
Subordinated loans from shareholders	0	237,302
Liabilities to credit institutions, due within 1 year	20,000	30,000
Liabilities to credit institutions, due year 2-5	255,000	65,000
Total	**275,000**	**332,302**

37 Accrued expenses and deferred income

	31/12/2019	31/12/2018
Accrued holiday pay	1,438	1,546
Accrued social expenses	81	118
Other items	7,086	5,712
Total	**8,606**	**7,376**

38 Pledged assets

	31/12/2019	31/12/2018
Shares in subsidiaries	**429,000**	**429,000**

39 Issuance of financial reports

The parent company's financial reports for the reporting period ended December 31, 2019 were approved by the Board of Directors on April 20, 2020.

Auditor’s Report

To the general meeting of the shareholders of QleanAir Holding AB
Corporate identity number 556879-4548

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of QleanAir Holding AB for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 23-60 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 2019 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 2019 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. 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.

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.

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

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises pages 1-22 and 63-75 (but does not include the annual accounts, consolidated accounts and our auditor’s report thereon).

Our opinion on the annual accounts and consolidated accounts does not cover this other information 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.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

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 QleanAir Holding AB for the year 2019 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 fulfill 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 20 April 2020
Grant Thornton Sweden AB
Anders Meyer
Authorized Public Accountant

The board's declaration

The declaration of the board and CEO

The board and managing director declare that the consolidated financial report has been prepared in accordance with the international financial reporting standards IFRS as adopted by the EU and gives a true and fair view of the group's position and results. The annual report has been prepared in accordance with good accounting practice and gives a true and fair view of the parent company's position and results.

The report of the board for the group and the parent company gives a true and fair overview of the development of the group's and the parent company's activities, position and results, as well as describing significant risks and uncertainty factors to which the parent company and the companies within the group are exposed.

Solna 20/04/2020

Corporate Governance and the Share

4

Corporate governance report

The company applies the Swedish Code of Corporate Governance (the Code) and complies with applicable corporate governance laws, primarily the Companies Act and the Annual Accounts Act.

This Corporate Governance Report has been prepared in accordance with the Swedish Code of Corporate Governance (the Code) and has been reviewed by the Company's auditors. The Corporate Governance Report refers to the calendar year 2019.

The company's stock is listed for trading on Nasdaq First North Premier Growth Market since December 12, 2019.

The Code has been applied since December 12, 2019.

Shares and owners

At the end of the year, the Company's share capital amounted to SEK 7,429,600, divided into 14,859,200 shares. The Company's shares give the right to one vote per share and have the same right to share of the Company's assets and dividend.

The Company's ten largest shareholders as of December 31, 2019

- Qevirp 41 Ltd
- IKC Fonder
- Handelsbanken Fonder
- Skandia Fonder
- DEKA
- Livförsäkringsaktiebolaget Skandia
- Enter Fonder
- Sensor Fonder
- Taaleritehtaan Rahastoyhtiö Oy
- Avanza Pension

Annual General Meeting

The Annual General Meeting is the highest decision-making body of the Company. At the Annual General Meeting, shareholders exercise their voting rights to make decisions on key issues, such as determination of income and balance sheets, disposition of the Company's results, granting discharge from liability for the members of the Board and the President, election of Board members and auditors, and remuneration to the Board and auditor.

The Annual General Meeting shall be held within six months from the end of the financial year. In addition to the Annual General Meeting, notice may also be given to an Additional General Meeting if the Board considers that there is a need or if an owner of at least 10 per cent of the shares so requests.

The Annual General Meeting 2019

The Annual General Meeting 2019 was held on June 17, 2019 in Solna. In total, 100 per cent of a total of 6,642,100 shares were represented. The accounts for 2019 were adopted and discharge from the Board members and the CEO was granted. A decision was also made on the election of Board members, the Chairman of the Board and auditors, as well as fees to the Board and auditors.

Additional General Meeting 2019

On October 7, 2019, the Additional General Meeting of the Company was held per capsulam. In total, 100 per cent of a total of 6,642,100 shares were represented. The Additional General Meeting, among other things, decided on:

- That each share was divided into two shares, in order to achieve a number of shares suitable for the Company. After completion of the division, the total number of shares in the Company was 13,284,200
- To change the Company's corporate category from private to public and to adopt a new Articles of Association including a number of amendments prior to the listing of the Company's shares on the Nasdaq First North Premier Growth Market
- Authorising the Board to make decisions on new share issues, which could only be used to repay shareholder loans from the Company's principal shareholder Qevirp 41 Limited
- To choose Grant Thornton Sweden AB ("GrantThornton") as new auditor
- Adopting principles for appointing and instructing the Nomination Committee
- Adopting guidelines for remuneration to senior executives
- To approve the acquisition of Smoke Free Systems Finance AB, which was 90.2 per cent owned by the principal owner Qevirp 41 Limited, with the purpose to incorporate Smoke Free Systems Finance AB into the Company's Group in connection with the listing of the Company's shares on Nasdaq First North Growth Market.

Election committee

The Additional General Meeting on October 7, 2019 decided that the Company shall have an election committee consisting of four members, including the Chairman of the Board and three representatives of the Company's three largest shareholders at the end of the third quarter of each year. The "three largest shareholders in terms of votes" also refer to known shareholder groups and will only be represented in the election committee if they so wish.

The Election Committee consists of Magnus Hardmeier, Chairman, Oskar Börjesson Skandia Fonder, Malin Björkmo, Handelsbanken Fonder and Rolf Classon, Chairman QleanAir Holding AB.

The Election Committee appoints one of the members to chair the Election Committee. The Company's chairman of the board may not be appointed chairman of the Election Committee. The term of office of the members of the Election Committee continues until a new Election Committee is appointed. The members of the Election Committee shall not receive any fees. The Election Committee shall submit proposals to the Chairman at the Annual General Meeting, proposals for election and remuneration for members of the Board (including the Chairman of the Board) and the auditor and, where applicable, procedural issues for the next Election Committee.

Auditors

The auditors in the Company are elected by the Annual General Meeting and at the Extraordinary General Meeting 2019, Grant Thornton was newly elected as an auditing company for the period up to the end of the 2020 Annual General Meeting. Anders Meyer has been appointed Chief Auditor. The audit mainly comprises ongoing audit and review of the annual report.

The role and composition of the Board

After the AGM, the Board is the Company's highest governing body. The work of the Board is regulated by, among other things, the Companies Act, the Articles of Association and the Board's rules of procedure. The Board establishes goals and strategic guidelines, is responsible for the CEO's implementation of Board decisions and has ultimate responsibility for the Group's internal control and control as well as risk management.

The members elected by the Board of Directors are elected annually by the AGM for the time until the next AGM is held. According to the Articles of Association, the company's Board of Directors shall consist of a minimum of three and a maximum of seven members elected by the Annual General Meeting without deputies. At the 2019 Annual General Meeting, it was resolved that the Board shall consist of five ordinary Board members until the end of the Annual General Meeting to be held in 2020, and on the re-election of Rolf Classon (who was also re-elected as Chairman), Christina Lindstedt, Dan Pitulia, Maria Perez Hultström and Mats Hjerpe as board members. Dan Pitulia has, at his own request, resigned from the Board of Directors in accordance with a decision at the Additional General Meeting on October 7, 2019. The Board therefore consists of four ordinary members. No company management representative is a member of the Board. No employee representatives or alternates have been appointed to the Board. The members of the Board are presented on page 69 and 70.

Chairman of the Board

The Chairman of the Board leads the work of the Board and follows the operations in dialogue with the CEO. The Chairman represents the Company in matters relating to the ownership structure and issues of special importance. The assignment entails responsibility for ensuring that the work of the Board is well-organised, efficient, that the Board fulfils the commitments and that the Board receives satisfactory information and decision-making documentation. Furthermore, once a year, the Board makes a detailed evaluation of the forms of its work, the composition of the Board, the Board's performance and areas of improvement. Each year, the Chairman of the Board takes the initiative and leads the evaluation of the Board's work. The purpose of the evaluation is to further develop working methods, dynamics, efficiency and working climate, as well as the main focus of the Board's work. This evaluation also focuses on access to and the need for special expertise on the Board. The evaluation includes interviews, joint discussions and that the chairman of the board has individual discussions with individual board members. The evaluations were discussed at a board meeting and also serve as a basis for the Election Committee's work on proposing board members.

The work of the board

The Board appoints the CEO. The division of the Board's and CEO's responsibilities and powers is found in the Board's rules of procedure, which are adopted annually, as well as in a so-called CEO's instruction. The Board meetings follow an adopted rule of procedure which determine the items on the agenda that are ordinary and those that can vary. The Board meets regularly in accordance with a program laid down in the Rules of Procedure containing certain fixed decision points and certain decision points if necessary.

To date, the Board has not established any Audit Committee or Remuneration Committee as the Board has found it appropriate in view of its size.

Ensuring quality in financial reporting

The rules of procedure, which are decided annually by the Board, include detailed instructions on, among other things, which financial reports and which financial information should be provided to the Board. In addition to the annual report, interim reports and annual report, the Board reviews and evaluates extensive financial information relating to both the Company as a whole and various entities that are part of the Group. The Board also processes information on risk assessments, disputes and any irregularities that may have an impact on the Company's financial position. The Board also reviews the most significant accounting principles applied in the Group regarding financial reporting, as well as material changes in the principles as well as reports on internal control and the processes for financial reporting. The company's auditors report to the Board if necessary and at least twice a year.

Remuneration to the Board

In 2019, the fees paid to the Board amounted to a total of SEK 300,000, distributed within the Board as shown in the table below. The 2019 Annual General Meeting resolved that fees to the Chairman of the Board shall be paid at SEK 200,000 per year and to the other Board members by SEK 100,000 per Board member per year. Board members Maria Perez Hultström and Mats Hjerpe are employed by Priveq Advisory AB and advisors to Priveq Investment Fund (IV) L.P. and receive no fees from QleanAir.

Company management

The CEO leads the work of the company management and makes decisions in consultation with others in the management. This consists of the CEO, CFO and managers of global functions and business managers.

Company management regularly reviews operations under the CEO's management.

Remuneration to senior executives

In 2019, a total of SEK 2,970,000 was paid in fixed remuneration to the Company's senior executives (company management). The total gross remuneration paid to the CEO and company management, including basic salary, pension payment and car and health insurance benefits, amounted to SEK 4,043,947 in 2019, of which SEK 2,306,140was remuneration to the CEO. Remuneration to senior executives is described in note 18. Remuneration paid is in accordance with the decision on Guidelines for remuneration to senior executives taken by the Extraordinary General Meeting on October 7, 2019. Guidelines for remuneration to senior executives are set out in note 18.

Audit

The Company's auditors review the annual accounts and the annual report, as well as the Company's ongoing operations and routines, and then comment on the financial reporting as well as the Board of Directors and the CEO's administration. After each financial year, the auditors shall submit an audit report to the AGM. Each year, the Company's auditors personally report to the Board their observations from the audit and their assessments of the Company's internal control. At the Additional General Meeting on October 7, 2019, the auditing firm Grant Thornton was elected as the Company's auditor with authorised auditor Anders Meyer as the principal auditor for the period until the end of the Annual General Meeting to be held in 2020. At the Annual General Meeting 2019, it was decided that remuneration to the auditor should be paid according to approved invoice. Auditor fees in 2019 totalled 2 397 TSEK for the entire group.

Internal control

According to the Swedish Companies Act, the Board is responsible for internal control. According to the Code, the Corporate Governance Report must contain information on the most important elements of the Company's system for internal control and risk management in connection with the financial reporting. The company's internal control structure follows the principles of the COSO model, according to which review and assessment is carried out in the areas of control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

The Board of Directors has established a number of governing documents for the Company's internal control and governance, including the Board's rules of procedure and instructions for the CEO, reporting instructions, authorisation provisions, risk policy and financial policy, all of which aim to ensure a clear division of roles and responsibilities. Reporting of financial information is done through a group-wide reporting system. Responsibility for maintaining an effective control environment and the ongoing work on internal control and risk management rests with the President and CFO who report to the Board based on established routines. Furthermore, senior executives at various levels in the company have this responsibility within their respective areas of responsibility and in turn report to the Group management.

Risk assessment

The company continuously updates the risk analysis regarding the assessment of risks that can lead to errors in the financial reporting. This is mainly done through contacts between company management and the finance/economic function. During the risk reviews, the Company identifies the areas where the risk of errors is increased. Sustainability issues are an ongoing part of the risk analysis and assessment, see the Company's sustainability report.

Control activities

Every month, financial reports are prepared for all companies within the Group. These form the basis for the executive management meetings. Special analysis is done of order status, cost follow-up, investments and cash flow. At these meetings, special attention is paid to the follow-up of any problems and to ensure correct financial reporting. Follow-up is carried out against outcomes and ensures that the financial information is accurate and correct.

The control environment is created through shared values, company culture, rules and policies, communication and follow-up as well as the way the business is organised. The main task of the company management and its employees is partly to implement, further develop and maintain the Group's control routines and partly to carry out internal control focused on business-critical issues. The company's auditor reviews the financial information for the financial statements. In addition, the auditor examines a selection of controls and processes each year and reports any areas of improvement to company management and the board. The company's finance function is located at the head office in Solna.

Internal audit

Due to its size, the company does not yet have an internal audit function.

Meeting attendance 2019

Name	Year elected	Indepen-dent of company	Indepen-dent of larger sta-keholders	Fees decided by the AGM	Board meetings
Rolf Classon	2012	Yes	Yes	200,000	15/15
Christina Lindstedt	2016	Yes	Yes	100,000	15/15
Maria Perez Hultström	2017	Yes	No	0	15/15
Mats Hjerpe	2012	Yes	No	0	15/15

Auditor's Report on the Corporate Governance Statement

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement 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 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.

Opinions

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

Stockholm April 20, 2020
Grant Thornton Sweden AB
Anders Meyer
Authorized Public Accountant

Board of Directors

The company has its headquarters in Stockholm, Sweden. According to QleanAir's Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum seven ordinary members without deputies. The Board of Directors currently consists of four ordinary members elected for the period up to the end of the Annual General Meeting to be held in 2020.

The table below presents the members of the Board of Directors, their positions, the year in which they were appointed and their independence in relation to QleanAir and its senior executives and major shareholders. Larger shareholders are defined in accordance with the Swedish Code of Corporate Governance as shareholders who directly or indirectly control ten per cent or more of the shares or votes in the company.

			Independent of	
Name	Role	Part of board since	QleanAir and management team	Large shareholders
Rolf Classon	Chairman	2012	Yes	Yes
Christina Lindstedt	Board member	2016	Yes	Yes
Maria Perez Hultström	Board member	2017	Yes	No
Mats Hjerpe	Board member	2012	Yes	No

Rolf Classon
(Chairman)

Born: 1945

Position: Chairman of the Board since 2012.

Other ongoing assignments: Chairman of the Board of Metenova AB, Metenova Holding AB, Perrigo Plc. (Ireland) and Orion Diagnostica Oy (Finland). Vice Chairman of Fresenius Medical Care GmbH (Germany). Member of the Board of Directors of Catalent Inc. (USA).

Previous assignments over the past five years: Chairman of Aerocrine Aktiebolag, Tecan Group Ltd. (Switzerland) and HillRom Inc. (USA).

Other relevant experience: Rolf has been studying at the University of Gothenburg, from where he obtained an engineering degree with a specialisation in chemistry, as well as a police magister. He has extensive experience from senior positions in the pharmaceutical and MedTech industries. For the past 25 years, he has been active as CEO and board member/chairman in both private and listed companies in Sweden, Germany, Switzerland, England, Ireland and the USA. Rolf was, among other things, the CEO of Bayer Diagnostics between 1995 and 2002 and was then chairman of the board of directors of Bayer HealthCare's executive committee for two years. Prior to that, Rolf held various senior management positions within the Pharmacia Corporation. Rolf currently holds several board assignments in Swedish and foreign companies, including in Metenova, Perrigo, Fresenius Medical Care and Catalent.

Independent of QleanAir and its senior executives: Yes.

Independent of major shareholders (as of today): Yes.

Holdings in QleanAir: 145,000 shares (also refers to holdings of close relatives).

Christina Lindstedt
(Board member)

Born: 1968

Position: Board member since 2016.

Other ongoing assignments: CEO of XploreBiz AB. Board member of Swedish Lorry Parts AB, Handicare Group AB and Scanfil Oyj.

Previous assignments over the past five years: Board member of Neybers AB and Minalyze AB.

Other relevant experience: Christina has studied at the Gothenburg School of Economics, from where she obtained a degree in business administration with an emphasis in international economics. She has experience from positions as a board member in owner-managed companies, listed companies, family companies and startups since 2009, and has held international, operational leadership roles within AB Electrolux and Sony Group between 1994–2013.

Independent of QleanAir and its senior executives: Yes.

Independent of major shareholders (as of today): Yes.

Holdings in QleanAir: 60,000 shares.

Maria Perez Hultström
(Board member)

Born: 1981

Position: Member of the Board since 2017 (prior to the Board Deputy 2012-2017).

Other ongoing assignments: Board member of Lamiflex Aktiebolag, Lamiflex Group AB, Lamiflex Holding AB, Smoke Free Systems Finance AB, Perfume Sverige Holding AB, Perfume Sverige AB, PSAB Holding AB and Fume AB. Board alternate in Monas Deli AB, Zerep Investment AB and Zerep Pref Investment AB.

Previous assignments during the past five years: Deputy board member of MYBWgruppen Holding AB, MYBW Office Management Gruppen Holding AB, MYBW Office Management International AB, Crem International Holding AB and Avaj International Holding AB.

Other relevant experience: Maria has studied at The Royal Institute of Technology in Stockholm, Georgia College and State University in the United States and the Stockholm School of Economics, from which she obtained a degree in business administration. Maria works as an investment manager at Priveq Investment, where her area of responsibility extends throughout the investment process - from finding investment objects to implementing owned companies' growth and development strategies. Maria is also a board member of several of Priveq's current and former portfolio companies. Previously, Maria worked with corporate finance at Svenska Handelsbanken and Erik Penser Bank.

Independent of QleanAir and its senior executives: Yes.

Independent of major shareholders (as of today): No. Maria Perez Hultström is employed by Priveq Advisory AB and adviser to Priveq Investment Fund (IV) L.P. which owns 84.6 per cent of the shares in Qevirp 41 Limited, which in turn owns 11,984,200 shares in the Company.

Holdings in QleanAir: -

Mats Hjerpe
(Board member)

Born: 1974

Position: Board member since 2012.

Other ongoing assignments: Chairman of the Board of Smoke Free Systems Finance AB. Board member of Mediaplanet International AB, Mediaplanet Holding AB, Mediaplanet LP AB, 4C Group AB, Hedskog Equity AB, Priveq Holding V AB, Aquilonis AB, Aquilonis Invest AB and CSAM Health AS (Norway). Board alternate of Priveq Advisory AB, Priveq Investment V (B) AB, and Priveq Investment V (A) AB.

Previous assignments in the last five years: Board member of MYBWgruppen Holding AB, MYBW Office Management Gruppen Holding AB and MYBW Office Management International AB.

Other relevant experience: Mats has obtained a degree in business administration from Stockholm University. He has experience as investment manager at Priveq Investment where he has also been a partner for eight years. Matt's area of responsibility at Priveq ranges from identifying investment objects to being with other owners, the Board of Directors and management implement owned companies' growth strategies. With regard to several of Priveq's portfolio companies, Mats has played an active role role in issues related to IPO and geographical expansion. He also holds board assignments in several of Priveq's portfolio companies, including 4C Group AB, Mediaplanet and CSAM (Norway). Previously, Mats worked as a financial analyst with a focus on the health sector at Aragon Fondkommission AB. In addition, Mats has ten years of experience from board assignments in companies in various industries, often with sales of between SEK 100 million and SEK 2,300 million.

Independent of QleanAir and its senior executives: Yes.

Independent of major shareholders (as of today): No. Mats Hjerpe is employed by Priveq Advisory AB and adviser to Priveq Investment Fund (IV) L.P. which owns 84.6 per cent of the shares in Qevirp 41 Limited, which in turn owns 11,984,200 shares in the Company.

Holdings in QleanAir: -

Management

At present, QleanAir's CEO and CFO are the company's senior executives. Below is information about the senior executives' age, position, other ongoing assignments, previous assignments in the last five years, other relevant experience and holding of shares and share-related instruments in the company. Assignments in subsidiaries within the Group have been excluded.

Andreas Göth
(CEO)

Born: 1974

Position: CEO since 2018.

Other ongoing assignments: CEO and deputy director of Smoke Free Systems Finance AB.

Previous assignments over the past five years: -

Other relevant experience: Andreas received a bachelor's degree in economics from Stockholm University. He has previous experience as chief financial officer at Skandiabanken Bolån and has since 2001 held senior positions within QleanAir as chief financial officer and chief operating officer.

Holdings in QleanAir: 150,000 shares.

Henrik Resmark
(CFO)

Born: 1969

Position: Chief Financial Officer since 2013.

Other ongoing assignments: -

Previous assignments during the last five years: Board member of Rökfritt AB

Other relevant experience: Henrik received a Master of Business Administration degree with an international focus from Lund University. Henrik has previous experience as a controller at a listed company, management consultant at Carta Corporate Advisors, project manager at Aros Securities / Nordea Securities Corporate Finance between 1998 and 2003 and CFO at NeuroNova / Newron between 2003 and 2013.

Holdings in QleanAir: 127,000 shares.

QleanAir Holding's share

Listing
QleanAir Holding's shares began trading on the Nasdaq First North Premier Growth Market under the ticker symbol QAIR on 12 December 2019. The price in the offer was SEK 40 per share.

Share capital
On 31 December 2019, the share capital amounted to SEK 7,429,600, made up of 14,859,200 shares with a quota value of SEK 0.50. All shares are of the same class with equal voting rights and share of the company's capital and profits.

Trading in the share
The closing price on the last trading day of the year, 30 December 2019, was SEK 40, corresponding to a market capitalisation of approximately MSEK 594. A total of 2,797,160 shares were traded in 2019, corresponding to a value of approximately MSEK 112. The average number of shares traded per trading day was 279,716.

Shareholders
On 31 December 2019 there were 1,010 shareholders. The company's ten largest shareholders accounted for 66.2% of the share capital and votes. Qevirp 41 Ltd was the largest shareholder with 39.1% of the shares.

Certified Advisor
All companies whose shares are admitted to trading on the Nasdaq First North Premier Growth Market must have a Certified Advisor. FNCA Sweden AB (+46 8 528 00 399, info@fnca.se) has been appointed as QleanAir Holding's Certified Advisor.

The company's ten largest shareholders as of 31 December 2019

Qevirp 41 Ltd	39.1%
IKC Fonder	5.0%
Handelsbanken Fonder	4.4%
Skandia Fonder	3.8%
DEKA	3.7%
Livförsäkringsbolaget Skandia	3.1%
Enter Fonder	2.0%
Sensor Fonder	2.0%
Taaleritehtaan Rahastoyhtiö Oy	1.6%
Avanza Pension	1.5%
Total	**66.2%**

Financial information in summary

Consolidated report on profit and other comprehensive income

TSEK	Full year 2019	Full year 2018
Sales	456,993	401,072
Merchandise	-160,959	-137,888
Gross profit	**296,034**	**263,184**
Sales and administration costs	-263,960	-201,391
Operating profit	**32,074**	**61,793**
Financial income	503	1,068
Financial expenses	-23,739	-22,796
Profit before tax	**8,838**	**40,065**
Tax	-16,358	-19,062
Profit for the year	**-7,520**	**21,003**

Consolidated report of financial position

TSEK	31/12/2019	31/12/2018
Non-current assets	423,509	388,583
Current assets	122,447	122,529
Cash and cash equivalents	56,994	74,935
Total assets	**602,950**	**586,047**
Equity	97,745	63,974
Non-current liabilities	263,737	305,495
Current liabilities	241,468	216,578
Total liabilities	**602,950**	**586,047**

Key figures

	2019	2018
Order intake, TSEK	365,979	313,379
Share of recurring income, %	42%	41%
EBITDA, TSEK	79,756	72,899
EBITDA margin, %	17.5%	18.2%
Adjusted EBITDA, TSEK	105,206	84,198
Adjusted EBITDA margin, %	23.0%	21.0%
EBIT, TSEK	32,073	61,793
EBIT margin, %	7.0%	15.4%
Adjusted EBIT, TSEK	83,719	73,092
Adjusted EBIT margin, %	18.3%	18.2%

Quarterly information

	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018
Order intake, TSEK	102,466	89,540	87,753	86,223	74,712
Sales, TSEK	123,847	119,018	108,997	105,151	103,209
Gross profit, TSEK	73,882	73,979	73,775	74,398	64,820
Gross margin, %	59,7%	62.2%	67.7%	70.8%	62.8%
Adjusted EBITDA, TSEK	24,931	26,384	27,677	26,214	29,252
Justerad EBITDA-marginal, %	20.1%	22.2%	25.4%	24.9%	28.3%
Adjusted EBIT, TSEK	19,278	21,034	19,786	23,621	15,626
Adjusted EBIT margin, %	15.6%	17.7%	18.2%	22.5%	15.1%
Operating cash flow, TSEK	10,233	13,997	20,247	18,002	32,306
Working capital, SEK	-72,321	-46,828	-46,952	-45,796	-47,626
Average capital employed, TSEK	394,811	421,063	416,087	413,132	410,749
Interest-bearing net liabilities excluding IFRS 16, TSEK	236,684	253,679	259,029	269,026	260,560
Equity/assets ratio, %	16.2%	14.0%	13.4%	12.2%	11.6%
Net debt/equity ratio, times	2.4	2.8	3.0	3.5	4.1
Adjusted return on capital employed (ROCE), %	21.2%	19.0%	19.5%	20.5%	17.8%

Explanation of adjusted result

2019 has been adjusted for: MSEK 3.6 for the adaptation of installed units in Japan for the new legislation ("Health Promotion Act", which includes regulation to protect people from passive smoking in public areas) which will enter into force in 2020, MSEK 3.5 for termination of agreement with a market partner in Germany, one-off costs of MSEK 18.4 for the listing on Nasdaq First North Premier Growth Market andM SEK 26.2 attributable to impairment of internal profits in 2019 as a result of the acquisition of SFS Finance AB. For 2018, operating profit for non-recurring items such as restructuring in Holland and Sweden was adjusted. Adjusted EBITDA, earning capacity before depreciation, and adjusted EBIT taking into account the non-recurring items are shown in the table below.

Adjusted EBITDA and adjusted EBIT

	Full year 2019	Full year 2018
Operating profit, EBIT	32,073	61,793
Adjustment for non-recurring items	51,645	11,299
Adjusted EBIT	**83,718**	**73,092**
Depreciation of non-current assets including IFRS 16 (from 1 January 2019)	21,487	11,106
Adjusted EBITDA	**105,205**	**84,198**

Definitions

Key term	Definition and purpose
Order intake	The value of incoming orders in the period. The ratio gives investors the opportunity to assess the company's future revenues.
Sales	Net sales including other income. The ratio shows the Company's total revenues.
Gross profit	Cost of sold goods deducted from Sales.
Gross-margin	Gross profit divided with Sales.
EBITDA	Earnings before depreciations and write-downs. The ratio is used to show the business profitability before depreciations and write-downs.
Adjusted EBITDA	Earnings before depreciations and write-downs adjusted for non-operational one-off costs such as costs associated with the listing (2018: restructuring costs). The ratio is used to show the company's earnings potential independent of depreciations, write-downs and without regards to one-off items.
Adjusted EBITDA-margin	Adjusted EBITDA as part of Sales. The ratio is used to measure operational profitability, independent of depreciations and write-downs.
Operating profit (EBIT)	Earnings before financial items and tax. The ratio shows the company's operational profitability.
Adjusted EBIT	Operating profit before financial items and tax adjusted for non-operational one-off costs such as costs associated with the listing (2018: restructuring costs). The ratio is used to show the company's earnings potential before financial items, without regards to one-off items.
EBIT-margin	Operating profit divided with Sales. The ratio is used to show operational profitability after depreciations and write-downs.
Adjusted EBIT-margin	Adjusted EBIT divided with Sales. The ratio is used to show the company's profitability before financial items and tax, without regards to one-off items.
Operational cash-flow	Net investment in material and immaterial fixed assets deducted from adjusted EBITDA and adjustment for changes in working capital. Operational cash-flow shows to track the cash-flow generated from the company's ongoing operations.
Working capital	Current assets excluding cash deducted with short-term liabilities.
Average capital employed	Average equity and interest bearing liabilities for the period. The ratio is used to analyse how much capital that is employed in the business has during the period.
Net debt	Cash deducted from short- and long-term interest bearing liabilities. The ratio shows the company's financial position.
Equity/Asset ratio	Equity divided with the company's total assets. The ratio is used to measure the company's financial stability.
Net debt/Equity ratio	Cash deducted from interest bearing liabilities divided by equity. The net debt/Equity ratio helps the company's investors to understand the company's financial position.
Adjusted return on average capital employed	Adjusted EBITDA as per cent of average capital employed. The ratio is included to help investors to get a view of the company's profitability in relation to capital employed in the business during the year. Adjusted EBITDA is used as the company believes that the effect of items affecting comparability, which makes it possible to compare the underlying operational profitability.
EMEA	Germany, Austria, Switzerland, Holland, Belgium, France, Poland and the Nordics
APAC	Japan
Americas	USA

Future reporting

13 May 2020:
Interim report for the first quarter 2020

13 May 2020:
Annual General Meeting

19 August 2020:
Interim report second quarter and six months 2020

18 November 2020:
Interim report third quarter and six months 2020

17 February 2021:
Interim report fourth quarter and full year 2020

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