

Air care for healthy growth

Q4

Year-end report 2022

Summary

1 October - 31 December 2022

- Net sales amounted to SEK 340.1 (272.7) million, which corresponds to a growth of 24.7 (19.0) %.
- Operating result before amortizations and depreciations (EBITDA) increased by 60.9 % and amounted to SEK 57.8 (35.9) million, corresponding to a margin of 17.0 (13.2) %.
- Operating result (EBIT) increased by 73.8 % and amounted to SEK 47.3 (27.2) million, corresponding to a margin of 13.9 (10.0) %.
- Earnings per share amounted to SEK 2.43 (1.85).
- Cash flow from operating activities amounted to SEK 55.1 (33.5) million.

1 January - 31 December 2022

- Net sales amounted to SEK 1,339.3 (1,029.8) million, which corresponds to a growth of 30.1 (15.0) %.
- Operating result before amortizations and depreciations (EBITDA) increased by 54.6 % and amounted to SEK 260.6 (168.5) million, corresponding to a margin of 19.5 (16.4) %.
- Operating result (EBIT) increased by 67.3 % and amounted to SEK 220.0 (131.5) million, corresponding to a margin of 16.4 (12.8) %.
- Earnings per share amounted to SEK 13.40 (8.68).
- Cash flow from operating activities amounted to SEK 196.1 (114.5) million.
- The Board of Directors has decided to propose to the AGM a dividend of SEK 2.75 (2.00) per share.

Group key figures

Key figures	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales, SEK thousands	340 101	272 689	1 339 321	1 029 807
Sales growth, %	24.7	19.0	30.1	15.0
Operating result before amortizations and depreciations (EBITDA), SEK thousands	57 803	35 933	260 567	168 538
Operating margin before amortizations and depreciations, %	17.0	13.2	19.5	16.4
Adjusted operating result before amortizations and depreciations (EBITDA1*), SEK thousands	57 803	48 557	260 567	181 162
Adjusted operating margin before amortizations and depreciations*, %	17.0	17.8	19.5	17.6
Operating result (EBIT), SEK thousands	47 348	27 245	220 001	131 542
Operating margin, %	13.9	10.0	16.4	12.8
Adjusted operating result (EBIT1*), SEK thousands	47 348	39 869	220 001	144 166
Adjusted operating margin*, %	13.9	14.6	16.4	14.0
Cash flow from operating activities, SEK thousands	55 124	33 451	196 141	114 510
Total assets, SEK thousands	1 665 931	1 457 227	1 665 931	1 457 227
Equity ratio, %	41.7	36.4	41.7	36.4
Net cash (+) / net debt (-), SEK thousands	-293 128	-392 098	-293 128	-392 098
Earnings per share, SEK	2.43	1.85	13.40	8.68
Equity per share, SEK	61.33	46.82	61.33	46.82
Number of outstanding shares at the balance sheet date	11 320 968	11 320 968	11 320 968	11 320 968
Average number of employees	457	446	457	446

* Adjusted key ratios are excluding items affecting comparability for the period Oct-Dec 2021 as well as the full year 2021. Key ratios for these periods have been adjusted for items affecting comparability, partly a negative impact on the result of SEK 8.1 million related to the divestment of Bristol and partly costs of SEK 4.6 million related to restructuring of parts of the operations in China and our project-based business in the UK. No adjustments have been made for the other periods.

For definitions of key figures, see the Group Annual Report for 2021, p. 117.



CEO comments

Continued good growth

2022 ended strongly, making the full year to the best ever in terms of net sales as well as profit and cash flow. For the last quarter of the year, the Group reports an increase in both sales and profitability compared to the previous year, with a sales growth of 24.7 % from SEK 272.7 million to SEK 340.1 million. Operating result before amortizations and depreciations (EBITDA) amounted to SEK 57.8 (35.9) million, which corresponds to a margin of 17.0 (13.2) %. The margin for the quarter is negatively impacted by 1.5 percentage points related to currency effects, while previous quarters during the year have included positive currency effects. The result for the quarter is also negatively impacted by write-downs of inventory related to, among other things, discontinued products, which affects the margin by approximately 2.8 percentage points. Adjusted for these items, we are showing a continued good profitability and the Group's both business areas Industrial and Commercial Kitchen are reporting solid order books. The cash flow for the Group is still strong, with a cash flow from operating activities for the quarter of SEK 55.1 million, which has been used for activities such as repayment of loans and acquisition to develop the Commercial Kitchen business area.

Industrial

Industrial, the Group's largest business area, showed good sales of SEK 276.4 million for the quarter, which is an increase of 26.3 % compared to the same quarter last year. However, the operating

margin before amortizations and depreciations (EBITDA) amounted only to 15.5 %, which includes negative impact of currency effects by 2.4 percentage points and write-downs of inventory by 3.4 percentage points. Adjusted for these currency effects and inventory write-downs, the margin was in line with expectations. Both regions EMEA and Americas reported strong growth for the quarter, where the Absolent and Quatro brands stood out. The APAC region experienced a somewhat weaker quarter, where sales in China were negatively impacted by the year's repeated lock-downs and the effects they have had on the order intake.

Commercial Kitchen

The Commercial Kitchen business area ended the year with a strong sales growth compared to both the third quarter sequentially as well as to the fourth quarter last year. Net sales for the quarter amounted to SEK 63.7 (53.9) million, with an operating margin before amortizations and depreciations (EBITDA) of 18.1 (16.2) %. In order to further strengthen the margin, focus is still on securing the right balance between cost increases and price adjustments. During the quarter, we increased our investment in commercial kitchen ventilation with the acquisition of the Dutch company Nu-Air B.V. Together with the Group's existing Dutch company Tessu Systems B.V., they will form a leader on the Dutch commercial kitchen ventilation market. The acquisition is one step further in our strategy to build a global market leader in commercial kitchen ventilation and we will continue to search growth opportunities both in terms of organic growth as well as additional acquisitions.

The future

During the end of the quarter, the development of the new product A-erity was finalized. The product will be launched during the first quarter of 2023 as a part of the Absolent product portfolio. A-erity is our first product series that builds on an entirely new architecture that will increase the attractiveness of our offer and also give completely new conditions to conduct a professionally industrialized process for purchasing, production and distribution. Based on the foundation we have established with the development of the new product platform, we will continuously launch new, innovative and efficient products in the coming years that give us good opportunities for both higher organic growth as well as economies of scale.

When I summarize the quarter and the year, with the highest financial result ever, I am proud of the achievements we as an organization have made together and believe that we are well-positioned for coming periods. There are still uncertainties in several macro factors such as inflation, energy prices and interest rates, but we continue to have an optimistic view of the future development in terms of growth and profitability.

Axel Berntsson, CEO and President
Gothenburg, in February 2023

The Group

October – December 2022

Net sales

Net sales for the Group amounted to SEK 340.1 (272.7) million, which corresponds to a growth of 24.7 (19.0) %. The Industrial business area showed the largest growth, with a net sales increase from SEK 218.8 million to SEK 276.4 million. For Commercial Kitchen, the Group's other business area, net sales amounted to SEK 63.7 (53.9) million. Net sales increased in the EMEA and Americas regions, while APAC decreased.

Result

Operating result before amortizations and depreciations (EBITDA) amounted to SEK 57.8 (35.9) million, which corresponds to a margin of 17.0 (13.2) %. Operating result (EBIT) amounted to SEK 47.3 (27.2) million with an operating margin of 13.9 (10.0) %. Translation effects of foreign Group companies' results have impacted the operating result (EBIT) for the period with SEK 1.9 (-0.2) million. The result improvement is driven by the Industrial business area, for which operating result (EBIT) increased from SEK 22.8 million to SEK 35.2 million. The increase is an effect of both improved margin and increased net sales. For Commercial Kitchen, operating result (EBIT) amounted to SEK 9.1 (7.3) million, where the increase mainly is driven by increased volume. Other operating income and expenses in total are on par with the previous year.

Net financial items amounted to SEK -7.5 (-2.1) million, of which exchange rate effects amounted to SEK -2.5 (-0.7) million. These effects are mainly related to the credit facility in foreign currency. Apart from the negative exchange rate effects, the weaker net financial items are mainly attributable to increased interest expenses. Result after tax amounted to SEK 27.5 (21.0) million.

Investments

During the period October-December, the Group has invested a total of SEK 6.6 (5.8) million in intangible and tangible fixed assets, where this period's investments refer to capitalized development costs, software and machinery.

Cash flow

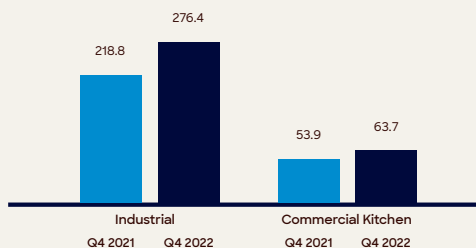
Cash flow from operating activities before changes in working capital amounted to SEK 57.7 (25.7) million and the cash flow after changes in working capital amounted to SEK 55.1 (33.5) million. The improved cash flow is mainly an effect of the higher operating result.

Financial position

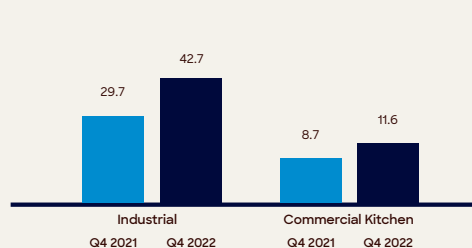
Interest-bearing liabilities at the end of the period amounted to SEK 628.7 (625.3) million, of which SEK 72.3 (79.2) million refers to lease liabilities. The net debt for the Group amounted to SEK 293.1 (392.1) million, where the decrease is attributable to repayments made during the year.

The equity ratio improved by 5.3 percentage points and amounted to 41.7 (36.4) % at the end of the period. The Parent company's credit facility totals SEK 600 million and expires in 2024.

Net sales, SEK million



EBITDA, SEK million



The Group

January - December 2022

Net sales

Net sales for the Group amounted to SEK 1,339.3 (1,029.8) million, which corresponds to a growth of 30.1 (15.0) %. The Industrial business area showed the largest growth, with a net sales increase from SEK 802.0 million to SEK 1,091.0 million. For Commercial Kitchen, the Group's other business area, net sales amounted to SEK 248.3 (227.8) million. Net sales increased in all regions.

Result

Operating result before amortizations and depreciations (EBITDA) amounted to SEK 260.6 (168.5) million, which corresponds to a margin of 19.5 (16.4) %. Operating result (EBIT) amounted to SEK 220.0 (131.5) million with an operating margin of 16.4 (12.8) %. Translation effects of foreign Group companies' results have impacted the operating result (EBIT) for the period with SEK 7.5 (-0.5) million. The result improvement is driven by the Industrial business area, for which operating result (EBIT) increased from SEK 105.8 million to SEK 189.4 million. The increase is an effect of both improved margin and increased net sales. For Commercial Kitchen, operating result (EBIT) amounted to SEK 36.2 (38.9) million, where the lower result mainly is an effect of the combination of sharp, rapid material price increases and long order cycles. The operating result also includes other operating income of SEK 24.2 million, of which exchange rate effects amount to SEK 16.7 million and gain from real estate sale amounts to SEK 3.5 million.

Net financial items amounted to SEK -23.1 (-8.3) million, of which exchange rate effects amounted to SEK -3.4 (0.1) million. These effects are mainly related to the credit facility in foreign currency. Net financial items also include an impairment of a finan-

cial receivable of SEK 5.4 million related to a transfer of assets made during the previous year. Apart from the above-mentioned items, the negative increase of net financial items is mainly attributable to increased interest expenses. Result after tax amounted to SEK 151.8 (98.2) million.

Investments

During the year, the Group has invested a total of SEK 27.2 (15.2) million in intangible and tangible fixed assets, where this year's investments mainly refer to capitalized development costs, software and machinery.

Cash flow

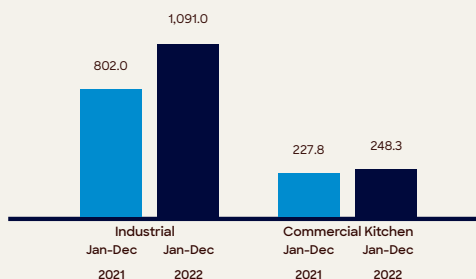
Cash flow from operating activities before changes in working capital amounted to SEK 237.8 (129.6) million and the cash flow after changes in working capital amounted to SEK 196.1 (114.5) million. The cash flow has been positively affected by the improved operating result while the increased working capital had a negative impact.

Financial position

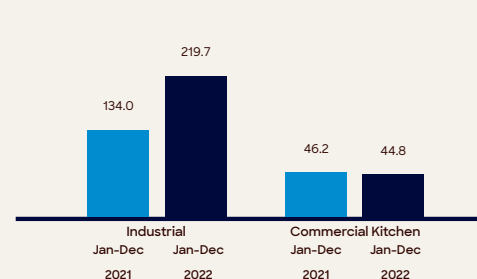
Interest-bearing liabilities at the end of the period amounted to SEK 628.7 (625.3) million, of which SEK 72.3 (79.2) million refers to lease liabilities. The net debt for the Group amounted to SEK 293.1 (392.1) million, where the decrease is attributable to repayments made during the year.

The equity ratio improved by 5.3 percentage points and amounted to 41.7 (36.4) % at the end of period. The Parent company's credit facility totals SEK 600 million and expires in 2024.

Net sales, SEK million



EBITDA, SEK million



Other information

Risks and uncertainties

Through its operations, Absolent Air Care Group is exposed to several different risks, such as external risks, operational risks as well as financial risks. These risks are described more in detail in the Board of Directors' report in the Absolent Air Care Group Annual report for 2021. (accessible at www.absolentgroup.com). The financial risks are also further described in Note 23 in the Annual report for 2021. The reported risks, as they are described in the Annual report, are deemed to be essentially unchanged.

There is still some uncertainty due to disruptions in the supply chain regarding transport and component shortage. The current geopolitical situation is also a factor of uncertainty, as well as volatile macro factors such as inflation, interest rates and energy prices, and it cannot be ruled out that the Group, partners, suppliers and/or customers may be affected in the future, both directly and indirectly as a result of the above-mentioned uncertainties.

Accounting policies

This report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The year-end report for the Parent company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The applied accounting policies for the Group and the Parent company are consistent with the accounting policies used in the presentation of the Annual Report 2021.

No standards, amendments or interpretations effective from 2022 have had any material impact on Absolent Air Care Group's financial statements.

Annual General Meeting

The Annual General Meeting (AGM) will be held at Absolent ABs premises in Lidköping on May 16, 2023. The annual report is expected to be available on April 24, 2023 at the Group's head office in Gothenburg.

This information is information Absolent Air Care Group AB (publ.) is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 a.m. CET February 22, 2023.

Dividend

The Board of Directors has decided to propose to the AGM a dividend of SEK 2.75 (2.00) per share, corresponding to SEK 31.1 (22.6) million.

Contact information

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Certified adviser

Erik Penser Bank AB is the company's Certified Adviser.

Financial calendar

Interim report Jan-Mar 2023, May 16, 2023
Annual General Meeting, May 16, 2023
Interim report Jan-Jun 2023, Aug 17, 2023
Interim report Jan-Sep 2023, Oct 30, 2023

This year-end report has not been reviewed by the company's auditors.

This document is a translation of the Swedish original. In the event of any discrepancies between this translation and the Swedish original, the latter shall prevail.

The year-end report is accessible on the Group website (www.absolentgroup.com).

Gothenburg, February 22, 2023
Axel Berntsson
CEO and President

Group income statements

SEK thousands	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	1, 2, 3	340 101	272 689	1 339 321	1 029 807
Costs for products and services sold	7	-201 794	-161 992	-791 107	-615 616
Gross profit		138 307	110 697	548 214	414 192
Sales expenses	7	-44 359	-34 265	-165 532	-131 146
Administrative expenses	7	-34 977	-37 946	-151 414	-126 134
Research and development expenses	7	-8 303	-7 750	-33 900	-27 224
Other operating income*	7	-	3 141	24 193	8 733
Other operating expenses*		-3 319	-6 632	-1 560	-6 879
Operating result	3	47 348	27 245	220 001	131 542
Financial income*		490	268	753	1 953
Financial expenses*	7	-7 943	-2 321	-23 871	-10 264
Result after financial items	3	39 896	25 192	196 883	123 230
Tax expense	7	-12 416	-4 215	-45 129	-24 999
Result for the period		27 480	20 977	151 755	98 232
Result for the period attributable to:					
Shareholders of the Parent company		27 480	20 977	151 755	98 232
Non-controlling interests		-	-	-	-
Earnings per share**, SEK		2.43	1.85	13.40	8.68

* Currency gains and losses within operating result as well as financial items are reported on a net basis starting from the interim report for the third quarter 2022. Comparison figures have been reclassified.

** Before and after dilution.

Statement of other comprehensive income

SEK thousands	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Result for the period		27 480	20 977	151 755	98 232
Other comprehensive income					
<i>Items that may be reclassified to the income statement</i>					
Translation differences	7	4 908	10 377	35 130	33 966
Other comprehensive income		4 908	10 377	35 130	33 966
Total comprehensive income		32 388	31 354	186 885	132 198
Total comprehensive income attributable to:					
Shareholders of the Parent company		32 388	31 354	186 885	132 198
Non-controlling interests		-	-	-	-

Consolidated statements of financial position

SEK thousands	Note	31 Dec 2022	31 Dec 2021
ASSETS			
<i>Fixed assets</i>			
Goodwill	7	626 000	562 096
Other intangible fixed assets	7	69 163	53 863
Tangible fixed assets	7	172 045	184 515
Financial fixed assets		621	5 914
Deferred tax assets	7	7 096	5 257
Total fixed assets	2	874 925	811 645
<i>Current assets</i>			
Inventories		203 847	143 770
Accounts receivable		205 838	200 935
Current tax receivables		4 790	17 498
Other receivables		17 025	15 358
Prepaid expenses and accrued income	7	23 981	34 791
Cash and cash equivalents		335 525	233 230
Total current assets		791 006	645 582
TOTAL ASSETS	4	1 665 931	1 457 227
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital		3 363	3 363
Other capital contributions		32 510	32 510
Translation reserve	7	36 980	1 850
Retained earnings incl. result for the period		621 434	492 321
Equity attributable to Parent company shareholders		694 287	530 044
Non-controlling interests		1	1
Total equity	7	694 288	530 045
<i>Long-term liabilities</i>			
Long-term interest-bearing lease liabilities	7	50 221	58 405
Other long-term interest-bearing liabilities	5	556 160	545 926
Provisions		2 136	1 604
Deferred tax liabilities		27 506	24 234
Other long-term liabilities	7	9 118	49 499
Total long-term liabilities		645 141	679 668
<i>Short-term liabilities</i>			
Short-term interest-bearing lease liabilities	7	22 033	20 779
Other short-term interest-bearing liabilities		239	218
Prepayments from customers		17 812	15 870
Accounts payable		56 885	63 823
Current tax liabilities		31 885	5 889
Other liabilities		85 779	32 838
Accrued expenses and prepaid income		111 871	108 099
Total short-term liabilities		326 504	247 515
TOTAL EQUITY AND LIABILITIES	4	1 665 931	1 457 227

Consolidated statement of changes in equity

SEK thousands	Share capital	Other capital contributions	Translation reserve	Retained earnings incl. result for the period	Total	Non-controlling interests	Total equity
Opening equity 1 Jan 2021	3 363	32 510	-32 115	414 466	418 224	1	418 225
Result for the period	-	-	-	98 232	98 232	-	98 232
Other comprehensive income							
Translation differences	-	-	33 966	-	33 966	-	33 966
Transactions with shareholders							
Dividend	-	-	-	-20 378	-20 378	-	-20 378
Closing equity 31 Dec 2021	3 363	32 510	1 850	492 321	530 044	1	530 045
Opening equity 1 Jan 2022	3 363	32 510	1 850	492 321	530 044	1	530 045
Result for the period	-	-	-	151 755	151 755	-	151 755
Other comprehensive income							
Translation differences	-	-	35 130	-	35 130	-	35 130
Transactions with shareholders							
Dividend	-	-	-	-22 642	-22 642	-	-22 642
Closing equity 31 Dec 2022	3 363	32 510	36 980	621 434	694 287	1	694 288

Group cash flow statements

SEK thousands	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating activities					
Operating result		47 348	27 246	220 001	131 542
Adjustments for items not included in the cash flow		12 589	-942	36 950	33 250
Received interest		403	273	647	774
Paid interest	7	-5 318	-1 557	-14 123	-9 754
Paid income tax		2 673	665	-5 663	-26 251
Cash flow from operating activities before changes in working capital		57 695	25 685	237 812	129 561
Changes in working capital					
Changes in inventories		-4 706	-3 522	-42 455	-12 645
Changes in operating receivables	7	27 895	10 611	25 728	-25 450
Changes in operating liabilities		-25 760	677	-24 944	23 042
Cash flow from operating activities		55 124	33 451	196 141	114 510
Investing activities					
Business combinations		-12 243	-147 175	-12 243	-192 905
Earnout payments		-	-	-15 560	-39 003
Investments in intangible fixed assets		-4 802	-3 876	-19 570	-7 784
Investments in tangible fixed assets		-1 751	-1 907	-7 661	-7 374
Sale of tangible fixed assets		310	134	9 551	367
Increase/decrease of long-term receivable		-	-2 562	51	-5 647
Cash flow from investing activities	3	-18 486	-155 384	-45 432	-252 346
Financing activities					
New loans		-	111 498	-	-
Amortizations of loans		-17 212	-	-17 212	-48 773
Amortizations of lease liabilities	7	-6 495	-5 268	-22 576	-21 595
Paid dividend		-	-	-22 642	-20 378
Cash flow from financing activities		-23 706	106 228	-62 430	-90 746
Cash flow for the period		12 932	-15 702	88 279	-228 580
Cash and cash equivalents at the beginning of the period		326 887	245 360	233 230	451 846
Translation difference in cash and cash equivalents		-4 295	3 572	14 015	9 964
Cash and cash equivalents at the end of the period		335 525	233 230	335 525	233 230



Parent company income statement

SEK thousands	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	13 595	10 664	46 018	31 757
Sales expenses	-273	-453	-1 589	-1 461
Administrative expenses	-15 215	-10 467	-48 830	-37 895
Research and development expenses	-1 813	-1 842	-6 085	-4 275
Other operating income*	1 015	454	2 718	718
Other operating expenses*	-	-	-	-
Operating result	-2 691	-1 645	-7 767	-11 156
<i>Financial items</i>				
Result from participations in Group companies	-	-	48 124	-
Financial income*	4 124	1 543	12 561	4 257
Financial expenses*	-5 602	-6 169	-16 330	-12 373
Result after financial items	-4 168	-6 271	36 586	-19 272
Appropriations	82 017	58 319	82 017	58 319
Result before tax	77 848	52 048	118 602	39 047
Tax expense	-16 434	-11 654	-14 929	-8 987
Result for the period	61 415	40 395	103 674	30 060

Total comprehensive income for the period corresponds to the result for the period

* Currency gains and losses within operating result as well as financial items are reported on a net basis starting from the interim report for the third quarter of 2022. Comparison figures have been reclassified.

Parent company balance sheet

SEK thousands	31 Dec 2022	31 Dec 2021
ASSETS		
<i>Fixed assets</i>		
Intangible fixed assets	27 920	14 218
Tangible fixed assets	423	544
Participations in Group companies	476 938	479 262
Receivables on Group companies	257 249	242 158
Total fixed assets	762 530	736 181
<i>Current assets</i>		
Receivables on Group companies	74 460	60 255
Other receivables	373	348
Prepaid expenses and accrued income	3 027	1 576
Cash and cash equivalents	195 143	84 953
Total current assets	273 003	147 131
TOTAL ASSETS	1 035 533	883 312
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	3 363	3 363
Restricted reserve	918	918
Development costs reserve	27 550	3 486
Total restricted equity	31 831	7 767
Share premium reserve	32 510	32 510
Retained earnings	61 864	78 510
Result for the period	103 674	30 060
Total unrestricted equity	198 049	141 080
Total equity	229 880	148 847
<i>Untaxed reserves</i>		
Tax allocation reserve	38 708	14 542
Total untaxed reserves	38 708	14 542
<i>Long-term liabilities</i>		
Liabilities to credit institutions	556 160	545 926
Liabilities to Group companies	7 961	-
Other long-term receivables	-	23 011
Total long-term liabilities	564 121	568 937
<i>Short-term liabilities</i>		
Accounts payable	2 505	4 373
Current tax liabilities	22 601	8 270
Liabilities to Group companies	129 487	107 639
Other liabilities	26 224	18 344
Accrued expenses and deferred income	22 006	12 360
Total short-term liabilities	202 824	150 986
TOTAL EQUITY AND LIABILITIES	1 035 533	883 312

Note 1 Revenue

The Group's contracts with customers refer to sales of products for cleaning of process air in a variety of industries, in the Group's two operating segments Industrial and Commercial Kitchen. Net sales refers only to revenue from contracts with customers. Related to the products, the Group also sell installation services in a many cases as well as maintenance. The Group sometimes also recharge freight to customers, depending on the incoterms.

In the majority of the Group's contracts with customers, products and installation are deemed to be distinct and are accounted for as separate performance obligations. However, for some contracts with customers the installation services do not meet the criteria for being distinct, since these contracts include a slightly higher degree of customization and the contract is more of a package solution where the installation cannot be separated. In these cases, products and installation are considered as one joint performance obligation. The Group's products come with standardized

warranties, which are assessed to be a part of the product and not considered as separate performance obligations.

The performance obligation for sale of products is deemed to be fulfilled when control is transferred to the customer, which is assessed to coincide with physical delivery to the customer. Installation services as well as service and maintenance are assessed to be performance obligations fulfilled over time. Hence, the revenue for these services is recognized as they are performed. However, installation is usually performed in connection with delivery of the products and mainly refers to short installation assignments. For these short installation assignments, the revenue is thus recognized in practice when the installation has been completed. For the customer contracts where products and installation are considered a joint performance obligation, the revenue is recognized over time, based on costs incurred in relation to total costs for the products and services under the contract.

Net sales per products and services

SEK thousands	Industrial		Commercial Kitchen		Total	
	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
Products, recorded at a certain point in time	226 260	191 547	44 422	38 544	270 682	230 092
Services, recorded over time	39 039	16 248	1 753	5 996	40 791	22 243
Products and services, recorded over time	11 077	10 959	17 550	9 395	28 627	20 355
Total	276 375	218 755	63 725	53 935	340 101	272 689

SEK thousands	Industrial		Commercial Kitchen		Total	
	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Products, recorded at a certain point in time	909 088	653 854	189 269	172 964	1 098 357	826 818
Services, recorded over time	124 698	73 558	7 644	9 741	132 342	83 299
Products and services, recorded over time	57 242	74 590	51 380	45 099	108 622	119 690
Total	1 091 028	802 003	248 293	227 804	1 339 321	1 029 807

Net sales per geographic region

SEK thousands	Industrial		Commercial Kitchen		Total	
	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
EMEA*	135 493	105 910	63 023	49 832	198 516	155 742
Americas	110 389	72 898	414	973	110 803	73 872
APAC	30 493	39 946	289	3 129	30 782	43 076
Total	276 375	218 755	63 725	53 935	340 101	272 689

SEK thousands	Industrial		Commercial Kitchen		Total	
	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
EMEA*	525 874	428 665	238 481	216 727	764 355	645 392
Americas	423 935	242 500	2 140	3 545	426 075	246 044
APAC	141 219	130 839	7 672	7 532	148 890	138 371
Total	1 091 028	802 003	248 293	227 804	1 339 321	1 029 807

* The previously separately reported regions Europe and UK & I have been merged and are now reported as EMEA.

Note 2 Reporting per geographic area

The Group's net sales per geographic area have been reported for the Group's regions and the most important markets. Net sales is reported based on where the customer is located and the assets

are allocated to each region based on where they are physically located. No single customer accounts for more than 10 percent of total sales for the Group.

SEK thousands	Net sales			
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
EMEA*	198 516	155 742	764 355	645 392
of which UK	56 814	43 232	234 347	201 938
of which Sweden	34 849	33 290	143 108	133 002
Americas	110 803	73 872	426 075	246 044
of which USA	70 079	47 739	270 581	164 854
APAC	30 782	43 076	148 890	138 371
Total	340 101	272 689	1 339 321	1 029 807

SEK thousands	Fixed assets**	
	31 Dec 2022	31 Dec 2021
EMEA*	215 590	209 948
of which UK	60 336	85 270
of which Sweden	109 645	91 171
Americas	29 765	31 955
of which USA	5 061	6 029
APAC	2 949	1 732
Total	248 303	243 636

* The previously separately reported regions Europe and UK & I have been merged and are now reported as EMEA.

** Do not include goodwill or financial fixed assets. Goodwill has not been allocated on geographical areas since it is only allocated per operating segment.

Note 3 Segment reporting

The Group's operations consists of two business areas, Industrial and Commercial Kitchen. The Group CEO has been identified as the chief operating decision-maker (CODM), and the Group CEO follows the development of the business areas based on net sales and operating result. Net financial items and tax is not followed per business area, neither is the balance sheet. Any transactions

between the business areas are conducted on market terms. The result for each business area includes directly attributable items and items that can be allocated to each business area on a reasonable and reliable manner. Group functions are not allocated to each business area, but recorded separately. Net investments refer to intangible and tangible fixed assets.

SEK thousands	Industrial		Commercial Kitchen		Group functions		Eliminations		Total	
	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2022	Oct-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
Net sales	276 375	218 755	63 843	53 934	-	-	-116	-	340 101	272 689
Operating result	35 182	22 756	9 095	7 288	3 071	-2 798	-	-	47 348	27 245
Net financial items									-7 453	-2 053
Result before tax									39 896	25 192
Amortizations and depreciations	-7 548	-6 982	-2 482	-1 432	-425	-274	-	-	-10 455	-8 688
Net investments	-2 686	-2 487	-104	-266	-3 453	-2 895	-	-	-6 243	-5 648

SEK thousands	Industrial		Commercial Kitchen		Group functions		Eliminations		Total	
	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	1 091 035	802 008	248 482	227 829	-	-	-195	-29	1 339 321	1 029 807
Operating result	189 428	105 796	36 155	38 905	-5 582	-13 158	-	-	220 001	131 542
Net financial items									-23 118	-8 311
Result before tax									196 883	123 230
Amortizations and depreciations	-30 308	-28 222	-8 653	-7 254	-1 605	-1 521	-	-	-40 566	-36 996
Net investments	-2 774	-8 796	-996	-954	-13 909	-5 041	-	-	-17 680	-14 791

Note 4

Financial instruments

SEK thousands	Financial assets		Financial liabilities	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Measured at amortized cost	561 094	470 665	663 740	663 307
Measured at fair value through profit and loss	-	-	60 372	67 396
Total	561 094	470 665	724 112	730 703

Financial instruments are measured at amortized cost or fair value based on classification. For more detailed information, see the Group accounting policies in the Annual Report for 2021.

Note 5

Pledged assets and contingent liabilities

Group			
SEK thousands		31 Dec 2022	31 Dec 2021
Pledged assets			
Bank funds		-	2 873
Total		-	2 873
Contingent liabilities			
Other guarantees		3 929	-
Total		3 929	-
Parent company			
SEK thousands		31 Dec 2022	31 Dec 2021
Contingent liabilities			
Guarantees for Group companies		21 931	25 428
Other guarantees		3 929	-
Total		25 860	25 428

Note 6 Business combinations

Nu-Air B.V.

As of December 1 2022, the Group acquired 100 percent of the Dutch company Nu-Air B.V. for a purchase price of EUR 2.3 million on a cash and debt-free basis. The acquisition is financed by available funds and the purchase price is paid over three years. The company has an annual turnover of approximately EUR 6 million, and forms together with Tessu Systems B.V., acquired by Absolent Air Care Group in 2021, a dominating player on the Dutch commercial kitchen ventilation market. Nu-Air is included in the Group's Commercial Kitchen business area.

The acquisition did not have any material impact on earnings per share for 2022. Transaction costs related to this acquisition amounted to SEK 1.0 million, and are recorded as administrative expenses in the Group income statement. The table below summarizes purchase price as well as acquired assets and liabilities, recognized at fair value as of the acquisition date. The purchase price allocation is preliminary, and may be subject to adjustments.

SEK thousands	Nu-Air B.V.
Tangible fixed assets	1 732
Right-of-use asset	16 529
Financial fixed assets	75
Inventories	9 064
Accounts receivable	7 829
Other receivables	37
Prepaid expenses and accrued income	-61
Cash and cash equivalents	8 417
Provisions	-211
Accounts payable	-3 726
Current tax liabilities	-97
Lease liability	-16 495
Other current liabilities	-5 751
Accrued expenses and deferred income	-6 983
Net identifiable assets and liabilities	10 358
Goodwill	19 046
Total purchase price	29 404
Purchase price liability, to be paid during 2023 and 2024	-8 745
Total transferred consideration	20 659
Cash and cash equivalents in the acquired company	-8 417
Effect on Group cash and cash equivalents	12 243

Quatro Air Technologies Inc. and Aerofil Inc.

On November 15 2021, the Group acquired 100 percent of the shares in the Canadian company Quatro Air Technologies Inc. including the subsidiary Aerofil Inc. Quatro Air Technologies Inc. manufactures an extensive range of portable air cleaning solutions and Aerofil distributes advanced solutions for purification, treatment and movement of air. The initial purchase

price amounted to CAD 22 million on a cash and debt-free basis plus an earnout of maximal CAD 14.5 million depending on the company's EBITDA-level for 2022 and 2023. As of 31 December 2022, the earnout liability is recognized at CAD 4.5 million, which is the Group's best assessment of the possible outcome. Quatro Air Technologies Inc. and Aerofil Inc. are included in the Industrial business area.

The acquired operations contributed SEK 11.3 million to the Group turnover and SEK 1.5 million to the Group operating result for the period 15 November to 31 December 2021. The transaction costs for this acquisition amounted to SEK 3.9 million, and are recognized on the row administrative expenses in the Group income statement.

Identified intangible assets refer to customer relations, which are amortized over a period of seven years. Goodwill is attributable to earnings capacity and the synergies that will be created when the companies' operations are included in the Group's existing operations. Assets and liabilities presented in the table below have been recognized at fair value. The purchase price allocation was completed during the fourth quarter of 2022.

SEK thousands	Quatro Air Technologies Inc. with subsidiary Aerofil Inc.
Intangible fixed assets	16 942
Tangible fixed assets	188
Right-of-use asset	2 717
Inventories	24 968
Accounts receivable	14 596
Prepaid expenses and deferred income	2 923
Cash and cash equivalents	4 015
Deferred tax liability	-4 490
Accounts payable	-9 498
Current tax liabilities	-1 853
Lease liability	-2 688
Other liabilities	-2 379
Accrued expenses and prepaid income	-8 328
Net identifiable assets and liabilities	37 112
Goodwill	143 408
Total purchase price	180 520
Earnout	-31 381
Total transferred consideration	149 139
Cash and cash equivalents in the acquired companies	-4 015
Effect on Group cash and cash equivalents	145 124

Note 7 Transition to IFRS

Absolent Air Care Group AB has previously applied BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3). The date of transition to IFRS has been set at 1 January 2020, and the transition to IFRS is reported in accordance with IFRS 1. The first report the Group prepared in accordance with IFRS was the Annual report for 2021, which was published on 26 April 2022. In that report, the transition effects for the balance sheet as of 1 January 2020, 31 December 2020 and 31 December 2021 as well as for the income statement and cash flow statement for the full year of 2021 and 2020 were reported. In this year-end report, transition effects on the financial statements for the fourth quarter 2021 and the period January - December 2021 are reported.

The general rule of IFRS 1 is that an entity shall apply all recommendations retroactively when determining the opening balance. However, there are some mandatory and optional exceptions to retroactive application. The Group has chosen to apply the following exceptions:

- The Group has chosen to apply the practical expedient in IFRS 1 appendix C item 1, and thus not recalculated any business combinations made before the transition date to IFRS, 1 January 2020.
- Lease liabilities have been measured at the present value of remaining lease payments, discounted by the marginal borrowing rate at the time of transition to IFRS. The right-of-use asset has been valued to an amount corresponding to the lease liability, with adjustments for any prepaid or accrued leasing fees. Assessments of whether an agreement contains a lease have been made based on facts and circumstances as of the transition date to IFRS. The Group has also chosen to apply the rules that lease agreements ending within twelve months from transition to IFRS and lease agreements where the underlying assets are of low value are expensed on a linear basis over the leasing period.
- Accumulated translation differences in equity are set to zero at the date of transition to IFRS.

The following tables present and quantify the effects assessed by management on the consolidated statement of comprehensive income, consolidated statement of financial position, cash flow statement as well as equity in transition to IFRS for the Group. The main effects on the financial reporting are the following:

- Reversal of amortization of goodwill, see Note 7.A.
- Application of IFRS 3 to the purchase price allocation regarding the acquisition completed during the period January - December 2021, see Note 7.A.
- For the lease agreements previously recorded as operational leases, the Group will recognize right-of-use assets and lease liabilities, see Note 7.B.
- Reclassification of obligations related to earn-outs from other provisions to other long-term liabilities and other short-term liabilities, see Note 7.C.

In connection with preparing of the interim report in accordance with IFRS, several reclassifications of balance sheet items have been made. All italicized balance sheet items have been reclassified as below:

- Other equity including profit for the period has been included in the item retained earnings incl. result for the period. Translation reserve was previously included in the item other equity including profit for the period, but is reported on a separate row in accordance with IFRS. For more information, see Note 7.D.
- Deferred tax liabilities and other provisions were previously reported under the line provisions. At the time of transition to IFRS, these items have been included under long-term liabilities instead.
- The item liabilities to credit institutions has changed name and is now reported as other long-term interest-bearing liabilities.

Some minor reclassifications and name changes have also been made in the income statement and cash flow statement, and some previously aggregated items have been divided into more detailed items.

Group income statement

SEK thousands	Note	Oct-Dec 2021 K3	Effects from transition to IFRS	Oct-Dec 2021 IFRS	Jan-Dec 2021 K3	Effects from transition to IFRS	Jan-Dec 2021 IFRS
Net sales		272 689	-	272 689	1 029 807	-	1 029 807
Cost of products and services sold	7.B	-162 175	183	-161 992	-616 334	718	-615 616
Gross profit		110 513	183	110 697	413 474	718	414 192
Sales expenses	7.A, 7.B	-61 408	27 143	-34 265	-230 002	98 856	-131 146
Administrative expenses	7.A, 7.B	-34 083	-3 863	-37 946	-121 737	-4 397	-126 134
Research and development expenses	7.B	-7 748	-2	-7 750	-27 218	-6	-27 224
Other operating income	7.B	-	3 141	3 141	-	8 733	8 733
Other operating expenses		-	-6 632	-6 632	-	-6 879	-6 879
<i>Other operating income and expenses</i>		-3 513	3 513	-	1 806	-1 806	-
Operating result		3 762	23 483	27 245	36 323	95 219	131 542
Financial income		-	268	268	-	1 953	1 953
Financial expenses	7.B	-	-2 321	-2 321	-	-10 264	-10 264
<i>Financial items</i>		-1 598	1 598	-	-6 412	6 412	-
Result after financial items		2 164	23 029	25 192	29 912	93 319	123 230
Tax expense	7.A, 7.B	-4 472	257	-4 215	-25 767	768	-24 999
Result for the period		-2 308	23 285	20 977	4 145	94 088	98 232
Result for the period attributable to:							
Shareholders of the Parent company		-2 308	23 285	20 977	4 145	94 088	98 232
Non-controlling interests		-	-	-	-	-	-

Statement of comprehensive income

SEK thousands	Note	Oct-Dec 2021 K3	Effects from transition to IFRS	Oct-Dec 2021 IFRS	Jan-Dec 2021 K3	Effects from transition to IFRS	Jan-Dec 2021 IFRS
Result for the period		-2 308	23 285	20 977	4 145	94 088	98 232
Other comprehensive income							
<i>Items that may be reclassified to the income statement</i>							
Translation differences	7.D	-	10 377	10 377	-	33 966	33 966
Other comprehensive income		-	10 377	10 377	-	33 966	33 966
Total comprehensive income		-2 308	33 662	31 354	4 145	128 055	132 198
Total comprehensive income attributable to:							
Shareholders of the Parent company		-2 308	33 662	31 354	4 145	128 055	132 198
Non-controlling interests		-	-	-	-	-	-

Consolidated statement of financial position

SEK thousands	Note	31 Dec 2021 K3	Effects from transition to IFRS	31 Dec 2021 IFRS
ASSETS				
<i>Fixed assets</i>				
Goodwill	7.A	-	562 096	562 096
Other intangible fixed assets	7.A	-	53 863	53 863
<i>Intangible fixed assets</i>		430 956	-430 956	-
Tangible fixed assets	7.B	106 030	78 485	184 515
Financial fixed assets		5 914	-	5 914
Deferred tax assets	7.B	4 730	527	5 257
Total fixed assets		547 631	264 015	811 645
<i>Current assets</i>				
Inventories		143 770	-	143 770
Accounts receivable		200 935	-	200 935
Current tax receivables		-	17 498	17 498
Other receivables		69 412	-54 054	15 358
Prepaid expenses and accrued income	7.B	-	34 791	34 791
Cash and cash equivalents		-	233 230	233 230
<i>Cash and cash equivalents</i>		233 230	-233 230	-
Total current assets		647 347	-1 765	645 582
TOTAL ASSETS		1 194 979	262 248	1 457 227

Consolidated statement of financial position

SEK thousands

	Note	31 Dec 2021 K3	Effects from transition to IFRS	31 Dec 2021 IFRS
EQUITY AND LIABILITIES				
<i>Equity</i>				
Share capital		3 363	-	3 363
Other capital contributions		32 510	-	32 510
Translation reserve	7.D	-	1 850	1 850
Retained earnings incl. result for the period		-	492 321	492 321
<i>Other equity including profit for the period</i>		319 218	-319 218	-
Equity attributable to Parent company shareholders		355 091	174 952	530 044
Non-controlling interests		1	-	1
Total equity		355 092	174 952	530 045
<i>Provisions</i>				
<i>Deferred tax liabilities</i>		16 132	-16 132	-
<i>Other provisions</i>		68 989	-68 989	-
Total provisions		85 121	-85 121	-
<i>Long-term liabilities</i>				
Long-term interest-bearing lease liabilities	7.B	-	58 405	58 405
Other long-term interest-bearing liabilities		-	545 926	545 926
<i>Liabilities to credit institutions</i>		545 926	-545 926	-
Provisions	7.C	-	1 604	1 604
Deferred tax liabilities	7.A	-	24 234	24 234
Other long-term liabilities	7.C	-	49 499	49 499
Total long-term liabilities		545 926	133 742	679 668
<i>Short-term liabilities</i>				
Short-term interest-bearing lease liabilities	7.B	-	20 779	20 779
Other short-term interest-bearing liabilities		218	-	218
Prepayments from customers		-	15 870	15 870
Accounts payable		63 823	-	63 823
Current tax liabilities		-	5 889	5 889
Other liabilities	7.C	144 799	-111 961	32 838
Accrued expenses and prepaid income		-	108 099	108 099
Total short-term liabilities		208 840	38 675	247 515
TOTAL EQUITY AND LIABILITIES		1 194 979	262 248	1 457 227

Group cash flow statement

SEK thousands	Note	Oct-Dec 2021 K3	Effects from transition to IFRS	Oct-Dec 2021 IFRS	Jan-Dec 2021 K3	Effects from transition to IFRS	Jan-Dec 2021 IFRS
Operating activities							
Operating result		3 762	23 484	27 245	36 323	95 219	131 542
Adjustments for items not included in the cash flow		24 004	-24 946	-942	109 869	-76 619	33 250
Received interest		-	273	273	-	774	774
Paid interest	7.B	-	-1 557	-1 557	-	-9 754	-9 754
<i>Financial net, paid</i>		-254	254	-	-7 081	7 081	-
Paid income tax		665	-	665	-26 251	-	-26 251
Cash flow from operating activities before changes in working capital		28 177	-2 490	25 685	112 861	16 703	129 561
Changes in working capital							
Changes in inventories		-	-3 522	-3 522	-	-12 645	-12 645
Changes in operating receivables	7.B	-	10 611	10 611	-	-25 450	-25 450
Changes in operating liabilities		-	677	677	-	23 042	23 042
<i>Changes in working capital</i>		5 060	-5 060	-	-15 170	15 170	-
Cash flow from operating activities		33 236	217	33 451	97 692	16 821	114 510
Investing activities							
Business combinations		-154 637	7 462	-147 175	-236 682	43 777	-192 905
Earnout payments		-	-	-	-	-39 003	-39 003
Investments in intangible fixed assets		-	-3 876	-3 876	-	-7 784	-7 784
Investments in tangible fixed assets		-	-1 907	-1 907	-	-7 374	-7 374
Sale of tangible fixed assets		-	134	134	-	367	367
Increase/decrease of long-term receivable		-150	-2 412	-2 562	-5 647	-	-5 647
<i>Investing activities</i>		-5 648	5 648	-	-14 791	14 791	-
Cash flow from investing activities		-160 435	5 051	-155 384	-257 119	4 774	-252 346
Financing activities							
Amortizations of loans		-	111 498	111 498	-	-48 773	-48 773
Amortizations of lease liabilities	7.B	-	-5 268	-5 268	-	-21 595	-21 595
Paid dividend		-	-	-	-	-20 378	-20 378
<i>Cash flow from financing activities</i>		111 497	-111 497	-	-69 151	69 151	-
Cash flow from financing activities		111 497	-5 268	106 228	-69 151	-21 595	-90 746
Cash flow for the period		-15 702	-	-15 702	-228 580	-	-228 580
Cash and cash equivalents at the beginning of the period		245 360	-	245 360	451 846	-	451 846
Translation differences in cash and cash equivalents		3 572	-	3 572	9 964	-	9 964
Cash and cash equivalents at the end of the period		233 230	-	233 230	233 230	-	233 230

Statement of changes in equity

SEK thousands	Note	Share capital	Other contributed capital	Translation reserve	Retained earnings incl. result for the period	Total
31 Dec 2021 K3		3 363	32 510	-	319 218	355 091
Effects from transition to IFRS		-	-	1 850	173 104	174 954
Translation reserve separate component in equity	7.D	-	-	27 531	-27 531	-
Opening IFRS transition effect*		-	-	-32 115	106 547	74 431
Effects recorded in the result for the period		-	-	-	94 088	94 088
Translation effect IFRS 16		-	-	-107	-	-107
Translation effect reversed amortizations of goodwill	7.A	-	-	6 166	-	6 166
Translation effect from acquisition analysis adjustment	7.A	-	-	503	-	503
Other		-	-	-128	-	-128
31 Dec 2021 IFRS		3 363	32 510	1 850	492 321	530 044

* See specification in the Group annual report for 2021.



Note 7A Intangible fixed assets

SEK thousands	Goodwill	Other intangible fixed assets	Total
Book value K3 31 Dec 2021	408 490	22 466	430 957
Opening IFRS adjustment, net*	75 898	-	75 898
Reversed amortizations	101 225	-	101 225
Purchase price allocations in accordance with IFRS 3	-29 684	33 548	3 865
Amortizations	-	-2 656	-2 656
Translation differences	6 166	503	6 669
Book value IFRS 31 Dec 2021	562 096	53 863	615 959

* Opening effects from transition to IFRS are presented in the Group annual report for 2021.

According to IFRS, goodwill is an intangible asset with an indeterminate useful life, which means that the item is not amortized but subject to impairment testing. This differs from the previous accounting policy (K3), where goodwill has been amortized over the estimated economic life (5-10 years). The transition to IFRS therefore means that amortization of goodwill in 2021 is reversed. Goodwill is not a deductible expense, and the adjustment therefore has no tax effects.

In the transition to IFRS purchase price allocations prepared during 2020 and 2021 have been reviewed, which has resulted in the identification of other intangible assets related to the acquisitions of Tessu Systems B.V. and Quatro Air Technologies Inc. with subsidiary Aerofil Inc. during 2021. The identified intangible assets refer to customer relations, which have been reclassified from goodwill to other intangible assets and also affected deferred tax liabilities. In total, the other intangible assets category has increased by an

amount of SEK 33,548 thousands related to these customer relations. The useful life of customer relations has been determined to seven years, and the amount will be amortized over this period. Total amortization for 2021 amounts to SEK 2,656 thousands, on which deferred tax of SEK 668 thousands has been recorded. As of 31 December 2021, the deferred tax liability related to these customer relations amounts to SEK 8,102 thousands.

Acquisition-related expenses to a total of SEK 4,777 thousands have been removed from the intangible assets and recognized as administrative expenses in the income statement. SEK 834 thousands are related to the acquisition of Tessu Systems B.V. and SEK 3,943 thousands are related to the acquisition of Quatro Air Technologies Inc. and Aerofil Inc.

Note 7B Leasing

In accordance with previously applied accounting policies, the Group recorded all leasing agreements as operational. According to IFRS 16, the Group recognizes the leasing agreements as a right-of-use asset and a lease liability in the balance sheet instead. This treatment implies that the costs for the previously operational leasing agreements will be reclassified from operating expenses to depreciations of the right-of-use asset and interest expenses on the lease liability.

As of 31 December 2021, the total book value for the right-of-use asset amounted to SEK 78,485 thousands and the lease liability to SEK 79,184 thousands, of which SEK 20,779 thousands is recorded as short-term. The item prepaid expenses and accrued income is also affected by the transition to IFRS 16. This item contains prepaid leasing fees, and according to IFRS 16 these prepaid leasing fees shall increase the value of the right-of-use asset. Hence, prepaid leasing fees have been reclassified to the right-of-use asset in the conversion to IFRS. Reversal of leasing fees as well as depreciations on the right-of-use asset are specified per function in the table below. The discrepancy between accounting according to IFRS 16 and the legal accounting in the Group companies results in a deferred tax on the net effect in the income statement, which affects the tax expense for the period as well as deferred tax assets.

Transition to IFRS 16 has also affected the presentation of the cash flows for the Group. In accordance with previous accounting policies, the cash flow from the operational leasing agreements was recognized as part of the operating activities. However, according to IFRS 16 the cash flow is split between amortizations of the lease liability and interest payments. Of the various parts of the cash flow for the period January–December, the operating result is affected by SEK 1,426 thousands, adjustment for items not affecting cash flow with SEK 22,138 thousands, paid interest increased by SEK 1,900 thousands and amortizations of lease liability amounted to SEK 21,595 thousands. For the period October–December, operating result is affected by SEK 341 thousands, adjustment for items not affecting cash flow with SEK 5,429 thousands, paid interest increased by SEK 455 thousands and amortizations of lease liability amounted to SEK 5,268 thousands.

For more detailed presentation of the transition to IFRS 16 and accounting policies, please see the Group annual report for 2021.

Reversal of leasing fees

SEK thousands	Oct-Dec 2021	Jan-Dec 2021
Cost of products and services sold	1 860	7 914
Sales expenses	1 744	7 149
Administrative expenses	2 080	8 135
Research and development expenses	86	365
Total	5 769	23 564

Depreciation of right-of-use asset

Cost of products and services sold	-1 676	-7 197
Sales expenses	-1 686	-6 863
Administrative expenses	-2 000	-7 755
Research and development expenses	-88	-371
Total	-5 451	-22 186

Note 7C Other provisions

SEK thousands	31 Dec 2021
Book value K3	68 989
Reclassifications of earnouts to other long-term liabilities	-49 499
Reclassifications of earnouts to other short-term liabilities	-17 897
Additional provision related to lease agreements	11
Book value IFRS	1 604

In accordance with IFRS 3, earnouts that meet the definition of a financial liability are to be recognized as financial liabilities. Hence, earnouts attributable to the acquisitions of Tessu as well as Quatro

and Aerofil have been reclassified from other provisions to other long-term liabilities and other short-term liabilities, depending on due date.

Note 7D Translation reserve

In accordance with IAS 21, translation differences are recorded in other comprehensive income as well as an accumulated separate component in equity. The Group applies the exception rule in IFRS

1, which implies that accumulated translation differences for all foreign subsidiaries are considered to amount to zero at the transition date to IFRS.

Note 7E Credit risk reserve related to accounts receivable

In accordance with previous accounting policies, Absolent Air Care Group has applied a model for bad debt provision based on occurred events. According to IFRS 9, both historical and forward-looking information shall be taken into account when assessing expected credit losses. The Group has chosen to apply the simplified model

of expected credit losses on accounts receivable under which total expected credit losses for the remaining maturity of the receivable are reported. Transition to the model according to IFRS 9 has not had any effect on the Group's financial statements.

