QleanAir

2021 Annual report

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Business description

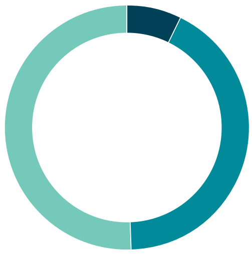
Growth in Air Cleaners and Cleanrooms. Strong profitability. We are increasing our installed base and the proportion of recurring revenue

The number of units installed continued to increase, amounting to 11,396 units at the end of 2021, an increase of 19% compared with the previous year.

High and increasing proportion of recurring revenue, MSEK 262, corresponded to 58% (52) of total revenue. Revenue decreased from MSEK 493 to MSEK 451.

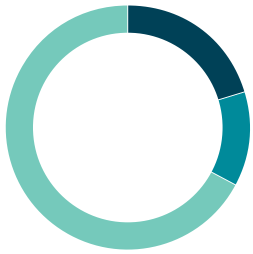
Operating profit decreased to MSEK 83.4 (95) and operating margin amounted to 18.5% (19.3).

The Group's operating cash flow amounted to MSEK 104.2 (72).



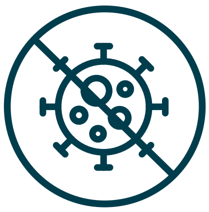
Americas	MSEK 33
APAC	MSEK 190
EMEA	MSEK 227

Net sales by geography 2021
Total: MSEK 451



Air Cleaners	MSEK 93
Cleanrooms	MSEK 56
Cabin Solutions	MSEK 302

Net sales per product category 2021
Total: MSEK 451



Increased demand due to COVID-19
The COVID-19 pandemic contributed to increased demand for air cleaning in the area of Air Cleaners and further development of new customer segments for QleanAir.

More major deals
In 2021, we saw a development towards more major deals compared with previously, especially in Germany within Air Cleaners and in Sweden within Cleanrooms.

More balanced product mix
Cabin Solutions now accounts for 67% (80%), Air Cleaners accounts for 21% (9%) and Cleanrooms accounts for 12% (11%) of the product mix.

The year in numbers

450

Net sales, MSEK
2020: 493

-3.1%

Net sales change in %
(currency adjusted)

11,396

Installed units
2020: 9,551

262

Recurring revenue MSEK
2020: 259

+1%

The increase in recurring revenue

-3.2%

Order intake change %

356

Order intake, MSEK
2020: 368

18.5

Operating margin %
2020: 19.3

83.4

Operating profit, MSEK
2019: 95.0

59.3

Net profit, MSEK
2020: 67.0

3.99

Earnings per share
2020: 4.51

104

Operating cash flow, MSEK
2020: 72

32

Equity ratio %
2020: 27

Message from the CEO

Christina Lindstedt
CEO QleanAir

2021 was the year when our sales of Air Cleaners increased by 102%. In 2021, the product category represented 21% of total sales. Our second growth area, Cleanrooms, saw positive developments in Sweden, but the American part of the business remained a challenge and was negatively impacted by the pandemic. Combined, the two product categories represented 33% of our total sales, compared to 20% in 2020, which is in line with the company's strategy to increase the growth rate within our new product categories.

2021 was a year when awareness of the importance of clean indoor air increased dramatically, which contributed to an increased demand for air cleaners during the year. We expect this increased awareness to continue and to also have a continued positive impact on demand in future.

The COVID-19 pandemic also continued to negatively impact QleanAir in 2021, with markets being shut down at times and somewhat longer decision-making processes than normal for our customers. It was also a year of great turbulence in our supply chains, with component shortages and higher prices for raw materials and transport.

Our total sales amounted to MSEK 450.6, which meant a currency-adjusted organic growth of -3.1%. In addition to business being affected by the pandemic in 2021, 2020 is a challenging year to use for comparison, as we had an exceptionally strong 2020 in Japan, partly driven by legislation.

Innovation and product launches

We continued to launch new products, especially in Air Cleaners. At the beginning of 2021, we introduced QleanAir FS 30, an air cleaner developed in collaboration with Karolinska University Hospital, which we sold in larger quantities to schools in Germany, to office environments in Japan and Europe and to healthcare services in several European countries. FS 30 is equipped with HEPA 14 filters and captures particles as small as viruses. The unit is adapted to critical environments with a need for high air cleaning capacity and low noise levels. In 2021, we have made more major deals in terms of value, both in Air Cleaners and Cleanrooms, than in previous years, and this is a development we expect to continue in the future. Overall, we have a stronger product range than ever, with more customized solutions forming the basis for our growth journey in Air Cleaners.

Strong year in Japan and Germany

QleanAir has been present in Germany since 2003 and is currently one of our most successful sales teams. 2021 was a record year for our operations in Germany, which continue to make a strong contribution to our growth in Air Cleaners. This is partly because QleanAir has been among the brands that delivered clean air to schools in Germany, and partly because we increased our deliveries of air cleaners to office environments and customer segments in production, warehousing and logistics, aided by our strengthened product range.

Japan is our single largest market, with a very successful local sales team. Japan accounted for 42.2% of our sales in 2021. In addition to our successful business with Cabin Solutions, we also continue to build our installed base of Air Cleaners in Japan.

Growth of 19% in the installed base increased the volume of clean air

We take pride in the fact that, every quarter, we reach more and more people with clean air, with more customers and in more contexts. At the end of the year, our installed base of air cleaning solutions amounted to 11,396 units, which represented an increase of 19% compared with the previous year, while the amount of cleaned air increased by 26.7%.

Strong profitability and a continued high share of recurring revenue

We continue to deliver strong profitability in our business, with an EBIT margin of 18.5%. This is despite the impact of the pandemic on all markets during the year, as well as significant turbulence in the supply chains and increased material costs. We continue to have a high proportion of recurring revenue, 58% of our total revenue, which has given us good visibility in turbulent times. Our setup, collaborating with external partners for service and production, also continues to give us flexibility during a challenging year. In 2021, we met our financial target for profitability, but not for growth.

Outlook

QleanAir continues to focus on growth. Within air cleaners, we have established a strong position in Sweden and Germany. We continue to see good opportunities to grow our business in these countries, but also in other countries where QleanAir has an established customer base. We have a broader product portfolio than ever before, which is a key part of our growth strategy, and we will continue to invest in innovation and brand building. We are in an early stage of development for our business within Cleanrooms. We see good opportunities for growth in existing and new customer segments and geographic areas. We also continue to see good opportunities for growth in Japan, both within Cabin Solutions and Air Cleaners. The war in Ukraine and the precarious geopolitical and macroeconomic situation are affecting QleanAir. So are rising material and energy prices and risks of disruptions in supply chains. We actively monitor developments and take ongoing measures to limit the negative effects on the business. It is too early to say how this will affect QleanAir.

I would like to take this opportunity to thank the entire team at QleanAir for a fantastic job during a challenging 2021 and to also thank our customers and partners for a positive collaboration. Together, we are contributing to a healthier and safer society.

Solna April 20, 2022

Christina Lindstedt

Christina Lindstedt, CEO QleanAir

We are QleanAir

QleanAir's mission is to protect people from hazardous particles and gases and create a cleaner indoor environment. For more than 30 years, we have developed innovative air cleaning solutions that create healthy indoor environments for people, products and processes by controlling air quality.

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

7 million people die prematurely due to air pollution every year.[1]

Air pollution is the greatest environmental threat to human health. [1]

Indoor air is often up to 50 times more polluted than outdoor air. [2]

[1]World Health Organization (WHO)
[2] EU, ECA report no 23

With unique specialist expertise, high-quality products, market-leading service and a lifetime performance guarantee, we can offer efficient and customized solutions that deliver clean air over time. The product portfolio consists of turnkey cleanrooms (Cleanrooms), stand-alone air cleaners (Air Cleaners) and solutions for protection against passive smoking (Cabin Solutions). With the help of our products, our customers can ensure the air quality in their workplace, which is of great importance to employee health. In many companies, air quality is also critical for product shelf life and quality, as well as the efficiency of processes.

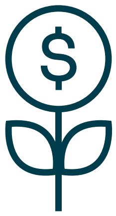
All our air cleaners use a mechanical filtration system and often have automatic flow control. Combined with service agreements, we can guarantee the solution's efficiency over time and provide a lifetime performance guarantee. We have solutions for most application areas and work closely with our customers to develop new solutions. Development and design of new products takes place at the corporate office in Sweden. Production takes place through partners, which gives us flexibility.

Since the beginning, our business concept has been based on a circular business model focusing on rental contracts, which was groundbreaking when we started the business. Customers are satisfied and renew or extend contracts in an average of 75% of cases. Products and parts are reused after service to minimize resource consumption.

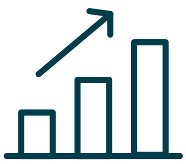
Our corporate office is in Solna and we have 108 employees and a network of marketing and service partners in over 30 countries on four continents. As of December 2021, we have installed 11,396 units at over 3,000 customers in over 30 countries worldwide, and we continue to grow. In December 2021, we cleaned 5.39 billion cubic meters of air per month within the entire Group. This corresponds to 12.38 Avicii Arenas per hour. Our strongest contribution to society is that we increase the amount of cleaned air year after year.

Objectives and strategy

QleanAir offers solutions that protect people, products and processes from air pollution in indoor environments. Our original product category Cabin Solutions, with solutions for protection against tobacco smoke, has been supplemented with freestanding Air Cleaners (formerly named Facility Solutions) and Cleanrooms (formerly named Room Solutions) for businesses that require a controlled environment. All product areas are based on the same type of air cleaning technology, which gives us the opportunity to expand the product portfolio and scale production in a cost-effective way.



Average annual organic sales growth of approximately 10%



15-20% EBIT margin

The basis of QleanAir's business is to deliver clean air as a service through our circular business model based on long rental contracts. QleanAir has a clear strategy for profitable and capital-efficient growth, and our strategic plan is focused on the following initiatives:

Development of the sales organization

QleanAir has strengthened its sales organization by recruiting salespeople with a primary focus on current key markets in Air Cleaners and Cleanrooms.

A large part of the sales process involves advisory services and proposing customized solutions for our customers to safeguard employee health, efficient processes and sustainable products.

Through this, we can use our strong customer base within Cabin Solutions for additional sales of other product categories. In 2021, physical customer meetings have increasingly been supplemented by digital meetings.

Launch of new solutions

Product development is a fundamental part of QleanAir's operations. We continuously introduce new products that solve relevant customer problems. The focus is on solving global problems with global solutions based on our patent-protected technology, developing new product categories and broadening the product range, primarily in Air Cleaners and Cleanrooms. This, together with the continued integration of new technologies in areas such as IoT, enables better data management, resource optimization and real-time monitoring that will create increased value for our customers.

Our strategy is to continue to launch new products for both existing and new customer segments and geographies.

Strategic resource allocation

We continuously optimize QleanAir's cost structure and facilitate the globalization of our business by locating production and assembly centers closer to our main markets. This also has a positive effect on our climate footprint. We are established in Europe, the US and Asia and will continue to further develop our strategic partnerships to reflect our growth strategy.

Future opportunities

QleanAir has identified several growth opportunities:

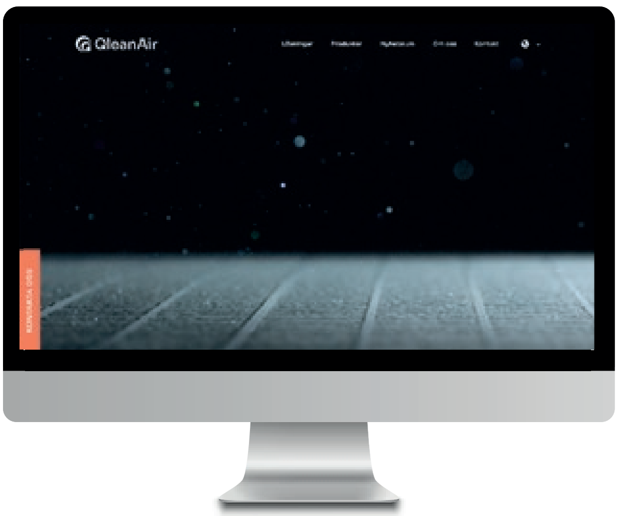
- Increase penetration for Air Cleaners in existing customer segments in production, warehousing, logistics and food.
- Continue to grow the new customer segments for Air Cleaners established during the pandemic, such as offices, schools and healthcare.
- Launch Cleanrooms in more countries in Europe.
- Launch new products and technologies, such as IoT.
- Launch QleanAir's solutions in more countries. The problems we solve for our customers are global, and so are our solutions.

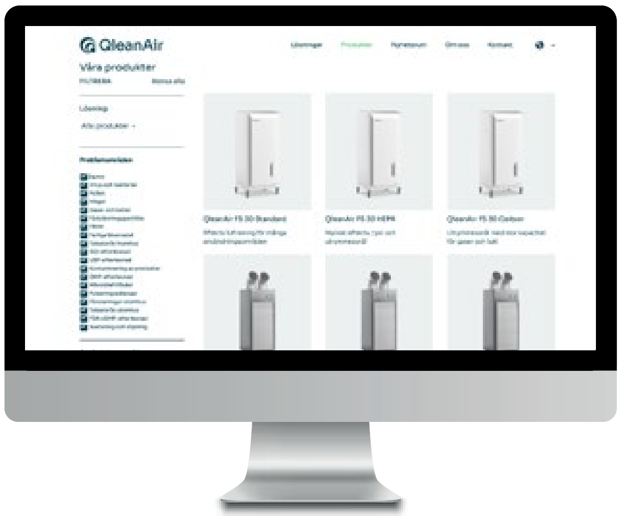
A revitalization of the brand is underway

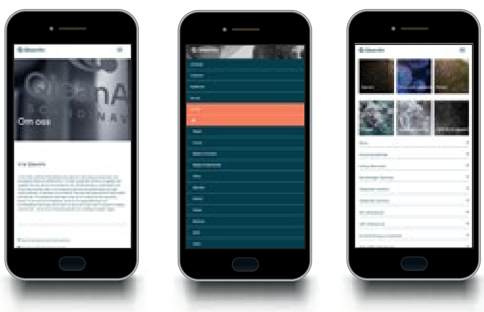
For over a year, we have been working on revitalizing our brand and our way of working with communication and marketing. We have modernized our visual identity and laid the foundation for brand work that will reflect what QleanAir stands for today and clarify our strong positioning.

The new brand platform is based on the motto "Keep QleanAir Clean". The QleanAir brand must be perceived as stylish and premium as our solutions for clean air. We want to promote our pride in our products, show our commitment to details and emphasize our technical heritage.

During the year, we have worked on a new website that was launched on February 1, 2022. We have created a large amount of sales support material in line with the new graphic profile. Our social media presence has increased, and we launched a major campaign on LinkedIn in 11 markets. We started newsrooms on the MyNewsDesk PR platform for the global market, USA, Sweden, Germany and France. We also attend local fairs and advertise in industry media.







Making a real difference through clean air

We know the difference that air quality can make to the overall health and effectiveness of people, products, and processes. We also understand the sense of security an individual gets when they know they are breathing clean air. Therefore, we work every day to understand the needs of our customers and deliver unparalleled air cleaning solutions that allow us to make a real difference.

The freedom of clean air

The freedom of clean air is the promise that we bring to our customers.

The freedom of clean air means peace of mind, knowing that people, products, and processes are in the best possible indoor environment. The freedom of clean air means that the process is hassle-free, and that we guarantee air quality over time. We tailor the solution to your needs. We do measurements and testing. We take care of installation, servicing, upgrades, compliance with regulations and futureproofing of our solutions. We deliver the freedom of clean air – so you can focus on what really matters.

Position

The specialized provider of premium clean air solutions.

Purpose

Making a real difference through clean air.

Promise

The freedom of clean air.

Financial targets and dividend policy

Growth

The Group's goal is to achieve an average annual organic sales growth of approximately 10% in the medium term.

Profitability

The Group's goal is to maintain an EBIT margin of 15–20% in the medium term.

Dividend policy

The goal is for 30–50% of the net profit for the year to be paid out in dividends. The dividend proposal must consider QleanAir's long-term development potential, financial position and investment needs.

	Goal		2021
	~10%	›	-3.1%
Organic revenue growth	**Net sales CAGR** Average annual organic sales growth of approximately 10%		**Net sales CAGR** In 2021, exchange rate fluctuations negatively affected net sales by MSEK 27.1
	15–20%	›	18.5%
Profitability	**EBIT margin** EBIT margin of 15-20%		**EBIT margin**
	30–50%	›	37.6%
Dividend policy	**Dividend percentage** 30-50% of net profit for the year to be paid out as dividends		**Dividend proposed by the Board** SEK 1.50 per share

Market overview

QleanAir is a niche supplier of premium solutions in air cleaning of indoor environments such as offices, industry and public spaces. Our solutions are used to protect people, processes and products from harmful particles and gases.

QleanAir operates in EMEA[1], APAC[2] and the Americas[3] with its corporate office in Solna, Sweden. Our main markets are Japan, Germany, the USA and Sweden, but we also operate in other European and Asian countries as well as several smaller export markets. In recent years, the importance of air quality in society has been emphasized by authorities around the world.

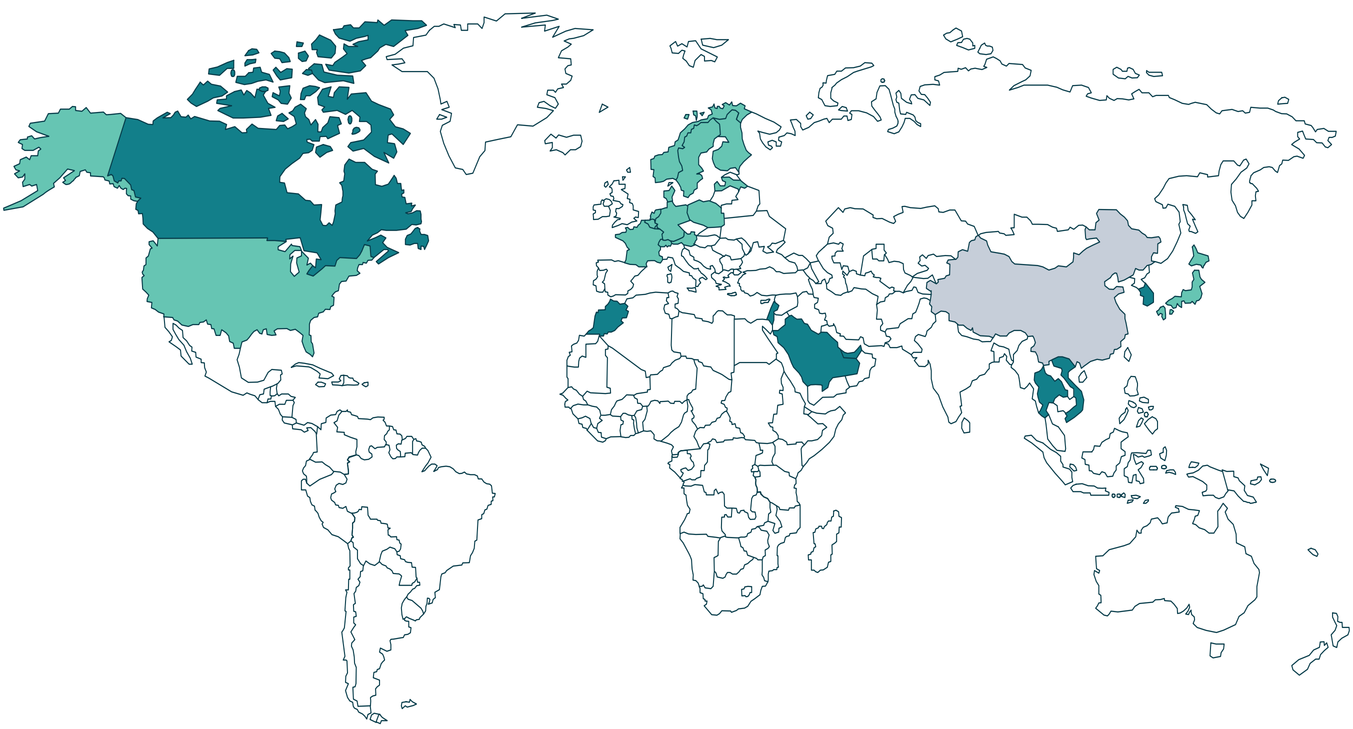
Driving forces

There are several main drivers that govern market development for air cleaning in indoor environments. The main driver is our customers' need to ensure employee health, product quality and process efficiency. There is also a need to increase the profitability of operations and an increased awareness of sustainability issues.

Awareness of the importance of clean air has increased, as has the focus on working environment issues. Air quality legislation and an increased demand for clean air as a service are other drivers. The pandemic has increased the awareness that the risk of airborne infection increases with poor ventilation and that air cleaning can reduce the spread of infection. Institutions such as the

QleanAir sales agents and/or marketing partners
Distribution collaboration with third parties
Pilot market

Business overview



CDC, ECDC and RKI and numerous published reports now recommend air cleaners as a tool against the spread of infection.

Tougher requirements and focus on working environment issues

In addition to the tougher legislation, companies are becoming increasingly aware of the importance of maintaining a high level of air quality in and in association with the workplace. As research has highlighted the importance of clean air in workplaces, companies are now inclined to pay for solutions to protect employees, processes and products against air pollution. The COVID-19 pandemic has increased the awareness of the health impact of air quality, which has created a debate about the importance of clean air in society in general, in public environments and in companies. This has contributed to an increased demand for air cleaning solutions in areas such as offices, schools and care environments. Not least in Germany, where many states have subsidized investments in air cleaning, which has resulted in strong growth in the air cleaning market.

Increased demands for sustainable products and processes

Society's focus on sustainable products and processes is growing. At the same time, organizations' primary focus is to keep costs down and have a profitable business. These things often go hand in hand. With clean indoor air, our customers can guarantee the quality and shelf life of their products. If the air is not filled with particles, the equipment requires less power to operate, works better and lasts longer, leading to less downtime and more efficient processes. Overall, this benefits the demand for our solutions.

Air quality legislation

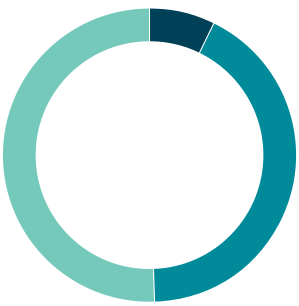
Exposure to air pollutants is the biggest environmental threat to humans and leads to 7 million premature deaths each year [4]. No country in the world meets WHO's air quality standards for outdoor air. And legislation is lacking for most indoor environments. In Germany, new standards for air cleaners have contributed to an increased focus on air cleaning capacity, turbulence in rooms, noise levels and safety for end users. WHO and other stakeholders are also working to develop stricter legislation in this area. Legislation within food and drug manufacturing, as well as drug preparation has a major impact on the demand for our products. Historically, a US standard for sterile working conditions in pharmaceutical formulation[5] has led to significant growth in the market for cleanrooms, which has contributed strongly to development in QleanAir's Cleanrooms product category. In 2018, the EU Non-Financial Reporting Directive entered into force, requiring companies with more than 500 employees to report their environmental impact, an area where air quality is included.[6] The introduction of Japan's Health Promotion Act in 2020 contributes to increased demand for cabin solutions that live up to the strict legislative requirements.

Increased demand for clean air delivered as a service

A growing number of customers are demanding clean air delivered as a service: a single undertaking in terms of air quality, usually through long rental contracts of air cleaning equipment. With complete solutions, customers do not have to worry about the air quality in the workplace but can instead focus on their main business. In addition, solutions that measure air quality in rooms are expected to increase as the issue is raised further. Clean air delivered as a service also means financial and functional flexibility to avoid large initial investment costs and increased flexibility in an ever-changing market climate[7].

Market by product category

QleanAir's different product categories have distinct end markets in different geographical regions, based on business climate as well as legal and cultural differences. Within each product category, QleanAir has several geographical focus markets: Germany, Japan and the Nordic countries in standalone air cleaners; USA and Sweden in cleanrooms; Japan, Germany and Austria in cabin solutions. To enhance the comparability of the company's installed base, QleanAir recalculates cleanrooms in its installed base as one unit per SEK 100,000 in order value. According to QleanAir's assessment, the market order value per cleanroom amounts to between SEK 500,000–2,500,000, which in our installed base corresponds to between 5 and 25 installed units, depending on the order value of the cleanroom.



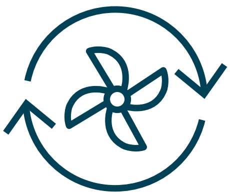
Americas	**MSEK 33**
APAC	**MSEK 190**
EMEA	**MSEK 227**

Net sales by geography 2021
Total: MSEK 451

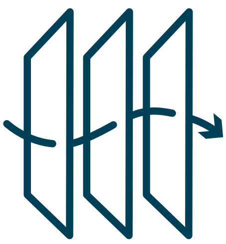
1. EMEA refers to Europe, the Middle East and Africa
2. APAC refers to Asia (excl. Middle East) and Oceania
3. Americas refers to North and South America
4. WHO
5. USP – USP Publishes New and Revised Compounding Standards, 2019
6. European Commission – Non-financial reporting - EU rules require large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

Technology, products and services

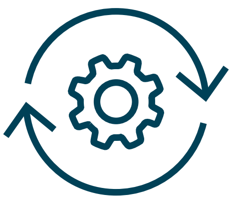
Most of our solutions use mechanical filtration in combination with automatic flow control. We deliver clean air as a service with a full service offer – which means that we can provide a lifetime performance guarantee.



Automatic flow control



Mechanical filtration



System efficiency

Service & maintenance

Mechanical filtration

Our solutions use mechanical filtration, a technology where particles are filtered through fine, fibrous fabric. There are different types of mechanical particle filters suitable for different purposes and classified depending on the degree of separation according to the standards ISO16890 or EN1822 for Europe. In mechanical filtration, two or more filter layers are usually used for safety reasons and to increase the system's capacity. The pre-filter is a coarser filter that traps large particles such as pollen and dust. Behind this is a finer filter that captures the smaller particles from, for example, combustion. The finer filters are usually EPA- or HEPA-classified according to standard EN1822, with a high guaranteed filtration efficiency that lasts over time. All HEPA filters are tested and certified individually to guarantee performance.

Automatic flow control

The efficiency of an air cleaner is a result of airflow and filter capacity. As the filter fills with particles, the air resistance increases and the airflow decreases. QleanAir solves this by the fan automatically compensating for the increased resistance by gradually accelerating to deliver a constant air-flow. When it is not possible to increase power further, it is time to change the filter. Regardless of whether the air cleaner has this function or not, it is important that there is a warning system for when the airflow becomes too low and it is time for filter replacement.

System efficiency – One Shot filtration philosophy

Another factor that determines the overall performance of the air cleaner is what we call system efficiency, or One-Shot filtration philosophy. In order for the filters to come into their own, a completely tight system and an airflow adapted to the filter are required, as the air takes the easiest path through the system. If there is a leak, the air cleaner contributes to the spread of untreated air, instead of the opposite. Our air cleaners have a third-party verified filtration performance equal to the filter, up to 99.995%, or more. According to our information, this is the best on the market.

Service and maintenance

All our solutions are delivered with a complete service scheme where everything is included, from needs analysis, solution proposals, installation, maintenance and upgrades to our unique Lifetime Performance Guarantee.

Guaranteed air quality over time

Our technology combined with our service scheme means that we can guarantee a constant air quality over time.

Design & innovation

We depend on being able to offer competitive technical solutions to maintain our market position. The markets within our different product categories differ considerably, which means that the competitive situation varies. As important as it is that we ensure that our products maintain a high standard and good quality, it is just as crucial that we are innovative and ensure that our products create healthy environments for our users. Innovation is an important part of our growth strategy, and we have always worked closely with our customers to understand their needs and develop customized solutions.

In 2021, we have worked to integrate the new German standard from VDI regarding air cleaners (Verein Deutscher Ingenieure) in our development work. We also started a feasibility study to investigate the possibility of recovering the activated carbon from used carbon filters. We work continuously to develop new solutions and to use new technology such as IoT. As part of our innovation work, we also focus on developing solutions that are easy to service and produce. We also work closely with our strategic suppliers to embrace the latest in various technology areas such as filter media and filtration technology.

In addition to product managers, we have our own product development department that works with continuous improvement of existing products and development of new ones. This allows us to maintain control over how the products are designed and produced, the materials used and what the composition of these should look like. We are aware that through our choice of materials we can reduce our negative environmental impact, which is something that has become increasingly important in the development process. The same applies to work with energy-efficient solutions and low noise levels.

We have developed a five-step process for product development that explains the typical workflow when a product goes from being an idea to its market launch. This is to ensure that we work with our product development in a structured way and that the customer can feel confident that our products are well thought out and worked through. Compliance issues are decentralized at QleanAir, as our product managers are responsible for identifying regulatory requirements and local customer needs during the product development process. In 2021, we invested in a digital tool to help us monitor the compliance status of our products.

Product concept	Evaluation	Design development	Launch plan	Market launch
01	02	03	04	05

Sustainability

Sustainable products

Attractive employer

Responsible value chain

Our entire business at QleanAir Scandinavia is focused on sustainability. Clean indoor air protects people, products and processes. Our business model is circular and we have located manufacturing facilities close to our main geographic markets. We work to be an attractive employer with a responsible value chain.

Products that create a more sustainable environment

Polluted air is one of the main environmental threats to human health, well-being and cognitive ability. Our solutions ensure a healthy and safe working environment in everything from the manufacturing industry to offices. Clean indoor air also ensures product quality and sustainability, irrespective of whether this relates to foodstuffs, technical components or medical equipment. Our solutions often lead to customers' equipment lasting longer, processes becoming more efficient and reduced heating costs. Our cabin solutions protect against passive smoking and disposes of a quarter of a billion cigarette ends every year, instead of them poisoning the environment.

Product quality

We constantly develop our products and engage in continuous dialogue with customers about their needs. We also discuss how we contribute to their health, sustainability and efficiency. We believe product quality means that our products have a long service life and have a positive impact on our customers' air quality for a long time. We evaluate the quality of our products by measuring service life, how effectively they clean the air and the number of customer complaints and errors.

Circular business model

QleanAir's circular business model is based on renting solutions with a full-service commitment and a lifetime performance guarantee. By restoring and reusing a large part of the material, we offer high-quality products while conserving resources and reducing our waste. On average, 80% of the material in a solution can be reused. Other materials are sorted and recycled. In 2021, we also launched a feasibility study into the possibility of recovering the activated carbon from used carbon filters.

Waste disposal

Our Cabin Solutions ensure responsible disposal of cigarette ends and ash. Two out of three cigarettes are thrown onto the ground, thus contaminating water and soil. Littering costs Swedish municipalities just over two billion kronor each year, where cigarette ends account for 62% of the waste in urban environments. In addition to thousands of harmful substances such as arsenic, lead and cadmium, cigarette ends also contain microplastic that remains in nature for hundreds of years.

Manufacturing and assembly close to end customers

As part of our sustainability strategy, we have chosen partners close to our main markets to reduce transport and environmental impact. We require our shipping agents to optimize their routes, choose environmentally friendly cars, prioritize ships or trains over road and air freight and they must be environmentally certified according to ISO 14001 or similar.

An attractive employer

It is important for QleanAir to be an attractive employer and to build long lasting personal relationships with employees and partners. We offer secure employment and cooperative agreements, a fair and equal working environment and promote continuous learning and self-development. This includes working with meaningful tasks such as creating healthy environments for customers and reducing our own impact on the climate and the environment.

Business ethics

It is important for us to conduct business in an ethical manner and this also applies to our subcontractors. Our code of conduct describes our expectations of ethical and sustainable behavior and attitudes. The code supports the UN International Rules on Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and applies to all suppliers and partners, who are required to sign it when concluding a contract. We review our Code of Conduct annually to ensure that it is complied with and to check whether it needs to be revised.

Responsible value chain

QleanAir operates a global business and the value chain depends on third-party suppliers for manufacturing, logistics as well as installation, service and maintenance. We place great responsibility and trust in our partners and suppliers to work continuously to minimize risks and misunderstandings. Among other things, we sign agreements with clear instructions on what to expect as a customer and what we require in relation to the environment, human rights and anti-corruption.

Sustainability report

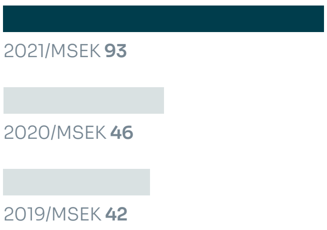
Since the stock exchange listing in 2019, we voluntarily publish an annual sustainability report.

Business areas

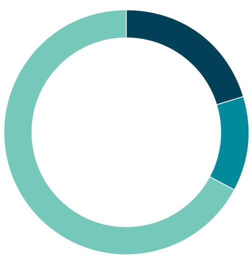
QleanAir's operations are divided into three product categories: Air Cleaners (formerly Facility Solutions), Cleanrooms (formerly Room Solutions) and Cabin Solutions. Below is a description of each area.

Air Cleaners

Air Cleaners include freestanding air cleaning solutions that remove airborne pollutants in various environments. This is particularly relevant in the manufacturing industry, warehousing and logistics, which are often exposed to dust and particulate pollution. But with the COVID-19 pandemic, this has spread to offices, schools and healthcare.



Net sales Air Cleaners



Air Cleaners	21%
Cleanrooms	12%
Cabin Solutions	67%

Net sales per product category 2021

In 2021, Air Cleaners (formerly Facility Solutions) accounted for approximately 21% of total net sales, compared with 9% the previous year. QleanAir works actively to increase sales of Air Cleaners through up-selling to existing customers, primarily in Cabin Solutions, but also by targeting specific industry segments. Due to the COVID-19 pandemic, QleanAir began selling Air Cleaners to new customer segments in 2020. Sales in this product category are mainly driven by the Nordic countries, Germany and Japan.

End markets

From a historical perspective we have primarily worked with three end markets for Air Cleaners: logistics, food and the manufacturing industry. In 2020, three new customer segments were added: healthcare, schools and offices. These had a continued strong growth in 2021, partly due to the COVID-19 pandemic.

Logistics centers and warehouses

The logistics market includes logistics, distribution and freight companies that conduct a large part of their operations in large facilities. Logistics operations tend to generate dust and other particles that are unhealthy for staff to inhale. Therefore, QleanAir has supplied these premises with freestanding solutions that clean the air. In addition to protecting staff, they also keep products and equipment clean.

The food industry

Companies that manufacture and distribute food products have stringent requirements for air quality and hygiene to ensure the shelf life and quality of food. QleanAir's freestanding solutions protect food from cross-contamination with ingredients and contaminants such as bacteria and mold. In addition, the often poor working environment is improved.

Manufacturing industry

QleanAir's air cleaning solutions improve the working environment, ensure product quality and extend equipment life. They also contribute to more efficient processes in manufacturing industries, such as the automotive industry and at subcontractors.

Healthcare

In the first quarter of 2021, we started delivering the new QleanAir FS 30 HEPA air cleaner, which was developed at the start of the pandemic in collaboration with Karolinska University Hospital. Karolinska is a pioneer in the field and works actively to disseminate the benefits of using mobile air cleaners.

Schools

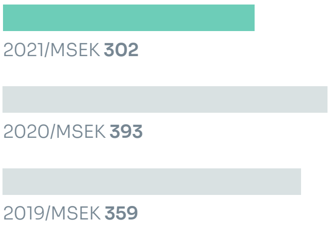
On school premises, students and teachers work closely together. HVAC system and ventilation options are often substandard, which impacts air quality. In 2021, QleanAir delivered many freestanding air cleaners to German schools. QleanAir's air cleaning solutions with HEPA 14 filters reduce the concentration of airborne particles and help create a better working environment, in addition to reducing the risk of an infection spreading.

Office

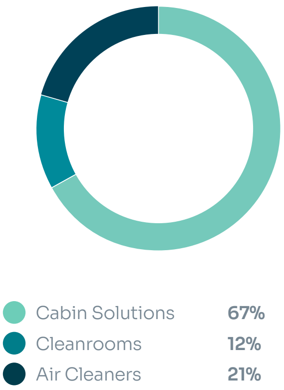
Creating healthy working environments is a strategic issue that is important part of getting people back to their workplaces. QleanAir already sells Cabin Solutions in the office market, but 2021 also saw a growing demand from office customers for the company's Air Cleaners.

Cabin Solutions

In Cabin Solutions, QleanAir offers smoking cabins that protect people from tobacco smoke and handles ash and cigarette ends in a clean, safe and odor free way. The primary purpose of the cabins is to reduce the exposure to passive smoking and thereby contribute to ensure a healthier working environment. Smoking is still widespread in many parts of the world and the demand for Cabin Solutions is expected to continue. This is also true in environments where it is not possible to go outside for safety reasons and workplaces with large distances.



Net sales Cabin Solutions



Net sales per product category 2021

Cabin Solutions is QleanAir's original product category, representing approximately 67% of total net revenue in 2021, compared to 80% in 2020. For Cabin Solutions, the largest sources of revenue are the Japanese and German markets, but there are also substantial sales in several other European countries. QleanAir's existing Cabin Solutions customer base has also been a good starting point for establishing the new product categories.

End markets

Solutions within Cabin Solutions can be divided into four primary end markets, consisting of Office, Industry and manufacturing, Public spaces and others.

Office

The office market in Japan is currently QleanAir's primary end market in Cabin Solutions due to their stringent legislative requirements banning outdoor smoking and high-efficiency requirements for indoor smoking stations. The cabins are mainly located close to workplaces and in common areas where they clean the air in the workplace, protect employees from passive smoking and ensure clean air in office environments.

Industry and manufacturing

The market in industry and manufacturing includes 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 installed indoors in industry and manufacturing facilities mainly lead to a healthier working environment and reduce work interruptions from smoking breaks, resulting in increased efficiency in the workplace.

High security facilities and institutions

In institutions and high-security facilities such as prisons, mental health facilities, government buildings and banks, going outside to smoke is impossible for security reasons. Instead of unhealthy smoking rooms, smoking cabins are installed to protect people from passive smoking.

Transport & airports

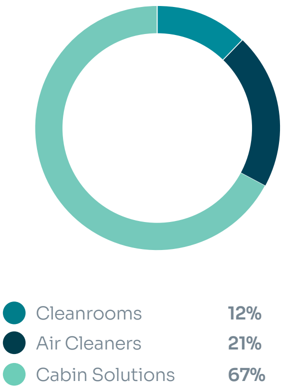
Public spaces such as airports and train stations etc. accounted for part of Cabin Solutions' installed base in 2021. Safe places to smoke are needed in these locations, as the buildings are often large in scale and restricted by security check-points. QleanAir is represented at Arlanda Airport, among others.

Hotels, casinos & restaurants

Hotels, casinos and restaurants account for part of QleanAir's installed base within Cabin Solutions. Smoking stations are installed to keep customers and employees on the premises and to avoid contaminating the entrances. QleanAir's solutions are available at casinos in Sweden and France, among others.

Cleanrooms

Net sales Cleanrooms



Net sales per product category 2021

Most of the solutions in Cleanrooms are modular cleanrooms, which are in high demand in businesses with a need for a strictly controlled environment. In Sweden, we mainly see a demand in the pharmaceutical industry, manufacturing industry, BioTech, MedTech, and Life Science. In the US, the enhanced requirements in pharmaceutical preparation drive most of our business in the market.

In 2021, Cleanrooms (formerly Room Solutions) accounted for approximately 12% of Qlean Air's total net sales, compared with 11% the previous year. Together with Air Cleaners, Cleanrooms were introduced with the aim of diversifying our portfolio of solutions. QleanAir works actively to increase sales in Cleanrooms by focusing on growth in the US, which is currently the largest market for the category. Sweden accounted for the largest growth in 2021 and QleanAir is also actively working to increase sales on this market.

End markets

Our solutions within Cleanrooms can be divided into the following end markets: hospital pharmacies, pharmaceutical preparation, BioTech, MedTech, Life Science and the manufacturing industry. Activities often subject to strict legal requirements regarding the number of particles allowed in the air (ISO 14644-1) and microbial growth (GMP).

Drug preparation

Hospital pharmacies and other organizations that carry out the preparation and storage of medicines must comply with existing laws and regulations for handling hazardous substances. These are in place to ensure the quality and sustainability of the medicines and to protect staff and patients. These customers are mainly found in the United States.

Pharmaceutical manufacturing

In facilities where research, development and production of medicines take place, air quality is an important factor for the safety, quality and sustainability of the products as well as for the health of employees.

BioTech, MedTech and Life Science

Organizations within BioTech, Life Science and MedTech need to be able to work in a strictly controlled environment to ensure the quality of their research results and products. At the time of writing, these end customers are only found on the Swedish market.

Manufacturing industry

Companies that manufacture sensitive equipment such as electronics and optics often need a cleanroom to meet the requirements for technical purity. At present, these customers are primarily located in Sweden.

Business model

QleanAir's business model is based on rental of freestanding solutions that improve air quality in different indoor environments. The scheme includes solutions such as installation, service, advisory, fault management and performance guarantee for 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 performance guarantee (so-called Rental with Performance Guarantee contract). The contracts usually run over a three-year period, after which the customer chooses whether to extend the current contract on an annual basis, or for another three years.

Financing and rental

If the contract is not sold to a financing company, our solutions are rented on a contractual basis where quarterly payments are received from the customer, which guarantees a steady annual revenue flow and a good overview of future revenue streams.

QleanAir's business is integrated throughout the value chain through the installation and management of units in customers' premises. Installation, service and maintenance are provided by local suppliers working in the name of QleanAir, according to prescribed instructions and methods.

The rental model entails benefits for both the customer and QleanAir. The customer leaves the work of cleaning the air in its premises to us and can instead focus on its core business. Through our solutions, we take full responsibility for delivering a constant air cleaning result over time. In addition, our solutions meet the requirements for a range of certifications that emphasize the products' good performance and safety.

To ensure a continued low capital formation and good cash flow in connection with delivering services to the customer, we intend to continue to sell a large part of the leases to external financing companies. In 2021, these represented approximately 26% of QleanAir's revenue. At the same time, the rental and service agreements we keep on our own books generate recurring revenue. In 2021, recurring revenue represented 58% of the company's total revenue.

Customer Case

Rügenwalder Mühle strengthens employee safety with HEPA air cleaners

About Rügenwalder Mühle

Legal name: Rügenwalder Mühle Carl Müller GmbH & Co. KG

Founded in 1834

820 employees

Corporate Office: Bad Zwischenahn

70 QleanAir FS 30 HEPA units

QleanAir Scandinavia supplied 70 FS 30 HEPA air cleaners to Rügenwalder Mühle during the COVID-19 pandemic. This guaranteed that the food manufacturer's high hygiene and safety standards for a safe working environment could continue to be met.

"Our employees really appreciate the extra protection."

Rügenwalder Mühle Carl Müller GmbH & Co. KG is one of the most well-known food producers in Germany and one of the largest employers in the region. The traditional family business has been around since 1834 and takes its responsibility for its employees very seriously. Due to the COVID-19 pandemic, they sought a way to reduce the aerosol load indoors, quickly settling on mobile air cleaners.

"Since the virus mainly spreads via aerosols, it quickly became clear to us that we had to make improvements in areas without HVAC. In practice, regular ventilation is not always possible, especially during the colder months," says Marc Lüers, Head of HSE Management at Rügenwalder Mühle.

Customizable solutions tipped the scales

Internal research narrowed down the choices of mobile air cleaners and suppliers, and QleanAir was automatically shortlisted due to the mechanical HEPA filters offered. QleanAir's proactive customer contact and customizable solutions that could be adapted to specific needs then proved to be the deciding factors.

For Rügenwalder Mühle, the right solution was QleanAir FS 30 HEPA, whose quiet but powerful operation is particularly suitable for offices and classrooms. A total of 70 QleanAir FS 30 HEPA units were quickly installed in all office areas that were not ventilated via the HVAC system.

Additional protection for employees

"Our employees really appreciate the extra protection. Purchasing such a large number of devices in a short time to ensure a safe working environment during a pandemic is not something we do often. Therefore, we do not hesitate in recommending QleanAir as a supplier of air cleaning solutions. Cooperation has been collaborative and professional from the start," states Mr. Lüers.

"We are very pleased that Rügenwalder Mühle believes in our solutions and is investing in additional employee protection. We generally find that our various solutions for air cleaning are playing an ever-increasing role in the food industry," says Christian Dittmayer, Head of Sales Region North at QleanAir Scandinavia.

Customer Case

Creating a better work environment while saving cost and space

Legal name
Mitsui Fudosan KK

Company
Real estate development and management in Japan and overseas.

Employees
Mitsui Fudosan KK: 1,678
Including group companies: 20,864

Number of units installed
Four QleanAir SF 4000 and SF 6000 units at Nihonbashi, six SF 4000 and SF Forum units at Ginza.

Japan's leading real estate group Mitsui Fudosan is deeply committed to their corporate social responsibility. By investing in QleanAir smoking cabin, they create a better working environment. A solution that has many benefits.

“Excellent at eliminating odors and minimizing costs. “

Mitsui Fudosan, Japan's leading real estate group, develops and manages office buildings, housing complexes, commercial and logistics facilities both in Japan and abroad. Previously, they had a smoking room in a part of the office, which led to problems with odors and cleanliness.

When the head office was being rebuilt, they decided to install a QleanAir smoking cabin after an introduction by an employee. They found it was excellent at eliminating odor leakage and it minimized costs compared to conventional smoke separation solutions. Furthermore, since the cabins are partially open, smokers can communicate with non-smokers. After seeing its successful implementation, Mitsui decided to introduce it at offices in Nihonbashi and Ginza.

At the Ginza office, more than 1, 600 people work at five group companies. An office cafe was set up to encourage communication between different companies and departments. Mitsui decided to set up two QleanAir cabins for eight people so that it could accommodate many people. As a result, smokers often can be seen in the cabins interacting with passers- by, and we feel that the cabin is successful in encouraging conversations.

In addition, Mitsui appreciate that the smoking cabins are space efficient and freestanding. They save space in smoking areas and can freely select the installation location to accommodate future layout changes and movement between floors. Also, Mitsui value the high-quality control by QleanAir's service technicians. Since there are so many benefits, they would like to continue to use this service in the future.

Customer Case

Colly Flowtech's new cleanroom creates new business opportunities

About Colly Flowtech

Colly Flowtech is represented in seven locations in Sweden and is part of listed Indutrade AB.

Indutrade AB consist of more than 200 companies in 30 countries that produce and/or sell industrial products.

Indutrade has a turnover of approximately SEK 19 billion per year and over 7,000 employees

Colly Flowtech's new business area Ultrapure has seen a huge demand for compact single-use products from customers in LifeScience, pharma and Biotech. Their new cleanroom from QleanAir has given the company a whole new flexibility, speed, and the opportunity to build prototypes.

"The next step for us will be to increase capacity in line with growing demand. The market is extremely unsaturated with products that are manufactured in cleanrooms."

Colly Flowtech is a complete supplier of pumps, hoses, filtration systems, and sensors to the Swedish industry, for example within food, chemical, paper and pulp. In recent years, they have also niched themselves with single use products towards LifeScience, pharma and BioTech through the business area Ultrapure.

These customers often work with the production of biological medicines under GMP regulations on microbial growth with high demands on hygiene. They need high-quality products at a set lead time. Common for all Colly Flowtech customers are high demands on hygiene, safety, and above all quality.

The parent company Indutrade has a large and modern cleanroom in the Netherlands where most of the products are manufactured. They do not have the possibility to handle smaller series with co-packaged products, fast deliveries, and prototype construction, which are increasingly in demand. Therefore, they decided to build their own cleanroom in Sweden.

"Thanks to this new cleanroom, we have a flexibility that not many competitors have in Sweden and above all that we did not have before," says Max Malm, sales manager for Colly Flowtech Ultrapure. During the corona pandemic, we noticed that the market required speed, flexibility, and the ability to innovate to develop a vaccine against COVID-19, where we have contributed."

Max Malm chose QleanAir because sales representative Lars Strandljung understood the business and its needs and presented a good solution:

"QleanAir build modularly, which gave us the opportunity to quickly and easily expand our cleanroom if needed, "says Max Malm. We have just done that. In addition, we were able to continue using the cleanroom during the expansion. QleanAir was also able to meet the tight schedule we had."

Colly Flowtech and QleanAir have worked closely together throughout the process of design, construction, validation, and classification of the cleanroom. QleanAir has also been involved in writing certain work instructions. In addition, QleanAir has supplied freestanding air cleaners that have been placed outside the cleanroom to further improve its performance.

"The next step for us will be to increase capacity in line with growing demand. The market is extremely unsaturated with products that are manufactured in cleanrooms," Max Malm concludes.

02 Directors' report

For more than 30 years, QleanAir Scandinavia has been developing innovative air cleaning solutions that control air quality in order to create healthy indoor environments for people, products and processes. With unique specialist expertise, high-quality products, market-leading service and a lifetime performance guarantee, we can offer efficient and customized solutions that deliver clean air over time. The product portfolio consists of turnkey cleanrooms, freestanding air cleaners and solutions for cleaning tobacco smoke and protection against passive smoking. QleanAir is a Swedish company with its corporate office in Solna (Stockholm). We are active in B2B in over 30 countries around the world and continue to grow.

The Board of Directors and the CEO of QleanAir AB, corporate identity number 556879-4548, hereby submit the annual and consolidated financial statements for 2021.

The nature and focus of the business

For more than 30 years, QleanAir Scandinavia has been developing innovative air cleaning solutions that, by controlling air quality, create healthy indoor environments for people, products and processes.

With unique specialist expertise, high-quality products, market-leading service and a lifetime performance guarantee, we can offer efficient and customized solutions that deliver clean air over time.

The product portfolio consists of turnkey cleaning rooms, independent air cleaners and solutions for cleaning tobacco smoke and protection against passive smoking.

QleanAir is a Swedish company with its corporate office in Solna (Stockholm). We are active in B2B in over 30 countries around the world and continue to grow.

Research and Development

QleanAir's research and development department maintains a close dialogue with customers to continuously identify development opportunities for Qlean Air's products and services. The strategic work consists partly of identifying new products and partly of improving existing products and product portfolios. In 2021, we have seen a strong increase in the demand for air cleaning as awareness of the importance of clean air has increased. At an early stage of the pandemic, we launched HEPA-14 variants of our existing products in Air Cleaners to meet the need to reduce virus levels with safer environments as a result.

Development 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 when a product goes from being an idea to its market launch. QleanAir strives to identify patentable technical solutions, products, product details and functions in its own products, and if possible, to patent these. During 2021, approximately MSEK 2.7 was capitalized as proprietary intangible non-current assets.

Significant events during the financial year

The Annual General Meeting was held on May 12, 2021. Among other things, a decision was made to appoint two new board members, Johan Ryrberg and Towe Ressman. A decision was made on a new incentive program. The maximum dilution is 88,604 shares. The pandemic has affected QleanAir's operations both positively and negatively. The pandemic has meant that it has been more difficult to implement our sales process, which is partly based on physical meetings and dependent on open markets, while at the same time we have greatly increased the number of digital meetings. Similarly, investment decisions by some of our customers have been longer than normal due to prevailing uncertainties. These factors have had a negative impact on our business. At the same time, QleanAir's operations have been positively affected by the sharp increase in awareness of the importance of clean air, and we expect this increase to continue over time. In 2021, QleanAir published several press releases regarding new orders. For more information, see the quarterly reports 2021 on our website www.qleanair.com.

Significant events after the end of the financial year

During the beginning of the year, COVID-19 continued to have a negative impact on new sales due to the increased spread of infection. In addition, deliveries from QleanAir's suppliers are negatively affected, with delays and price increases as a consequence. The war in Ukraine and the precarious geopolitical and macroeconomic situation are affecting QleanAir. So are rising material and energy prices and risks of disruptions in supply chains. The management and the Board actively monitor the development and take regular measures to limit the negative effects on the business.

Other significant events after the end of the financial year

- QleanAir renews contract with Porsche worth 2 MEUR within Cabin Solutions.

- QleanAir announces a major renewal order from the German school sector.

QleanAir has renamed two of its product categories. Air Cleaners used to be Facility Solutions. Cleanrooms used to be Room Solutions.

Ownership

QleanAir AB is listed on the Nasdaq First North Premier Growth Market. Information about shareholders can be found on pages 78 & 85.

Expected future development

We see an impact of COVID-19 on our business during the beginning of 2022. Deliveries from our suppliers are delayed and more expensive. We depend on open markets to be able to carry out our business in an optimal way and long periods of shutdowns have a negative impact. At the same time, we see that the increased awareness of the need for clean indoor air continues to lead to an increased demand for advanced air cleaning, which is something that benefits our business, in the short, medium and long term. We are now in an intensive phase of delivering our new solutions in Air Cleaners to our markets, and we expect both Air Cleaners and Cleanrooms to represent a growing share of our sales in the coming years.

We also see that demand from our traditional customer segments in industry, warehousing and logistics is positively affected by the increased demand for clean indoor air. We see that the new segments for Air Cleaners, offices and public places, will continue to have a positive impact, as will the geographical expansion where we launched Air Cleaners in Japan, among other places. At the same time, we are in a very turbulent macroeconomic and geopolitical situation, which also affects QleanAir. We actively monitor developments and take ongoing measures to limit the negative effects on the business. It is too early to say how this will impact QleanAir.

Financial goals

QleanAir has the following financial goals:

- Growth: the company's goal is to achieve an average annual organic sales growth of approximately 10% in the medium term.

- Profitability: the company's goal is to achieve an EBIT margin of 15-20% in the medium term.

- Dividend policy: the company's goal is for between 30–50% of the profit for the year to be paid out as dividends. The proposed dividend must consider the company's long-term development potential.

Significant risks and uncertainty factors

Legislation

QleanAir is subject to risks related to legislation regarding protection against passive smoking. QleanAir’s solutions are used, among other things, to protect people from passive smoking by capturing and filtering the particles and gases released during smoking. The jurisdictions in which QleanAir operates have different levels of legislation and regulations regarding protection against passive smoking, which means varying conditions for the company to market and sell its products in each market.

Suppliers

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 suppliers do not meet their commitments, this could have a negative impact on our business.

Regulations

QleanAir is subject to risks related to air quality regulations and standards. If QleanAir’s products no longer comply with the requirements of applicable regulations or standards, and QleanAir fails to adapt the products accordingly, or should rules and standards be further changed, there is a risk that the company’s operations would be adversely affected.

External financing

QleanAir relies on external financing companies to maintain a low capital tie-up. Failure of such collaborations could have a negative impact on the company’s operations and financial position. For risk related to financial instruments and risk management objectives and principles, see Note 25.

Guidelines for senior executives

In summary, the basic principle applies that remuneration and other terms of employment for senior executives shall be market-based and competitive to ensure that the group can attract and retain competent senior executives at reasonable costs for the company. For a further description of guidelines for remuneration to senior executives, see the company’s Note 17 Remuneration to employees, and the corporate governance report on page 78.

Corporate governance report

As a listed company on First North Premier Growth Market, the group is obliged to comply with the Swedish Corporate Governance Code. Accordingly, a Corporate Governance Report has been prepared, which is presented on page 78 of this document.

Sustainability

Environmental issues, social responsibility and working environment issues have been QleanAir's focus since its inception over 30 years ago. Our air cleaning solutions create a healthy and safe working environment, ensure product quality and sustainability and contribute to more efficient processes and increased productivity. QleanAir’s operating subsidiary, QleanAir Scandinavia AB, has been ISO-certified to quality standard ISO

9001 and environmental standard ISO 14001. QleanAir's circular business model is based on renting out modular units with a performance guarantee. The equipment can be recycled and reused. Large parts of the business are based on subcontractors who undertake to comply with QleanAir's Code of Conduct. The Code of Conduct is linked to the sustainability policy, the quality and environmental policy, the marketing policy and the working environment policy. Since 2015 the Group has quantified the amount of cleaned air per hour on an ongoing basis. The 2021 Sustainability Report will be made available on April 21, 2022, at www.qleanair.com.

Foreign operations

The QleanAir Group conducts foreign operations through subsidiaries in Japan, the US, Germany, the Netherlands and China. In addition, operations are conducted via branches or representative offices in Norway, Denmark, Finland, Germany, Belgium, Austria, France, Switzerland and Poland. Markets in, for example, the Middle East and South Korea are handled through distributors.

Financial overview of the Group

Sales for the full year amounted to MSEK 450.6 (493.0), a decrease of 9%. Currency-adjusted organic growth was -3%. For the full year 2021, EBIT amounted to MSEK 83.4 (95.0). For the full year, cash flows from current activities amounted to MSEK 104.2 (72.1). Cash excluding available overdraft facilities at the end of the period amounted to MSEK 69.7 (52.6). Net interest-bearing liabilities amounted to MSEK 153.2 (198.7) excluding rental liabilities, which are now reported as interest-bearing liabilities.

Parent company

The company owns and administers shares in subsidiaries and provides management and consulting services in connection therewith. Sales for the parent company for the full year January-December 2021 amounted to MSEK 10.2 (10.2). Profit for the period was MSEK 17.8 (13.4). The improved result compared to 2021 is attributable to group contributions received. QleanAir AB, with company registration number 556879-4548, is a Swedish limited liability company with its registered office in Solna, Sweden.

Multi-year comparison (for the Group)

		2021	2020	2019	2018
Net sales	TSEK	450,576	492,970	456,879	400,813
EBITDA	TSEK	112,437	123,749	79,756	72,898
EBIT	TSEK	83,397	95,038	32,073	61,793
Profit after financial items	TSEK	75,543	85,618	8,837	40,064
Balance sheet total	TSEK	610,813	585,161	602,950	586,048
Number of employees	(total)	108	106	96	87
Equity ratio	%	32%	27%	16%	52%
Order intake	TSEK	356,282	310,496	365,979	313,379
Allocation of profits (SEK)					
The following profit is at the disposal of the Annual General Meeting					
Retained earnings		81,208,656			
Result for the year		17,813,549			
		99,022,205			
The Board and the CEO propose that available profit of SEK 99,022,205 is allocated so that:					
A dividend of SEK 1.50 per share is paid to shareholders		22,288,800			
Carried forward		76,733,405			
		99,022,205			

With reference to the above and what has otherwise come to the board's attention, the board's assesses that the dividend is reasonable with reference to the company's and the group's financial position, scope and risks set for the amount of the company and group equity, as well as the company and group consolidation needs, liquidity and position in general.

Regarding the parent company's and the group's earnings and financial position, refer to the following income statement, balance sheet, cash flow statements and accompanying information. All amounts are in TSEK, unless otherwise stated.

03 Financial information

Consolidated income statement

TSEK	Note	2021	2020
Net sales	5	450,576	492,970
Other operating income	5	3,768	2,831
Total income		**454,345**	**495,801**
Operating expenses			
Merchandise		-132,533	-156,567
Other external expenses		-92,272	-92,012
Costs for remuneration to employees	17	-116,560	-119,614
Depreciation and impairment on tangible and intangible non-current assets	7, 8, 9	-29,039	-28,711
Other operating expenses		-542	-3,860
Operating profit		**83,397**	**95,038**
Interest expenses and similar profit/loss items	19	-9,122	-11,456
Interest income and similar profit/loss items	19	84	55
Other financial income and expenses	20	1,184	1,980
Profit before tax		**75,543**	**85,618**
Tax on profit for the year	21	-12,156	-11,815
Deferred tax	11, 21	-4,129	-6,798
Result for the year		**59,258**	**67,005**
Profit per share before dilution, SEK	16.4	3.99	4.51
Profit per share after dilution, SEK	16.4	3.93	4.44
Result for the year		59,258	67,005
Translation difference for the year relating to foreign subsidiaries	16	-2,469	-8,104
Profit for the year		**56,788**	**58,901**
Comprehensive income for the year attributable to:			
Parent company shareholders		56,788	58,901
Non-controlling interests		0	0
Net profit for the year		**56,788**	**58,901**

Consolidated balance sheet

Assets

TSEK	Note	12/31/2021	12/31/2020
Intangible assets			
Capitalized development costs	7	11,553	12,950
Goodwill	6	343,704	343,704
		355,257	356,654
Tangible non-current assets	8		
Right-of-use assets	9	11,671	15,662
Leased equipment		42,098	34,282
Equipment		6,884	7,284
		60,653	57,228
Financial assets			
Deferred tax assets	11	495	4,624
		495	4,624
Total non-current assets		416,405	418,506
Current assets			
Goods in stock, etc.	12		
Merchandise		43,964	27,069
		43,964	27,069
Current receivables			
Accounts receivable	10, 13	26,674	34,237
Current tax receivable		-	8,092
Other receivables		7,560	9,999
Prepaid expenses and accrued income	15	46,547	34,659
		80,781	86,987
Cash and cash equivalents	10, 14	69,662	52,600
Total current assets		194,408	166,655
Total assets		**610,813**	**585,161**

Equity and liabilities

TSEK	Note	12/31/2021	12/31/2020
Equity	16		
Share capital		7,430	7,430
Other paid-in capital		121,116	121,401
Reserves		-5,304	-2,835
Appropriated earnings		11,595	-36,093
Result for the year		59,258	67,005
Total equity		194,094	156,907
Non-current liabilities			
Liabilities to credit institutions	10	196,717	230,388
Non-current lease liabilities	9	5,328	6,643
		202,045	237,031
Current liabilities			
Liabilities to credit institutions	10	26,171	20,863
Overdraft facility	10	-	-
Current lease liabilities	9	6,788	9,705
Accounts payable	9	34,770	25,194
Tax liabilities		5,749	-
Other current liabilities		18,461	11,600
Contractual liabilities and other liabilities	18	122,734	123,862
		214,674	191,224
Total equity and liabilities		**610,813**	**585,161**

Consolidated statement of changes in equity

TSEK	Note	Share capital	Other paid-in capital	Reserves	Appropriated earnings	Total equity
2021	16					
Opening balance as of 01/01/2021		7,430	121,400	-2,835	30,912	156,907
Payment of warrants		–	-285	–	–	-285
Dividends		–			-19,317	-19,317
Result for the year		–	–	–	59,258	59,258
Other comprehensive income		–	–	-2,469	–	-2,469
Closing balance as of 12/31/2021		**7,430**	**121,116**	**-5,304**	**70,853**	**194,094**

TSEK	Note	Share capital	Other paid-in capital	Reserves	Appropriated earnings	Total equity
2020	16					
Opening balance as of 01/01/2020		7,430	121,140	5,269	-36,093	97,745
Payment of warrants		–	261	–	–	261
Result for the year		–	–	–	67,005	67,005
Other comprehensive income		–	–	-8,105	–	-8,105
Closing balance as of 12/31/2020		**7,430**	**121,401**	**-2,835**	**30,912**	**156,907**

Consolidated cash flow statement

TSEK	Note	2021	2020
Operating profit		83,397	95,038
Adjustments for non-cash items	22	22,248	16,626
		105,645	111,664
Income tax paid		1,588	-22,251
Interest received		84	55
Interest paid		-7,793	-10,127
Cash flow from operating activities before changes in working capital		**99,525**	**79,342**
Cash flow from changes in working capital			
Decrease (+)/increase (-) of goods in stock		-16,686	-4,032
Decrease (+)/increase (-) in trade receivables		8,932	-1,319
Decrease (+)/increase (-) in receivables		-9,068	6,699
Decrease (-)/increase (+) in current liabilities		12,900	5,855
Decrease (-)/increase (+) in accounts payable		8,550	-14,411
Cash flow from current operations		**104,153**	**72,133**
Investment activities			
Acquisition of tangible non-current assets	8	-25,592	-21,483
Acquisition of intangible non-current assets	7	-2,705	-4,875
Cash flow from investing activities		**-28,297**	**-26,357**
Financing activities			
Amortization of lease liabilities	9	-9,907	-10,335
Amortization of liabilities	10	-29,692	-37,111
Dividends paid		-19,317	-
Warrants paid-up/payable		-285	260
Cash flow from financing activities		**-59,200**	**-47,185**
Cash flow for the year		16,656	-1,409
Opening cash and cash equivalents		52,600	56,994
Net foreign exchange difference in cash and cash equivalents		406	-2,985
Closing cash and cash equivalents	14	**69,662**	**52,600**

Notes to the consolidated financial statements

1 The nature of the business

The QleanAir Group has a longstanding tradition of taking care of what is vital. For several decades, environmental problems, health and safety have been at the top of the QleanAir Group's priorities. For more than 30 years, QleanAir Scandinavia has worked to develop solutions that protect people from being exposed to passive smoking.

QleanAir Scandinavia has also taken the step into traditional air cleaning. QleanAirs's highly efficient freestanding air cleaners use mechanical filtration to improve the air quality for the benefit of people, products and processes..

In QleanAir Scandinavia's Cleanrooms, a controlled environment is created using individual fan filter units and airlocks. These are used for sensitive production within LifeScience, Pharma, MedTech etc.

2 General information and compliance with IFRS

QleanAir AB, the Group's parent company, is a limited liability company with its registered office in Stockholm. The corporate office is located 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 US. 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 Accounts 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 ending December 31, 2021, were approved for issuance by the Board of Directors on April 20, 2022 (see Note 28). According to Swedish regulations, changes to the financial statements are not permitted after approval.

The financial statements have been prepared on the assumption that the Group conducts its business in accordance with the going concern principle.

The consolidated report on profit and other comprehensive income, the report on financial position as well as the parent company's income statement and balance sheet will be subject to adoption by the Annual General Meeting on May 12, 2022.

3 Changes in accounting principles

3.1 Standards, amendments and interpretations concerning new standards

There are some changes in standards that have been approved for application from 2021. These have not been deemed to have any significant effect on the Group's financial reports.

As of the date of approval of these financial statements, certain new standards, amendments and interpretations of existing standards that have not yet entered into force have been published by the IASB. These have not been applied prematurely by the Group.

4 Overview of accounting principles

4.1 Overall considerations

The most important accounting principles that have been used in the preparation of the consolidated accounts are summarized below.

4.2 Basis for consolidation

In the consolidated financial statements, the parent company's and subsidiaries' operations from January 1, 2021, until December 31, 2021, have been consolidated. The consolidated financial statements have been prepared in accordance with the acquisition method and comprise the companies in which the parent company has a controlling influence directly or through subsidiaries. Controlling influence means that the parent company directly or through subsidiaries has influence over the company, has the right to a variable return and can exercise its influence over the company to influence the return. All subsidiaries have December 31 as their balance sheet date.

Intra-group transactions and balance sheet items are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. In cases where unrealized losses on intra-group sales of assets are reversed on consolidation, the impairment need for the underlying asset is also tested from a group perspective. Where necessary, amounts reported in the financial statements of subsidiaries have been adjusted to ensure compliance with the Group's accounting principles.

Profit and other comprehensive income for subsidiaries acquired or divested during the year are reported from the date the acquisition or divestment takes effect, as applicable.

4.3 Parent company

The Parent Company applies the Annual Accounts Act and RFR 2 Accounting for Legal Entities. This means that, to the extent possible, EU-approved IFRS rules and statements are applied within the framework of the Swedish Annual Accounts Act and Swedish taxation. For further description, see note 33 on page 71. All group contributions received or paid are reported as appropriations.

Shares in subsidiaries

Shares in subsidiaries are reported according to the acquisition value method. Acquisition-related costs for subsidiaries, which are expensed in the consolidated accounts, are included as part of the acquisition value of shares in subsidiaries. The book value of shares in subsidiaries is tested for possible impairment when there is an indication of an impairment need.

Leasing

In the Parent Company, all leasing agreements are reported as operational leasing agreements. The company expenses leasing payments on a straight-line basis over the leasing period. Associated costs, such as maintenance and insurance, are expensed when they arise.

Tax

In the parent company, untaxed reserves are recognized including deferred tax liability In the 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 quarterly.

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 recognizes identifiable acquired assets and assumed liabilities in business combinations regardless of whether they have been previously recognized 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 recognized 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 group companies' functional currency has 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 recognized in the currency translation reserve in equity.

4.6 Revenue recognition

Revenue recognition

IFRS 15, “Revenue from Contracts with Customers” is a principle-based model for reporting income from customer contact. It has a five-stage model whereby reporting of income occurs when control over products and services is transferred to the customer.

The following paragraphs describe different types of contracts, when performance commitments have been fulfilled and the timing of revenue recognition. They also describe the normal terms of payment attributable to different types of contracts as well as the effect on the balance sheet during the term of the contracts. Most of the Group’s revenue consists of the sale of goods to financial companies and the rental of goods including services. Sales of goods to financial companies occur in accordance with the rules of IFRS 16 regarding manufacturers or dealers who are lessors.

Sales of goods to finance companies

Revenue from the sale of goods to financial companies consist of rental agreements with end customers that QleanAir sells to external finance companies. The income is recognized when the rental agreement is transferred to the finance company, reduced by a service provision corresponding to the term of the agreement. The service provision is recognized as prepaid service income under agreement liabilities and other liabilities in the balance sheet and is then dissolved as the service is performed over the term of the agreement, typically three years. When selling goods with an underlying rental agreement to external finance companies, there is a clause in the rental agreements that the company has the right to withdraw the item at a negligible residual value at the end of the rental term. Consequently, the risk but not the control has been transferred to the customer at the time of sale. Revenue recognition is thus done in accordance with IFRS 16 p 71c, i.e., in accordance with the direct sales policy for which IFRS 15 is applied. Invoicing and payment of the entire value of the goods is made from the finance company on delivery to the end customer. Invoiced amounts typically have a 30-day payment time from the invoice date.

Rental of goods including service

For recurring services such as rental of equipment and service takes place over the agreement period and for service when services are performed, generally pro rata over time. Costs incurred when the services are performed are recognized as the cost of goods sold when they arise and for rental income the costs arise in the form of depreciation on leased equipment over its useful life.

Transaction prices under these contracts are invoiced over time, often on a quarterly basis in advance. Invoiced amounts typically have a 30-day payment time from the invoice date. Contractual liabilities or receivables may arise depending on whether the quarterly invoicing is made in advance or based on work performed and is then recognized as accrued income or contract liability.

Sale of goods

Sales of products and services that do not require the performance of significant installation and integration services are generally completed within a short period of time. These products and services are to be regarded as separate and distinct performance commitments. Revenue recognition for these products shall take place when control of the equipment is transferred to the customer at a specific time. This evaluation shall be considered from the customer's perspective considering indicators such as transfer of ownership and risks, customer acceptance, physical access and rights to issue invoices.

For product sales, control is normally deemed to be transferred when the equipment arrives at the customer's premises and for the service work when the service is carried out at the customer's premises. Contract terms may vary and therefore assessments are made to evaluate the indicators for the transfer of control for product sales.

Costs incurred in the delivery of products and services are recognized as the cost of goods sold when an attributable income recognition is made in the income statement. Costs incurred related to performance commitments that are not yet fully delivered are recognized as goods in stock. Transaction prices under these contracts are normally fixed and are usually invoiced upon delivery of the product and with service upon completion of the service. Invoiced amounts typically mean that payment must be made within 30 days from the invoice date.

Tailormade solutions

Cleanrooms (formerly Room Solutions) are always sold to the customer as a tailormade solution. This type of contract includes services such as design, installation, implementation, validation, classification and training, normally over a period of approx. 3-6 months. These products and services are collectively considered as a combined performance commitment. This type of contract is usually sold as a binding contract in which the purpose of the solution and the commitments of both parties are clearly defined for the duration of the contract. Tailormade solutions do not have any alternative use for the group as they cannot be sold to or used by other customers. Revenue recognition for combined performance commitments shall be made over time if the degree of completion can be measured and mandatory rights to payment exist for the duration of the contract. The degree of completion is estimated by reference to what has been delivered, such as achieved contractual milestones and customer acceptance. This method sets milestones for income over the duration of the contract and is considered relevant because it reflects the nature of the tailormade solution and how integration services are delivered in these projects. If the criteria are not met, the entire income shall be recognized upon completion of the tailormade solution when final customer acceptance is received from the customer. Costs incurred to deliver tailormade solutions are recognized as cost of goods sold when the related income milestones are recognized in the income statement. Costs incurred for future milestones are recognized as inventory and recoverability is regularly evaluated.

The transaction price under these contracts is normally fixed, divided into several payments based on the degree of completion or invoicing milestones defined in the contract. In some contracts, reporting of income may occur before the invoicing milestones if mandatory payment rights exist throughout the duration of the contract. This will then result in non-invoiced receivables in the balance sheet until invoicing milestones have been reached. Invoiced amounts normally have payment terms of 30 days from the invoice date. Contracts for customized solutions are primarily attributed to the cleanroom business.

Segment reporting

The determination of QleanAir's operating segments has considered the financial reporting reviewed by the company's highest decision-maker (CEO). Therefore, only one operating segment is reported.

Interest and dividends

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

Other operating income

As a result of the COVID-19 pandemic, the Group has received government aid in a market related to personnel costs (the subsidiary QleanAir Scandinavia Inc). The company recognizes this grant as other operating income in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Grants are recognized in the profit and loss account, when there is reasonable assurance that they will be received, and any conditions attached to them have been met.

4.7 Operating expenses

Operating expenses are reported in the income statement when the service is used, or on the day they occurred.

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 10).

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

Capitalized development costs

Capitalized development costs consist of proprietary products for air cleaning, patents and tests and associated salary expense.

Expenditure directly attributable to the development phase of a project is recognized as an intangible asset if it meets the following requirements:

- Development costs 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 potential to use or sell the product
- The product will generate probable future financial benefits

Development expenses that do not fulfill these criteria for capitalization are expensed as they arise.

Accounting in subsequent periods

All intangible assets, including capitalized development expenses, have a definable useful life. They are therefore reported at acquisition value, whereby capitalized expenses are amortized on a straight-line basis over the estimated useful life. Residual value and useful life are reassessed on each balance sheet date. In addition, an impairment test is performed as described in Note 4.13. The following periods of use are used:

- Customer contract: 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 intangible and tangible non-current assets".

4.11 Tangible non-current assets

The Group as a lessor

The Group's rental of inventory is classified as operational leasing and thus reported as revenue on a straight-line basis over the rental period. The book value of this inventory can be found in the item "Rented inventory" in the balance sheet.

When renting equipment, Qleanair has a repurchase agreement where Qleanair has the opportunity to repurchase the equipment at a negligible residual value at the end of the rental period. This applies to sales to finance companies. If a customer fails to make payments, QleanAir has the opportunity to take back the product, as QleanAir owns the product in a rental agreement. The risk when renting out equipment is therefore assessed as low.

Rented equipment

Rented inventory is initially reported at acquisition value, including expenses to obtain the asset and bring it into a condition to be used in accordance with the Group Management's intentions. Rented inventory is then valued at acquisition value less accumulated depreciation and impairment.

Depreciation of rented inventory is made on a straight-line basis based on the acquisition value with a useful life of 5 years.

On disposal of rented inventory, the compensation received is reported in the item "Net sales" and the book value of the leased inventory in the item "Merchandise".

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".

Right-of-use assets

Regarding right-of-use assets, the estimated useful life is determined with regard to the useful life of comparable owned assets or, if this is shorter, the leasing period. Assessment of significant residual values and useful lives is updated as necessary, but at least once a year. Depreciation of right-of-use assets is made on a straight-line basis over the estimated useful life.

4.12 The Group as lessee

At the beginning of the leasing agreement, the Group assesses whether the agreement is a leasing agreement or contains a leasing agreement. A lease is defined as "an agreement, or part of an agreement, that transfers the right of use of an asset (the underlying asset) for a certain period of time in exchange for payment". To apply this definition, the Group assesses whether the agreement meets the requirements of three criteria:

1. 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.
2. The Group is entitled to virtually all the financial benefits arising from the use of the identified asset throughout the lease period, considering the Group's rights within the defined scope of the agreement.
3. The Group has the right to control the use of the identified asset throughout the lease term. The Group assesses whether it holds the right to control "how and for what purpose" the asset is to be used throughout the lease term.

Valuation and recognition of leases as a lessee

At the beginning of the lease, the Group recognizes a right of use and a lease liability in the balance sheet. The right of use is valued at acquisition value, which includes the amount to which the lease liability is originally valued, any initial direct expenses incurred by the Group, an estimate of the Group's expenses for the dismantling and removal of the asset at the end of the lease period and any lease payments paid before the start of the lease (less any benefits received). The Group writes off the right of use on a straight-line basis from the beginning of the lease until the end of the useful life of the right of use or the end of the leasing agreement, whichever comes first. The Group also assesses a possible impairment requirement of the right of use when there is an indication of a decrease in value. At the beginning of the lease agreement, the Group values the lease liability at the present value of the lease fees not paid at that time. Leasing fees are discounted using the implied interest rate of the lease if this interest rate can be easily determined, or the Group's marginal borrowing rate is used. Leasing fees that are included in the valuation of the lease liability include fixed fees (including the substantive fixed fees), variable lease fees based on an index or price, amounts that are expected to be paid by the Group under residual value guarantees, and payments under options that the Group is reasonably confident will be exercised. After the start date, the liability is reduced by lease payments that are divided between amortization and interest. The liability is revalued to reflect any reassessment or change or if there are changes in the substantive fees. When the lease liability is revalued, a corresponding adjustment shall be made in respect of the right of use or in the income statement if the right of use has already been assigned zero value. The Group has chosen to recognize short-term leases and leases for which the underlying asset has a low value by taking advantage of the practical solution found in IFRS 16. Instead of reporting a right of use and a lease liability, lease fees relating to these leases are expensed on a straight-line basis over the lease period. Rights of use have been included in the balance sheet in the item Right-of-use assets, while the lease liability has been included in the items Non-current lease liabilities and Current lease liabilities.

Rights-of-use assets/Leasing

Most of the Group's right-of-use assets consist of lease contracts for premises. Leasing contracts are normally written for fixed periods of up to three to five years, but there may be opportunities for extension, as described below. The terms are negotiated separately for each agreement and contain many different contractual conditions. The leasing agreements do not contain any specific conditions or restrictions that would terminate the contracts if the terms were not met, but the leased assets may not be used as security for loans

The leasing agreements are reported as rights of use and with an equivalent liability on the date on which the leased asset is available for use by the Group. Each leasing payment is divided between amortization of the liability and the financial cost. The financial cost shall be distributed over the term of the lease so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognized in each period. The right of use is depreciated on a straight-line basis over the shorter of the asset's useful life and the duration of the leasing contract.

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

The lease liability has been calculated as discounted future commitments for existing contracts, mainly related to rental of premises. The terms used for the leases correspond to the actual, remaining terms of contracts. Leasing agreements that are shorter than 12 months are not included. Nor are leasing agreements included for assets of minor value (less than SEK 50,000). Payments for short-term contracts and leasing agreements of minor value are expensed on a straight-line basis in the income statement

Lease payments are discounted with the implicit interest rate in the agreement. If the interest rate cannot be easily determined, which is usually the case, the marginal loan interest rate is used. The marginal borrowing rate is determined based on the country, maturity and creditworthiness of each entity.

Assets with right of use are valued at acquisition value and include the following:

- The amount at which the leasing liability was initially valued
- Lease fees paid at or before the starting date, less any benefits received in connection with signing the leasing agreement
- Initial direct expenses
- Expenses to restore the asset to the condition prescribed in the terms of the lease

Extension and termination options

Some leasing agreements contain extension and termination options that the Group can exercise or not exercise, up to one year before the end of the non-cancellable leasing period. Whether it is reasonably certain that an option will be exercised is determined on the commencement date of the leasing agreement. Most commonly, the lease period corresponds to the agreed lease period without extensions. The Group reconsiders whether it is reasonably certain that an option will be exercised if there is an important event or significant change in circumstances within the Group's control. At the latest, the lease agreement is extended upon the expiration of the option.

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 essentially independent payments. The consequence is that the impairment needs of certain assets are tested individually, and some are tested at the cash-generating unit level. Goodwill is allocated to the cash-generating units that are expected to benefit from synergy effects in the attributable business combinations and represents the lowest level in the Group at which 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 need 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 loss is recognized 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. 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 reorganizations 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 losses on cash-generating units first reduce the book value of any goodwill that is allocated to the cash-generating unit. Any remaining impairment proportionally reduces the other assets in the cash-generating units. Except for goodwill, a new assessment of all assets is made for signs that a previous impairment is no longer justified. An impairment loss is reversed if the recoverable amount of the cash-generating unit exceeds the book value.

4.14 Financial instruments

Reporting and valuation at initial recognition

Financial assets and liabilities are reported when the Group becomes a party to the agreed terms of the financial instrument. Financial assets are removed from the balance sheet when the contractual rights 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 it is fulfilled, i.e., when it is fulfilled, canceled or expires.

Classification and valuation of financial assets at initial recognition

Other than trade receivables 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 appropriate).

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 through other comprehensive income

During the periods included in the financial report, the Group has no financial assets categorized as valued at fair value through profit or loss or at fair value through other comprehensive income.

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognized in profit or loss are classified in one of the items Financial costs, Financial income or Other financial items, except in the case of impairment of trade receivables, which are classified in the item Other expenses.

Subsequent valuation of financial assets, financial assets valued at accrued acquisition value

Financial assets are valued at accrued acquisition value if the assets meet the following conditions and are not reported at fair value through profit or loss:

- They are held within the framework of a business model the objective of which is to hold the financial assets and collect contractual cash flows, and
- The contractual terms for the financial assets give rise to cash flows that are only payments of capital sum and interest on the outstanding capital sum.

After initial recognition, these financial assets are valued at accrued acquisition value, using the effective interest method. Discounting is omitted if the effect of discounting is insignificant. The Group's cash and cash equivalents, accounts receivable and most other receivables belong to this category of financial instruments.

Impairment of financial assets

When reporting credit losses, the Group considers comprehensive information in the assessment. This includes previous events, current conditions and reasonable and substantiated forecasts that affect the expected possibility of obtaining future cash flows from the asset.

Reporting of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers more comprehensive 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, other receivables and contractual assets

The Group uses a simplified method for reporting accounts receivable and other receivables and contractual assets and recognizes expected credit losses for the remaining term. These credit losses are expected losses in contractual cash flows given the risk of non-payment at some point during the term of the financial instrument. In the calculation, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provisioning 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. After initial recognition, financial liabilities are valued at accrued acquisition value using the effective interest method, except for financial liabilities which are valued at fair value through profit or loss and which, after initial recognition, are valued at fair value with gains or losses reported in the income statement.

All interest-related fees and, where applicable, changes in the fair value of an instrument recognized in the income statement are included in the Financial costs or Financial income items.

4.15 Goods in stock

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

4.16 Income taxes

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

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

Deferred tax is calculated using the balance sheet method on temporary differences between the reported values of assets and liabilities and their tax values.

Deferred tax assets and liabilities are calculated without discounting according to the tax rates expected to apply to the accounting period in which they are exercised, if they have been 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 recognized 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 available 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 premiums received in connection with a new share issue. Any transaction costs associated with new issues of shares are deducted from the amount, considering 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 payments for the current and previous periods.

All transactions with the parent company's owners 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 several 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 recognized as an expense in the period in which the relevant service is performed.

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

When preparing financial reports, Group management makes a number of estimates, calculations and assumptions about reporting and valuation 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 revenue from customized solutions

Some of the Group's agreements with customers require significant assessments to be made to determine whether the control of the performance commitment is transferred to the customer over time or at a certain time in accordance with IFRS 15. This mainly applies to sales of customized solutions in the form of cleanrooms, corresponding to SEK 55,870,000 (2020: SEK 53,605,000) of Group revenues. These require assessments when determining actual preparation, estimated expenditure to complete the customized solution and follow-up against the forecast of final outcome.

Capitalization of proprietary products

The distribution between the research and development phases in new product development projects and the determination of whether the requirements for capitalization of development expenditure are met require assessments. After capitalization, management monitors whether the accounting requirements for development costs continue to be met and whether there are indications that the capitalized expenditure may be subject to a decline in value (see Note 4.10).

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 utilized. 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 Uncertainties regarding 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 need for impairment, Group management calculates the recoverable amount for each cash-generating unit based on expected future cash flows and uses an appropriate rate to be able to discount the cash flow. Uncertainties lie in assumptions about future growth, operating profit and the determination of an appropriate discount rate. In establishing the impairment test, the impact of COVID-19 on operations has been considered.

Income from tailormade solutions

Reported revenue amounts and associated receivables for tailormade solutions reflect management's best estimate of the outcome and degree of completion of each agreement. In the case of more complex contracts, there is uncertainty in assessing the costs of completion (see Note 4.6).

5 Net sales

The Group's revenues by geography are as follows:

Financial Year 2021	Sale of goods	Sales of goods to finance companies	Rental of goods inclu-ding service and other	Total
Income				
Europe/EMEA (domicile)	45,631	25,144	156,092	226,866
APAC	8,453	80,686	101,159	190,298
Americas	18,346	10,343	4,724	33,412
In total	**72,429**	**116,172**	**261,975**	**450,576**

Financial Year 2020	Sale of goods	Sales of goods to finance companies	Rental of goods inclu-ding service and other	Total
Income				
Europe/EMEA (domicile)	17,879	37,508	154,792	210,180
APAC	50,258	89,678	100,638	240,574
Americas	35,669	3,290	3,257	42,216
In total	**103,807**	**130,476**	**258,687**	**492,970**

The Group's revenues by product category are as follows

TSEK	full year 2021	full year 2020
Cabin Solutions	302,178	393,457
Air Cleaners	92,528	45,908
Cleanrooms	55,870	53,605
In total	**450,576**	**492,970**

Sales and installation of cleanrooms are included in Sales of goods in the tables above.

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. The full revenue refers to revenue from contracts with customers. As regards the sale of goods to financial companies, revenue recognition is done in accordance with the rules of IFRS 16 for manufacturer lessors, as the company formally retains control of the items after the sale. However, in practice, these rules imply that revenue recognition is done according to the same principle as when selling goods directly to the customer, in which case IFRS 15 applies.

Of the Group's total net sales for 2021 of TSEK 450,576 (TSEK 492,970), TSEK 334,404 (TSEK 362,494) are sales from agreements with customers recognized in accordance with IFRS 15, and TSEK 116,172 (TSEK 130,476) are sales to finance companies recognized in accordance with IFRS 16.

Information about major customers

No customer's sales amount to 10% or more of the Group's total revenues. Most sales consist of multi-year agreements with many customers.

Other operating income

Government contributions

Government support related to COVID-19 in the form of compensation for personnel costs amounts to SEK 3,768,000 in the consolidated income statement, reported as other operating income. There are no unfulfilled conditions or contingent liabilities.

6 Goodwill

Reported goodwill values are as follows:

	2021	2020
Acquisition value of acquired businesses	343,704	343,704
Closing balance December 31	343,704	343,704
Cumulative impairment	**0**	**0**

Impairment testing

The Group's goodwill of MSEK 343.7 (MSEK 343.7) has arisen through the acquisition of the subsidiary group QleanAir Scandinavia AB and the goodwill item consists in its entirety of the surplus value of the subsidiary group as a cash-generating unit. Goodwill is impairment tested annually.

Impairment testing consists of assessing whether the unit's recoverable amount is higher than the book value. The recoverable amount has been calculated based on the unit's value in use, which is the present value of the unit's expected future cash flows, without regard to any future business expansion and restructuring. The recoverable amounts were determined based on useful value calculations, which included a five-year forecast, followed by extrapolation of expected cash flows for the unit's useful life using the growth rates determined by Group management. The length of the useful life has been set as infinite.

Significant assumptions used for calculations of value in use are shown below:

- The cash flow forecast is made for the next five years based on the preliminary outcome in 2021. The annual growth volume for the first five years has been carefully assessed based on the companies' forecasts of constant growth of 0%. These calculations are based on conservative estimates of future cash flows before tax, based on financial forecasts approved by company management.
- Operating margins have been developed based on historical operating margins and are assumed in the forecast to be in line with the 2021 outcome of 18.5% (19.3).
- The weighted average growth rate for extrapolating cash flows beyond the forecast period has been estimated at 2% (2)
- The discount rate before tax used in the present value calculation of estimated future cash flows is 8.2% (8.4) for the cash-generating unit. The discount rate corresponds to QleanAir's estimated average cost of capital, i.e., the weighted sum of required return on equity and the cost of externally borrowed capital. The required return on equity is based on the assumption of a risk-free interest rate of 0.0% (0.0), a market risk premium of 7.0% (7.7), a company-specific premium of 3.5% (3.2) and a beta value of 1.0 (0.7). The beta value shows the relationship between the price of the QleanAir share and changes in a benchmark index. Support for the assumptions has been obtained from an external market and valuation report. With a discount factor of 8.2% (8.4), the value in use exceeds the book value by a significant amount. Thus, there is no need for impairment as of December 31, 2021.

Sensitivity analysis

QleanAir has also analyzed whether a negative adjustment of several percentage points to the assumptions made for the discount rate and operating profit would result in an impairment of goodwill.

If the estimated operating margin during the forecast period had been one percentage point lower than management's assessment, the total recoverable amount would have decreased by 7%. If the estimated growth rate for extrapolated cash flows beyond the budget period had been one percentage point lower than the basic assumption of 2%, the total recoverable amount would have decreased by 13%. If the estimated weighted cost of capital applied for discounted cash flows for the Group had been one percentage point higher than the basic assumption of 8.2%, the total recoverable amount would have decreased by 15%. None of the above negative adjustments leads to a need for impairment.

The estimated weighted cost of capital can be increased to 15.7% before there is a need for impairment of goodwill and to 13.6% before there is a need for impairment of the shares in QleanAir Scandinavia AB.

Thus, no reasonable change in important assumptions would mean that the book value of the cash-generating unit would exceed the recoverable amount. Group management is currently not aware of any other probable changes that would require changes in the most important estimates.

7 Intangible non-current assets

The Group's intangible non-current assets refer to other intangible non-current assets and capitalized development expenses (proprietary products, patents, tests and related salaries) and consist of the following:

	Proprietary products	Patents and tests	Total
Opening balance acquisition value 01/01/2021	29,123	5,211	34,334
Investments	2,705	–	2,705
Disposals	-73	–	-73
Cumulative acquisition value 12/31/2021	**31,756**	**5,211**	**36,967**
Opening depreciation 01/01/2021	-18,085	-3,299	-21,384
Depreciation	-3,508	-552	-4,059
Disposals	29	–	29
Closing cumulative depreciation	-21,564	-3,850	-25,414
Closing planned residual value 12/31/2021	**10,193**	**1,361**	**11,553**
Opening balance acquisition value 01/01/2020	18,693	4,637	23,330
Investments	4,300	574	4,875
Reclassifications	6,197	–	6,197
Disposals	-67	–	-67
Cumulative acquisition value 12/31/2020	**29,123**	**5,211**	**34,334**
Opening depreciation 01/01/2020	-14,684	-2,712	-17,396
Depreciation	-3,406	-587	-3,993
Disposals	6	–	6
Closing cumulative depreciation	-18,085	-3,299	-21,384
Closing planned residual value 12/31/2020	**11,039**	**1,912**	**12,951**

8 Tangible non-current assets

The book value of the Group's inventory is as follows:

Acquisition value, gross	Leased equipment	Equipment*	Total
Opening balance January 1, 2021	86,058	22,266	108,324
Reclassifications	185	-185	-
Purchases	22,884	2,908	25,792
Divestments	-32,158	-1,022	-33,180
Exchange rate differences	352	80	431
Closing balance December 31, 2021	**77,321**	**24,046**	**101,366**
Depreciation and impairment			
Opening balance January 1, 2021	-51,776	-14,982	-66,758
Divestments	29,732	415	30,147
Exchange rate differences	-362	-98	-460
Depreciation	-12,817	-2,496	-15,313
Closing balance December 31, 2021	**-35,223**	**-17,161**	**-52,384**
Book value December 31, 2021	**42,098**	**6,884**	**48,982**

Acquisition value, gross	Leased equipment	Equipment	Total
Opening balance January 1, 2020	111,445	19,625	131,070
Purchases	34,164	3,754	37,918
Divestments	-55,140	-242	-55,381
Exchange rate differences	-4,412	-872	-5,284
Closing balance December 31, 2020	**86,058**	**22,265**	**108,324**
Depreciation and impairment			
Opening balance January 1, 2020	-78,173	-13,086	-91,258
Divestments	36,156	229	36,384
Exchange rate differences	2,217	348	2,565
Depreciation	-11,976	-2,473	-14,449
Closing balance December 31, 2020	**-51,776**	**-14,982**	**-66,758**
Book value December 31, 2020	**34,282**	**7,283**	**41,566**

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

* Fixtures in rented premises were reported in a separate column in 2020. In 2021, it will be reported in the same column as equipment. The comparison year has been adjusted.

9 Right-of-use assets and leasing liabilities

Right-of-use assets:

Acquisition value, gross	Premises	Vehicle	Other	Total
Opening balance January 1, 2021	30,364	4,156	794	35,314
Purchases	4,354	1,354	-	5,708
Exchange rate differences	224	38	-6	257
Closing balance December 31, 2021	**34,942**	**5,548**	**788**	**41,278**
Depreciation and impairment				
Opening balance January 1, 2021	-16,756	-2,511	-384	-19,651
Exchange rate differences	-261	-29	2	-289
Depreciation	-8,318	-1,221	-127	-9,667
Closing balance December 31, 2021	**-25,336**	**-3,761**	**-510**	**-29,607**
Book value December 31, 2021	**9,606**	**1,787**	**278**	**11,671**

Right-of-use assets:

Acquisition value, gross	Premises	Vehicle	Other	Total
Opening balance January 1, 2020	29,880	2,277	240	32,397
Purchases	1,402	1,908	562	3,872
Exchange rate differences	-919	-28	-9	-956
Closing balance December 31, 2020	**30,364**	**4,156**	**794**	**35,314**
Depreciation and impairment				
Opening balance January 1, 2020	-8,459	-1,180	-125	-9,765
Exchange rate differences	414	-6	-26	381
Depreciation	-8,711	-1,325	-233	-10,268
Closing balance December 31, 2020	**-16,756**	**-2,511**	**-384**	**-19,651**
Book value December 31, 2020	**13,607**	**1,645**	**410**	**15,662**

9.1 Leasing agreement as lessee

Future minimum lease fees are as follows:

	Minimum lease fees 2021-12-31			
	Within 1 year	1-5 years	After 5 years	Total
Rent of premises	4,853	5,172	–	10,025
Cars	1,805	–	–	1,805
Other	129	156	–	285

The leases have a term of between 1 month and 24 months.

	Minimum lease fees 12/31/2020			
	Within 1 year	1-5 years	After 5 years	Total
Rent of premises	7,966	6,299	–	14,265
Cars	1,612	56	–	1,669
Other	127	287	–	414

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

9.2 Leasing agreements as lessor

The Group rents out equipment in accordance with operational leasing agreements.

	Minimum lease fees			
	Within 1 year	1-5 years	After 5 years	Total
12/31/2021	52,980	207,265	11,422	271,667
12/31/2020	55,781	207,495	9,535	272,811

For more information, see Notes 4.6 and 4.11.

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

Lease liabilities TSEK	12/31/2021	12/31/2020
Non-current	5,328	6,643
Current	6,788	9,705
Total	**12,116**	**16,348**

Future maturity structure of lease liabilities	12/31/2021	12/31/2020
Within a year	6,788	9,705
Later than one but within five years	5,328	6,643
Later than five years	–	–
Total	**12,116**	**16,348**

The following amounts are recognized in the income statement related to leasing agreements:

Amounts recognized in the consolidated income statement, TSEK	2021	2020
Depreciation of right-of-use assets		
- Premises	8,318	8,711
- Vehicles	1,221	1,325
- Other	127	233
Total depreciation	**9,667**	**10,268**
Interest expenses for lease liabilities	396	608
Costs attributable to short-term lease agreements	–	–
Total costs related to lease agreements	**10,063**	**10,876**

Amounts reported in the Group's consolidated cash flow statement.

The total cash flow from lease agreements during 2021 (2020) was SEK 10,303,000 (SEK 10,943,000). The above cash outflow includes amounts for leasing agreements that are reported as leasing liabilities, as well as amounts paid for variable leasing fees, short-term leases and low-value leases.

10 Financial assets and liabilities

10.1 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:

December 31, 2021	Accrued acquisition value	Fair value through profit or loss (FVTPL)	Derivatives for hedging purposes (FV)	In total
Other financial non-current assets				
Accounts receivable and other receivables	26,674	–	–	26,674
Cash and cash equivalents	69,662	–	–	69,662
Total assets	**96,335**	**0**	**0**	**96,335**

December 31, 2021		Fair value through profit or loss (FVTPL)	Other liabilities (accrued acquisition value)	In total
Financial liabilities				
Non-current borrowing		–	196,717	196,717
Current borrowing		–	26,171	26,171
Accounts payable and other liabilities		–	34,770	34,770
Total liabilities		**0**	**257,658**	**257,658**

December 31, 2020	Accrued acquisition value	Fair value through profit or loss (FVTPL)	Derivatives for hedging purposes (FV)	In total
Financial assets				
Accounts receivable and other receivables	34,237	–	–	34,237
Cash and cash equivalents	52,600	–	–	52,600
Total assets	**86,836**	**0**	**0**	**86,836**

December 31, 2020	Fair value through profit or loss (FVTPL)	Other liabilities (accrued acquisition value)	In total
Financial liabilities			
Non-current borrowing	–	230,388	230,388
Current borrowing	–	20,863	20,863
Accounts payable and other liabilities	–	25,194	25,194
Total liabilities	**0**	**276,444**	**276,444**

The methods used to calculate the fair value of financial assets and liabilities are described in Note 9. A description of the Group's risk regarding financial instruments, including risk management objectives and principles, can be found in Note 25.

10.2 Borrowing

Borrowings includes the following financial liabilities, valued at accrued acquisition value:

		Current		Non-current
SEK	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Overdraft	–	–	–	–
Bank loan	26,171	20,863	199,375	234,375
Accrued borrowing costs	–	–	-2,658	-3,987
Total book value	**26,171**	**20,863**	**196,717**	**230,388**

Borrowing at accrued acquisition value:

As security for bank loans, the parent company has provided shares in QleanAir Scandinavia AB. As security for the overdraft facility, MSEK 60, unutilized at the time of submission of the annual report, corporate mortgages of MSEK 60 have been provided in QleanAir Scandinavia AB. Bank borrowings have been made at variable interest rates, which averaged 4.0% in 2021.

10.3 Changes in liabilities arising from financing activities

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

		Impacting cash flow	Non-cash items			
	2020	Amortization	New leasing contracts	Exchange rate fluctuations	Accrued borrowing costs	2021
Liabilities to credit institutions	251,251	-29,692			1,329	222,888
Lease liabilities	16,348	-9,907	5,708	-33		12,116
Total liabilities from financial activities	**267,599**	**-39,599**	**5,708**	**-33**	**1,329**	**235,004**

		Impacting cash flow	Non-cash items			
	2019	Amortization	New leasing contracts	Exchange rate fluctuations	Accrued borrowing costs	2020
Liabilities to credit institutions	287,033	-37,111			1,329	251,251
Lease liabilities	23,404	-10,335	3,872	-593		16,348
Total liabilities from financial activities	**310,437**	**-47,446**	**3,872**	**-593**	**1,329**	**267,599**

11 Provision for taxes

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

Deferred tax assets:	2021	2020
Deferred tax assets on temporary differences	3,915	9,410
	3,915	**9,410**
Setoffs	-3,420	-4,786
Reported deferred tax assets	**495**	**4,624**
Deferred tax liabilities:		
Deferred tax liabilities on temporary differences	3,420	4,786
	3,420	**4,786**
Setoffs	-3,420	-4,786
Reported deferred tax liabilities	**0**	**0**

Deferred tax assets and liabilities are reported net in cases where they relate to the same tax authority and can be offset.

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

	2021			2020		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Tangible non-current assets	3,915	-	3,915	9,410	-	9,410
Untaxed reserves	-	3,420	-3,420	-	4,786	-4,786
Net tax assets and liabilities	**3,915**	**3,420**	**495**	**9,410**	**4,786**	**4,624**

The change in respect of deferred taxes is as follows:

Group 2021	Non-current assets	Untaxed reserves	Total
As of December 31, 2020	9,410	-4,786	4,624
Through comprehensive income	-	-	0
Through income statement	-5,495	1,366	-4,129
As of December 31, 2021	**3,915**	**-3,420**	**495**
Group 2020			
As of December 31, 2019	16,912	-5,485	11,427
Through comprehensive income	-5	-	-5
Through income statement	-7,497	699	-6,798
As of December 31, 2020	**9,410**	**-4,786**	**4,624**

12 Goods in stock

Goods in stock are valued at the lower of acquisition value and net realizable value. Acquisition value includes all expenses that are directly attributable to the products. Costs for usually interchangeable items are allocated according to the first-in, first-out principle. The net realizable value is the estimated sales price in the current operations, less any applicable sales costs.

Goods in stock

	12/31/2021	12/31/2020
EMEA	22,518	6,806
Americas	3,670	2,424
APAC	17,776	17,838
Total	**43,964**	**27,069**

In 2021, costs attributable to goods in stock totaled 43,964 (27,069) in the result. Among other things, the increase is attributable to components for cleanroom projects.

13 Non-current receivables and Accounts receivable

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

	12/31/2021	12/31/2020
Accounts receivable, gross	26,674	34,237
Total	**26,674**	**34,237**

The book value of accounts receivable is considered a reasonable approximation of fair value.

All the Group's accounts receivable have been examined for signs of impairment. There is no need for impairment.

An analysis of non-impaired accounts receivable that have fallen due can be found in Note 25.1.

14 Cash and cash equivalents

Cash and cash equivalents include the following:

Cash and cash equivalents at a bank:	12/31/2021	12/31/2020
- SEK	20,672	8,271
- CHF	1,994	1,139
- DKK	803	1,692
- EUR	16,418	11,753
- JPY	26,094	27,260
- NOK	628	293
- PLN	1,062	1,409
- USD	1,961	310
- CNY	29	473
Total	**69,662**	**52,600**

15 Prepaid expenses and accrued income

	12/31/2021	12/31/2020
Prepaid rent	17,015	1,262
Accrued income	7,142	14,559
Other items	22,391	18,838
Total	**46,547**	**34,659**

16 Equity

16.1 Share capital

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

Subscribed and paid shares

	12/31/2021	12/31/2020
Share capital	7,430	7,430
Total decided shares December 31	**7,430**	**7,430**

The Group has issued a total of 14,859,200 shares as of December 31, 2021. Each share has the same right to a dividend and repayment of invested capital and corresponds to one vote at QleanAir's Annual General Meeting.

Incentive program

Incentive programs 2020/2024

At QleanAir's Extraordinary General Meeting on June 26, 2020, it was decided to adopt an incentive program for the Group's senior executives and other key employees through the issue of warrants with the right to subscribe for new shares in the Parent Company ("Warrant Scheme 2020/2024").

The warrants have been transferred on market terms at a price (premium) determined based on an estimated market value of the warrants using the Black & Scholes valuation model, calculated by an independent valuation institute. Under the incentive program, the warrants are earned over time based on continued employment for a period of three years.

Upon full exercise of all 222,888 warrants, the parent company's share capital will increase by a maximum of SEK 111,444 divided into 222,888 shares, each with a quota value of SEK 0.5, corresponding to a dilution effect of a maximum of approximately 1.48% based on the share capital and the votes in the parent company at the time of the Annual General Meeting on June 26, 2020.

Each warrant entitles the holder to subscribe for one new share in the company at a subscription price corresponding to 130% of the volume-weighted average price paid for the company's share over a period of ten trading days immediately preceding the Extraordinary General Meeting. The warrants can be exercised for subscription of new shares from and including July 1, 2023, to and including January 31, 2024. There are no outstanding share-based incentive programs in the Parent Company in addition to the warrants described above.

Incentive programs 2021/2025

At QleanAir's Annual General Meeting on May 12, 2021, it was decided to adopt an incentive program for the Group's senior executives and other key employees through the issue of warrants entailing the right to subscribe for new shares in the Parent Company ("Warrant Scheme 2021/2025").

The warrants have been transferred on market terms at a price (premium) determined based on an estimated market value of the warrants using the Black & Scholes valuation model, calculated by an independent valuation institute. Under the incentive program, the warrants are earned over time based on continued employment for a period of three years.

Upon full exercise of all 88,604 warrants subscribed, the parent company's share capital will increase by a maximum of SEK 44,302 divided into 88,604 shares, each with a quota value of SEK 0.5, corresponding to a dilution effect of a maximum of approximately 0.60% based on the share capital and votes in the parent company at the time of the Annual General Meeting on May 12, 2021.

Each warrant entitles the holder to subscribe for one new share in the company at a subscription price corresponding to 130% of the volume-weighted average price paid for the company's share over a period of ten trading days immediately preceding the Annual General Meeting. The warrants can be exercised for subscription of new shares from and including July 1, 2024, to and including January 31, 2025. There are no outstanding share-based incentive programs in the Parent Company in addition to the warrants described above.

16.2 Other paid-in capital

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

16.3 Reserves

Refers to translation reserves and includes all exchange rate differences that occur when translating financial reports from companies that have prepared their financial reports in a currency other than the currency in which the Group's financial reports are presented.

16.4 Earnings per share and dividends

Earnings per share

Both basic and diluted profit for shares have been calculated using profits attributable to the shareholders in the parent company as numerators, i.e., no adjustments to profits needed to be made in 2021 or 2020.

Reconciliation of the weighted average number of shares used to calculate diluted earnings per share may be reconciled with the weighted average ordinary shares used in the calculation of profit per share before dilution as follows:

Number of shares in thousands	2021	2020
Weighted average number of shares used for calculating earnings per share before dilution	14,859,200	14,859,200
Weighted average of share-based compensation programs	222,888	130,018
Weighted average number of shares used in calculating earnings per share after dilution	**15,082,088**	**14,989,218**
Warrants that can be used to subscribe for new shares.	311,492	222,888

Dividends

In 2022, the Board proposes a dividend of SEK 1.50 per share (SEK 1.30). As QleanAir's dividends must be approved by the Annual General Meeting, no liabilities in this respect are reported in the Group's financial statements for 2021. Income tax is not expected to be affected at the corporate level for QleanAir because of this transaction.

17 Remuneration to employees, etc.

17.1 Costs for remuneration to employees

Costs that are reported for remuneration to employees are broken down as follows:

	2021		2020	
	Salaries and other remuneration	Social expenses (of which pension costs)	Salaries and other remuneration	Social expenses (of which pension costs)
Parent company	4,219	2,062	5,011	2,918
		(949)		(1,175)
Subsidiaries				
QA Scandinavia AB	29,966	13,053	21,793	9,776
		(3,700)		(2,466)
IFS BV	1,639	348	1,229	362
		(61)		(40)
QA Scandinavia KK	23,326	3,714	34,239	4,133
		(3,483)		(3,826)
QA Scandinavia GmbH	12,563	2,403	9,346	1,968
		(102)		(91)
QA Scandinavia Inc	11,317	1215	15,447	932
		(0)		(0)
QA Scandinavia China	–	–	–	–
		(0)		(0)
SFS Finance AB	–	–	–	–
		(0)		(0)
Total group	**83,030**	**22,795**	**87,065**	**20,089**
		(8,295)		**(7,598)**

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

	2021		2020	
	Board and CEO (of which bonuses on profits, etc.)	Other employees	Board and CEO (of which bonuses on profits, etc.)	Other employees
Parent company	3,080	2,006	3,308	1,703
	(0)		(0)	
Subsidiaries				
QA Scandinavia AB	–	29,966	–	21,793
	(0)		(0)	
IFS BV	–	1,639	–	1,229
	(0)		(0)	
QA Scandinavia KK	–	23,326	–	34,239
	(0)		(0)	
QA Scandinavia GmbH	–	12,563	–	9,346
	(0)		(0)	
QA Scandinavia Inc	–	11,317	–	15,447
	(0)		(0)	
QA Scandinavia China	–	–	–	–
	(0)		(0)	
SFS Finance AB	–	–	–	–
	(0)		(0)	
Total, Group	**3,080**	**80,817**	**3,308**	**83,757**
	(0)		**(0)**	

Costs that are reported for remuneration to employees are broken down as follows

	The group		Parent company	
	2021	2020	2021	2020
Salaries, Board and CEO	3,080	3,308	3,080	3,308
Salaries, other employees	80,817	83,757	2,006	1,703
Share-related remuneration	–	–	–	–
Pensions, defined contribution, Board and CEO	540	540	540	540
Pensions, defined contribution, other employees	7,755	7,058	409	635
Other social contributions	14,500	12,491	1,385	1,743
Total	**106,692**	**107,154**	**7,420**	**7,929**

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

	Basic salary/ remuneration to the board	Variable remuneration	Other benefits	Total
Bengt Engström, Chair of the Board	400	–	–	400
Johan Westman, board member	200	–	–	200
Johan Ryrberg, board member	133	–	–	133
Towe Ressman, board member	133	–	–	133
Christina Lindstedt, CEO	1,800	338	75	2,213
Henrik Resmark, CFO	1,469	184	70	1,723
Total	**4,135**	**522**	**145**	**4,802**

Other benefits consist of a car benefit.

The Group has entered into an agreement with the CEO, Christina Lindstedt, which means that upon termination, the company must observe a notice period of six (6) months and Christina Lindstedt a notice period of six (6) months.

In the event of termination by the company, Christina Lindstedt (in addition to the severance pay) is entitled to severance pay corresponding to six (6) times the fixed monthly salary upon termination of employment. The severance pay is paid monthly with one sixth at a time starting in the month after the termination of employment. From the severance pay must be deducted what Christina Lindstedt receives from other employment during the period during which the severance pay is paid.

17.2 Average number of employees

	2021		2020	
	Average number of employees	Of which men	Average number of employees	Of which men
Parent company	2	54%	3	75%
Subsidiaries				
QA Scandinavia AB	36	57%	33	61%
IFS BV	3	69%	3	67%
QA Scandinavia Japan KK	35	69%	35	68%
QA Scandinavia GmbH	16	82%	15	74%
QA Scandinavia Inc	16	70%	17	68%
QA China	0	0%	0	0%
Total for the Group	**108**	**67%**	**106**	**68%**

Guidelines for remuneration to senior executives

The total remuneration to senior executives may consist of fixed remuneration, variable remuneration, pension and other benefits. Variable remuneration shall be paid in cash and is based on outcome in relation to performance targets within the individual area of responsibility and shall be aligned with the interests of the shareholders. Variable remuneration shall correspond to a maximum of 75% of the fixed annual salary for the CEO and a maximum of 50% of the fixed annual salary for other senior executives. The Board decides on bonus programs annually. Senior executives shall, unless otherwise specifically agreed, be offered market pension terms in relation to the situation in the country in which the holders of the posts are permanent residents. As a rule, variable remuneration shall not be pensionable. Other benefits, such as company car, supplementary health insurance or occupational healthcare, shall be of limited value in relation to other remuneration and may be paid to the extent that this is deemed to be the market standard 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 not exceed twelve months with the right to severance pay after the end of the notice period, corresponding to a maximum of 100% of the fixed salary for a maximum of twelve months, i.e., fixed salary during the notice period and severance pay for the senior executives shall not exceed 24 fixed monthly salaries when combined. As a rule, any right to severance pay shall be reduced in situations where compensation during the relevant period is obtained from another employer. In the event of resignation by senior executives, the notice period shall normally be six months for the CEO and three to six months for other senior executives.

To the extent that board members elected by the AGM perform work that goes beyond the work of the Board, it shall be possible to remunerate them for such work. The remuneration must be market-based and must be approved by the Board.

The guidelines cover the persons who are included in the circle of senior executives during the time the guidelines apply. The guidelines apply to agreements concluded after the time of listing of the company's shares on First North Premier, and if changes are made to existing agreements after this time. The Board shall have the right to deviate from the guidelines if, in individual cases, there are special reasons for doing so.

17.3 Gender representation on the Board

Of the 5 (4) members of the Board, 1 (1) is a woman.

17.4 Remuneration to auditors

	2021	2020
– Audit assignments	1,438	1,705
– Audit activities in addition to audit assignments	150	150
– Tax advisory	1,505	1,414
Total	**3,093**	**3,269**

Audit assignments refer to the auditor's work for the statutory audit, and audit activities in addition to the audit assignment include various types of quality assurance services. Other services are those not included in audit assignments, audit activities or tax advisory. The auditing firm is Grant Thornton Sweden AB.

18 Contractual liabilities and other liabilities

	12/31/2021	12/31/2020
Accrued holiday pay	7,349	6,976
Prepaid service income	75,769	86,219
Other	39,616	30,667
Total	**122,734**	**123,862**

Advances received for prepaid service income refer to customer payments received for future performance commitments (contractual liabilities) and will be recognized as income over a three-year period, with an average of one third per year.

19 Interest expenses and interest income

Financial expenses for the reporting periods consist of the following:

	2021	2020
Interest expenses, borrowing at accrued acquisition value:		
Interest expenses, group companies	-	-
Interest expense, lease liabilities	396	608
Other interest expenses	8,726	10,848
Total interest expenses for financial liabilities that are not reported at fair value through profit or loss	**9,122**	**11,456**
Financial income for the reporting periods consists of the following:		
Interest income, cash and cash equivalents	84	55

20 Other financial income and expenses

Other financial items consist of the following:

	2021	2020
Foreign exchange gains	1,184	1,980
Total	**1,184**	**1,980**

21 Tax

The following components are included in the tax costs

	2021	2020
Current tax	12,156	11,815
Deferred tax in respect of:		
Untaxed reserves	-1,366	-699
Temporary differences, tangible non-current assets	5,495	7,497
Reported tax	**16,285**	**18,613**
Reported profit before tax	75,543	85,618
Tax according to current tax rate 20.6% (21.4%)	15,562	18,322
Tax effect of:		
Non-deductible expenses	446	649
Non-taxable income	-756	-
Loss carried forward, utilized	0	-280
Difference in tax rate between parent company and foreign subsidiaries	1,033	-78
Reported tax	**16,285**	**18,613**

22 Cash flow adjustments

The following non-cash adjustments have been made in profit before tax to arrive at cash flow from operating activities:

Adjustments

	2021	2020
Depreciation and impairment on non-financial items	29,039	28,711
Capital gains, non-current assets	44	-
Cost of goods sold on sale of non-current assets	3,007	2,562
Provisions	-9,492	-13,085
Total adjustments	**22,598**	**18,188**

23 Related party transactions

The group's key persons include the Board of directors and the CEO as described below.

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.

In 2021, QleanAir has entered into a lease agreement with Priveq and Metenova regarding air purifiers. The leases are priced at market terms.

23.1 Transactions with key persons

The Group's key persons are QleanAir Holding's Board of directors and CEO. Remuneration to key persons includes the following costs:

	2021	2020
Salaries including bonus	3,080	3,721
Statutory and contractual social expenses	968	1,071
Of which pension expenses	630	540
Total	**4,047**	**4,792**

See Note 17 for information on remuneration to key persons.

24 Pledged assets and contingent liabilities

Pledged assets

	2021	2020
Shares in QleanAir Scandinavia AB at a consolidated value regarding non-current liabilities to credit institutions in QleanAir AB	444.8	414.3
Chattel mortgages regarding overdraft facilities	60.0	60.0
Warranties	1.9	1.9
Total pledged	**506.7**	**476.2**

Contingent liabilities

There were no contingent liabilities as of December 2021 (0).

25 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 by category can be found in Note 10. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated from its corporate office, in close collaboration with the Board of Directors and focuses actively on hedging the Group's short to medium-term cash flows by minimizing exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively trade in financial assets for speculative purposes. The most significant financial risks to which the Group are exposed are described below. For further information, see Significant risks and uncertainties in the Annual Review.

25.1 Market risk analysis

The Group is exposed to market risk and, in particular, to currency risk, interest rate risk and certain other price risks, because of both operating activities and investing activities. One market risk is legislation on tobacco smoking. The market risk regarding legislation refers to a number of countries in which QleanAir operates.

The political agenda directs the legislation towards a restriction on tobacco smoking. QleanAir has its origins in Sweden, where new laws and regulations against indoor smoking were introduced as early as the beginning of the 1990s. Based on the knowledge of these laws, QleanAir has become the market leader in Europe in protection against tobacco smoke and passive smoking in workplaces.

Today, all EU member states have laws that regulate 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 the member states have done enough on the issue. This group will also take a position on any further need for EU legislation.

QleanAir monitors and works actively with all issues that deal with tobacco smoking, especially in workplaces. Based on what is known today, the company believes that the risk that the EU will come up with a proposal that completely bans QleanAir's solutions in the workplace does exist but is currently not likely.

25.1.1 Sensitivity to foreign currency

Most of the Group's transactions are made in Euro and Japanese YEN. Exposures to exchange rate changes arise from the Group's sales to, and purchases from, other countries.

Foreign exchange gains affected other financial items by SEK 1,184,000 (SEK 1,980,000) (see Note 20).

Exchange rate impact
If SEK strengthens or weakens by 10% against EUR and YEN, respectively, QleanAir's total revenue in % will be affected as per the table below:

	Revenue, percentage change 2021	Revenue, percentage change 2020
EUR	+/- 3.6%	+/- 2.7%
YEN	+/- 4.2%	+/- 4.8%

25.1.2 Analysis of credit risk

Credit risk is the risk that a counterparty fails to fulfill an obligation to the group. The group is exposed to this risk for various financial instruments, e.g., by granting loans to and receivables from customers, making deposits, etc. The Group's maximum exposure to credit risk is limited to the book value of financial assets as at the balance sheet date, as summarized below:

Types of financial assets – book values

	12/31/2021	12/31/2020
Accounts receivable	26,674	34,237
Other receivables	7,560	9,999
Cash and cash equivalents	69,662	52,600
Total	**103,896**	**96,836**

The receivables fall due for payment as below:

	12/31/2021	12/31/2020
Due within 1 year	103,896	96,836
Due 1-2 years	–	–
Due 2-3 years	–	–
Total	**103,896**	**96,836**

The Group continuously monitors payments from 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 regarding customers and other counterparties are available at a reasonable cost, these are obtained and used. The Group's policy is to only do business with creditworthy counterparties.

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

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

	12/31/2021	12/31/2020
Not due	12,650	10,711
Due up to 30 days	5,762	11,628
Due 31-60 days	1,181	2,471
Due 61-90 days	1,224	2,020
Due 91 days and older	6,141	7,663
Of which reserved for bad debt losses	-285	-256
In total	**26,674**	**34,237**

With regard to 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 consists of many customers in different industries and geographical areas. Based on historical information about customers' cancellations, Group management believes that accounts receivable that have not fallen due for payment or have been written down have a good credit quality. The non-current receivables from individual parties are also considered to have good credit quality as the receivable is also based on payment flows from many customers in different industries.

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

25.2 Sensitivity to interest rate risk

The Group's non-current borrowing consists of bank loans that run at variable interest rates. Thus, only changes in market interest rates through bank loans as of December 31, 2021, are exposed to interest rate risk. To minimize the Group's exposure to interest rate risk, interest rate developments are monitored continuously and decisions on any interest rate hedging are discussed in connection with the Group's Board meetings.

On the balance sheet date, the Group had liabilities at a variable interest rate of SEK 215,469,000, of which bank loans amounted to SEK 251,251,000. A change in interest rates of 1% +/- for bank loans would affect the Group's interest expenses before tax by SEK 2,155,000.

25.3 Analysis of liquidity risk

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 non-current financial liabilities as well as forecast payments and disbursements in day-to-day operations. The data used to analyze these cash flows are consistent with those 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 goal is to have cash and cash equivalents that meet the liquidity requirements for periods of at least 30 days. This target was achieved during the reporting periods. The financing of long-term liquidity needs is also secured by an adequate amount of credit facilities granted and the opportunity to sell long-term financial assets.

The Group considers expected cash flows from financial assets when assessing and managing liquidity risk, especially cash reserves and accounts receivable. The Group's existing cash reserves and accounts receivable (see notes 14, 25) exceed the current requirements for cash outflows. Cash flows from accounts receivable and other receivables all fall due within six months.

As of December 31, 2021, the Group's financial liabilities that are not derivatives have agreed maturities (including interest payments where applicable) that can be summarized as follows:

- Credits refer to bank loans and overdraft facilities. Bank loans have a variable interest rate and the current average interest rates for the financial year have been 4.0%.
- The overdraft facility amounts to TSEK 60,000 and the unused portion on the balance sheet date amounts to TSEK 60,000.

26 Principles and routines for asset management

The Group's asset management objectives 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 based on the book value of equity plus its subordinated loans, less cash and cash equivalents as reported in the statement of financial position and cash flow hedges reported in other comprehensive income.

Management assesses the Group's capital requirements to maintain an effective overall financing structure and at the same time avoid excessive leverage effects. This also includes subordinate levels of the Group's various debt classes. The Group manages the capital structure and adjusts in the event of changed economic conditions and regarding the risk properties of the underlying assets. To maintain or adjust the capital structure, the Group can adjust the amount of dividends to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce liabilities.

The Group's asset management objectives are 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 covered by externally imposed capital requirements regarding the net debt/equity ratio (2.5) and interest coverage ratio (3.0).

The Group has fulfilled all agreed commitments (covenants) to the bank in 2021.

27 Events after the balance sheet date

During the beginning of the year, COVID-19 continued to have an impact on new sales due to the growing spread of infection. The war in Ukraine and the uncertain geopolitical and macroeconomic situation are also affecting QleanAir. So are rising material and energy prices and risks of disruptions to supply chains. The management and the Board actively monitor the development and take regular measures to limit the negative effects on the business.

QleanAir renews contract with Porsche worth MEUR 2 within Cabin Solutions.

QleanAir announces a major renewal order from the German school sector.

QleanAir has renamed two of its product categories. Air Cleaners used to be Facility Solutions. Cleanrooms used to be Room Solutions.

28 Issue of financial reports

The Group's financial reports for the reporting period ending December 31, 2021, were approved by the Board of Directors on April 20, 2022.

Parent company income statement

TSEK	Note	01/01/2021 12/31/2021	01/01/2020 12/31/2020
Operating income etc.			
Net sales	29	10,200	10,200
		10,200	**10,200**
Operating expenses			
Other external expenses	30	-7,639	-9,737
Personnel costs	31	-7,558	-7,993
Depreciation of intangible non-current assets		-8,254	-8,254
Operating profit		**-13,251**	**-15,784**
Profit from financial investments			
Other financial income and expenses		5	1
Interest income from group companies		–	–
Interest expenses and similar profit/loss items		-13,413	-9,867
Interest expenses to group companies		–	–
Profit after financial items		**-26,670**	**-25,650**
Appropriations			
Group contribution received		52,000	45,000
Tax on profit for the year	32	-7,517	-5,919
Result for the year		**17,814**	**13,431**

Parent company balance sheet

Assets

TSEK	Note	12/31/2021	12/31/2020
Goodwill	33	41,955	50,209
Financial assets			
Shares in group companies	34	429,000	429,000
Total non-current assets		**470,955**	**479,209**
Current assets			
Current receivables			
Accounts receivable		–	4
Tax receivables		680	654
Other receivables		–	39
Prepaid expenses and accrued income		4,171	5,138
		4,851	5,835
Cash and bank deposits		**975**	**2,203**
Total current assets		**5,825**	**8,039**
Total assets		**476,781**	**487,248**

Equity and liabilities

TSEK	Note	12/31/2021	12/31/2020
	35		
Restricted equity			
Share capital		7,430	7,430
Unrestricted equity			
Share premium reserve		122,162	122,162
Appropriated earnings		-40,953	-34,783
Result for the year		17,814	13,431
Total equity		**106,452**	**108,240**
Long term debts	35		
Liabilities to credit institutions		200,704	234,375
		200,704	**234,375**
Current liabilities			
Liabilities to credit institutions		26,171	20,000
Accounts payable		531	1,530
Liabilities to group companies		125,679	111,340
Current tax liabilities		12,911	6,293
Other current liabilities		307	34
Accrued expenses and prepaid income	36	4,026	5,436
		169,625	144,633
Total equity and liabilities		**476,781**	**487,248**

Changes in equity, parent company

TSEK	Share capital	Share premium reserve	Unrestricted reserves	Result for the year	Total equity
2021					
Opening balance 01/01/2021	**7,430**	**122,162**	**-34,783**	**13,431**	**108,240**
Transfer of previous year's profit			13,431	-13,431	0
Dividends			-19,317		-19,317
Payment for warrants			-285		
Result for the year				17,814	17,814
Closing balance 12/31/2021	**7,430**	**122,162**	**-40,953**	**17,814**	**106,452**
2020					
Opening balance 01/01/2020	**7,430**	**122,162**	**-8,593**	**-26,450**	**94,548**
Transfer of previous year's profit			-26,450	26,450	0
Payment for warrants			260		260
Result for the year				13,431	13,431
Closing balance 12/31/2020	**7,430**	**122,162**	**-34,783**	**13,431**	**108,240**

Parent company cash flow

TSEK	01/01/2021 12/31/2021	01/01/2020 12/31/2020
Parent company's cash flow report		
Operating profit	-13,251	-15,784
Adjustments for non-cash items	8,254	8,255
Interest paid	-13,413	-9,867
Income tax paid/repaid	-925	177
Cash flow from operating activities before changes in working capital	**-19,335**	**-17,219**
Changes in working capital		
Change of goods in stock/work in progress	–	–
Change in accounts receivable	4	440
Change in other current receivables	53,006	48,026
Change in accounts payable	-999	-7,621
Change in other current liabilities	13,202	-1,819
Cash flow from current operations	**45,878**	**21,806**
Investment activities		
Acquisition of intangible non-current assets	–	–
Acquisition of tangible non-current assets	–	–
Acquisition of group companies	–	–
Cash flow from investing activities	**0**	**0**
Financing activities		
Group contribution	–	–
Borrowings	–	–
Amortization of loans	-27,500	-20,591
Dividends paid	-19,317	–
Paid up warrants	-285	260
Cash flow from financing activities	**-47,102**	**-20,331**
Cash flow for the year/change in cash and cash equivalents	-1,229	1,476
Opening cash and cash equivalents	2,203	728
Cash and cash equivalents in merged subsidiaries	–	–
Net foreign exchange difference in cash and cash equivalents	–	–
Closing cash and cash equivalents	**975**	**2,203**

Notes, parent company

29 Intra-group purchases and sales

	2021	2020
Sales to subsidiaries	10,200	10,200

30 Information about the auditor's fee and cost reimbursement

Grant Thornton Sweden AB

	2021	2020
Audit assignment	456	500
Audit activities in addition to audit assignments	–	150
Total	**456**	**650**

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

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

The average number of employees, by gender

	2021	2020
Men	1	2
Women	1	1
In total	**2**	**3**
Salaries and remuneration		
Board and CEO	3,080	3,308
Other employees	2,006	1,703
Total salaries and remuneration	**5,086**	**5,011**
Statutory and contractual social expenses	2,334	2,918
Of which pension expenses	949	1,175
Total salaries, remuneration, social expenses and pension expenses	**7,420**	**7,929**

Of the company's pension expenses, 630 (540) relate to the Board and CEO.

32 Tax on profit for the year

	2021	2020
The following components are included in the tax costs:		
Current tax	-7,517	-5,919
Reported tax	**-7,517**	**-5,919**
Reported profit before tax	25,330	19,350
Tax according to the current tax rate	-5,218	-4,141
Tax effect of:		
Non-deductible expenses	-2,299	-1,778
Reported tax	**-7,517**	**-5,919**

33 Goodwill

	12/31/2021	12/31/2020
Opening acquisition value	116,237	116,237
Closing accumulated acquisition value	**116,237**	**116,237**
Opening depreciation	-66,029	-57,775
Depreciation for the year according to plan	-8,254	-8,254
Closing cumulative depreciation	-74,282	-66,029
Closing planned residual value	**41,955**	**50,208**

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

Goodwill is depreciated over a period of 15 years. The depreciation rate is based on the acquisition's long-term strategic importance and is set at 15 years due to the company's structure and the unit's earning capacity. In addition to goodwill being depreciated in the parent company, the acquisition is tested for impairment annually. For a further description of impairment testing, see Note 6 in the notes to the consolidated financial statements.

34 Interests in group companies

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

	12/31/2021	12/31/2020
Opening acquisition value	429,000	429,000
Closing acquisition value	**429,000**	**429,000**

Direct ownership

The name of the company	Number of shares	Share %	Book value
QleanAir Scandinavia AB	**1,000,000**	**100**	**429,000**

Company name and CRN	Corporate office	Equity	Results after financial net
QleanAir Scandinavia AB (556303-9162)	**Solna**	**165,940**	**-11,821**

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

Indirect ownership

Company name and CRN	Number of shares	Share %	Book 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%	2,265
Smoke Free Systems Finance, 556789-5536	200,000	100%	8,700
Total			**21,248**

	Equity	Result
International Facility solutions B.V., Naarden, NL	-12,166	-417
QleanAir Scandinavia GmbH, Frankfurt, DE	-39,194	26,491
QleanAir Scandinavia KK, Tokyo, JP	98,781	2,816
QleanAir Scandinavia Inc, USA	-13,796	1,403
QleanAir Scandinavia (Shanghai) Co Ltd	710	-499
Smoke Free Systems Finance	22,219	22

35 Financial liabilities

	12/31/2021	12/31/2020
Liabilities to credit institutions due within 1 year	26,171	20,000
Liabilities to credit institutions, due in 2-5 years	200,704	234,375
Total	**226,875**	**254,375**

36 Accrued expenses and deferred income

	12/31/2021	12/31/2020
Accrued holiday pay	904	1,381
Accrued social charges	171	1,383
Other items	2,951	2,672
Total	**4,026**	**5,436**

37 Pledged assets

	12/31/2021	12/31/2020
Shares in subsidiaries	**429,000**	**429,000**

38 Allocation of profits

Allocation of profits (SEK)

The following profit is at the disposal of the Annual General Meeting	
Retained earnings	81,208,656
Result for the year	17,813,549
	99,022,205

The Board and the CEO propose that available profit of SEK 99,022,205 is allocated so that:

A dividend of SEK 1.50 per share is paid to shareholders	22,288,800
Carried forward	76,733,405
	99,022,205

With reference to the above and what has otherwise come to the board's attention, the board's assessment is that a comprehensive assessment of the company's and the group's financial position indicates that the dividend is reasonable, with reference to the requirements that the business's nature, scope and risks set for the amount of the company and group equity, as well as the company and group consolidation needs, liquidity and position in general.

39 Issue of financial reports

The parent company's financial reports for the reporting period ending December 31, 2021, were approved by the Board of Directors on April 20, 2022.

Declaration by the Board of Directors

Declaration by the Board of Directors and the CEO

The Board of Directors and the President certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's position and results. The annual report has been prepared in accordance with generally accepted accounting principles and provides a true and fair account of the parent company's position and results.

The Annual Review for the Group and the Parent Company provides a fair overview of the development of the Group's and the Parent Company's operations, position and results, and describes significant risks and uncertainties that the Parent Company and the companies included in the Group face.

Solna 2022-04-20

Christina Lindstedt
CEO

Bengt Engström
Chair of the Board

Johan Westman

Mats Hjerpe

Johan Ryrberg

Towe Ressman

Our audit report is submitted 2022-04-20
Grant Thornton Sweden AB
Anders Meyer
Authorized Public Accountant

Auditor's report

To the Annual General Meeting of QleanAir AB
Org.no. 556879-4548

Report on the annual report and consolidated accounts

Statements

We have audited the annual accounts and consolidated accounts for QleanAir AB for the year 2021. The company's annual report and consolidated accounts are included on pages 33–73 in this document.

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and provides a true and fair view of the parent company's financial position as of December 31, 2021, and of its financial results and cash flow for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and provide a true and fair view of the Group's financial position as of December 31, 2021, and of its financial results and cash flow for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The Annual Review is consistent with the other parts of the annual report and consolidated accounts.

We therefore recommend that the Annual General Meeting approve the income statement and balance sheet for the Parent Company and for the Group.

Basis for statements

We performed the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities in accordance with these standards are described in more detail in the section "Auditor's responsibilities". We are independent in relation to the Parent Company and the Group in accordance with good auditing practice 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.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts and can be found on pages 1-33 and 74-89. The Board of Directors and the CEO are responsible for this other information.

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 review the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this review we also consider our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, based on the work performed concerning this information, we conclude that there is 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 CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and for them giving a fair view 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 CEO are also responsible for such internal control as they deem 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 CEO 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 prepare the accounts under the going-concern concept. However, the concept of going concern is not applied if the Board of Directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative to doing either of these.

Auditor's responsibilities

Our objective is to achieve a reasonable degree of certainty as to whether the annual accounts and consolidated accounts generally do not contain material misstatement, whether due to fraud or error, and to submit an auditors' report containing our opinions. Reasonable assurance is a high degree of assurance, but not a guarantee that an audit performed in accordance with ISA and good auditing practice in Sweden will always detect material misstatement if one exists. Errors can occur due to fraud or error and are considered significant if, individually or together, they can reasonably be expected to influence the financial decisions that users make based on the annual accounts and consolidated accounts.

As part of an audit done in accordance with ISA, we use professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures based on these risks and obtain audit evidence that is sufficient and appropriate to form a basis for our opinions. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may include collusion, forgery, intentional omissions, incorrect information or breach of internal controls.
- We gain an understanding of the part of the company's internal controls that is important for our audit to design audit measures that are appropriate considering the circumstances, but not to comment on the effectiveness of the internal controls.
- We evaluate the appropriateness of the accounting principles used and the reasonableness of the Board of Directors' and the President's estimates in the accounts and related information.
- We draw a conclusion about the appropriateness of the Board of Directors and the CEO using the concept of going concern in the preparation of the annual accounts and the consolidated accounts. We also draw a conclusion, based on the audited evidence obtained, as to whether there is any significant uncertainty relating to such events or conditions that may lead to significant doubts about the company's and the group's ability to operate as a going concern. If we conclude that there is a significant uncertainty, in the audit report we must draw attention to the information in the annual accounts and consolidated accounts on the significant uncertainty or, if such information is insufficient, modify the statement on the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may mean that a company and a group can no longer operate as a going concern.
- We evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the information, and whether the annual accounts and consolidated accounts reflect the underlying transactions and events in a way that provides a true and fair view.
- We obtain sufficient and appropriate audit evidence regarding the financial information in the units or business activities within the Group to make a statement regarding the consolidated accounts. We are responsible for the direction, supervision and execution of the group audit. We remain solely responsible for our opinions.

We must inform the Board of directors about, among other things, the planned scope and focus of the audit, as well as its timing. We must also inform about significant observations during the audit, including any significant deficiencies in internal controls that we identify.

Report on other legal and regulatory requirements

Statements

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 2021 and the proposed appropriations of the company's profit or loss.

We recommend that the Annual General Meeting dispose of the profits in accordance with the proposal in the Annual Review and grant the members of the Board and the President discharge from liability for the financial year.

Basis for statements

We performed the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities according to these are described in more detail in the section "Auditor's responsibility". We are independent in relation to the Parent Company and the Group in accordance with good auditing practice 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 CEO

The Board of Directors is responsible for the proposed appropriations of the company's profit or loss. When proposing a dividend, this includes an assessment of whether the dividend is justifiable with regard to the requirements that the company's and the group's business type, scope and risks place on the size of the company's and the group's equity, consolidation needs, liquidity and position in general.

The Board is responsible for the company's organization and the management of the company's affairs. This includes, among other things, continuously assessing the company's and the group's financial situation and ensuring that the company's organization is designed so that accounting, asset management and the company's financial affairs are otherwise controlled in a reassuring manner. The CEO shall manage the day-to-day administration in accordance with the Board's guidelines and instructions and, among other things, take the measures necessary for the company's accounting to be carried out in accordance with law and for the asset management to be handled in a secure manner.

Auditor's responsibilities

Our objective for the audit of the administration, and thus our statement on discharge from liability, is to obtain audit evidence to be able to assess with a reasonable degree of certainty whether any board member or the CEO has in any significant respect:

- Taken any action or committed any negligence that may give rise to liability for damages against the company, or
- In any other way acted in violation 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 thus our opinion on this, is to assess with a reasonable degree of certainty whether the proposal is compatible with the Swedish Companies Act.

Reasonable degree of certainty is a high degree of certainty, but not a guarantee that an audit performed in accordance with good auditing practice in Sweden will always detect measures or omissions that may give rise to liability for damages against the company, or that a proposal for appropriation of the company's profit or loss is incompatible with the Swedish Companies Act.

As part of an audit in accordance with good auditing practice in Sweden, we use professional judgment and maintain professional skepticism throughout the audit. The review of the administration and the proposed appropriation of the company's profits or loss are mainly based on the audit of the accounts. Additional audit procedures performed are based on our professional assessment based on risk and materiality. This means that we focus the review on such actions, areas and matters as are material for the operations, and where deviations and violations would have particular importance for the company's situation. We review and test decisions made, support for decisions, actions taken and other matters of relevance 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 reviewed the Board of Directors' reasoned statement and a selection of the supporting evidence to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 2022-04-20
Grant Thornton Sweden AB
Anders Meyer
Authorized Public Accountant

04 Corporate governance and the share

Corporate governance report

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

This corporate governance report has been prepared in accordance with the Swedish Corporate Governance Code (the Code) and has been reviewed by the Company's auditors. The corporate governance report refers to the calendar year 2021.

The company's share has been listed on Nasdaq First North Premier Growth Market since December 12, 2019.

The Code has been applied since December 12, 2019.

Shares and owners

The share capital in the company at the end of the year amounted to SEK 7,429,600, divided into 14,859,200 shares. The company's shares give one vote per share and equal rights to a share of the company's assets and dividends.

The company's ten largest shareholders as of December 31, 2021

- Qevirp 41 Ltd
- Bankinvest
- Aktia Nordic
- Brown Brothers Harriman
- Life insurance limited company Skandia
- Enter Small Company Fund
- Avanza Pension
- BNY Mellon
- LGT Bank Ltd
- BNP Paribas

General meeting

The general meeting is the highest decision-making body in the company. At the Annual General Meeting, shareholders exercise their voting rights to make decisions on key issues, such as approval of income statements and balance sheets, appropriation of the company's profit or loss, granting discharge from liability for board members and the CEO, election of board members and auditors and remuneration to the Board and auditors.

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 can also be given of an Extraordinary General Meeting, if the Board deems such necessary or if an owner of at least 10% of the shares so requests.

2021 Annual General Meeting

The 2021 Annual General Meeting was held on May 12, 2021, in Solna. In total, 100% of a total of 14,859,200 of shares were represented. The accounts for 2020 were approved and the board members and the CEO were granted discharge from liability. Decisions were also made on the election of board members, Chair of the Board and auditors, as well as remuneration to the Board and auditors. Furthermore, a decision was made on an incentive program.

According to the incentive program, participants will be offered to acquire warrants which entitle the holder to acquire shares in the company at a predetermined price, corresponding to 130% of the volume-weighted average price paid for the company's share over a period of ten trading days, immediately preceding the AGM. Subscription of new shares with the support of the warrants shall be possible during the period from July 1, 2024, to January 31, 2025. A total of a maximum of 166,784 warrants can be issued. 88,604 warrants were subscribed to. Based on the number of shares in the company, the maximum dilution as a result of the incentive program can amount to approximately 0.60%.

Nomination committee

The nomination committee consists of Magnus Hardmeier, Chair, Oskar Börjesson, Skandia Fonder and Bengt Engström, Chair of QleanAir AB.

The nomination committee appoints one of its members as chair of the nomination committee. The company's Chair of the Board may not be appointed chair of the nomination committee. The term of office for the members of the nomination committee continues until a new nomination committee is appointed. The members of the nomination committee shall not receive any fee. The nomination committee shall submit proposals for the chair at the Annual General Meeting, proposals for election and remuneration regarding board members (incl. Chair of the Board) and auditor as well as, where applicable, procedural matters for the next nomination committee.

Auditors

The auditors of the company are elected by the Annual General Meeting and at the 2021 Annual General Meeting, Grant Thornton was re-elected as the audit firm for the period until the end of the 2022 Annual General Meeting. Anders Meyer has been appointed chief auditor. The audit mainly covers continuous auditing and review of the annual report.

Role and composition of the Board

After the annual general meeting, the Board is the company's highest decision-making body. The Board's work is regulated by, among other things, the Swedish Companies Act, the Articles of Association and the Board's rules of procedure. The Board sets goals and strategic guidelines, is responsible for the CEO implementing Board decisions and holds ultimate responsibility for the Group's internal governance and control as well as risk management.

The Board's members elected by the Annual General Meeting are elected annually by the Annual General Meeting for the period until the next Annual General Meeting is held. According to the Articles of Association, the company's Board shall consist of a minimum of three and a maximum of seven ordinary members, elected by the AGM without deputies. At the 2021 Annual General Meeting, it was decided that the Board shall consist of five ordinary board members until the end of the Annual General Meeting to be held in 2022. Re-election of Bengt Engström, Johan Westman and Mats Hjerpe, new election of Johan Ryrberg and Towe Ressman. Maria Perez Hultström declined re-election. The Board consists of five ordinary members. No representative of the company's management is included on the Board. No employee representatives or deputies have been appointed to the Board. The members of the Board are presented on pages 82-83.

Chair of the Board

The Chair of the Board leads the work of the Board and monitors operations in dialogue with the CEO. The chair represents the company in matters concerning the ownership structure and matters of special importance. The task entails responsibility for the Board's work being well organized, efficient, that the Board fulfills its commitments and that the Board receives satisfactory information and decision-making materials. Annually, the Board conducts a detailed evaluation once a year of the forms of its work, the composition of the Board, the Board's performance and areas for improvement. Each year, the Chair of the Board initiates and directs 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 for the Board's work. This evaluation also focuses on access to, and the need for, specific competence on the Board. The evaluation includes interviews, joint discussions and that the Chair of the Board has individual discussions with individual board members. The evaluations are discussed at a Board meeting and serve as a basis for the nomination committee's work of proposing board members.

The work of the Board

The Board appoints the CEO. The division of the Board's and the CEO's responsibilities and powers can be found in the Board's rules of procedure, which are established annually, as well as the Board's instructions to the CEO. The Board meetings follow the adopted rules of procedure which determine the items on the agenda that are fixed and those that may vary. The Board convenes regularly following a schedule laid down in the rules of procedure, which includes some fixed decision-making points, as well as other decision-making points as necessary.

To date, the Board has not set up an audit committee or remuneration committee because, given its size, the Board has found this appropriate.

Ensuring quality in financial reporting

The rules of procedure adopted annually by the Board include detailed instructions on, among other things, which financial reports and financial information shall be submitted to the Board. In addition to the year-end 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 discusses information about risk assessments, disputes and any irregularities that may impact 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 to the principles and reports on internal controls and the processes for financial reporting. The company's auditors report to the Board as required, but at least twice a year.

Remuneration to the board members

In 2021, the approved remuneration to the Board amounted to a total of SEK 1,200,000, distributed within the Board as shown in the table below. The 2021 Annual General Meeting decided that the fee to the Chair of the Board shall amount to SEK 400,000 per year and to other board members SEK 200,000 per board member per year.

Company management

The CEO leads the work of company management and makes decisions in consultation with the other members of management. Management consists of the CEO, CFO and managers of global functions and business area managers. Company management has regular reviews of operations under the CEO's leadership.

Remuneration to senior executives

In 2021, a total of SEK 3,268,800 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 contributions and car and health insurance benefits, amounted to SEK 4,273,163 in 2021, of which SEK 2,415,485 was remuneration to the CEO. Remuneration to senior executives is described in Note 17. Remuneration paid complies with the decision on Guidelines for remuneration to senior executives made by the Extraordinary General Meeting on October 7, 2019. Guidelines for remuneration to senior executives are set out in Note 17.

Audit

The company's auditors review the annual accounts and annual report, as well as the company's day-to-day operations and procedures, and then present their opinion on the financial reporting and the management by the Board and the CEO. After each financial year, the auditors shall submit an auditor's report to the annual general meeting. Every year, the company's auditors report their observations from the audit and their assessments of the company's internal control to the Board personally. At the Annual General Meeting on May 12, 2021, audit firm Grant Thornton was elected as the company's auditor with authorized public accountant Anders Meyer as the chief auditor for the period until the end of the Annual General Meeting to be held in 2022. At the 2021 Annual General Meeting, it was decided that remuneration to the auditor would be paid according to an approved invoice. The auditor's fee in 2021 amounted to a total of SEK 1,438,000 for the entire Group. The interim report January-September 2021 was broadly reviewed by the company's auditors.

Internal controls

According to the Swedish Companies Act, the Board is responsible for internal control. According to the Code, the corporate governance report shall contain information on the most important elements in 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 in the COSO model, according to which there is a review and assessment in the areas of control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

The Board 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, authorization provisions, risk policy and financial policy, all of which aim to ensure a clear division of roles and responsibilities. Financial information is reported through a group-wide reporting system. Maintaining an effective control environment and the ongoing work with internal control and risk management is the responsibility of the CEO and CFO, who report to the Board based on established procedures. Senior executives at various levels in the company also have this responsibility within their respective areas of responsibility, and in turn report to Group management. The company's essential governing documentation in the form of policies, guidelines and manuals is primarily communicated via a group-wide intranet and a common business system.

Risk assessment

The company continuously updates the risk analysis regarding the assessment of risks that may lead to errors in financial reporting. This is mainly done through contacts between management and the finance function. At 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 meetings of executive management. Here, special analysis is made of the order situation, cost follow-up, investments and cash flow. At these meetings, special attention is paid to ensuring that any problems are followed up on and that correct financial reporting is ensured. Follow-up is done on outcomes and ensures that the financial information is true and correct.

The control environment is created through common values, company culture, rules and policies, communication and follow-up, as well as by the way the business is organized. The main task for company management and its employees is to implement, further develop and maintain the group's control procedures, and to perform internal controls focused on business-critical issues. The company's auditor reviews the financial information for the annual accounts. In addition, the auditor reviews a selection of controls and processes each year and reports any areas for improvement to company management and the Board. The company's finance function is located at the corporate office in Solna.

Internal audits

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

Meeting attendance in 2021

For a presentation of the Board, see pages 82-83.

Name	Year elected	Inde-pendent of the company	Inde-pendent of major share-holders	Determi-ned fee	Board meetings
Bengt Engström	2020	Yes	Yes	400,000	19/19
Johan Westman	2020	Yes	Yes	200,000	19/19
Mats Hjerpe	2012	Yes	No	200,000	19/19
Johan Ryrberg	2021	Yes	Yes	200,000	14/19
Towe Ressman	2021	Yes	Yes	200,000	13/19
Maria Perez Hultström	2017	Yes	No		5/19

Maria Perez Hultström left the Board at the Annual General Meeting on May 12, 2021.

The Board of Directors

The Board is based in Stockholm, Sweden. According to QleanAir's Articles of Association, the Board shall consist of a minimum of three and a maximum of seven ordinary members without deputies. The Board currently consists of five ordinary members elected for the period until the end of the Annual General Meeting to be held in 2022.

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

			Independent in relation to:	
Name	Position	Board mem-ber since	QleanAir and senior executives	Major shareholders as of today
Bengt Engström	Chair of the Board	2020	Yes	Yes
Johan Westman	Board member	2020	Yes	Yes
Mats Hjerpe	Board member	2012	Yes	No
Johan Ryrberg	Board member	2021	Yes	Yes
Towe Ressman	Board member	2021	Yes	Yes

Auditor's report on the corporate governance statement

To the Annual General Meeting of QleanAir AB, corporate reg. no. 556879-4548.

Engagement and responsibility

The Board is responsible for the corporate governance report for 2021-12-31 on pages 78-81 in the annual report, and for the fact that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our audit was performed in accordance with FAR's standard RevR 16 Auditor's audit of the corporate governance statement. This means that our audit of the corporate governance statement has a different focus and a significantly smaller scope compared with the focus and scope of an audit under International Standards on Auditing and good auditing practice in Sweden. We believe that this audit provides us with a sufficient basis for our opinions.

Opinions

A corporate governance report has been prepared. Disclosures in accordance with Ch. 6, section 6(2), points 2–6 of the Annual Accounts Act and chapter 7, section 31(2) of the same act is compatible with the annual accounts and the consolidated accounts and is in accordance with the Annual Accounts Act.

Stockholm, April 20, 2022
Grant Thornton Sweden AB
Anders Meyer
Authorized Public Accountant

Board

Bengt Engström
(Chair)

Born: 1953

Position: Chair since 2020.

Other ongoing assignments: Chair of Nordic Flanges AB, Qlosr AB, BEngström/BEngström Förvaltning AB, IFG Duroc. Member of Bure Equity AB, Scanfil Oy, Real Holding AB, Scandinova Systems AB, Scandinavian Chemotech AB and KTH Executive School AB

Previous assignments in the last five years: Chair/board member of Prevas AB, Advania AB, Partnertech AB, Opticos AB, Crem International AB, Scandinavian Executive AB

Other relevant experience: Bengt holds a master's degree in engineering from KTH and has worked in senior positions in various companies since the 1980s.

Started as Director Production & Supply Chain at Bofors AB. Then various managerial jobs in Whirlpool such as global VP Microwave Ovens, European VP Manufacturing & Technology and then EVP Whirlpool Corporation and President Whirlpool Europe. After returning home to Sweden, he became CEO of Duni AB and Nordic CEO at Fujitsu. In recent years, he has worked as an advisor, board member and investor in both large and small companies

Independent in relation to QleanAir and its senior executives: Yes.

Independent in relation to major shareholders (as of today): Yes.

Holdings in QleanAir: 22,000 shares (privately held and via companies, as well as holdings of related natural persons)

Mats Hjerpe
(Board member)

Born: 1974

Position: Board member since 2012.

Other ongoing assignments: Chair of the Board of Smoke Free Systems Finance AB. Board member of Caybon International AB, Caybon Holding AB, Caybon LP AB, 4C Group AB, Hedskog Equity AB, Priveq Holding V AB, Aquilonis AB and Aquilonis Invest AB. Deputy board member 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 CSAM Health AS (Norway).

Other relevant experience: Mats holds a master's degree in economics from Stockholm University. He has experience as an investment manager at Priveq Investment, where he has also been a partner for eleven years. Mats' area of responsibility at Priveq ranges from identifying investment objects to implementing the growth strategies of owned companies with other owners, the board and management. Regarding several of Priveq's portfolio companies, Mats has played an active role in issues relating to IPOs and geographical expansion. He also holds board positions in several of Priveq's portfolio companies, including 4C Group AB and Caybon International AB. Previously, Mats worked as a financial analyst with a focus on the health sector at Aragon Fondkommission AB. Furthermore, Mats has ten years of experience from board assignments in companies in various industries, often with sales between MSEK 100 and MSEK 2,300.

Independent in relation to QleanAir and its senior executives: Yes.

Independent in relation to major shareholders (as of today): No. Mats Hjerpe is employed by Priveq Advisory AB and advisor to Priveq Investment Fund (IV) LP, which owns 100 percent of the shares in Qevirp 41 Limited, which in turn owns 3,512,359 shares in the Company.

Holdings in QleanAir: –

Johan Westman
(Board member)

Born: 1959

Position: Board member since 2020.

Other ongoing assignments: CEO of Metenova AB, board member of Callidus AB

Previous assignments in the last five years: Board member and CEO of Biolin Scientific AB, Chair of the Board of Metenova AB.

Other relevant experience: Johan holds a master's degree from the KTH Royal Institute of Technology (KTH) from 1985. Johan has worked in senior positions in various companies since the mid-1990s.

In addition to being CEO and board member of Biolin Scientific AB, Johan worked as CEO of NovAseptic America Inc, CEO of NovAseptic Group between 1997 and 2005. Following the sale of NovAseptic to American firm Millipore AB, Johan worked as VP Marketing in the Millipore Bioprocess division. Johan has also worked with various CEOs and Board assignments for small startup companies within the University of Gothenburg and Chalmers University of Technology.

Independent in relation to QleanAir and its senior executives: Yes.

Independent in relation to major shareholders (as of today): Yes.

Holdings in QleanAir: 5,000 shares (also refers to holdings of related natural persons).

Johan Ryrberg
(Board member)

Born: 1959 Position: Board member since 2021

Other current positions: Johan is currently interim CFO at ROL Global.

Previous assignments in the past five years: Johan has previously held positions as CFO at Ovako, interim CFO at Perstorp Group and Cabonline Group.

Other relevant experience: Johan holds a BBA from the Stockholm School of Economics and provides the Board with solid CFO and industrial expertise, as Johan has held several senior positions, including CFO during his twenty-year career in Camfil Group, a global manufacturer of air filtration systems.

Independent in relation to QleanAir and its senior executives: Yes.

Independent in relation to major shareholders (as of today): Yes.

Holdings in QleanAir: 0

Towe Ressman
(Board member)

Born: 1966

Position: Board member since 2021.

Other current positions: Towe is currently VP Global Design at Husqvarna Group AB where she began her career in 2006.

Previous assignments in the past five years:

Towe has previously held positions as one of the main actors in Virtual Innovation Lab and Digital Solutions Planning and Connectivity Hub in the Husqvarna Group.

Other relevant experience: Towe holds an MSc in Industrial Design from the University of Gothenburg and contributes her solid expertise in industrial design to the board.

Independent in relation to QleanAir and its senior executives: Yes.

Independent in relation to major shareholders (as of today): Yes.

Holdings in QleanAir: 0

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 during the past five years, other relevant experience and holdings of shares and share-related instruments in the company. Assignments in subsidiaries within the Group have been excluded.

Christina Lindstedt
(CEO)

Born: 1968

Position: CEO since September 2020.

Other ongoing assignments: Board member of Scanfil Oy.

Previous assignments in the last five years: Board member Swedish Lorry Parts, board member Minalyze, board member of Handicare Group, board member QleanAir, advisor through own company.

Other relevant experience: Christina completed an international master's degree in economics from the Gothenburg School of Economics in 1994. She worked in various senior positions within Electrolux and Sony mobile, 1994-2014, based in Sweden and abroad. Christina is a partner in Stockholm's Business Angels (STOAF) and has acted as an advisor to various medium-sized B2C and B2B companies.

Holdings in QleanAir: 67,000 shares. 16,717 (2020/2024) and 31,272 (2021/2025) warrants.

Henrik Resmark
(CFO)

Born: 1969

Position: CFO since 2013.

Other ongoing assignments: Board member of Drupps AB, board member of Enequi AB.

Previous assignments in the last five years: -

Other relevant experience: Henrik holds a master's degree in economics 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: 30,000 shares. 16,717 warrants (2020/2024).

QleanAir shares

Listing

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

Share capital

On December 31, 2021, the share capital amounted to SEK 7,429,600, divided into 14,859,200 shares with a quota value of SEK 0.50. All shares are of the same share class with equal voting rights and share of the company's capital and profit.

Trading in the share

The closing price on the last trading day of the year, December 30, 2021, was SEK 65.80, corresponding to a market capitalization of approximately MSEK 978. A total of 9,972,485 shares were traded during 2021, corresponding to a value of approximately MSEK 605. The average number of shares traded per trading day was 39,417.

Shareholders

On December 31, 2021, there were 3,490 shareholders. The company's ten largest owners accounted for 66.5% of the share capital and votes. Qevirp 41 Ltd was the largest shareholder with 23.6% of the shares.

Certified Advisor

All companies whose shares are listed 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 hired as QleanAir Holding's Certified Advisor.

The company's ten largest shareholders as of December 31, 2021

- Qevirp 41 Ltd	23.6%
- Bankinvest	13.7%
- Aktia Nordic	4.9%
- Brown Brothers Harriman	4.9%
- Livförsäkringsaktiebolaget Skandia	4.6%
- Enter Småbolagsfond	4.0%
- Avanza Pension	3.0%
- BNY Mellon	2.7%
- LGT Bank Ltd	2.7%
- BNP Paribas	2.4%
Total	**66.5%**

Financial information in summary

The Group's report on earnings and other comprehensive income

TSEK	full year 2021	full year 2020
Sales	454,345	495,801
Merchandise	-132,533	-156,567
Gross profit	**321,811**	**339,234**
Selling and administrative expenses	-238,414	-244,196
Operating profit	**83,397**	**95,038**
Financial income	84	55
Financial costs	-7,939	-9,475
Profit before tax	**75,543**	**85,618**
Tax	-16,285	-18,613
Result for the year	**59,258**	**67,005**

The Group's report on financial position

TSEK	12/31/2021	12/31/2020
Non-current assets	416,405	418,506
Current assets	124,746	114,055
Cash and cash equivalents	69,662	52,600
Total assets	**610,813**	**585,161**
Equity	194,094	156,907
Long term debts	202,045	237,031
Current liabilities	214,674	191,223
Total liabilities	**610,813**	**585,161**

Key ratios

	2021	2020
Order intake, TSEK	356,282	368,000
Share of recurring revenue, %	58%	52%
EBITDA, TSEK	112,437	123,749
EBITDA margin, %	25.0%	25.1%
EBIT, TSEK	83,397	95,038
EBIT margin, %	18.5%	19.3%

Quarterly information

	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021	Jan-Mar 2021	Oct-Dec 2020
Net sales, TSEK	118,055	109,741	112,286	110,494	106,436
Installed units	11,396	10,980	10,746	9,964	9,551
Recurring revenue, TSEK	65,210	67,901	64,022	64,841	64,629
Order intake, TSEK	72,890	89,921	91,571	101,911	82,103
Gross profit, TSEK	81,225	82,353	80,417	77,816	76,700
Gross margin, %	68.8%	75.0%	71.6%	70.4%	72.1%
EBITDA, TSEK	25,434	32,194	27,952	26,856	28,217
EBITDA margin, %	21.5%	29.3%	24.9%	24.3%	26.5%
EBIT, TSEK	17,887	24,775	20,809	19,927	20,542
EBIT margin, %	15.2%	22.6%	18.5%	18.0%	19.3%
Operating cash flow, TSEK	22,076	21,550	36,181	24,346	19,654
Working capital, TSEK	-56,969	-53,928	-57,515	-46,581	-46,599
Average capital employed, TSEK	416,716	413,767	414,678	413,214	415,331
Net interest-bearing liabilities excl. IFRS16, TSEK	153,227	166,555	172,824	183,199	198,651
Equity ratio, %	31.8%	30.8%	28.9%	29.3%	26.8%
Net debt/equity ratio	0.8	0.9	1.0	1.0	1.3
Return on capital employed (ROCE), %	20.0%	20.8%	19.1%	20.2%	22.9%

Definitions

Key ratios	Definition and purpose
Order intake	Order intake is defined as longer leases with a defined end date and sale of products.
Sales	Sales including other income. The ratio shows the company's total sales.
Gross profit	Cost of sold goods deducted from sales.
Gross margin	Gross profit as percentage of turnover.
EBITDA	Earnings before depreciation and write-downs. The ratio is used to show the company's profitability before depreciations and write-downs.
EBITDA margin	Operating profit before depreciation and write-downs as a percentage of turnover. This ratio is used to measure operating profitability before depreciation and write-downs.
Operating result (EBIT)	Profit before financial items and tax. The measure shows the operational profitability of the company.
EBIT margin	Operating profit as a percentage of turnover. The measure is used to measure operating profitability after depreciation and write-downs.
Operational cash flow	Adjusted EBITDA minus net investment in tangible and intangible fixed assets and adjustment for cash flow from changes in working capital. Operational cash-flow is stated to track the cash flow generated by operating activities.
Working capital	Current assets excluding cash and cash equivalents minus current liabilities (non-interest-bearing).
Average capital employed	Average equity and interest-bearing liabilities for the period. This ratio is used to analyze how much capital is employed in the business during the period.
Net interest-bearing debt	Interest-bearing short- and long-term liabilities minus cash and cash equivalents. Does not include IFRS 16 items. The ratio shows the financial position of the company.
Equity/asset ratio	Equity as a percentage of the company's total assets. The ratio is used to assess the financial stability of the company.
Net debt/equity ratio	Interest-bearing liabilities minus cash and cash equivalents divided by equity. Does not include IFRS 16 items. Net debt/equity ratio is stated because the Company believes that the ratio contributes to investors' understanding of the company's financial position.
Return on average capital employed	Adjusted EBIT rolling twelve months as a percentage of average capital employed. This ratio has been included to help investors understand the company's profitability relative to the capital employed in the business during the year. Adjusted EBIT is stated as the Company believes it excludes the impact of non-recurring items, which allows for a comparison of underlying operating profitability.
Recurring revenue	Recurring revenue is defined as revenue from leases on own balance sheet, service contracts and consumables.
Earnings per share	Earnings per share have been adjusted for the 2019 stock split for comparability.
EMEA	Germany, Austria, Switzerland, the Netherlands, Belgium, France, Poland and the Nordic countries
APAC	Japan
Americas	USA

Upcoming reporting dates

May 12, 2022
Interim report for the first quarter of 2022

May 12, 2022
Annual General Meeting

August 10, 2022:
Interim report second quarter and six months 2022

November 10, 2022:
Interim report third quarter and nine months 2022

February 10, 2023:
Interim report fourth quarter and full year 2022

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