

INTERIM REPORT THIRD QUARTER AND FIRST NINE MONTHS 2019





Jul – Sept 2019 in summary

- Order intake SEKm 89.6 (69.5)
- Sales SEKm 119.0 (105.2)
- Operating profit SEKm 13.9 (20.9)
- Adjusted EBIT¹ SEKm 21.0 (21.9)
- Adjusted EBIT-margin¹ 17.7 % (20.8)
- Net profit SEKm 2.2 (8.9)
- Earnings per share SEK 0.33 (1.34)
- Cash-flow from operations SEKm 14.0 (21.5)

Jan – Sept 2019 in summary

- Order intake SEKm 263.5 (238.5)
- Sales SEKm 333.1 (297.9)
- EBIT SEKm 57.3 (53.7)
- Adjusted EBIT¹ SEKm 64.4 (57.5)
- Adjusted EBIT-margin¹ 19.3 % (19.3)
- Net profit SEKm 20.7 (23.1)
- Earnings per share SEK 3.12 (3.48)
- Cash-flow from operations SEKm 52.3 (37.0)

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	FY 2018
Order intake, TSEK	89,540	69,513	263,516	238,535	313,247
Sales, TSEK	119,018	105,250	333,146	297,863	401,072
Recurring revenue from units in own balance, %	41%	42%	42%	41%	41%
Operating result, TSEK	13,934	20,860	57,341	53,666	61,793
Operating margin, %	11.7%	19.8%	17.2%	18.0%	15.4%
Adjusted EBIT, TSEK	21,034	21,911	64,441	57,466	73,092
Adjusted EBIT-margin, %	17.7%	20.8%	19.3%	19.3%	18.2%
Result for the period, EBT, TSEK	2,177	8,899	20,730	23,128	21,003
Earnings per share, SEK	0.33	1.34	3.12	3.48	3.16
Cash-flow from operations, TSEK	13,996	21,518	52,265	36,966	69,273
Net working capital, TSEK	-46,828	-22,314	-46,828	-22,314	-47,626
Equity/Asset ratio, %	14%	12%	14%	12%	11%

¹For definition of alternative key ratios see page 19.

CEO comment

In summary, QleanAir enjoyed a strong order intake and increased sales during the third quarter. In Japan, we continued our successful progress for Cabin Solutions on the office market. Sales of Room Solutions increased in the USA. This was achieved via a fruitful approach to hospital pharmacies where we introduced the new framework agreements for clean rooms and hospital systems. In Europe, we managed to extend and renew contracts and sign new contracts although sales of Facility Solutions were slightly disappointing but there is scope to make gains. The number of installed units increased by 8 percent and numbered around 8,100 at the end of the period (7,500). Recurring revenues from rental units in the balance sheet, service agreements and consumables amounted to 41 percent (41) of total revenues for the third quarter. Approximately 75 percent of long-term rental contracts were renewed/extended in the third quarter and for the period January- September 2019.

Strong order intake in Q3 and for the period January-September 2019

Order intake in the third quarter increased by 29 percent to SEKm 89.5 (69.5). Sales amounted to SEKm 119.0 (105.2). For the period January-September 2019, order intake was SEKm 263.5 (238.5) and sales were SEKm 333.1 (297.9). Adjusted for currency conversions, organic growth for the third quarter was five percent and six percent for the period January-September 2019. Growth was mainly driven by Cabin Solutions in Japan. The successful targeting of the premium office segment in Tokyo continued to pay dividends. In the US market, QleanAir signed several agreements during the year, including a new framework agreement with a hospital system for clean room solutions. Facility Solutions in Europe continued to develop in line with plans. A new agreement was signed with a Nordic industrial company, and an arrangement was expanded with a leading food company. In Germany, QleanAir implemented a number of small but promising installations of Facility Solutions in the food and manufacturing sector. Cabin Solutions renewed several rental contracts with a leading German company in the car industry. We are growing our business and managed to maintain our profitability, which is pleasing to note. Adjusted EBIT-margin for the third quarter was approximately 18 percent. For the period January-September adjusted EBIT-margin was 19 percent. We are focusing on profitable growth, and the third quarter was stable.

In terms of markets, we have entered an exciting phase

Our underlying markets are strong and driven by regulatory changes. In the USA, new rules and regulation for the secure handling of medical products is driving demand for clean rooms at hospital pharmacies. QleanAir's offer with module-based and portable clean rooms gives us a commanding position. In Japan, tougher requirements on preventing secondary smoke in workplaces and public spaces that come into force in April 2020, mean Japan is expected to continue to be a strong market for Cabin Solutions. In Europe, demand for Facility Solutions is being driven by health and safety in the workplace and cleaner processes within areas such as logistics, production and food processing.

QleanAir is a niche premium provider of clean air solutions for indoor environments

The quality of the air we breathe affects our health and performance capacity. QleanAir is passionate about creating healthy indoor environments that helps protect processes from air pollution and contaminants and improve performance. QleanAir is a premium supplier of solutions that ensure clean indoor environments. We focus on the segments where we can make a big difference. Our offer is based on rental contracts for standalone modules with leading filter technology and service, in other words, clean air as a service. The beauty of our service offer is that we provide preventive maintenance, guarantee performance, manage rental contracts, together with service and administration in our proprietary back-office system.

This technology is based on recycling air and, as such, the quality of the air and the environment have always been in focus. QleanAir's operating company is quality and environment certified to ISO standards. We take total responsibility for service and performance as an essential part of our offer, while at the same time, we outsource delivery and servicing. We quality assure our sub-contractors, service and deliveries via our back-office system and code of conduct. We have been quantifying our air purification performance since 2015 and as of the end of the third quarter, our solutions purify over three billion cubic metres of air each month.

Proud of our customer base - over 2,500 customers and 8,100 modular units

QleanAir is a service-oriented company with a naturally customer-oriented corporate culture. We are incredibly proud of our more than 2,500 customers and approximately 8,100 modular units in EMEA, the Americas and APAC. Customers leave the problem solving to us for indoor air quality by signing lease contracts with service and performance guarantees. Our customer base mostly consists of medium to large enterprises and institutions.

Our business model and strategy are based on growth, service quality and recycling

QleanAir is a growth company. Most of our business comes from rental contracts, which usually run over three years and generally with extension/renewal. Recurring revenues make up 42 percent of sales that come from units on our own balance sheet, service agreements and consumables. Some 75 percent of our long-term rental contracts are renewed/extended. Wherever possible, we sell lease contracts to finance companies. This is how we finance our growth. When a contract expires, we always look to recycle the equipment and rent it out again. Our products have a long useful life.

The future

When I contemplate where QleanAir will be in five to ten years, I envisage a company that contributes to better air quality for millions of employees and offers products with automated processes at customers around the world. We have found our niche, the indoor environment. Good air quality will continue to be a key issue in the future. We help our customers resolve specific problems and improve the quality of indoor air and workplace by continuously developing new and superior solutions. We aim to continue to grow via close and long-term customer relationships. To summarize, I have every reason to be optimistic about the future; our team, the combination of growth opportunities within Facility Solutions and Room Solutions together with stable growth and the cash-flow from Cabin Solutions that gives us a strong platform for the next step.

Stockholm November 1, 2019

Andreas Göth, CEO QleanAir Holding AB



FINANCIAL PERFORMANCE

QleanAir's geographical home markets are EMEA, USA and APAC. "EMEA" includes Germany, Austria, Switzerland, The Netherlands, Belgium, France, Poland and the Nordic region. "APAC" with sales in Japan and the "Americas" with sales in the USA. QleanAir has three product categories; our original product category Cabin Solutions which minimize exposure to harmful tobacco smoke, general air cleaning solutions for industrial facilities, so-called "Facility Solutions", and clean rooms, i.e. for hospital indoor environment "Room Solutions". The group's sales consist of revenues from the sale of lease contracts to finance companies, lease contracts, service revenues, consumables and product sales.

ORDER INTAKE

Order intake for the third quarter amounted to SEKm 89.5 (69.5), a 29 percent increase. For the period January-September, order intake amounted to SEKm 263.5 (238.5), an increase of 11 percent. Geographically, APAC generated 42 (30) percent of order intake for the third quarter, EMEA 39 (50) percent and the Americas 19 (19) percent. For the period January-September 2019, EMEA accounted for 43 (50) percent, APAC 40 (31) percent and the Americas 17 (20) percent.

Order intake per geography, TSEK

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	2018 FY
TSEK					
EMEA	35,067	34,660	113,375	121,012	160,073
APAC	37,893	21,304	106,438	77,701	107,483
Americas	16,580	13,548	43,703	39,823	45,691
Totalt	89,540	69,513	263,516	238,535	313,247

REVENUES

July-September 2019

Sales in the third quarter amounted to SEKm 119.0 (105.2), a 13 percent increase. The share of recurring revenues from rental units on our own balance sheet, service agreements and consumables increased and amounted to SEKm 48.3 (42.6) corresponding to 41 (41) percent of total sales for the quarter. Of third quarter sales by geographic area, 49.0 (59.1) came from EMEA, 53.3 (38.1) from APAC and 16.7 (7.9) from the Americas. Sales per product category amounted to SEKm 91.8 (79.0) for Cabin Solutions, SEKm 8.9 (13.3) for Facility Solutions and SEKm 18.3 (12.9) for Room Solutions. In APAC, Japan contributed with strong new sales, renewals and extensions of rental contracts for Cabin Solutions. In the Americas, sales of Room Solutions developed well, mainly as a result of the new framework agreement for clean room solutions and hospital systems. In EMEA, sales from Facility Solutions were slightly weaker than expected. The main reason was due to the comparison quarter for 2018 including a big order from a European customer. In addition, the company had a bigger proportion of short-term rental contracts in Germany compared to last year, which has contributed to a larger customer base. Currency conversion differences positively affected sales for the quarter of SEKm 8.5 (7.4). Adjusted for currency effects, organic sales growth for the quarter was five percent.

Sales per geography, TSEK

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	2018 FY
TSEK					
EMEA	48,973	59,123	163,566	166,141	223,602
APAC	53,335	38,124	144,605	112,770	142,395
Americas	16,711	7,913	24,861	18,753	34,816
Totalt	119,019	105,160	333,032	297,664	400,813

January-September 2019

Sales for the period Jan-Sept 2019 amounted to SEKm 333.0 (297.7). Recurring revenues amounted to SEKm 139.0 (121.9) or 42 (41) percent of total sales for the period. Sales by geographic area for the period amounted to SEKm 163.6 (166.1) for EMEA, SEKm 144.6 (112.8) for APAC and SEKm 24.9 (18.8) for the Americas. Sales per product category amounted SEKm 270.1 (240.2) for Cabin Solutions, SEKm 29.1 (30.7) for Facility Solutions and SSKm 33.0 (26.8) for Room Solutions. In APAC, Japan contributed with strong new sales, renewals and extensions of rental contracts for Cabin Solutions. In EMEA, sales from Facility Solutions were slightly weaker than expected while several rental contracts for Cabin Solutions were renewed/extended during the quarter. Currency conversion differences positively affected the sales for the quarter by SEKm 18.1 (11.7). Adjusted for currency effects, organic sales growth for the quarter was six percent.

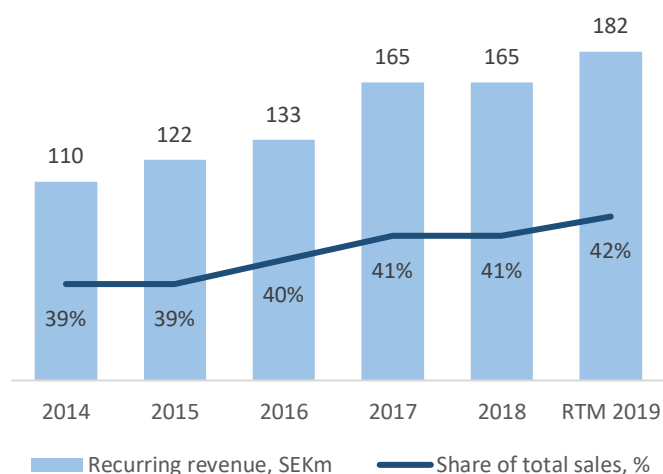
Sales per product category, TSEK

TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	2018 FY
Cabin Solutions	91,781	78,964	270,145	240,240	313,181
Facility Solutions	8,908	13,269	29,804	30,664	41,396
Room Solutions	18,330	12,927	33,084	26,761	46,236
Totalt	119,019	105,160	333,032	297,664	400,813

Sales per type of revenue, TSEK

TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	2018 FY
Sales to finance companies	53,343	55,797	161,310	158,261	205,813
Recurring revenues units in balance sheet, service, consumables	48,260	42,641	138,989	121,917	164,882
Sales to end customer	17,416	6,722	32,733	17,487	30,117
Total	119,019	105,160	333,032	297,665	400,812

Recurring revenues



SEKm in recurring revenues from rental contracts for modular units on our own balance sheet, service agreements and consumables and as a proportion of total sales.

SEASONAL VARIATIONS

Historical revenues and costs have not been significantly affected by season variations for QleanAir, thanks to the company's revenue model, which largely consists of recurring revenues from rental contracts. The company has historically not experienced wildly fluctuating revenues and operating profits between quarters.

OPERATING PROFIT

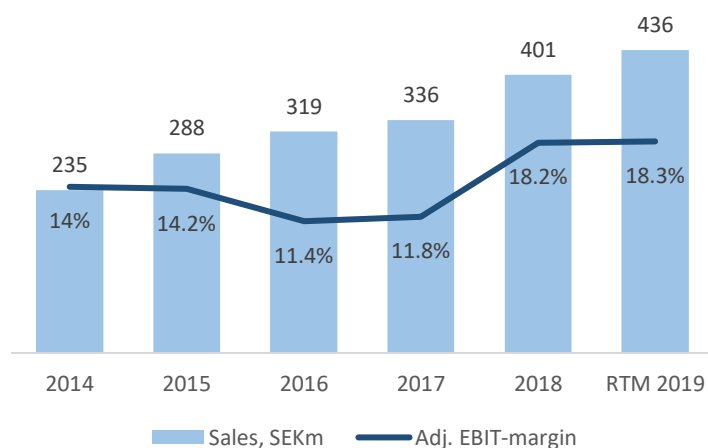
Operating profit for the third quarter amounted to SEKm 13.9 (20.1) and operating margin amounted to 11.7 (19.8) percent. For the period January-September 2019, operating profit amounted to SEKm 57.3 (53.7) and operating margin amounted to 17.2 (18.0) percent. The change in operating profit for the quarter and for the period was mainly attributable to costs for upgrading the installed base in Japan, adjustments in line with new regulations coming into force in 2020. There were also costs related to termination of a contract with a market partner in Germany.

Adjusted EBIT and Adjusted EBIT-margin

Adjusted EBIT for the third quarter amounted to SEKm 21.0 (21.9) and adjusted EBIT-margin amounted to 17.7 (20.8) percent for the quarter. The comparison figures for 2018 include a large proportion of three-year rental contracts that were renewed/extended in third quarter 2018. The third quarter of 2019 has been adjusted for a non-recurring cost of SEKm 3.6 to upgrade the installed base in Japan prior to new regulations coming into force in 2020 and a non-recurring cost of SEKm 3.5 to terminate an agreement with a partner on the German market. Adjusted EBIT for the period January-September 2019 amounted to SEKm 64.4 (57.5). This improvement is mainly attributable to increased sales. Adjusted EBIT for 2018 has been adjusted for non-recurring costs such as for restructuring in The Netherlands and Sweden. Adjusted EBIT-margin for the period amounted to 19.3 (19.3) percent. Adjusted EBITDA, earnings capacity before depreciation and non-recurring costs are shown in the table below.

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	FY 2018
Operating profit, EBIT	13,934	20,860	57,341	53,666	61,793
Adjustment	7,100	1,051	7,100	3,800	11,299
Adjusted EBIT	21,034	21,911	64,441	57,466	73,092
Depreciations fixed assets	5,350	2,491	15,834	7,480	11,106
Adjusted EBITDA	26,384	24,402	80,275	64,946	84,198

Historical development SEKm Revenues and adjusted EBIT-margin %



OTHER EXTERNAL COSTS

Other external costs are mainly attributable to marketing, commission on sales, office lease costs and consultant fees. Other external costs for the third quarter amounted to SEKm 26.9 (22.6). For the period January-September 2019 other external costs amounted to SEKm 70.7 (66.9).

PERSONNEL COSTS AND EMPLOYEES

Employee costs for the third quarter amounted to SEKm 27.8 (24.2). For the period January-September 2019, employee costs amounted to 78.3 (70.3). The average number of employees in the group during the period was 94 (82). The gender ratio was 66 (57) men and 28 (25) women. The number of employees at the end of the period was 97 (89).

NET FINANCIAL ITEMS

Net financial items for the third quarter amounted to SEKm -7.9 (-5.8). For the period January-September, net financial items amounted to SEKm -19.5 (-14.6). In the third quarter interest costs on lease liabilities according to IFRS 16 amounted to SEKm 0.2 and for the period January-September SEKm 0.6.

EARNINGS BEFORE TAX, NET PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Third quarter earnings before tax amounted to SEKm 6.0 (15.1). For the period January-September 2019 profit before tax amounted to SEKm 37.8 (39.1). Tax reported for the period amounted to SEKm 3.8 (6.2). Net profit for the third quarter amounted to SEKm 2.2 (8.9). For the period Jan-September net profit amounted to SEKm 20.7 (23.1). Earnings per share for the third quarter, before and after dilution, amounted SEK 0.33 (1.34). For the period January- September 2019, earnings per share amounted to SEK 3.12 (3.48).

CASH-FLOW

Third quarter cash-flow from operating activities amounted to SEKm 14.0 (21.5). For the period January-September, cash-flow from operating activities increased to SEKm 52.3 (37.0). Cash-flow from investment activities in the third quarter amounted to SEKm -4.4 (-4.3) and for the period to SEKm -13.6 (-13.8). Investments primarily relate to the acquisition of units. Cash-flow from financing activities in the quarter amounted to SEKm -8.4 (-17.8) and for the period SEKm -38,7 (-28.3). The change was related to repayments of loans. Cash-flow for the third quarter amounted to SEKm 1.2 (-0.6), for the period to SEKm 0 (-5.2).

CASH AND CASH EQUIVALENTS AND FINANCIAL POSITION

Cash and cash equivalents at the end of the third quarter excl. available credit increased to SEKm 80.8 (74.9). Net interest-bearing liabilities amounted to SEKm 253.7 (260.6) excl. leasing liabilities which are now accounted for as interest-bearing liabilities. The group had total assets of SEKm 652.1 (586.0). Implementation of IFRS 16 has impacted the balance sheet by SEKm 26.6. Non-current assets amounted to SEKm 419.1 (388.6) and are related to goodwill SEKm 343.7 (343.7), capitalized development cost SEKm 6.1 (7.1), leasing i.e. lease contracts SEKm 25.8 (0). Book value of equipment and units amounted to SEKm 31.3 (23.6). The carrying amounts of assets and liabilities are considered to essentially correspond to fair value.

INVESTMENTS

Third quarter investments amounted to SEKm 4.4 (6.2). Investments relate to modular units with customer lease contracts. IFRS 16 Leasing assets were included for the first time as non-current assets and amounted to SEKm 16.8.

INSTALLED BASE

At the end of the period the total number of installed units amounted to 8,087 of which 2,239 units are on our own balance sheet.

	2019-09-30	2018-09-30	2018-12-31
Accounted value installed units, TSEK	31,319	29,752	22,054
Installed units in balance sheet, no	2,239	2,059	2,080
Installed units sold to finance companies, no	3,444	3,293	3,322
Sold units with service agreement*, no	2,404	2,143	2,196
Total installed units, no	8,087	7,495	7,598
whereof in own balance sheet	28%	27%	27%

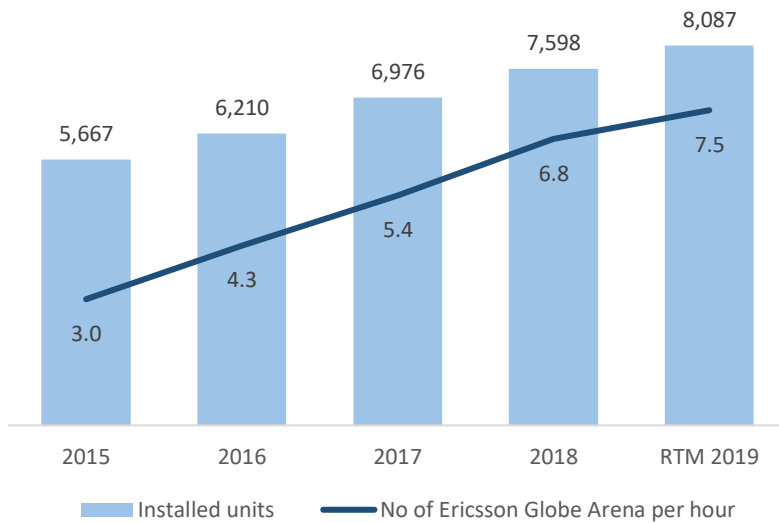
* whereof 650 is served with consumables and parts

One unit correspond to order value of SEK 100,000 when calculating number of units for clean room.

SUSTAINABILITY

QleanAir has a long tradition of seriously addressing crucial issues. Environmental issues, health and safety have been key priorities for QleanAir for decades. QleanAir has been developing solutions that protect people against indoor air pollution for 20 years. The QleanAir operating company is ISO-certified to environment standard ISO 9001 and quality standard ISO 14 001. Our business model is based on leasing modular solutions with a performance guarantee. The equipment can be recycled and reused. A high proportion of operations is outsourced to suppliers who comply with the QleanAir code of conduct. This code of conduct is linked to our sustainability, quality assurance and environment, marketing and HSE policies. Since 2015 the group has quantified the amount of purified air per hour on an ongoing basis.

Total number of installed units and purified indoor air per month measured in m3 and expressed as the number of Ericsson Globe Arenas in Stockholm per hour.



RISKS

QleanAir is exposed to market risks and especially currency risks, interest risk and other price risks as part of its ongoing operations and investment activities. One market risk is regulation concerning tobacco smoke. This market risk applies to EMEA and APAC. QleanAir is exposed to different financial risks on financial instruments, mainly market risk, credit risk and liquidity risk. Risk management is focused on the management of financial risks via a centralized finance department. For more information about company risks, see note 23 on page 26 of the 2018 Annual Report.



PARENT COMPANY

Revenues for the parent company for January-September 2019 amounted to SEKm 2.5 (2.5). Loss for the period amounted to SEKm -7.3 (-6.8). QleanAir Holding AB, company registration number 556879-4548 is a Swedish limited company incorporated in Solna, Sweden.

DISPUTES

The group had no ongoing disputes.

TRANSACTIONS WITH RELATED PARTIES

At the end of the period, subordinated shareholder loans amounted to SEKm 251.5 (237.3). Interest for the period January-September 2019 amounted to SEKm 5.7 (5.3).

SHARE CAPITAL, THE SHARES AND OWNERS

The total number of shares as of September 30 2019 was 6,642,100 and share capital amounted to SEKm 6.6. All shares are ordinary shares with equal voting rights. The shares have a quota value of SEK 1. QleanAir Holding AB is a privately owned company in which Qevirp 41 Limited has a 91 percent holding. with Priveq Investment Fund IV L.P as the largest shareholder.

SIGNIFICANT EVENTS

No significant events occurred in the third quarter or the period January-September 2019. After the end of the period, Dan Pitula, a director resigned from the board at his own request.

OTHER INFORMATION

This interim report provides a true and fair view of the group's business, financial position and performance. In the event of any discrepancies between the English and Swedish versions of the report, the Swedish version shall apply.

AUDITOR'S REPORT

The company auditors have conducted a general review of this report.

Stockholm November 1 2019

Board of directors QleanAir Holding AB

Rolf Classon, Chairman

Christina Lindstedt

Mats Hjerpe

Maria Perez Hultström

Andreas Göth, CEO

THE GROUP'S CONSOLIDATED STATEMENT COMPREHENSIVE INCOME IN SUMMARY

TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	FY 2018
Net sales	119,019	105,160	333,032	297,664	400,813
Other income	0	89	114	198	259
Sales	119,019	105,249	333,146	297,862	401,072
Cost of goods sold	-45,039	-35,001	-110,994	-99,499	-137,888
Gross profit	73,980	70,248	222,152	198,363	263,184
Other external costs	-26,885	-22,650	-70,679	-66,904	-91,557
Personnel costs	-27,811	-24,247	-78,298	-70,313	-98,728
Depreciation of tangible and intangible assets	-5,350	-2,491	-15,834	-7,480	-11,106
Operating income	13,934	20,860	57,341	53,666	61,793
Financial income	0,000	0,000	0,016	2,033	1,068
Financial expenses	-7,947	-5,794	-19,533	-16,599	-22,796
Income before tax	5,987	15,066	37,824	39,100	40,065
Deferred tax	7	0	29	0	-21,394
Tax on result for the period	-3,817	-6,168	-17,122	-15,972	2,332
Net result for the period	2,177	8,898	20,731	23,128	21,003
Profit/Loss attributable to:					
Shareholders parent company	2,177	8,898	20,731	23,128	21,003
Non-controlling interest	0	0	0	0	0
Net result for the period	2,177	8,898	20,731	23,128	21,003
Earnings per share basic, SEK	0.33	1.34	3.12	3.48	3.16
Net result for the period	2,177	8,898	20,731	23,128	21,003
Currency translation differences foreign subsidiaries	3,810	-1,740	6,559	0,102	2,232
Total result for the period	5,987	7,158	27,290	23,230	23,235
Profit/loss attributable to:					
Shareholders parent company	5,987	7,158	27,290	23,230	23,235
Non-controlling interest	0	0	0	0	0
Total net result for the period	5,987	7,158	27,290	23,230	23,235

THE GROUP'S CONSOLIDATED BALANCE SHEET IN SUMMARY

TSEK	2019-06-30	2018-06-30	2018-12-31
ASSETS			
Capitalized development cost	6,128	7,063	7,143
Customer contracts	1	11	8
Goodwill	343,704	343,704	343,704
Intangible fixed assets	349,833	350,778	350,855
Tangible fixed assets	31,319	29,752	23,618
Leasing	25,799	0	0
Tangible fixed assets	57,118	29,752	23,618
Long-term receivables	12,178	15,241	14,110
Fixed assets	419,129	395,771	388,583
Inventories	31,267	23,425	22,984
Account receivables	47,005	41,929	49,338
Tax receivables	-	3,030	-
Other receivables	9,378	6,484	6,288
Prepaid costs and accrued income	64,565	52,855	43,919
Cash and bank	80,804	48,773	74,935
Current assets	233,019	176,496	197,464
TOTAL ASSETS	652,148	572,267	586,047
SHAREHOLDER'S EQUITY AND LIABILITIES			
Share capital	6,642	6,642	6,641
Additional paid in capital	58,929	58,929	58,928
Translation differences	10,205	1,534	3,664
Balanced result	-4,456	-22,788	-26,262
Result for the period	20,731	23,128	21,003
Equity	92,051	67,445	63,974
Accrued tax liabilities	3,019	5,526	3,193
Subordinated shareholder loan	251,464	232,837	237,302
Long-term interest bearing liabilities	65,000	65,000	65,000
Other liabilities, IFRS 16	16,811	-	-
Long-term liabilities	336,294	303,363	305,495
Short-term interest bearing liabilities	15,000	51,422	30,000
Overdraft credit facility	0	0	16,424
Accounts payable	40,667	35,477	34,707
Tax liabilities	3,485	0	4,000
Other short-term liabilities	10,698	8,935	10,766
Other liabilities, IFRS 16	9,762	-	-
Accrued expenses and deferred income	144,192	105,625	120,682
Current liabilities	223,803	201,459	216,578
Liabilities	560,097	504,822	522,073
TOTAL EQUITY AND LIABILITIES	652,148	572,267	586,047

THE GROUP'S CHANGES IN SHAREHOLDERS' EQUITY IN SUMMARY

TSEK	Share capital	Other paid in capital	Reserves	Balanced result	Total Equity
Opening balance Equity 2019-01-01	6,642	58,929	3,664	-5,260	63,975
Net result for the period	-	-	-	20,731	20,731
Adjustment transition to IFRS 16	-	-	-18	-480	-498
Adjustment Japan 2013-2017	-	-	-	1,284	1,284
Other total result	-	-	6,559	-	6,559
Closing balance	6,642	58,929	10,205	16,275	92,051



THE GROUP'S CASH-FLOW STATEMENT IN SUMMARY

TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	FY 2018
Operating activities					
Operating income	13,934	20,862	57,341	53,666	61,792
Adjustment for non-cash items	4,173	3,567	15,614	10,085	17,616
Net finance and currency translation effect	-1,085	-1,472	-3,378	-3,698	-5,112
Tax paid	-8,507	-7,173	-18,189	-19,392	-18,077
Total	8,515	15,784	51,388	40,661	56,219
Decrease (+)/Increase (-) inventories	-3,229	3,365	-5,813	5,140	6,185
Decrease (+)/Increase (-) account receivables	6,283	12,931	7,816	7,743	1,231
Decrease (+)/Increase (-) current assets	-2,595	-4,663	-18,457	-23,543	-13,185
Decrease (-)/Increase (+) current liabilities*	12,585	2,863	13,926	6,853	19,630
Decrease (-)/Increase (+) account payables	-7,563	-8,762	3,405	112	-807
Cash-flow from operations	13,996	21,518	52,265	36,966	69,273
Investing activities					
Investments in tangible and intangible assets	-436	-322	-1,299	-853	-1,738
Investments in intangible assets	-4,000	-3,984	-12,281	-12,921	-14,271
Cash-flow from investing activities	-4,436	-4,306	-13,580	-13,774	-16,009
Financing activities					
New loans	-	-	-	-	-
Amortization of loan	-8,353	-17,831	-38,718	-28,431	-33,429
Cash-flow from financing activities	-8,353	-17,831	-38,718	-28,431	-33,429
Cash-flow for the period	1,207	-0,619	-0,034	-5,239	19,835
Opening cash balance	76,702	50,199	74,935	50,991	50,991
Exchange rate differences on financial items	2,895	-807	5,903	3,021	4,109
Closing cash balance	80,804	48,773	80,804	48,773	74,935

* In 2019 the check account with overdraft facility has been reclassified from operating capital to financing activities. The corresponding adjustment has been made in the comparison figures for 2018.

THE PARENT COMPANY'S INCOME STATEMENT IN SUMMARY

TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	FY 2018
Net sales	2,550	2,550	7,650	7,650	10,200
Other external costs	-608	-283	-1,086	-1,008	-1,006
Personnel expenses	-1,640	-1,753	-5,234	-5,219	-10,614
Depreciations on intangible and tangible assets	-2,063	-2,063	-6,190	-6,190	-8,254
Operating profit	-1,761	-1,549	-4,860	-4,767	-9,674
Other interest income and similar profit/loss items	0	0	0	0	0
Interest expenses and similar profit/loss items	-5,523	-5,268	-16,315	-15,856	-21,171
Result after financial items	-7,284	-6,817	-21,175	-20,623	-30,845
Group contribution	0	0	0	0	5,000
Tax on result for the period	0	0	0	0	-14
Net result for the period	-7,284	-6,817	-21,175	-20,623	-25,859

THE PARENT COMPANY'S BALANCE SHEET IN SUMMARY

TSEK	2019-09-30	2018-09-30	2018-12-31
Intangible assets	60,526	68,779	66,716
Tangible assets	0	0	0
Shares in group companies	429,000	429,000	429,000
Total financial fixed assets	489,526	497,779	495,716
Current tax receivables	382	492	479
Other receivables	0	44	44
Prepaid expenses and accrued income	5,352	68	546
Cash and bank	1,739	1,004	3,506
Total current assets	7,473	1,608	4,575
Total assets	496,999	499,387	500,291
Shareholders equity	6,642	6,642	6,642
Premium reserve	51,356	77,216	77,216
Profit/loss for the period	-21,175	-20,623	-25,859
Total Equity	36,823	63,235	57,999
Subordinated shareholder liabilities	251,464	232,837	237,302
Long-term liabilities shareholders	65,000	65,000	65,000
Total long-term liabilities	316,464	297,837	302,302
Interest bearing short-term liabilities	15,000	35,000	30,000
Accounts payable	154	80	55
Liabilities group companies	126,016	99,599	102,440
Other current liabilities	94	156	119
Accrued expenses and prepaid income	2,448	3,480	7,376
Total current liabilities	143,712	138,315	139,990
Total Equity and Liabilities	496,999	499,387	500,291

ACCOUNTING PRINCIPLES

QleanAir applies International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The parent company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and RFR2 Accounting for legal entities, issued by the Swedish Financial Reporting Board.

The accounting policies applied correspond to those of the previous financial year, as described in the Annual Report of 2018, with the addition of the application of the new IFRS standard for IFRS 16 Leases.

New standards, amendments and interpretations applied from January 1, 2019

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and has been implemented in 2019. QleanAir has chosen the modified retrospective approach as the method of initial application of the new reporting standard. This means that the cumulative effect of the implementation affects the accounts on initial application of the accounting policy. Comparative information is not adjusted. The implementation of IFRS 16 affects the comparison figures for 2019 with those of the previous year. When calculating the IFRS 16 value of rights of use and associated commitments, we have excluded leases with a lease term of less than 12 months and leases with a total value of less than SEK 50,000. In order to calculate the value of the right of use and lease liability, the incremental borrowing rate is based on the category of the lease, the term of the lease and the region. For more information about the accounting policies applied, see QleanAir annual report.

Segments

QleanAir has one segment which reflect the group's operations, financial management and management structure.

Financial instruments, currency exposure and risk management

Most transactions are expressed in EUR. Exposure to changes in foreign exchange rates is related to group sales and purchases from other countries. QleanAir uses forward exchange contracts to manage currency risk. Forward exchange contracts are mainly used to manage currency exposure not expected to be netted against other currency transactions.

Basis of valuations applied in preparing financial statements

Assets and liabilities are recognized at historical cost with the exception of currency derivatives, which are measured at fair value.

Assessments and estimates in financial statements

Preparation of the financial statements in compliance with IFRS requires the company's management to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual outcomes may deviate from such estimates and assessments. Assumptions are reviewed on a regular basis. Changes to estimates are recognized in the period when the change is made if the change affects only that period, or in the period when the change is made and future periods if the change affects both the current period and future periods.

Adjustments, rounded

Some of the financial information provided in this report has been rounded, which may affect totals in tables.

NOTES

Comparative figures

The comparative figures for IFRS 16 have been implemented as of January 1, 2019 and affect comparisons of our financial performance. IFRS 16 discounts the value of the right to future use of lease assets and this value is recognized as an asset on the balance sheet, with the corresponding leasing commitment as a liability. Recognized lease assets are written down over the term of the agreement and the liability is reduced through ongoing payments for the commitment. The effects of discounting have been recognized as an interest expense. The balance sheet, income statement and cash flow of QleanAir have been affected by IFRS 16 as described below:

Comparison with accounted leasing commitments in the Annual Report 2018-12-31, TSEK

Commitments operational leasing agreements note Leasing 2018-12-31	22,988
Discounted according to group margin interest rate liabilities 2.5-2.8%	-1,464
Adjustments for extension options and termination clause	9,604
Additional contract	891
Currency exchange rates	535
Adjustment for short-term agreements and agreements of lesser value	-368
Accounted leasing debt per 1 January 2019	32,186

TSEK	Incl. IFRS 16	IFRS 16 effekt	Excl. IFRS 16
Group consolidated balance sheet			
Fixed assets	419,129	-25,799	393,330
Long-term liabilities	333,276	-16,811	316,465
Current liabilities	223,803	-9,762	214,042

TSEK	Incl. IFRS 16	IFRS 16 effekt	Excl. IFRS 16
Total result			
Operating result before depreciations (EBITDA)	73,175	-7,927	65,248
Depreciations of tangible and intangible assets	-15,834	7,426	-8,408
Operating result (EBIT)	57,341	-501	56,840
Net financial items	-19,517	633	-18,884
Result before tax	37,824	132	37,956
Tax	-17,093	-29	-17,122
Net result	20,730	103	20,833

TSEK	Incl. IFRS 16	IFRS 16 effekt	Excl. IFRS 16
Cash Flow statement			
Adjustment for non-cash items	15,614	-7,426	8,188
Net financial items	-3,378	633	-2,745
Amortization of loan	-38,718	7,295	-31,423
Cash-flow from operations	52,265	-7,295	44,970

Distribution of net sales

QleanAir's main markets are Northern Europe in EMEA, Japan in APAC and USA in Americas. Geographically, Europe is presented together with the Middle East as EMEA, Japan as APAC and USA as the Americas. QleanAir solutions can be divided into three product categories: Cabin Solutions, Facility Solutions and Room Solutions with clean rooms and lounges. Net sales by geographic area and product group are presented on page 5.

Currency effect and organic growth

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	FY 2018
Net sales, TSEK	119,019	105,250	333,146	297,863	401,072
Growth Net Sales	13.1%	34.7%	11.8%	22.0%	19.3%
Currency exchange variances, TSEK	8,455	7,386	18,121	11,672	17,859
Currency exchange variances	8.0%	9.5%	6.1%	4.8%	5.3%
Organic Growth Net Sales, TSEK	5,314	19,721	17,162	43,043	47,027
Organic Growth Net Sales	5.0%	25.2%	5.8%	17.7%	14.0%

Goodwill

Goodwill refers to QleanAir Holding AB's acquisition of subsidiary company QleanAir Scandinavia, the operating company.

Alternative key performance indicators

The company applies ESMA's guidance for alternative key performance indicators. Alternative key performance indicators are financial measurements that cannot be directly discerned or derived from financial statements. These financial measurements are intended to help company management and investors to analyze the group's performance. Investors should view these alternative key performance indicators as a complement to the financial statements prepared in accordance with IFRS. As not all companies calculate financial key ratios in the same way. The key ratios are not always comparable with the same key ratio used by other companies.

Quarterly information

	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
	2019	2019	2019	2018
Order intake, TSEK	89,540	87,753	86,223	74,712
Sales, TSEK	119,018	108,997	105,151	103,209
Gross profit, TSEK	73,979	73,775	74,398	64,820
Gross-margin, %	62.2%	67.7%	70.8%	62.8%
Adjusted EBITDA, TSEK	26,384	27,677	26,214	29,252
Adjusted EBITDA-margin, %	22.2%	25.4%	24.9%	28.3%
Adjusted EBIT, TSEK	21,034	19,786	23,621	15,626
Adjusted EBIT-margin, %	17.7%	18.2%	22.5%	15.1%
Operating cash-flow, TSEK	13,997	20,247	18,002	32,306
Working capital, TSEK	-46,828	-46 952	-45 796	-47 626
Average Capital Employed, TSEK	420,108	420,799	412,648	410,749
Interest bearing liabilities excl. IFRS16, TSEK	253,679	259,029	269,026	260,560
Equity/Asset ratio, %	14.0%	13.4%	12.2%	11.6%
Net debt/Equity ratio, %	2.8	3.0	3.5	4.1
Adjusted return on Capital employed (ROCE), %	19.1%	19.2%	20.5%	17.8%

Key ratio	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. The ratio shows the company's profitability before fixed costs.
Gross-margin	Gross profit divided with Sales. The ratio is used to measure operational profitability before fixed costs.
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 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 items, such as costs for restructuring. 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 before 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 and short-term liabilities deducted. The ratio is used to measure the company's potential to meet the short-term capital requirement.
Average capital employed	Average equity and interest bearing liabilities for the period. The ratio is used to analyze 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 and divided with equity. The net debt/Equity ratio helps the company's investors understanding of the company's financial position.
Adjusted return on average capital employed	Adjusted EBITDA as percent 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.

ABOUT

QleanAir is a niche premium provider of clean indoor environment solutions. The company's business model is based on lease contracts for modular solutions with a full-service offer. QleanAir solutions are developed using filter technology that traps, filters and recycles indoor air. The company has approximately 8,100 installed units at more than 2,500 customers on the markets for EMEA, APAC and the Americas. For full year 2018, net sales amounted to SEKm 401 and operating margin was 15 percent. QleanAir head office is in Solna, Sweden, and the company had 94 employees at the end of September 2019.

BUSINESS IDEA

QleanAir provides modular solution for indoor air purification to protect people, products and processes.

VISION

QleanAir aims to be a world-class supplier of standalone solutions for air purification in indoor environments within the product categories the company chooses to operate in.

MISSION

QleanAir seeks to create healthy indoor environments that help protect and enhance the productivity of people, products and processes.

VALUES

For health and environment with quality and trust.

FINANCIAL GOALS**Growth**

In a mid-term perspective Qleanair aims to achieve average annual organic growth of approximately 10 percent.

Profitability

In a mid-term perspective QleanAir aims to achieve an EBIT-margin of 15-20 percent.

Dividend policy

QleanAir aims to pay a share dividend of 30-50 percent of annual net profit. The dividend proposal is to take QleanAir's long-term development potential into account.



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This is a translation of the Swedish original. In case of discrepancies between this English translation and the Swedish original, the latter shall prevail.

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of QleanAir Holding AB as of 30 September 2019 and the related statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards and the Annual Accounts Act in Sweden. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the entity as at September 30, 2019, and of its financial performance and its cash flows for the nine-month period then ended in accordance with International Financial Reporting Standards for the consolidated accounts and the Annual Accounts Act in Sweden for the parent company.

Stockholm the 1 of November 2019

Grant Thornton Sweden AB

Anders Meyer
Authorized Public Accountant