2019

volatı.

This annual report has been prepared in Swedish and translated into English.
In the event of any discrepancies between the Swedish original and the translation,
the Swedish shall have precedence.

CONTENTS

ANNUAL REPORT

Volati in 2019

Volati is a Swedish industrial group that acquires and develops well-managed companies with a focus on long-term value creation. We primarily own Nordic companies, predominantly in Sweden.

12
business units

2,100
employees

16
countries

FOUR BUSINESS AREAS

- TRADING
- CONSUMER
- AKADEMIBOKHANDELN
- INDUSTRY

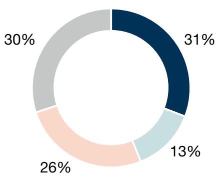
- Net sales increased by 12 percent to SEK 6,833 (6,084) million.
- Operating profit (EBITA) increased by 18 percent to SEK 513 (433) million.
- Operating cash flow amounted to SEK 523 (475) million.
- Volati completed four acquisitions in 2019, all of which were value-adding add-on acquisitions to existing operations.
- The Board of Directors proposes that no dividend be paid to ordinary shareholders, and that the preference share dividend be paid in accordance with the Company's articles of association.

Key figures

	2019	2018	2017	2016	2015
Net sales, SEK million	6,833	6,084	4,356	3,206	2,188
EBITDA, SEK million	909	552	459	385	275
EBITA, SEK million	513	433	377	318	227
Organic EBITA growth, %	4	0	–18	28	–20
EBIT, SEK million	130	366	345	301	214
Net debt, SEK million	907	949	619	–264	756
Adjusted EBITDA	604	573	511	421	333
Net debt/adjusted EBITDA, x	1.5	1.7	1.2	–0.6	2.3
Cash conversion, %	83	86	112	89	94
Earnings per ordinary share, SEK	0.13	2.58	2.19	2.07	1.37
Equity per ordinary share, SEK	19.29	21.63	19.11	17.78	5.51
Return on adjusted equity, %	15	13	12	25	43
Ordinary shares outstanding	79,406,571	80,406,571	80,406,571	80,406,571	40,400,000
Preference shares outstanding	1,603,774	1,603,774	1,603,774	1,603,774	1,603,774
Average number of employees	2,136	2,157	1,750	1,122	908
Dividend per ordinary share, SEK	–[1]	1.00	0.50	0.50	–

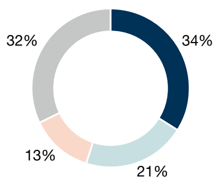
[1] Proposed by the Board of Directors

Net sales by business area



Trading, SEK 2,138 m
Akademibokhandeln, SEK 1,793 m
Consumer, SEK 895 m
Industry, SEK 2,008 m

EBITA by business area



Trading, SEK 176 m
Akademibokhandeln, SEK 71 m
Consumer, SEK 108 m
Industry, SEK 167 m

The distribution by business area is not calculated proforma for the year's acquisitions. Acquired companies are therefore only included in the above calculation from the acquisition closing date. The business areas' shares are calculated excluding central costs. Divested operations are included in the relevant business area up to the divestment date.

In 2019, we continued to develop Volati, with growth in both sales and earnings as a result. A more decentralised acquisition process has brought a strong inflow of acquisition candidates from the business area organisation, which has resulted in several exciting add-on acquisitions with increasingly clear synergies.

Continuing growth in 2019

Acquisition of good companies is one of the pillars of our business model and a prerequisite for maintaining a high growth rate for Volati. Our ambition has been to give the business areas and business units the right conditions to systematically identify potential acquisition opportunities as part of the work towards achieving their strategic goals. We now see results of this in the form of a strong pipeline of potential acquisitions from our business area organisation.

When making add-on acquisitions, Volati is even more of an industrial buyer. The acquisitions are conducted on the basis of a clear industrial logic. This contributes to lower risk in connection with the acquisitions, and synergies become a natural way of creating increased value in the businesses.

Creating strong platforms

Three of five add-on acquisitions in 2019 and early 2020 were in the Trading business area. The business area currently acts as a group of companies which have a clear industrial logic between them. This is reinforced by the business area's strong platform for common systems, including logistics, IT and finance. This means, among other things, that we can identify synergies when making acquisitions in the business area. It also means that the Trading business area is perceived as a natural and competent owner of companies, notably in hardware and building products, which strengthens our position in the acquisition market.

Development of the Trading business area is reflective of our ambition to create strong platforms within our business areas that can be expanded through continued add-on acquisitions. Another example of this is the S:t Eriks business unit in the Industry business area. We have made major changes within the business unit during the year to create a strong platform. This gives us good conditions to grow the business unit in the next few years and we have already made one add-on acquisition in 2019.

Sales and earnings

We continued to build a stronger Volati during 2019. Sales and earnings for 2019 increased as a result of both acquisitions and organic growth. Net sales increased by 12 percent to SEK 6,833 million. EBITA increased by 18 percent to SEK 513 million. Organic EBITA growth was 4 percent. Earnings per ordinary share increased to SEK 3.12 per share, adjusted for our Q3 write-down of intangible assets related to the Consumer business area.

Business area development

Development in the Trading business area continued to be very good. In view of the challenges the business area has faced throughout the year in terms of a weak

Swedish krona, I see the result as clear evidence of the strength of the operations.

The Akademibokhandeln business area developed very positively during the first nine months of the year. It is pleasing that we were able to see such fine results from the hard work done throughout the organisation to improve both the customer offering and profitability. One example is that the e-commerce channel Bokus increased its sales volume while improving margins during most of the year. It was therefore a real fly in the ointment when Bokus was hit by temporary delivery problems just before the Christmas trading period. During the year, the company changed its logistics management with its 3PL supplier to give customers even faster delivery times. However, the change did not go according to plan, which affected deliveries during the Christmas trading. The result was reduced sales volumes and increased costs related to customer service staffing, which had a significant impact on the Q4 and full year

"Each year, Volati delivers a strong cash flow, which enables us to continue to develop the Company through new acquisitions and to invest in our existing operations."

results. The business area has worked intensively to deal with the delivery problems, which will gradually subside. Apart from these temporary problems, we are satisfied with the development in the business area.

Within the Consumer business area, the inspection business accounts for a significant part of the business area's sales and earnings. Now that the market has adapted to the changed regulations, with extended inspection intervals, we see that our market position and profitability remain strong. During the year we also changed our ownership of me&i. It is Volati's ambition to be a long-term owner of the companies we invest in. However, in some cases we do not see ourselves as the best owner for a company and we believe that me&i has better conditions for successful development in a different ownership configuration.

We are also achieving good results in the Industry business area, although our expectations were at a higher level. Some operations in the business area are affected by fluctuations in demand due to project sales and by weather-related fluctuations. These fluctuations in demand have had a negative impact on earnings for the full year.

As I mentioned earlier, it has been a year of major changes in S:t Eriks, which was acquired in 2018. We have implemented significant and successful efficiency measures, mainly in production, and have appointed a new CEO and management team, thereby laying the foundation for a business with good development potential.

Significant acquisition scope

Each year, Volati delivers a strong cash flow, which enables us to continue to develop the Company through new acquisitions and to invest in our existing operations. Operating cash flow during 2019 was SEK 523 million. The strong cash flow and earnings, which are seasonally highest during the fourth quarter, mean that we enter 2020 with a strong financial position. The net debt/EBITDA ratio was 1.5x. In other words, we have significant acquisition scope when building Volati further.

New financial targets

After the end of the year, the Board adopted new financial targets for Volati, which were communicated in connection with the year-end report for 2019. The overall objective is still to generate long-term value growth by building an industrial group of profitable companies with solid cash flows and capacity for continuous development. The new targets do not involve any strategic change of direction for Volati. However, they reflect the Board's continued expectations of growth, both through acquisitions and organic growth, while maintaining a strong balance sheet and discipline in connection with acquisitions.

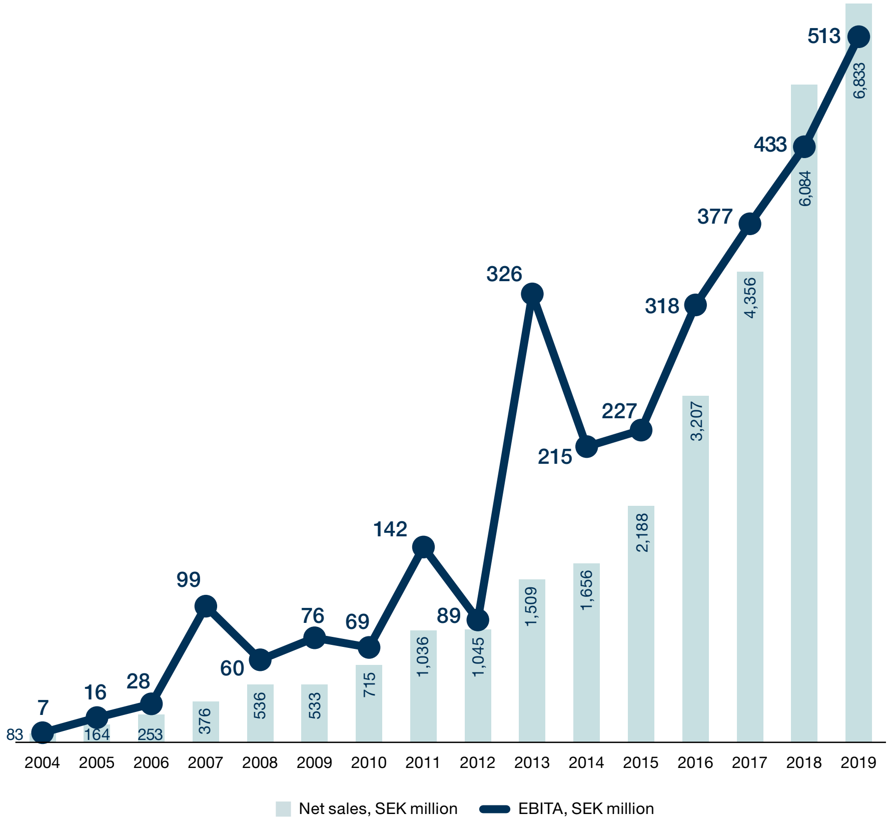
Well placed to develop Volati

With a strong financial position, an efficient business area organisation and an enhanced work process for add-on acquisitions, we are well placed to develop Volati in line with our ambition – to continue to grow the company at a high rate, with a strong focus on creating long-term value for our shareholders.

MÅRTEN ANDERSSON, CEO VOLATI
Stockholm, March 2020

Long-term value growth

Volati's overall goal is to generate long-term value growth.



Volati's net sales and earnings development since the Company was founded.

Our vision

Volati's vision is to be regarded as Sweden's best owner of medium-sized companies.

Our business concept

Volati creates value by acquiring companies with proven business models, leading market positions and strong cash flows at reasonable valuations, and develops them with a focus on long-term value creation.

A value-creating business model

Volati creates long-term value growth with a proven business model that is the same today as when the Company was founded in 2003.

Volati acquires well-managed companies with strong cash flows at reasonable valuations. These cash flows are reinvested in the business and used for further acquisitions. By working actively to develop the companies in the long term, Volati also creates fertile ground for organic growth.

A strong operating cash flow in the business units…

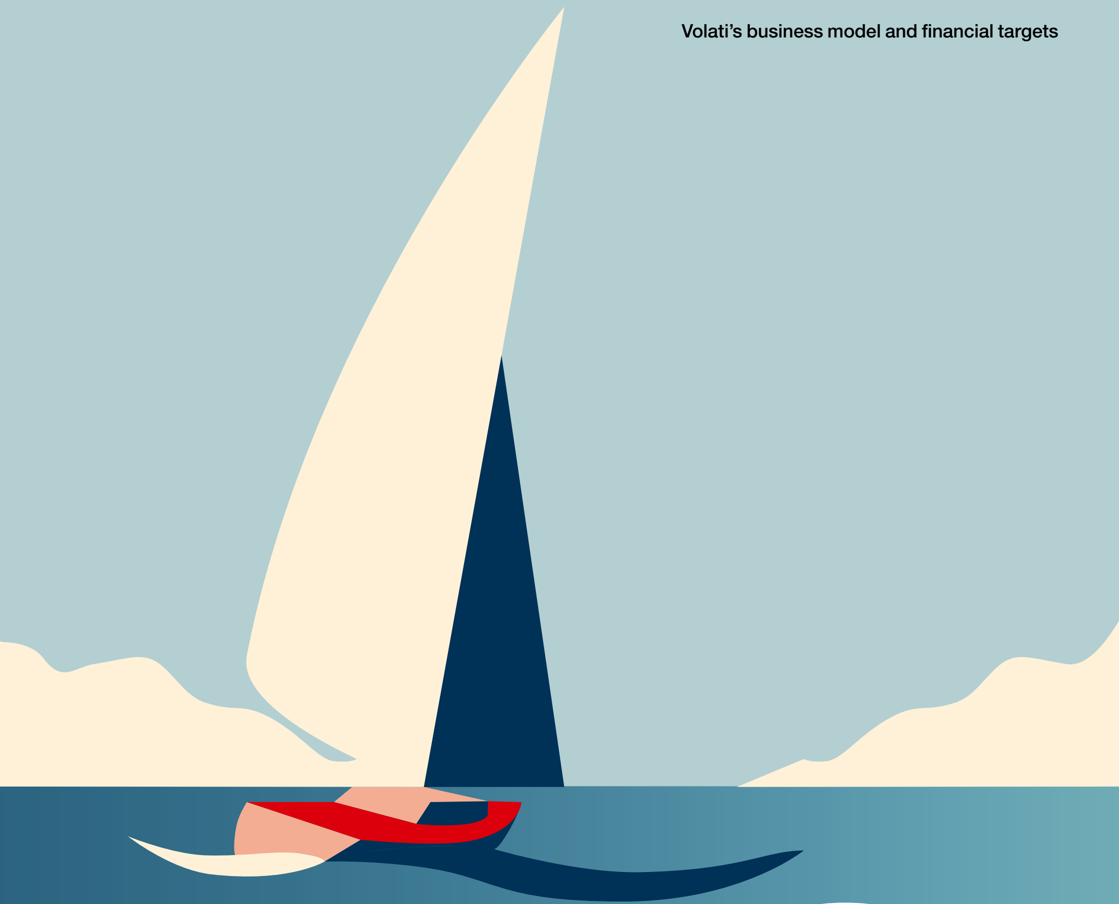
SEK 523 m

Operating cash flow 2019

…is used for further acquisitions of companies with strong cash flows…

30

Number of acquisitions 2004–2019



…at reasonable valuations…

6.0×

Average acquisition multiple (EV/EBITDA) 2004–2019

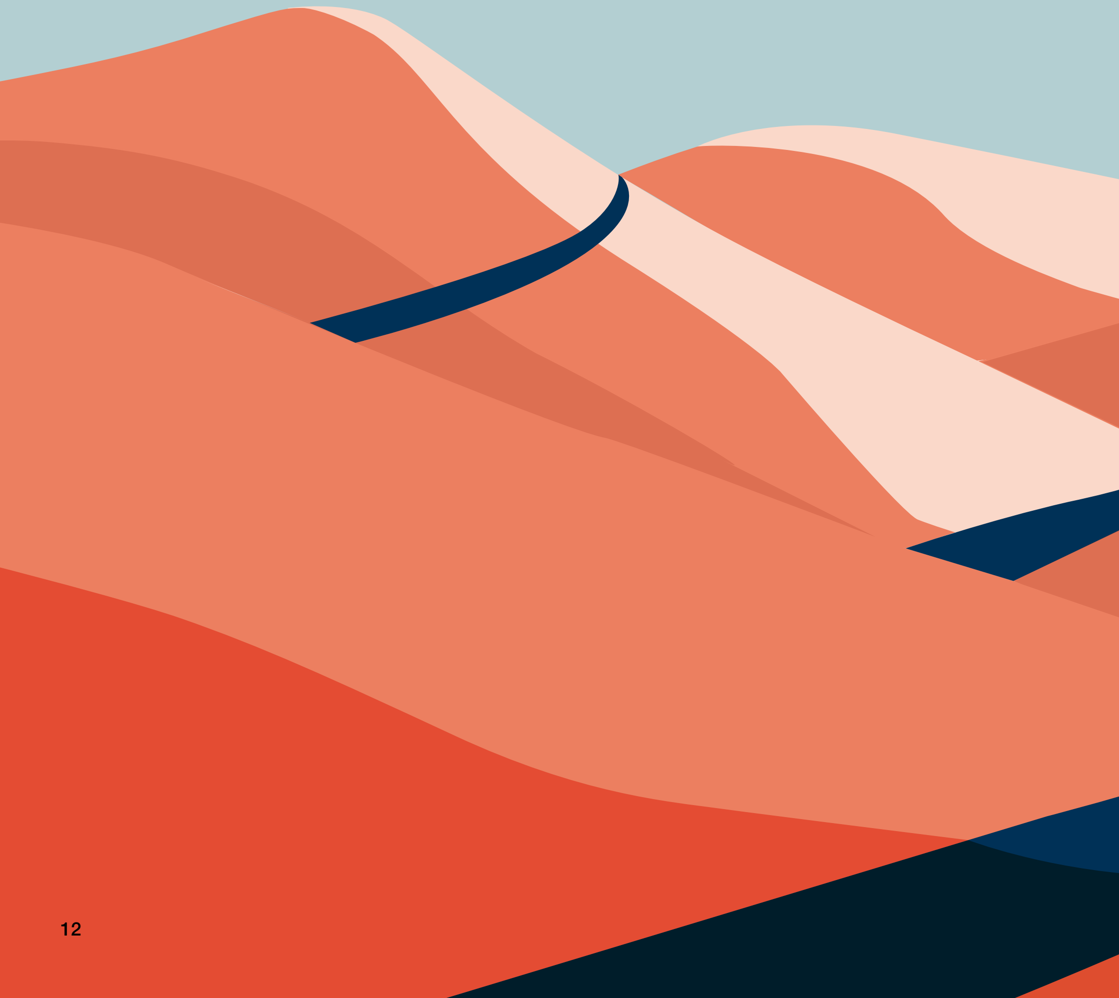
…and with a focus on long-term value creation.

23%

CAGR EBITA 2015–2019

Financial targets

Volati's Board has adopted new financial targets that are designed to support successful operations in accordance with our business model. The targets should be assessed on an overall basis.



In early 2020, Volati's Board adopted new financial targets, which replace the previous financial targets communicated in connection with the IPO in 2016. The targets apply from 2020 and should be assessed on an overall basis. The strategic direction stands firm, but with the new targets, the Company wants to consolidate its strong long-term focus on value growth.

Volati's overall objective is to generate long-term value growth by building an industrial group of profitable companies with solid cash flows and capacity for continuous development.

EBITA growth

The target is average annual growth in EBITA per ordinary share of at least 15 percent over a business cycle.

Background to the target: The target reflects Volati's continuing ambition to grow, both through acquisitions and organic growth, with a strong focus on creating long-term value for our shareholders.

Return on adjusted equity

The long-term target is a return on adjusted equity* of 20 percent.

Background to the target: Volati aims to generate good returns on shareholders' invested capital. The target is defined on the basis of a balanced capital structure in line with Volati's capital structure target.

Capital structure

The target is a net debt/adjusted EBITDA* ratio of 2 to 3 times as an average over the last four quarters, and not exceeding 3.5 times.

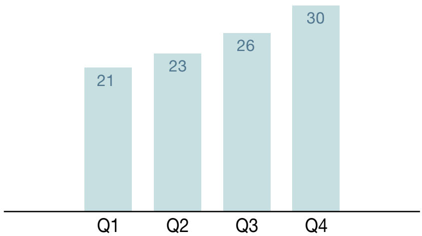
Background to the target: In addition to using cash flow from its own activities, Volati is also able to raise capital for acquisitions. The target is based on a balanced level of borrowing to avoid excessive financial risk while ensuring an attractive return on equity.

* See note 28, pages 135–143 for definitions of alternative performance measures.

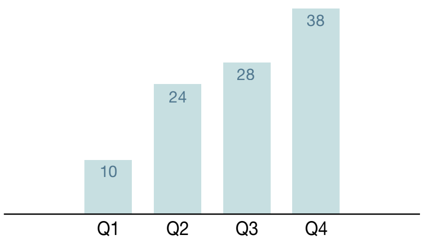
Seasonal variations affect Volati

Volati's sales, earnings and cash flow are affected by seasonal variations during a year. This is mainly due to the composition of companies in the Volati Group and how the demand for these companies spread over a year. The fourth quarter generally has the strongest cash flow and earnings, and the first quarter the weakest. This means that Volati’s operations, sales and earnings development is best monitored on an LTM basis.

Average quarterly distribution of net sales 2017–2019, %



Average quarterly distribution of EBITA 2017–2019, %



Follow-up of financial targets up to and including 2019

Earnings growth

Volati's target is an adjusted EBITA of SEK 700 million by the end of 2019. The target for average annual organic EBITA growth is 5 percent.

Outcome 2019: Adjusted EBITA amounted to SEK 468 million. Organic EBITA growth was 4 percent.

Cash conversion

Volati's target is to achieve an annual cash conversion of more than 85 percent.

Outcome 2019: The cash conversion was 83 percent at the end of 2019.

Capital structure

Volati's target is a net debt/adjusted EBITDA ratio (LTM) of less than 3.0x.

Outcome 2019: Volati had net debt of SEK 907 million at the end of 2019. The net debt/adjusted EBITDA ratio was 1.5x.

Return on adjusted equity

Volati's target is a return on adjusted equity of more than 20 percent.

Outcome 2019: The return on adjusted equity was 15 percent, excluding significant impairment.

Dividend

Volati's target for ordinary shares is to distribute 10–30 percent of the Group's net profit attributable to owners of the Parent Company. The dividend on preference shares is paid at an annual amount of SEK 40.00 per share.

Outcome 2019: As a result of the situation with COVID-19, the Board proposes for precautionary reasons no ordinary share dividend. Preference share dividend is paid in accordance with the Company's articles of association.

Comments from the Chairman

"Identifying how we as owners can contribute to the companies' development and value creation is an important part of the investment hypothesis when we acquire."

Volati's overall goal is to generate long-term value growth. In 16 years, we have built a business that currently has sales of approximately SEK 7 billion and generates an EBITA of SEK 513 million. Since we listed the Company's ordinary shares at the end of 2016, EBITA has grown by 61 percent and adjusted profit after tax by 60 percent. Two of the Board's most important tasks are capital allocation, particularly during acquisitions, and ensuring that we have an organisation and strong structural capital in order to look after the companies we acquire.

Giving companies better development opportunities

Our ability to develop as an owner is probably what I am most proud of. In one way, acquiring companies is relatively easy. What is more difficult is creating an environment in which the companies can develop successfully. I am convinced that as an owner, we must be able to add real value to the companies. In simple terms, this means giving them better development opportunities as part of Volati than they would have as an independent company. Volati has built up this ability over many years and we work constantly to strengthen it. This is also a priority issue for us on the Board, particularly from the perspective of ensuring that we add value at both Group level and business area level.

Contributing to increased value creation

Identifying how we as owners can contribute to the companies' development and value creation is an important part of the investment hypothesis when we acquire. One example is the acquisition of S:t Eriks in 2018. In our investment hypothesis we saw opportunities to streamline operations, in particular production, which would make the company stronger and more profitable. We also saw future potential to create value through add-on acquisitions for S:t Eriks, thereby expanding the operations. To do this successfully, all structures and control processes must first be in place. Operations must be stable, with sound profitability. These areas have been our first priority after the acquisition. So far, we have delivered on the investment hypothesis. We have added board expertise, and a new CEO and management team who receive support from Volati's business area organisation. We have implemented significant efficiency measures, with improved profitability as a result. We now have the beginnings of a platform from which to develop the business and have already completed an add-on acquisition for S:t Eriks.

Another example is Lomond Industrier, which we acquired in 2015 and forms the basis of the Trading business area. We saw that there was a good platform to build on. They had competent management. There were good businesses and strong brands which were integrated through common IT,

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financial and logistics systems. Our focus as owner has been to reinforce the structural platform. As a result, we have been able to add several acquisitions of complementary operations with increasingly clear synergies. The result has been strong growth in both sales and profitability. The Trading business area is now twice as big as when it was acquired. Looking at key figures, it is particularly pleasing to see the business area comparing very favourably with its listed colleagues.

Strategic skills supply

If I had to highlight one area that we prioritise above others, it would be strategic skills supply. We want to ensure that the business units always have access to the right expertise at board and management level, which we see as playing a crucial role in their

“If I had to highlight one area that we prioritise above others, it would be strategic skills supply.”

long-term development. One Board meeting every year is devoted exclusively to evaluating both the boards and management groups of all business units. The work of the Board also includes evaluating Volati’s skills development initiatives, such as Volati Styrelseakademi, Volati Academy and Volati Management Program. We make extensive investments in these initiatives. It is therefore pleasing to see them producing good results. Seven of the last nine CEO recruitments in our business units have been filled internally.

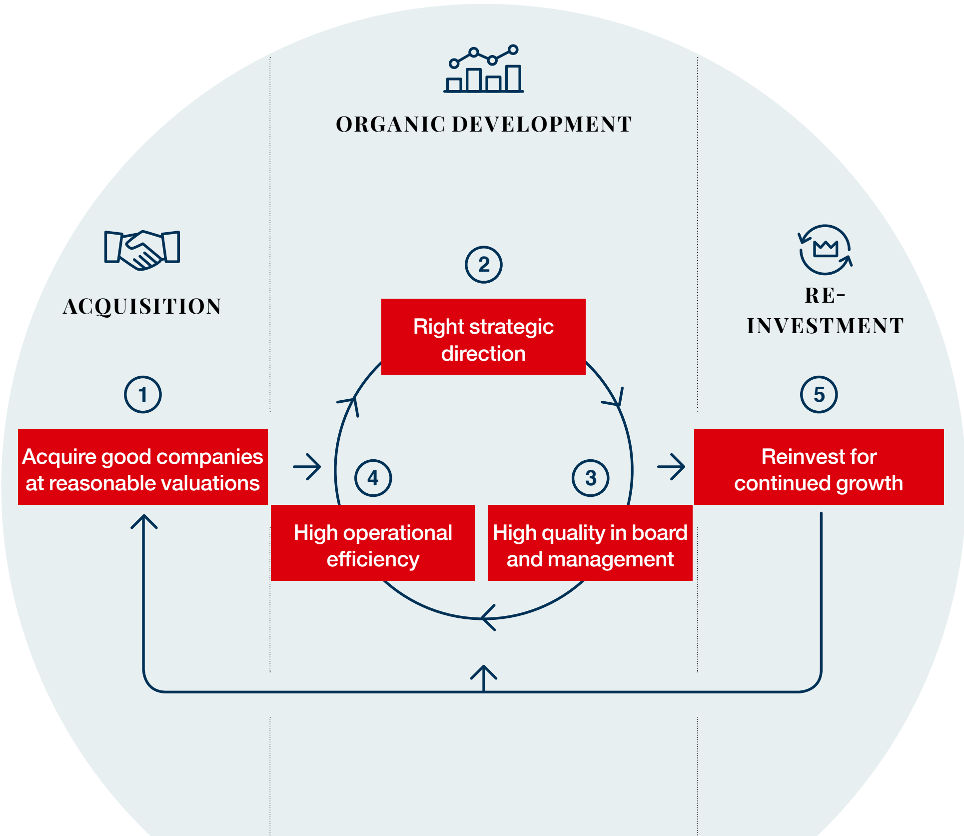
Long-term perspective important

After a long period of economic growth, it is natural for uncertainty about market development to increase. On the Board of Directors, we work to ensure that the Volati companies have optimal conditions for handling any slowdown in the economy. This is an issue that has been dealt with at our meetings during the last year. Yet it is at least equally important to maintain a longer perspective and identify growth opportunities 3–4 years ahead. By doing so, we avoid a situation where short-term savings measures in an economic downturn have a detrimental effect on companies’ ability to create value when the economy recovers. Whatever the state of the economy, my Board colleagues and I channel our energies into what we can influence – developing Volati in line with the long-term value growth target, both through acquisitions and by equipping the existing companies for growth.

PATRIK WAHLÉN
Chairman of the Board

Volati's model for long-term value creation

Volati grows and creates value by developing existing companies and acquiring new companies. We have a well-developed work process that contributes to long-term and sustainable company development – both for Volati and our business units.



Volati's work process

ACQUISITIONS

1

Acquire good companies

The basis of Volati's model for creating long-term value is to acquire good companies. The companies must have strong cash flows, a proven business model and be a market leader or have a strong market position in their niche. They must also have the potential for development and growth over time.

A disciplined process

Volati's business concept is based on using cash flow from our business units to finance acquisitions of new companies, thereby creating long-term value development for Volati. We therefore prioritise stable profitability and value potential acquisitions based on their average profitability.

We have a disciplined acquisition process and clear criteria about which acquisitions we make. The assessment of what is a reasonable valuation is affected by several factors, such as company-specific characteristics, market conditions and the company's ability to create value within the Volati Group.

An attractive offering

Volati has a strong offering for companies seeking new owners. Volati wants to offer companies better conditions to develop as part of Volati than would be possible as an independent company. We contribute, among other things, business development skills, HR expertise, knowledge and financial resources. We are also an experienced and reliable counterparty in acquisition transactions.

We are a long-term owner: Volati acquires companies for ownership far into the future. Our decentralised model preserves both the companies' independence and local entrepreneurship. This appeals to many entrepreneurs who care about their employees and want to see their company remain and develop in the locality. It means that Volati can become a prioritised investor in many acquisition processes.

We are a reliable counterparty: We only engage in an acquisition process when we believe that it is highly likely that a transaction can be completed. When we make an offer, we will normally have Board approval and financing already in place. We will also have formed an impression of whether there is consensus on the price expectations for the company. This creates security for both

Habo is the Nordic region's leading supplier of functional fittings for home and leisure – with good design, high quality and smart features.

Tornum is a globally leading supplier of reliable and efficient high-quality facilities to both the grain industry and agriculture.

the owner of the company and any advisers in the process.

We handle processes with short lead times: Volati has a rapid process for both due diligence and decision-making, which can be crucial in competitive acquisition processes. We have broad expertise and experience internally, and undertake much of the due diligence ourselves. This also enables us to build a relationship with the company during the acquisition process. A committed board of directors contributes to short decision-making paths.

We handle complex transactions: Volati's long-standing acquisition experience enables us to handle complex transactions. We endeavour to utilise the difference between perceived risk and actual risk in a transaction, which clearly affects the ability to conduct acquisitions at reasonable valuations. Strong internal expertise and acquisition experience also create the flexibility to "think outside the box" and contribute to an optimal solution for both the seller and Volati.

We offer part ownership: We can offer sellers the opportunity to retain a minority ownership in their companies, provided they remain engaged in the business. Volati is a supporter of the "pilot school" and offers key management personnel the opportunity of part ownership in their business unit.

Two types of acquisition

Volati undertakes two different types of acquisition. In 2019, Volati focused on add-on acquisitions for existing business units. These are designed to accelerate the business units' work on achieving their strategic goals by, for example, broadening the product range, reaching new geographical markets or creating a stronger position in their sector. The acquisition processes are controlled by the business area manager with the support of the relevant business unit's board and management. Add-on acquisitions can be made irrespective of size and geography. Instead, the decisive factor is whether they are strategically interesting and contribute to value creation.

The second acquisition category consists of platform acquisitions. These are large acquisitions of companies that either form a new business unit in one of our existing business areas or form a separate business area within Volati. Acquisitions of companies that may form a new business area are managed centrally at Volati, while acquisitions of new business units are controlled by the relevant business area manager with the support of central resources. Platform acquisitions are conducted in the Nordic region, with an emphasis on Sweden, and the acquiree should have an EBITDA of at least SEK 25 million.

Strong brand in the acquisition market

Volati is not confined to acquiring companies in a specific sector, which gives us broad acquisition scope. We have good relationships with more than 40 consultancies in Sweden, Norway and Finland. They contact us on an ongoing basis with potential acquisition candidates. Volati is passionate about entrepreneurship and business enterprise. Over a long period, we have built up a strong brand for entrepreneurs in the Nordic region by stating what we stand for and how we create value as a good owner of small to medium-sized companies. This means that we also receive enquiries from entrepreneurs themselves in search of new owners for their company. We also engage in regular proactive dialogue with companies we have identified as potential acquisition candidates for Volati. Many of the acquisition ideas are also generated in our business units, which see add-on acquisitions as a means to create value in their own operations and accelerate their goal achievement efforts.

In 2019, through its subsidiary Stenteknik, **S:t Eriks** has paved the port surface and container warehouse at Stockholm Norvik Port – a total of 270,000 sqm.

ORGANIC DEVELOPMENT

2

Right strategic direction

Decentralised leadership is a cornerstone of Volati's model for control and development of the business units. It requires the board and CEO of each business unit to take ownership of their operations. In this way, we ensure that local entrepreneurship is retained and that important decisions about operations are made in proximity to customers and the market.

The decentralised governance model requires Volati and each business unit to share a common vision on the future development of the operations. This is partly to realise the investment hypotheses on which the acquisition was based and partly to ensure that the business achieves profitable growth and contributes to Volati's total value creation. A key aspect of this work involves drawing up the vision, business concept, goals and strategy.

Operating through the business area managers

Volati operates through the business area managers, who are responsible for value creation and development of their business units. Our business area managers have relevant experience of the sectors and markets in which their business units operate, which is a prerequisite for successfully contributing to their development. To assist them, they have competent boards in the business units. Volati Styrelseakademi ensures that we have good access to external expertise for the business units' boards. The aim is to have a well-composed board with relevant specialist expertise to develop the business. Factors such as priority development areas and each business unit's challenges are taken into account.

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Besikta Bilprovning now has one of Sweden's largest station networks, with about 180 inspection stations in 148 locations around the country.

3

High quality in board and management

Volati's decentralised governance model places significant demands on the business units' board and management. It is their expertise, capacity and commitment that makes it possible to develop the businesses in line with goals, thereby creating economic value. Volati has a clear strategy for HR work, which is one of our main priority areas. We make extensive investments to ensure that the business units always have access to the right expertise at both board and management level and in key positions, and that these persons are continuously developed and supported to reach their full potential. Through these efforts, we want to ensure that the business units have industry-leading expertise at all levels, providing a sustainable competitive advantage.

Skills supply initiatives

Volati runs four main initiatives to ensure skills supply in the Group – Volati Management Program, Volati Academy, Volati Styrelseakademi and Volati Management Meeting.

Volati Management Program

Under the Volati Management Program, we recruit individuals with university or college degrees and a few years' relevant professional experience. This is a 15-month programme in which participants are pre-assigned to a management position in one of the Group's business units. The training programme encompasses areas such as strategy, leadership and Volati's values. During the programme, the participants rotate between Volati and at least two business units. The programme attracts many qualified candidates and gives the Group's business units access to individuals they might otherwise have found it difficult to attract.

Volati Academy

Volati Academy is a 12-month leadership programme aimed at employees at management team level in the business units. Participants attend both internal and external lectures and perform common assignments linked to value creation in the Group. They also carry out their own work aimed at developing their own operations, which are presented to the business unit's board.

The aims of the programme are twofold: to strengthen participants' expertise in areas such as financial analysis, strategy and leadership, and to establish a common view for these areas in all of Volati's business units.

Under its own FAST brand, **Thomée** supplies a carefully assembled range of products within fastenings and building fittings.

Volati Styrelseakademi

Volati Styrelseakademi consists of two parts. The first part is about ensuring we have continuous access to board expertise when needs arise in our business units. We have drawn up a list of candidates with the expertise we require. The list is updated twice a year. The second part is about strengthening board work, creating a Group-wide view of board work and utilising the gathered experience and best practice. This takes place at meetings where all board members in the Volati Group gather during a one-day conference. An external speaker, usually one of Sweden's most experienced and qualified board members, also participates on each occasion.

Verdicts on Volati Styrelseakademi

"A new contact network is quickly created and all participants are open to sharing their experiences. The good discussions we had during the day meant that people got good ideas about their own board work."

Eric White – Ettiketto Board member

"The open and transparent Volati culture, together with the range of experience in the Group, creates great opportunities for learning and new business."

Pia Hallqvist – S:t Eriks Board member

T-Emballage is currently two separate companies. T-Emballage Bygg offers system solutions for sustainable building and T-Emballage Förpackning supplies material-independent packaging to sawmills and industry.

Volati Management Meeting

Volati Management Meeting is held every two years as an opportunity for the business units' management and key personnel to meet at a three-day conference. The conference includes workshops and lectures within selected areas. It also serves as a platform to address important shared issues within the Group and to create networks promoting collaboration between individuals from the Group's different companies.

4

High operational efficiency

A key part of Volati's business model is to create value by developing successful companies. In partnership with the business units, long-term value is created primarily through sales growth and profitability improvements. A strong business area organisation with clear mandates for the business area managers means we can offer our business units support in conducting improvement initiatives and continuously increase operational efficiency. The business area managers and business unit board chairmen work closely with the companies and may offer new perspectives for growth and profitability, and set requirements for checking that operations and measures are developing according to plan.

Contributing with knowledge and tools

Volati supports its business units by providing them with expertise and tools to improve their business processes. This is achieved by means of the Volati Knowledge concept, which is aimed at harnessing best practice within the Group's business units and adding new expertise and tools.

Among the Volati Knowledge initiatives are a number of Group-wide results improvement programmes, in which training is combined with implementation of new working methods in the business units in areas such as sales, negotiation, purchasing, pricing and digitisation of activities. In many cases, these lead to directly quantifiable results. In addition to the programmes, there are also training sessions, workshops and talks by experts.

REINVESTMENT

5

Reinvest for continued growth

Volati creates long-term value by reinvesting the cash flows generated in the business units. We do this in two ways. First, we invest in existing business units to realise the potential for growth that exists in the companies. Second, we invest in the acquisition of new companies, which represents the largest part of our total reinvestments.

Cash conversion from our activities (operating cash flow/EBITDA) has averaged 93 percent over the last five years, giving us a sound and sustainable basis to conduct reinvestments.

Effective capital allocation

Volati handles the balance sheets of all companies to ensure optimal capital allocation in the Group. This means that capital for investments, such as new machines or market campaigns, is allocated centrally to the individual business units on the best possible basis for Volati, thereby optimising value creation for the Group as a whole.

The distribution is based on ongoing discussions by the board of each business unit with regard to investment requirements. This ensures that the needs of all business units are taken into account – whether they require maintenance investments, investments to remain competitive or investments to expand operations.

Under this model, business units can gain access to financing of much larger investments and initiatives than would be possible if they were independent.

Ettiketto is currently the only full-service supplier in Sweden that can offer both self-adhesive labels and proprietary labelling systems to brand manufacturers in the food industry.

High acquisition rate

In 2019 and early 2020, Volati has made a total of 5 acquisitions. All acquisitions have been add-on acquisitions for existing business areas and business units.

Add-on acquisitions are now a natural component of the business units' efforts to achieve the strategic goals for their business and create increased value.

"In recent years, Volati has devoted much time and effort into creating the conditions for the business area organisation and business units to systematically work on identifying and processing potential acquisition candidates. This has worked well and means that Volati's acquisition agenda is now being run both centrally in the Group and in the management groups of our business areas. This has contributed to a good inflow of interesting acquisition targets and an increased number of completed acquisitions compared to recent years," says Andreas Stenbäck, Volati's CFO and CIO.

Heco Nordiska was acquired in January 2020. The company develops and markets a wide range of screws and fastenings, from the very latest screw innovations to conventional wood screws.

Industrial logic in add-on acquisitions

When Volati makes add-on acquisitions, the Company is an industrial rather than a financial buyer. The acquisition is made to develop and strengthen an existing business, and there is a clear strategic motive behind each acquisition decision.

"Add-on acquisitions with industrial logic are very interesting from a value creation perspective. For example, they can give us opportunities to realise synergies – both in terms of market and cost. Other reasons could be to consolidate a market niche, add strong brands to an existing offering or expand an operation geographically," says Andreas Stenbäck.

Andreas Stenbäck, Volati's CFO and CIO

Completed add-on acquisitions

Stenentreprenader — April 2019

Reason for acquisition: Add-on acquisition for Industry business area and S:t Eriks business unit. Complements the offering of natural stone and means that the business unit can now offer both materials and work, for, e.g., natural stone façades.

Mundus Maskin — April 2019

Reason for acquisition: Add-on acquisition for Industry business area and Tornum business unit. Complements the product offering and strengthens the market position in key regions such as Skåne and Mälardalen.

Väggmaterial — September 2019

Reason for acquisition: Add-on acquisition for Trading business area. Complements the business area's offering with products that can be marketed through existing channels. Väggmaterial's strong position in the paint retail sector opens a new market channel for some other parts of the business area's range.

Swekip — December 2019

Reason for acquisition: Add-on acquisition for Trading business area. The acquisition expands the offering with a range of affordable wheel loaders and accessories.

Heco Nordiska — January 2020

Reason for acquisition: Add-on acquisition for Trading business area. Heco strengthens and complements the business area's existing range of screws and fastenings for professional users.

Trading

The Trading business area offers products for building and industry, primarily hardware, consumables, material and packaging. Within the business area, there is also a strong offering of products for home and garden, and agriculture and forestry. The products consists of both own brands and distributed brands. Sales are through dealers, retail chains, e-commerce channels and directly to customers.

The business area is marked by a clear industrial logic, with the business units' operations gathered within clearly defined market segments. This creates the conditions for synergies – both market and operational. The service company Volati Handel Service offers functions such as logistics, IT systems and finance. It creates efficiency gains through both economies of scale and increased quality.

The business area has five business units, which together have operations in six countries.

Trading accounted for 34 percent of the Group's EBITA in 2019.

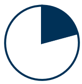
Net sales, SEK million	EBITA, SEK million	EBITA growth, %	ROCE excl. goodwill, %
2,138	176	12	37
(2,107)	(158)	(26)	(37)

Consumer

The Consumer business area comprises the business units that offer products and services directly to end consumers. Despite the business units operating in two different market niches – vehicle inspection and nutritional supplements – the business area affiliation creates the conditions for clear and strong follow-up and guidance of the operations towards the goal of long-term value creation.

The business units also share a number of characteristics that are important to their business. They work on marketing with the help of large customer databases, and on digital tools and e-commerce to create deeper customer relationships and increased customer loyalty. Through experience and knowledge sharing, and the business area's overall improvement programme, the business units can benefit from best practice in these areas.

The business area consists of two business units with operations in three countries.

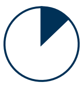


Consumer accounted for 21 percent of the Group's EBITA in 2019.

Net sales, SEK million	EBITA, SEK million	EBITA growth, %	ROCE excl. goodwill, %
895	108	4	294
(923)	(104)	(–22)	(233)

Akademi-bokhandeln

The Akademibokhandeln business area is the leading bookstore chain in Sweden. Under the Akademibokhandeln (nationwide store network and e-commerce), Bokus (e-commerce) and Bokus Play (audio book subscription) brands, the business area operates modern and profitable sales channels for consumers, companies and the public sector.



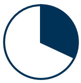
Akademibokhandeln accounted for 13 percent of the Group's EBITA in 2019.

The business is characterised by a high degree of integration of important functions to create efficiency benefits. This means, for example, that book purchasing is negotiated jointly for all brands. All logistics and infrastructure for e-commerce are common to the business area's e-commerce channels.

Net sales, SEK million	EBITA, SEK million	EBITA growth, %	ROCE excl. goodwill, %
1,793	71	–1	94
(1,784)	(72)	(–12)	(92)

Industry

The Industry business area offers products and solutions for companies within four different market niches – grain handling, moisture and water damage restoration, labels for brand manufacturers, and stone and cement products for infrastructure, paving and roofing. The business area affiliation creates the conditions for clear and strong follow-up and guidance of the operations towards the goal of long-term value creation.



Industry accounted for 32 percent of the Group’s EBITA in 2019.

In the business area, value is created through common programmes for, among other things, sourcing, cost efficiency and pricing. There is strong experience and expertise in product development, production efficiency and international expansion of operations, which creates development opportunities for all business units through knowledge sharing.

The business area consists of four business units with operations in 14 countries.

Net sales, SEK million	EBITA, SEK million	EBITA growth, %	ROCE excl. goodwill, %
2,008	167	16	28
(1,271)	(144)	(82)	(43)

Trading

"We constantly look at potential acquisitions of companies with complementary products and brands as a way to create growth and strengthen our position in the market."

Håkan Karlström
Head of Business Area Trading

How would you sum up 2019 for the Trading business area?
An eventful year in which we increased sales and, above all, the earnings. We have continued to streamline the way we work, which is reflected in the earnings trend. We have reorganised the business area during the year. We have merged three of the business units under a new parent company specialising in the building materials retail, hardware and packaging market segments. This provides more efficient control and monitoring of operations and enables us to make better use of the opportunities for cross sales that come from companies turning to similar customer groups.

How do you work to create long-term value?
The business area's shared-services company, Volati Handel Service, is an important engine of the efforts to increase profitability. Centralisation and excellence in logistics, for example, brings us clear earnings benefits. We constantly look at potential acquisitions of companies with complementary products and brands as a way to create growth and strengthen our position in the market. And this is where we obtain additional benefits from Volati Handel Service. Connecting the acquired companies to the shared services creates conditions for synergies in a relatively short time.

What challenges have you had?
As in the previous year, the weak Swedish currency has been a headwind for us in 2019. We have worked on price adjustments and supplier negotiations in response to this. I am very pleased that these efforts have even enabled us to improve margins slightly during the year.

In addition, the wave of consolidation within hardware and building materials retail has rolled on, with larger chains tending to take over independent retailers. This is something that will have both a positive and negative impact on all suppliers in the sector in the short term. It is simply a matter of whether the position with the acquiring chain is as strong as the previous position with the store that has been taken over. I feel that we are navigating the new landscape that is being drawn up relatively well and during the year we have worked to strengthen our position as a supplier to the chains that are consolidating the market.

What are you particularly satisfied with during the year?
There were a few particular reasons to rejoice during the year. The first was our Norwegian company in Sörbö, which supplies fittings to the Norwegian window and door industry. The company showed strong growth in both sales and earnings for the fifth consecutive year. The success factors have been quality products at the right price combined with a high service level and very close cooperation with customers.

The second was Kellfri, which supplies equipment for smaller farming and forestry operations. After some challenging years, Kellfri delivered a very strong earnings improvement in 2019. It is pleasing to see the business unit benefiting from the change programmes that have been implemented. The strength of the shared services that we offer companies through Volati Handel Service has also been a factor here.

What is the focus for 2020?
We completed several add-on acquisitions in 2019 and early 2020. A key area for 2020 will therefore be to ensure that their integration proceeds according to plan and that we realize the synergies identified in connection with the acquisitions. We will also continue to build on the strong platform we have in our common structure for IT, finance and logistics to create competitive advantages for our business units.

Business units

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Habo
Volati JBF
Kellfri
Miljöcenter
Sørbø Industribeslag

Consumer

"We continue our successful measures to strengthen gross margins in the business area."

Johan Ekström
Head of Business Area Consumer

What are you most satisfied with in 2019?
I am very pleased that we handled the changed regulations for vehicle inspections and that Besikta was back to a good profitability level in 2019. The company is in very good condition, and our market position remains strong with a market share of about 24 percent.

I am also very pleased with the work we have done within NaturaMed Pharma. We enter 2020 in better shape than in the previous year. We have invested in growth of new customers, launched exciting new products and carried out a number of excellent campaigns during the year. This has given us a stronger platform and growth in new businesses during the year. Another of the priorities for the year was to improve the gross margin in the business unit. And we did it.

What challenges have you encountered?

The biggest challenge without a doubt was the new rules on vehicle inspection intervals in Sweden, which came into force in 2018. The rules affected all companies in the sector and meant that the size of the market was reduced and customers' behaviour patterns changed. We have worked actively to adapt the business to meet the expectations of all parties involved in inspection – the state, customers, employees and owners.

You changed the ownership of me&i during the year. Why?

We have been trying to reverse a weak earnings trend in me&i for several years. However, we made the assessment that the new principal owners are better placed to take on me&i in the longer term than Volati is. We still have financial interests in the company and hope that it develops well. It is a well-managed company with a well-known brand in its market niche.

Business units

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Besikta Bilprovning
me&i*
NaturaMed Pharma

* Part of Volati Group until November 2019.

What are the focus areas for next year?

In 2019, we had an ambitious plan for establishing new inspection stations. We intend to build on this next year. We are doing so for several reasons. By establishing new stations in good locations around the country, we can increase the level of service to our customers. It is also an important tool for defending our market shares.

We also continue our successful measures to strengthen gross margins in the business area, including price optimisation and a focus on cost efficiency in everything we do.

Akademibokhandeln

"The good results strengthen us in our continuing efforts to develop the business and our offering – both in-store and online."

Maria Edsman
Head of Business Area Akademibokhandeln

What are you most satisfied with in 2019?
We had a positive sales and earnings trend during most of the year for both Akademibokhandeln and Bokus. Unfortunately, Bokus was affected by temporary delivery problems during the important fourth quarter, which reduced both sales and earnings for the business area.

Apart from this one-time event, I am very pleased that we have seen the full effects of the action programmes that were initiated in 2018 to strengthen opportunities for long-term value creation in the future. This was the result of hard work, involving just about the entire company. The good results strengthen us in our continuing efforts to develop the business and our offering – both in-store and online.

Akademibokhandeln also won the award for best loyalty programme at the 2019 Retail

Awards. We currently have over 2 million members of the Akademibokhandelns Vänner loyalty club and the number is constantly rising. We work continuously to give our members the best possible offering.

Can you tell us more about the delivery challenges for Bokus at the end of the year?
Bokus changed its logistics management with its 3PL supplier to offer customers even faster delivery times. However, the change did not go according to plan for deliveries during the Christmas trading period. This created problems – mainly for customers – which we regret. For Bokus, sales volumes were negatively affected while costs related to customer service staffing increased. We have worked hard to resolve the problems and to enable customers to benefit from shorter delivery times from now on, which is also an important competitive advantage for us.

What has been the main challenge?
One of our biggest challenges is that market development for physical books has been slightly negative in recent years. Growth takes place in the digital format instead, which has a negative impact on margins, among other things. We have responded to this trend successfully with a strong customer offering within Akademibokhandeln and Bokus. We are continuously developing Akademibokhandeln's omni-channel offering by harmonising the physical store experience and what happens online, and continuing to sharpen our e-commerce focus on Bokus. We inspire reading in our stores through our knowledgeable sales staff, interesting events and digital channels. We have also been successful in our work on cost efficiency, optimisation of the store network and margin improvement through supplier negotiations.

Business units
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Akademibokhandeln
Bokus

You increased sales of other products in the stores. Can you tell us about that?
The non-book segment grew strongly, accounting for just over 30 percent of store sales in 2019. We are constantly expanding our range and making it more unique to Akademibokhandeln. One example is the design collaborations we have. This year, for example, we launched a collaboration with the photographer and film maker Mattias A. Klum, which covered everything from notebooks to jigsaw puzzles and wall calendars.

During the year, we noticed an increasingly strong "off-line" trend, which among other things expressed itself in a marked increase in demand for board games and crafts, both for children and adults.

The audio book streaming service Bokus Play was launched in the previous year. How has this service developed during the year?
We placed much effort into developing Bokus Play further during the year, both in terms of content and functionality. We saw strong growth in the number of users, which is pleasing. We have unique marketing channels through Akademibokhandeln's stores and the loyalty club, which our competitors do not have. For example, we conducted a successful campaign for Bokus Play in summer and we see further opportunities to create competitive offers for customers through the combined strength of our store network, e-commerce and audiobook service.

BUSINESS AREA

Industry

"One of the key ways for Volati to create value for the business units is to ensure access to expertise, both in the boards and in company management."

Nicklas Margård
Head of Business Area Industry

What have been the major events in the Industry business area during the year?
Looking at financial development, we have ended the year with a very strong final quarter. The full-year result was good for the business area, but our expectations were at a higher level. It has been a particularly strong year for our label business, which is mainly focused on leading brands in the food industry. For the sixth consecutive year, new record levels in both sales and earnings were achieved.

Much of the year's focus has been on S:t Eriks, which was acquired in 2018. We welcomed a new CEO, who in turn strengthened the management team through new recruitments. We have worked with the management team to develop a new strategy for how we see the business unit's future development. In our investment hypotheses, we identified opportunities to streamline production. This work has been very successful and represents a large part of S:t Eriks' earnings improvement during the year.

One of the key ways for Volati to create value for the business units is to ensure access to expertise, both in the boards and in company management. During the year, we have recruited a total of four new board members for our business units and a new CEO for Tornum. We have also appointed two new employees for S:t Eriks from the Volati Management Program.

You made two add-on acquisitions in 2019. Can you tell us about the background to them?

We see add-on acquisitions as a very effective tool for accelerating value creation in our business units. Our acquisition of Stenentreprenader i Hessleholm for S:t Eriks is a very good complement to S:t Eriks' existing natural stone operations and creates clear synergies. When we previously sold materials for natural stone façades, for example, the work itself was outsourced. In these projects, the economic value of the work is equal to the cost of materials. Through the acquisition, we are now able to offer our customers both material and the actual work.

We also made a small add-on acquisition for Tornum – Mundus Maskin. Through the acquisition, we have strengthened our market coverage in Skåne and Mälardalen. Their products also complement our existing range, creating opportunities for further synergies.

What product development measures have you taken during the year?

During the year, we launched a new grain dryer adapted to meet international demand for even higher drying capacity. As consolidation in the agricultural sector continues, notably in Eastern Europe, Russia and Ukraine, there is an increase in capacity requirements from agricultural companies seeking to benefit from economies of scale.

In our business that offers water damage restoration products, we are strong in both technology and product development, which is a clear competitive advantage for us. During the year, we launched a number of new products that were well received by customers. We have a solid product development programme for next year and have also prepared all products for new EU requirements.

Where does the focus lie in 2020?

We are focusing fully on implementing the strategic plans that are in place for all business units, while ensuring that these efforts contribute to strong financial value creation. We will also continue to look into the possibility of making supplementary add-on acquisitions.

Business units

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Corroventa
Ettiketto
S:t Eriks
Tornum

The Volati share

Shares and share capital

Volati's ordinary and preference shares are listed on Nasdaq Stockholm. At the end of 2019, the number of ordinary shares was 79,406,571 and the number of preference shares was 1,603,774. Volati's share capital on 31 December 2019 totalled SEK 10,251,293.13, divided into 81,010,345 shares. Each ordinary share entitles the holder to one (1) vote and each preference share to one-tenth (1/10) of a vote.

Share price development

Volati's ordinary share showed a positive price development of 24 percent in 2019. The highest closing price during the year was SEK 47.90 on 5 March and the lowest was SEK 33.25 on 2 January. Volati's preference share showed a positive price development of 5 percent in 2019. The highest closing price during the year was SEK 702.00 on 1 August and the lowest was SEK 650.00 on 4 December.

Share trading volume

A total of 8,910,159 ordinary shares and 383,978 preference shares were traded during 2019. The average daily trading volume was 35,784 for the ordinary share and 1,542 for the preference share.

Dividend policy

Volati's dividend policy for ordinary shares is to distribute 10–30 percent of the Group's net profit attributable to the Parent Company's shareholders. The Board of Directors proposes that no dividend be paid to ordinary shareholders, and that the preference share dividend be paid in accordance with the Company's articles of association.

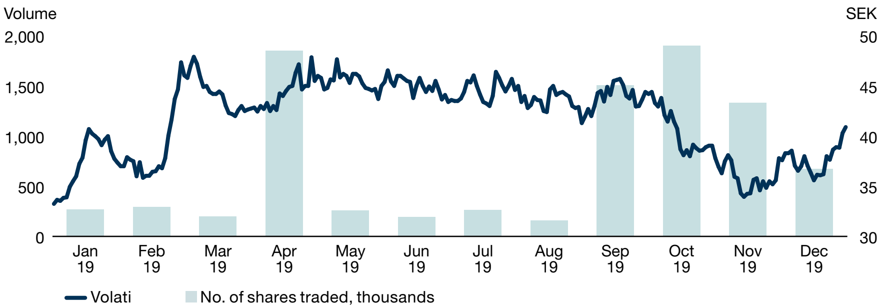
Shareholder structure

The Number of Volati shareholders at the end of 2019 was 6,746 (6,335), with the 15 largest shareholders holding 92.2 (92.8) percent of the share capital and 93.2 (93.7) percent of the votes. Investors outside Sweden owned 3.7 (2.9) percent of the share capital and 3.4 (2.5) percent of the votes.

Decision on withdrawal of own shares

An Extraordinary General Meeting on 30 September voted to approve the Company's reduction of its share capital by withdrawing the 1,000,000 ordinary shares which were held by the Company and had been repur-

Share price development, ordinary share



chased under the buy-back programme adopted by the 2018 AGM. The purpose of the reduction was to transfer funds to unrestricted equity. The share capital reduction was carried out at SEK 0.125 per redeemed share, corresponding to a total of SEK 125,000. To restore share capital after the reduction, the EGM also adopted a share capital increase through a bonus issue that would bring an increase of SEK 125,000 in share capital. No new shares were issued in connection with the increase in share capital. The amount by which share capital was increased was added to share capital from unrestricted equity.

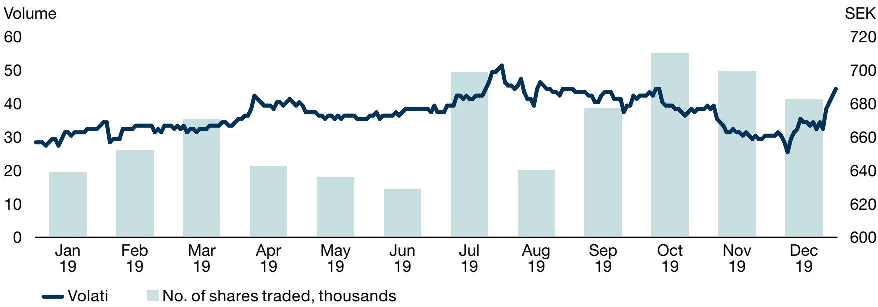
Authorisation to acquire own ordinary shares and preference shares

The AGM authorised the Board of Directors to decide on the transfer of the Company's own preference shares. Transfers of own preference shares may take place on Na sdaq Stockholm and by means other than on Nasdaq Stockholm. Transfers of own preference shares on Nasdaq Stockholm may only take place at a price within the price interval registered at any given time. Transfers of own preference shares by means other than on Nasdaq Stockholm may be made with a derogation from shareholders' preferential rights at a price per preference share that does not fall below what is market-based, meaning that a market-based discount on the preference share's price may be applied. The reason for a possible derogation from shareholders' preferential rights when transferring own preference shares by means other than on Nasdaq Stockholm shall be to enable the Company to use its own preference shares as payment for or financing of acquisitions of companies or businesses.

Authorisation to issue new preference shares

The AGM authorised the Board, on one or more occasions before the next AGM, to decide on new issues of up to 320,754 preference shares (corresponding to about 20 percent of the present number of preference shares issued) with or without preferential rights for shareholders. The purpose of the authorisation, and the reason for allowing a derogation from shareholders' preferential rights, is to ensure that new shares can be issued to enable the Company to use preference shares as payment for or financing of acquisitions of companies or businesses.

Share price development, preference share



Share capital development

The following table shows the changes in share capital as from Volati's formation.

Year	Event	Change in no. of ordinary shares	Change in no. of preference shares	Total no. of shares	Change in share capital	Total share capital	Quo-tient value (SEK)
1998	New formation	1,000	–	1,000	100,000	100,000	100
2006	Bonus issue	49,000	–	50,000	4,900,000	5,000,000	100
2007	Share split 400:1	19,950,000	–	20,000,000	–	5,000,000	0.25
2011	Warrants	505,656	–	20,505,656	126,414	5,126,414	0.25
2011	Decrease through withdrawal of shares	–305,656	–	20,200,000	–76,414	5,050,000	0.25
2015	Share split 10:1	181,800,000	–	202,000,000	–	5,050,000	0.025
2015	New share issue	–	6,603,773	208,603,773	165,094.3	5,215,094.3	0.025
2015	Private placement to main owner	–	1,415,094	210,018,867	35,377.3	5,250,471.7	0.025
2016	Non-cash issue[1)]	95,722,508	–	305,741,375	2,393,062.7	7,643,534.4	0.025
2016	New share issue[2)]	2	3	305,741,380	0.125	7,643,534.5	0.025
2016	Reverse share split 1:5	–238,178,008	–6,415,096	61,148,276	–	7,643,534.5	0.125
2016	New share issue[3)]	20,862,069	–	82,010,345	2,607,758.625	10,251,293.13	0.125
2019	Decrease through withdrawal of shares	–1,000,000	–	81,020,345	–125,000	10,126,293.13	0.125
2019	Bonus issue	–	–	81,020,345	125,000	10,251,293.13	0.125

1) In January 2016, the share swap in Volati AB (publ) announced and adopted by the AGM took place, whereby Patrik Wahlén (Chairman of the Board), Mårten Andersson (CEO) and Mattias Björk (CFO) under a non-cash issue swapped their shares in Volati 2 AB for shares in Volati AB (publ).

2) In conjunction with the reverse share split in September 2016, three preference shares and two ordinary shares were issued, in order to achieve an even number of shares in the company before the reverse share split. The preference shares were issued for a subscription price of SEK 106 per preference share and the ordinary shares were issued for a subscription price of SEK 0.025 per ordinary share (equivalent to the shares' quotient value at that time).

3) The new issue took place in conjunction with the listing of Volati's ordinary shares in November 2016.

Ownership structure 31 December 2019

The tables below present information concerning the ownership structure in Volati AB at 31 December 2019.

Voting rights and percentage of share capital

Class of shares	No. of shares	Voting rights per share	No. of votes	Share of capital	Share of votes
Ordinary shares	79,406,571	1.0	79,406,571.0	98.02%	99.80%
Preference shares	1,603,774	0.1	160,377.4	1.98%	0.20%
Total	**81,010,345**	**–**	**79,566,948.4**	**100.00%**	**100.00%**

Shareholders by country

	No. of share-holders	No. of shares	Share of capital	Share of votes
Sweden	6,596	78,043,319	96.3%	96.6%
Other countries	150	2,967,026	3.7%	3.4%
Total	**6,746**	**81,010,345**	**100.0%**	**100.0%**

Shareholders by size

No. of shares	No. of sharholders	Share of capital	Share of votes
1–500	5,749	0.7%	0.4%
501–1,000	397	0.4%	0.3%
1,001–5,000	429	1.2%	1.0%
5,001–10,000	62	0.6%	0.5%
10,000–	109	97.1%	97.9%
Total	**6,746**	**100.0%**	**100.0%**

The 15 largest shareholders[1)]

	No. of shares		Share of	
Name	Ordinary shares	Preference shares	Capital	Votes
Karl Perlhagen	34,440,000	216,190	42.8%	43.3%
Patrik Wahlén	19,356,283	–	23.9%	24.3%
Handelsbanken fonder	5,534,985	–	6.8%	7.0%
Fjärde AP-fonden	5,328,913	–	6.6%	6.7%
Mårten Andersson	2,511,532	1,887	3.1%	3.2%
Mattias Björk	2,198,805	–	2.7%	2.8%
Andra AP-fonden	1,279,000	–	1.6%	1.6%
Försäkringsaktiebolaget Avanza Pension	527,220	143,293	0.8%	0.7%
Aktiebolag 1909 Gruppen	534,758	29,739	0.7%	0.7%
Mats Andersson	537,101	–	0.7%	0.7%
SEB Investment Management	518,668	–	0.6%	0.7%
SEB AB, Luxembourg Branch, W8IMY	286,630	196,588	0.6%	0.4%
Nordea Livförsäkring Sverige AB	287,606	4,885	0.4%	0.4%
Handelsbanken Sverige Index, Criteria	387,137	–	0.5%	0.5%
Danica Pension	361,452	4,227	0.5%	0.5%
Total 15 largest shareholders	**74,090,090**	**596,809**	**92.2%**	**93.2%**
Other shareholders	5,316,481	1,006,965	7.8%	6.8%
Total	**79,406,571**	**1,603,774**	**100.0%**	**100.0%**

1) Based on information from Euroclear Sweden as of 30 December 2019.

Five reasons to invest in Volati

1. **Quality company with good earnings:** Volati's business is based on a clear business model. Volati acquires well-managed companies with proven business models, leading market positions and strong cash flows. This has contributed to Volati being a diversified industrial group with strong business units that show good earnings.

2. **Successful acquirer:** Volati is an established player in the acquisition market and has completed 32 acquisitions since 2003 at an average multiple of 6.0 (EV/EBITDA). With a strong acquisition organisation and disciplined acquisition strategy, Volati has been able to acquire companies at reasonable valuations in the face of changing market conditions.

3. **Proven and scalable operational model:** Volati's operational model is based on decentralised governance of the business units, which means that daily decision-making takes place in the operations. With clear business monitoring and support with knowledge, tools and financing, Volati contributes to an environment where the business units can grow in a climate of good profitability and optimum development.

4. **Attractive financial profile:** Volati has historically shown strong financial development, driven by profitable business units with good organic growth combined with value-creating acquisitions. This has resulted in strong growth and cash conversion, and a good return on equity.

5. **Experienced Management Group, Board and strong organisation:** Volati is led by an experienced management group, whose experience is supplemented by a history of creating long-term value. Management is supported by a committed and active Board with relevant and diversified backgrounds. Volati has a strong and competent organisation that continues to drive the Group forward.

Volati
Annual Report

CONTENTS

Administration Report

The Board of Directors and CEO of Volati AB, corp. reg. no. 556555-4317, with its registered office in Stockholm, hereby present the annual report and consolidated financial statements for the 2019 financial year.

Volati's operations

Volati is an industrial group comprising 12 business units, organised in four business areas: Trading, Consumer, Akademibokhandeln and Industry.

Acquisitions are a central component of Volati's strategy. Volati mainly acquires companies with proven business models, leading market positions and strong cash flows at reasonable valuations and develops them with a focus on long-term value creation. Volati's corporate-development strategy is based on retaining the companies' entrepreneurial spirit and adding leadership, expertise, processes and financial resources. Volati's flexible organisation enables fast decision-making and its decentralised governance model means that day-to-day decisions are made in the operations, with limited involvement from Volati. The decentralised business model is a key success factor as it creates a high level of entrepreneurship in the business units, provides a clear responsibility framework and helps to ensure that Volati can continue to grow without excessive central resources.

In total, the Group has about 60 operating companies in 16 countries, with Sweden accounting for the largest share of net sales. The business areas' share of the Group's total EBITA for 2019 was as follows: Trading 34 percent, Consumer 21 percent, Akademibokhandeln 13 percent and Industry 32 percent.

Trading: The Trading business area consists of five business units with 17 operating companies in five countries. The business area's companies primarily offer products within builders hardware, consumables and material for construction, home and garden, packaging, and agriculture and forestry. Distribution to customers is via dealers, retail chains, e-commerce channels and directly to customers. The business area manager is chairman of the business unit's board and is responsible for coordinating Volati's central support and for supporting acquisition processes.

Consumer: The Consumer business area consists of two business units with a total of four operating companies in two countries. The business units focus on various B2C niches and are driven by a combination of strong local entrepreneurship and collaboration in selected areas, such as database marketing, digitisation and e-commerce. The business area manager is chairman of the business unit's board and is responsible for coordinating Volati's central support and for supporting acquisition processes.

Akademibokhandeln: The Akademibokhandeln business area consists of one business unit with two operating companies in Sweden. These are Sweden's leading bookstore chain Akademibokhandeln and the online bookstore Bokus and the Bokus Play audiobook subscription service. The business area focuses on omni-channel sales of books and paper products. The business area manager is responsible for coordinating Volati's central support and for supporting acquisition processes.

Industry: The Industry business area consists of four business units with 30 operating companies in 14 countries. The business area focuses on various B2B niches and is driven by a combination of strong local entrepreneurship and collaboration in selected areas, such as expansion into new markets and production efficiency. The business area manager is chairman of the business unit's board and is responsible for coordinating Volati's central support and for supporting acquisition processes.

Acquisitions, disposals, new establishments and restructuring

A central part of Volati's strategy is to continue growing by acquiring well-managed companies, both as a complement to existing business units and as entirely new types of business. The acquisition market continued to be exposed to competition in 2019, but Volati had an increased inflow of acquisition candidates during the year and made four add-on acquisitions. During the year, one business unit was divested to a previous minority owner.

Financial targets up to and including 2019

Volati's overall objective is to generate long-term value growth by building an industrial group of profitable companies with solid cash flows and capacity for continuous development. Up to and including 2019, Volati had the following financial targets, which should be evaluated as a whole.

- **EBITA growth**: Volati's target is an adjusted EBITA of SEK 700 million by the end of 2019, which corresponds to just over twice the adjusted EBITA reported for the twelve-month period ended 30 September 2016. Average annual organic EBITA growth of 5 percent.
- **Cash conversion**: Volati's target is to achieve annual cash conversion of more than 85 percent.
- **Return on equity**: Volati's long-term target is a return on equity not exceeding 20 percent.
- **Capital structure**: Volati's long-term target is a net debt/adjusted EBITDA ratio (LTM) not exceeding 3.0x.
- **Dividend policy**: Volati's target for ordinary shares is to distribute 10–30 percent of the Group's net profit attributable to the ordinary shares. When determining the dividend, Volati's Board looks at future acquisition opportunities, scope for developing existing companies, the Group's financial position and other factors it considers significant. Dividends on preference shares are issued at an annual amount of SEK 40.00 per preference share, in quarterly payments of SEK 10.00, in accordance with the Articles of Association.

The financial targets are guidelines and are not, and should not, be regarded as forecasts or estimates of Volati's future earnings. The targets are based on a number of assumptions concerning Volati's operations, and the industry and macroeconomic environment in which Volati operates. As a result of what is stated above and other factors, Volati's actual earnings may deviate from the above targets.

Development during the year

Financial development within the business areas has varied, partly due to changes in the market segments' development, but also as an effect of various company-specific events. This has resulted in some business areas reporting positive growth, while others have been adversely affected by specific events.

Net sales and earnings

The Group's net sales for 2019 amounted to SEK 6,833 (6,084) million, an increase of 12 percent compared with the previous year. The growth is driven by acquired growth.

EBITA for 2019 amounted to SEK 513 (433) million, an increase of 18 percent. The increase in profitability was driven by a positive earnings trend in the operations, the previous year's acquisitions and effects of the introduction of IFRS 16. Organic EBITA growth for the year was 4 percent.

Profit after tax for 2019 was SEK -2 (274) million. Adjusted profit after tax, excluding impairment of intangible assets related to the Consumer business area was SEK 322 million. IFRS 16 had a negative effect of SEK 16 million on the full year, and remeasurement of tax losses and deferred tax from prior years had a positive impact of SEK 33 million on earnings. The previous year also had a positive effect of SEK 20 million as a result of a remeasurement due to a tax rate reduction and a remeasurement of acquired tax losses. Profit after tax attributable to owners of the Parent amounted to SEK 74 (272) million in 2019. Profit after tax attributable to owners of the Parent, excluding impairment, was SEK 313 million. Profit after tax attributable to non-controlling interests was SEK -77 (2) million. Earnings per ordinary share after deduction of preference share dividends amounted to SEK 0.13 (2.58). Adjusted earnings per ordinary share, excluding impairment related to the Consumer business area amounted to SEK 3.12 (2.58).

Companies acquired or divested during the year are included from the acquisition or divestment date, or the date on which control was transferred.

Cash flow

Cash flow from operating activities for 2019 amounted to SEK 759 (448) million. The cash conversion rate for 2019 was 83 (86) percent. Investments in non-current assets in the business units for 2019 amounted to SEK 98 (83) million and were primarily related to business development investments in the form of IT systems and ongoing investments in machinery and equipment. Investments in Group companies in 2019 were primarily related to the acquisition of S:t Eriks. Total cash flow for 2019 was SEK 203 (-199) million.

Development expenses

The Group's research and development expenses are either expensed as they arise or capitalised and amortised over their estimated useful lives, depending on the nature of the project and operations. Development expenses of SEK 31 (32) million were capitalised during the year and were primarily related to business development within Akademibokhandeln, Consumer and Industry. In addition, the Group's earnings were affected by development expenses of SEK 1 (1) million.

Employees

The average number of employees during the year, calculated as full-time equivalents (FTEs), was 2,136 (2,157).

Equity

The Group's total equity at the end of the year amounted to SEK 2,360 (2,567) million. Equity attributable to the Parent Company's shareholders, adjusted for preference share capital, fell from SEK 1,731 million on 31 December 2018 to SEK 1,523 million on 31 December 2019. The equity ratio on 31 December 2019 was 38 percent, compared with 46 percent at the end of 2018. Reported Net debt for the year increased as a result of IFRS 16. The average return on average adjusted equity for 2019 was 15 (13) percent.

Share capital

There were 79,406,571 ordinary shares and 1,603,774 preference shares at the end of 2019. Volati's share capital on 31 December 2019 totalled SEK 10,251,293.13, divided into 81,010,345 shares. All shares are issued and fully paid, each with a par value of SEK 0.125. No shares in the Company are held by the Company itself, on its behalf or by its subsidiaries. Each ordinary share gives entitlement to one (1) vote and each preference share gives entitlement to one-tenth (1/10) of a vote at the AGM, and all shareholders with voting rights may vote for the full number of shares owned and represented, without any restrictions on voting rights.

Net debt

The Group had net debt of SEK 1,646 million at the end of the year, compared with SEK 949 million on 31 December 2018. The increase in net debt is due to the introduction of IFRS 16, which has increased net debt by SEK 739 million. Total liabilities amounted to SEK 3,796 million, compared with SEK 3,005 million on 31 December 2018. Interest-bearing liabilities, including pension obligations and lease liabilities, were SEK 2,094 million at the end of the year, compared with SEK 1,217 million on 31 December 2018. At the end of the year, the unutilised portion of the overdraft facility amounted to SEK 111 million, the unutilised portion of the revolving credit facility was SEK 100 million and cash & cash equivalents totalled SEK 447 million.

In addition, Volati has, in 2015, issued preference shares at a nominal amount of SEK 850 million, classified as equity. Preference shares carry entitlement to a quarterly dividend payment of SEK 16 million.

Volati's financing agreements are subject to customary terms and conditions, i.e. covenants, from Volati's bank. The financial covenants attached to the loan stipulate that the net debt/EBITDA ratio may not exceed a certain level and the EBITDA/net interest income ratio may not fall below a certain level. The Group has not breached any covenants during the year. Volati has not provided any security for bank financing. The Parent Company has provided surety for all subsidiaries' bank obligations. The Group has one outstanding listed bond. The Parent Company issued a 5-year bond of SEK 600 million in 2017. In addition, the subsidiary Akademibokhandeln Holding AB issued a bond of SEK 500 million, of which Volati AB acquired SEK 192 million. The bond's maturity date was March 2021, but the option for early redemption was exercised in March 2019 at 103 percent of the nominal amount. Volati's bond does not contain any financial covenants to be maintained on an ongoing basis. However, certain key figures must be achieved, to ensure that the companies are able to undertake certain activities such as dividend distributions and borrowing. No such covenants associated with the bond were breached during 2019.

Future development

Volati is not making any financial forecasts for next year's development. The assessment is that Volati is financially well-equipped for 2020 and has the financial capacity to continue to operate in accordance with the established strategy and defined financial targets, which also enables further acquisitions of businesses during the coming years if the right opportunity arises. Volati is continuously following developments with regard to the spread and impact of the Coronavirus. We are working on impact assessments of reasonable outcome scenarios to estimate any future effects on Volati's financial position.

Shareholders

Volati AB's ordinary and preference shares have been listed on Nasdaq Stockholm since November 2016. The number of shareholders at the end of the year was 6,746. The largest shareholders at the end of the year were the founders Karl Perlhagen, 43.3 percent of the votes, and Patrik Wahlén, 24.3 percent of the votes.

2020 Annual General Meeting

Volati AB's 2020 AGM will be held at 17.00 on 6 May 2020 at Congressen, Hotel Birger Jarl, Birger Jarlsgatan 61a in Stockholm.

Events after the reporting date

As announced in a press release on 24 March 2020, Volati's Board of Directors proposes that no dividend be paid to ordinary shareholders, and that the preference share dividend be paid in accordance with the Company's articles of association.

On 21 January, all of the shares in the screws and fastenings supplier Heco Nordiska AB were acquired. See separate press release.

Volati's Board has adopted new financial targets and an updated dividend policy as presented below. The strategic direction stands firm, but with the new targets, the Company wants to consolidate its strong long-term focus on value growth.

Volati's overall objective remains to generate long-term value growth by building an industrial group of profitable companies with solid cash flows and capacity for continuous development.

New financial targets

The Board has established the following long-term financial targets, which should be evaluated as a whole.

- **EBITA growth:** The target is average annual growth in EBITA per ordinary share of at least 15 percent over a business cycle.
- **Return on adjusted equity:** The long-term target is a return on adjusted equity[1)] of 20 percent.
- **Capital structure:** The target is a net debt/adjusted EBITDA[1)] ratio of 2 to 3 times as an average over the last four quarters, and not exceeding 3.5 times.

1) See definition under alternative performance measures on pages 135–138.

Updated dividend policy

Volati will normally distribute 10–30 percent of the Company's net profit attributable to the Parent Company's shareholders. When determining dividends, net debt in relation to the Company's targets is taken into account, together with future acquisition opportunities, scope for development in existing companies and other factors that Volati's Board considers significant. Dividends on preference shares are issued at an annual amount of SEK 40.00 per preference share, in quarterly payments of SEK 10.00, in accordance with the Articles of Association.

Proposed appropriation of profits

The Board of Directors proposes that:

	SEK
Retained earnings	654,997,722.92
Net profit	504,622,645.00
Share premium reserve	2,376,791,416.66
Be appropriated as follows:	
Dividend of SEK 40.00 per preference share, totalling	64,150,960.00
Carried forward	3,472,260,824.58

Board statement on the proposed distribution

The proposed dividend reduces the Parent Company's equity ratio from 45.3 percent to 44.8 percent. The equity ratio is satisfactory in view of the fact that the Company's operations continue to be conducted profitably. The assessment is that the Company's liquidity can be maintained at a similarly satisfactory level. The Board's understanding is that the proposed dividend will not prevent the Company from discharging its obligations in the short or long term or making necessary investments. The proposed dividend distribution can therefore be justified pursuant to Chapter 17, Sections 3.2 and 3.3, of the Swedish Companies Act (the precautionary principle).

Sustainability Report

VOLATI wants to build a long-term and sustainable business. This year, we have continued to develop our work in the following main areas: diversity, equality and non-discrimination, and health and safety. These areas are important to both our own and our business areas' activities, and we have good opportunities to exert an influence and contribute to sustainable development. In addition to the areas I mentioned above, we work on anti-corruption, human rights and environmental issues, both Group-wide and in each business unit.

Below, we present a more detailed account of how Volati and our business units work on sustainability issues.

Mårten Andersson, CEO

Sustainability at Volati

Volati has a clear and simple business concept: to acquire companies with proven business models at reasonable valuations, and to further develop them with a focus on long-term value creation.

Since Volati was founded in 2003, we have completed 32 acquisitions of companies active in a range of industries. To ensure that all of Volati's business units operate on a responsible and sustainable basis, we have a common Group framework for our sustainability initiatives. This framework is summarised in Volati's sustainability policy and concerns every aspect of our activities – from considering sustainability aspects in the investment process to considering how the individual business units are expected to operate as sustainable companies. There are also several additional policies, such as the HR policy, codes of conduct and purchasing policy, in the Group and in the business units, which also highlight the applicable compliance requirements. Volati also has a whistleblower service that enables all Group employees to anonymously report irregularities that violate the Group's or their own business unit's codes of conduct.

Volati's investment activities and actions as a responsible owner must reflect the ten principles of the UN Global Compact, the OECD's Guidelines for Multinational Enterprises, and the United Nations Principles for Responsible Investment (UNPRI).

Materiality analysis

After conducting a materiality analysis for all business units in the Group, Volati has expressed a Group-wide ambition to promote sustainable development in four selected focus areas: 1) diversity, equality and non-discrimination, 2) health and safety, 3) anti-corruption and human rights, and 4) environment. These are the same focus areas as in the previous year. The purpose of the materiality analysis is to ensure that we steer our sustainability work in the right direction and focus on the sustainability areas where Volati can exercise some influence.

1 Diversity, equality and non-discrimination

Volati sees *diversity, equality and non-discrimination* as a priority area.

Volati has stakeholders from different cultures and backgrounds, both in the Swedish operations and among the business units, customers and suppliers in other countries. The ability to interact with and manage our stakeholders in the right way is important and requires a diversified workforce that is reflective of the society in which we operate. This helps to safeguard Volati's long-term competitiveness.

Volati has a Group-wide HR policy that all business units are required to follow, as a minimum level. The policy establishes the equal value of all people and stipulates that Volati must have fair conditions between individuals and groups. No-one shall suffer discrimination or victimisation, and each business unit must have guidelines and instructions describing how to act should this occur.

Volati's gender distribution in managerial positions is predominantly male, with the exception of some operations that have a more equal balance. During the year, we implemented and followed up several initiatives to increase gender equality.

Risks

Volati and our business units benefit from a workplace that is inclusive and where differences are welcomed, respected, valued and nurtured. This contributes to ensuring satisfied and productive employees. With an excessively homogeneous workforce, there is a danger of overlooking the potential and benefits offered by diversity and adopting a unilateral approach to risks and opportunities.

Equality work at Volati

During the year, we worked on our gender equality processes, which we then followed up in a more structured way. It should be noted that we have come a long way but we have some way to go before we are satisfied. The chairmen and CEOs of the business units are responsible for equality work. Equality is an integral part of the HR agenda on the circular calendars of the company boards. As part of the annual work, an equality analysis must be conducted, which includes a current status description, challenges, priorities, measures and follow-up. Volati also ensures an equality perspective in the Group-wide skills development programmes such as Volati Academy, Volati Management Program and others. This includes all aspects of equality such as programme design, selection of candidates, processes and suppliers. For the Group-wide programmes, the stated ambition is to recruit and engage a significant predominance of women. An annual evaluation of the companies' equality work is conducted by Volati's management and reported to the Board. During the year, we have come a long

Indicator for diversity, equality and non-discrimination

Gender distribution in business unit management groups[1)]

Men, 76% Women, 24%

Gender distribution among employees, total[1)]

Men, 70% Women, 30%

1) For a more detailed description, see note 6 on page 104.

way in setting up processes and also increasing the number of female participants compared with previous numbers.

② Health and safety

Volati considers that its employees are the single most important success factor and create Volati's long-term competitiveness. The overall objective is for everyone in the Group to experience a good, safe and secure work environment. Volati requires every business unit to have a clear process for work environment management and to have, as a minimum, a work environment policy and drug and alcohol policy in place.

Volati is convinced that healthy employees not only reduce sickness absence and the risk of stress and burn-out, but also contribute to a positive atmosphere and improved performance. Volati therefore offers all employees a fitness allowance, training and other activities to encourage a healthier lifestyle.

Under Volati's decentralised governance model, a large share of work environment responsibility lies with senior executives in the business units. Managers are responsible for safeguarding employees' welfare and ensuring a good work/life balance.

Risks

Due consideration of our employees' health and safety is of key importance to Volati and the Group's business units. Within many of the business units there are duties that involve a risk of occupational injuries and accidents, and of stress. Both Volati and the business units work actively to prevent accidents and ensure a good work/life balance.

Health and safety – SWEM

At Volati, systematic work environment management (SWEM) is considered an important part of every manager's everyday life. The health and safety of our staff is of the utmost importance. The basis for this is the work environment policy and other relevant policies, such as the alcohol and drug policy. To ensure continuous improvement work, most business units have safety committees that meet regularly.

Indicator for health and safety

Number of reported incidents and days of absence [1)]

	Number of reported incidents	Of which resulting in sick leave (after 7th day)
Trading	10	2
Consumer	26	3
AKB	4	0
Industry	18	3
	58	**8**

[1)] All persons have now made a full recovery and are fit for work.

Attracting, developing and retaining employees is crucial to achieving success and achieving good results, and this is followed up by measures such as annual employee interviews. Employees are also offered regular training in relevant areas, ranging from fire safety and cardiopulmonary resuscitation to Excel, materials and leadership. Skills development and training initiatives at Group level include Volati Knowledge, Volati Management program, Volati Academy and Volati Management Meeting.

3 Anti-corruption and human rights

Volati and our business units have operations in 16 countries, with an emphasis on the Nordic countries. For this reason, it is Volati's general assessment that there is a low risk of the business units being directly involved in unethical business conduct, such as violations of human rights. However, there is always a risk that corruption may arise. In the business units there may be indirect impacts and exposure to suppliers who do not have the same low tolerance for unethical business conduct as companies operating in the Nordic countries. With this in mind, we work actively on auditing suppliers. Most of our business units require suppliers to sign a supplier code of conduct before entering into an agreement. During the year, we conducted the majority of the supplier audits and supplier assessments.

Risks

Anti-corruption

Some of the Group's business units operate in sectors or territories that bring exposure to and increased risk of bribery and corruption. This may involve bribes offered in return for disregarding irregularities or for sharing investment information. Both Volati and the business units have zero tolerance for bribery and corruption.

Human rights

Purchasing products and components from regions such as eastern Europe and Asia brings a risk of human rights violations in the supply chain. The business units work systematically to prevent this by establishing dialogue, setting requirements and auditing suppliers.

Indicator for anti-corruption and human rights

Total number of known cases/notifications of corruption offences and violations of human rights. *No incidents were reported in 2019.*

Supplier audits

The Trading business area has well-developed procedures for supplier audits. This is based on a requirement for all suppliers and their own sub-contractors to sign a code of conduct. Supplier audits are conducted by means of site visits and through external auditors. Both processes and the supplier's working practices are audited.

4 Environment

Volati and our business units operate in many different sectors and it is extremely important that they all adhere to the laws and regulations governing the environmental area.

According to Volati's policy, all companies must seek to reduce negative environmental impacts by:

- Complying with local environmental legislation.
- Aiming to ensure sustainable management of resources and to limit emissions of hazardous substances and toxic waste.
- Aiming to ensure energy efficiency and to limit emissions of greenhouse gases, unless there are significant business reasons for not doing so.
- Being aware of other significant environmental issues.

In addition to these more general principles, the business units have their own adopted sustainability policies, which can be more extensive, with clear goals for minimising environmental impacts.

Risks

Through its business units, Volati has certain operations that are notifiable environmentally hazardous activities. In addition, some companies operate at properties that have some degree of environmental pollution, while certain companies have operated at properties that have become polluted due to historical activities.

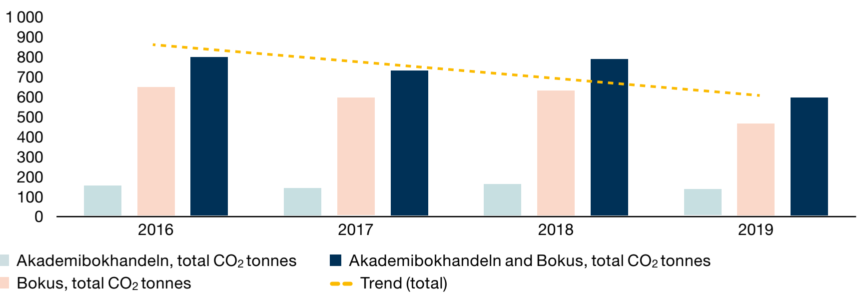
Indicator for environmental issues

Significant fines and non-monetary sanctions for non-compliance with statutory and/or regulatory environmental provisions: *The Volati Group has not received any fines or sanctions related to environmental issues during 2019.*

Environmental work

Sustainability and product safety issues are priority areas at Akademibokhandeln. During the year, the packaging for e-commerce was replaced so that it can be 100 percent sorted as paper packaging. The packaging is also more adaptable so that less air is packed, resulting in more efficient logistics and reduced emissions. The company is also working actively to reduce carbon dioxide emissions from purchased transport of goods, and they are showing a downward trend. The Company now see a positive effect of virtually all suppliers updating their vehicle fleets for more eco-efficient transportation.

CO_2 emissions from goods transport, shops and e-commerce



In 2019, Volati supported **Hand in Hand's** work to fight poverty in Kenya.

Risks and uncertainties

Volati's financial position is dependent on a number of risks, categorised as financial risks and operational risks. Financial risks take the form of financing risk, interest rate risk, credit risk and currency risk, while operational risks are related to effects on the business units' operations, as well as legal and regulatory risks.

Active risk management is necessary for the Volati Group to operate a successful business. The Group has a structured and proactive way of monitoring and minimising the most important risks. Volati applies the definition of risk as "a future event that threatens the Company's ability to achieve its vision, business concept, objectives and strategy". Volati and the business units each conduct an annual overall risk assessment aimed at identifying, evaluating and managing risks that threaten the Group's vision, business concept, objectives and strategy. The management groups conduct the risk assessment within the following categories: strategic risks, operational risks, compliance risks and financial risks.

Identified risks are then analysed based on the following three criteria:

1. Impact on the business concept, vision and objectives. The rating scale is from "low" to "very serious."
2. Probability that the risk will occur within the planning period. The rating scale is from "unlikely" to "likely."
3. The efficiency of existing control activities is qualitatively evaluated in accordance with separate instructions.

The risks are documented in a uniform format. Each year, the business unit's management presents an updated risk analysis to its Board and Volati's Group management. Based on the business units' reporting, the CEO identifies the risks affecting the Group's business concept, vision and objectives. The CEO presents an updated risk analysis to the Company's Board annually. Significant changes in the risk situation or major risk exposures are reported to each Board concerned. An action plan for top priority risks is also presented to the relevant business unit's Board, and Volati's Group management and Board.

Financial risks

The main financial risks are *credit risk, liquidity risk, refinancing risk* and *obligations under credit agreements*, *interest rate risk* and *currency risk*. More information about these risks can be found in note 22.

Macroeconomic factors

The Group's business units operate in a number of different sectors. Volati is dependent on the success of and demand for the products and services produced and provided by the business units, which in turn are dependent on factors such as functionality, price and general market demand. This demand is greatly affected by macroeconomic factors that are outside Volati's control, and demand for the Group's products and services may be considerably lower during an economic downturn. Conditions in the global capital market and the economy as a whole affect the Group's operations, earnings and financial position. Factors such as consumption, corporate investments, inflation and the capital market's volatility and mood affect the business and economic climate. A weakening of these conditions in all or some of the Group's markets could have material adverse effects on the Company's operations, earnings and financial position. Pandemics like the one caused by the Coronavirus may seriously affect demand for our products and services – in the short term or over a longer period. New rules and regulations adopted in response to a pandemic could also lead to temporary closures of our production sites and sales outlets. Pandemics may therefore have significant negative effects on the Company's operations, earnings and financial position.

Risks related to acquisitions and transfers of companies

A significant part of Volati's strategy involves growth through acquisitions that either complement or broaden the Group's existing holdings. There is a risk of Volati being unable to identify suitable acquisition targets or make acquisitions on acceptable terms. Corporate acquisitions also involve considerable risks in relation to the acquiree. The target company may, for example, have customer losses, regulatory difficulties or unforeseen expenses following the acquisition. This may require an additional capital contribution from Volati or may result in non-achievement of the expected return. Integration expenses may also prove to be higher than expected or Volati may have paid more than what the acquired object is worth. There is also a risk of expected synergies or efficiencies failing to materialise or not being realised to the expected extent. These scenarios may have a negative effect on Volati's operations, earnings and financial position.

Operational risk

All business activities in the Group's business units are subject to the risk of losses due to inadequate procedures and the risk of irregularities and/or other internal or external events disrupting or damaging operations. Inadequate operational safety and security may have a significant negative effect on the Group's operations, earnings and financial position. Unauthorised access to information or computer systems can result in data loss. There is also a risk that unplanned interruptions can lead to production loss, revenue shortfalls or delayed deliveries to customers. Several of Volati's business units are dependent on one or more places of business or distribution and warehouse facilities. If one of these establishments were destroyed or closed for some reason, such as storms, floods, other natural disasters, riots, work blockades and industrial actions, fire, sabotage, acts of terrorism or government interventions, or if items of operating equipment or stock were significantly damaged, the business unit concerned would probably have difficulty in distributing its products or services.

Political risk

Volati has operations in 16 countries, and political and social developments in these countries affect the Group to varying extents. A key component of the Group's business and customer offering is the EU's single market, in other words the common market with free movement of goods, services, capital and people within the EU. Changes in the functioning of the single market or turbulent political and social conditions in Volati's markets may have a negative effect on Volati's operations, earnings and financial position. Brexit is an example of this. However, the analysis is that this has not significantly increased any risks for the Group's operations so far, but it is still not known how the United Kingdom's final withdrawal from the EU will take place and affect the Group.

Disputes

There is a risk of the Group being involved in disputes. The outcome of such potential disputes may lead to significant expenses for Volati, have an adverse effect on Volati's reputation and distract senior management from their normal activities. If Volati were to be held responsible in a dispute, this could have a material negative effect on the Company's operations, earnings and financial position.

Regulatory risks

Competition law issues

If the Group acts in contravention of applicable competition regulations, this could result in charges and other sanctions for the parties involved. An example of this could be a business unit being deemed as abusing a position of dominance or participating in illicit anti-competitive cooperation in some context. In the case of acquisitions and divestments, the company itself cooperates with counterparties and their advisors to conduct analyses and report on matters pertaining to competition law and other change-of-ownership issues to competition authorities and other relevant government authorities. If such an analysis is inadequate and/or the competition authorities or some other authority calls into question the transactions, analyses and/or reports, this could result in charges for the parties involved and, in certain cases, the invalidation of implemented transactions.

Tax-related risks
Volati conducts its operations affected in business units located in a number of countries and is impacted by the applicable tax regulations at any time in these countries. These include corporate tax, property tax, value-added tax, regulations on tax-free disposal of shares, other governmental and municipal duties, and interest deductions and subsidies. The Group's tax situation is also affected by whether intra-Group transactions are considered to be priced at market rates.

Amended tax regulations
Tax rules are constantly subject to amendment, and new corporate tax rates and rules on limiting the deductibility of interest have been enacted and came into force on 1 January 2019. The change to the corporate tax rate has a positive effect on the Group, resulting in a better net profit. The new rules on limiting the deductibility of interest have not had a negative impact on the Group's financial position and earnings. Other changes in the regulatory framework governing corporate tax and other taxes and duties could also affect the conditions for the Group's business, thereby affecting earnings. Such decisions or changes could have a significant effect, potentially retroactively, on the Group's earnings and financial position.

Legislative amendments
Laws, directives and regulations or new interpretations that affect Volati's operations could be introduced from time to time. These could give rise to increased administrative costs for the Group, which could ultimately affect shareholders' return, or could result in changes to the Group's legal structure or require a service or product to be changed or discontinued. This in turn could lead to the Company and its shareholders facing increased costs or other detrimental consequences, such as a less favourable tax situation or reduced sales revenues. Such risks could have negative consequences for the Group's operations, earnings and financial position.

Political risk
The Group's business is exposed to general political and social risks in its countries of operation. These risks include potential government intervention and regulations, and potential inflation or deflation.

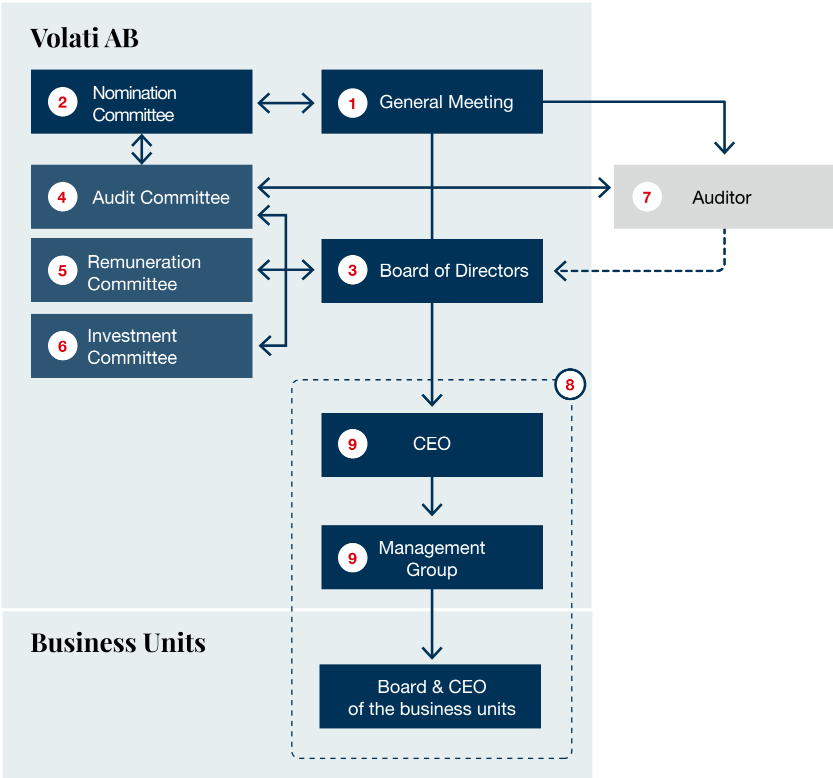
Product liability, product recalls and project liability
Some of the business units manufacture products that could cause personal injury or damage a customer's property if used incorrectly. The business units could thereby be exposed to product liability and requirements for product recall if use of the relevant company's products cause, allegedly cause or are likely to cause injury or material damage. Volati does not have any control of how the products are actually used, and end customers may use them in a way that causes injury or material damage. There is a risk that faults in the Group's products or incorrect use of the products could give rise to product liability. This in turn could result in significant financial obligations and negative publicity, which could have adverse effects on the Company's financial position and earnings. Although Volati is well covered by customary liability and product liability insurance, there is a risk that Volati's insurance cover may be limited due to, for example, monetary thresholds and excess payment requirements.

Intellectual property rights
The business units' intellectual property rights comprise registered patents and patent applications, registered trademarks and trademark applications, registered designs and domain names. The Group's operations are not deemed to be directly dependent on any individual intellectual property rights. However, there is a risk that competitors may, in various ways, challenge or circumvent the Group's IP protection, which could adversely affect the Group's or the relevant business unit's operations.

Environmental impact
Through its subsidiaries, Volati has certain operations that are environmentally hazardous and notifiable. In addition, some companies operate at properties that have some degree of environmental pollution, while certain companies have operated at properties that have become polluted due to historical activities.

Corporate Governance Report

CORPORATE GOVERNANCE AT VOLATI



Volati AB is a public limited liability company whose ordinary and preference shares are listed on Nasdaq Stockholm. Governance and control of Volati are exercised by shareholders at general meetings and otherwise by the Board, the CEO and other members of management. Governance and control are based on the Swedish Companies Act, the Articles of Association, Nasdaq's Rules, the Swedish Corporate Governance Code ("the Code") and internal rules and regulations. Volati believes that the Company has followed the Code throughout the year without any derogation. The Company's auditors have conducted a statutory review of the corporate governance report.

① *General Meeting*

The general meeting is Volati's highest decision-making body and it is by participating in general meetings that shareholders exercise their influence. The annual general meeting is held within six months of the end of the financial year. The financial statements are adopted at the AGM and resolutions are passed on matters that include appropriation of the Company's profit, Board and auditor elections, remuneration of Board members and auditors, and other statutory business to be dealt with at the AGM. Notice of the AGM and any extraordinary general meetings must be given in accordance with the Articles of Association. Shareholders who wish to have business dealt with at the AGM must submit a written request to bolagsstamma@volati.se or to Volati AB (publ), attn: CFO, Engelbrektsplan 1, SE-114 34 Stockholm, Sweden. To guarantee inclusion in the notice of the Annual General Meeting, the request must have been received well in advance of the AGM. Further information on how and when to provide notification of attendance will be published in advance of the Meeting.

Volati's ordinary shares entitle holders to one vote per share, while preference shares carry entitlement to one-tenth of a vote per share. Dividends on preference shares are regulated in the Articles of Association and have priority over ordinary shares. Preference shares represented 2.0 percent of Volati's share capital at the end of the year. As preference shares carry entitlement to one-tenth of a vote, this means that the share of votes in Volati from preference shares corresponds to 0.2 percent.

2019 Annual General Meeting

At the Annual General Meeting on 25 April 2019 at Finlandshuset in Stockholm, 69,279,009 ordinary shares and 55,384 preference shares were represented, totalling 69,334,393 votes, which corresponds to 84.54 percent of the total number of shares, and 86.00 percent of the total number of votes in the Company. The minutes are available at www.volati.se/sv/om-volati/bolagsstyrning. The meeting was held in Swedish. All members of the Board, apart from one, and the Group's chief auditor were present at the Meeting.

Resolutions passed at the AGM included elections of the Board and auditors and a dividend of SEK 1 per ordinary share, corresponding to a total of SEK 80,406,571. The AGM also adopted a dividend of SEK 40.00 per preference share, corresponding to a total of SEK 64,150,960, to be paid quarterly at SEK 10.00 per share. The AGM authorised the Board of Directors to decide on acquisitions of ordinary shares, and acquisitions, transfers and new issues of the Company's own preference shares in accordance with the Board's proposal. Under this mandate, the Board may, on one or more occasions during the period until the next AGM, decide on the acquisition of ordinary shares and the acquisition, transfer or new issue of the Company's own preference shares. The acquisition may take place on Nasdaq Stockholm or in accordance with an offer to all preference shareholders to acquire a number of preference shares that results in the Company's holding of its own preference shares amounting to no more than one-tenth of all shares in the Company. The authorisation therefore means that the Board can decide to acquire one-tenth of the ordinary shares or all preference shares in the Company. The purpose of the acquisition, transfer or new issue of own preference shares is to enable an optimised capital structure and to allow the Company to use its own preference shares as payment for or financing of acquisitions of companies or operations.

Extraordinary General Meeting, September 2019

At an Extraordinary General Meeting on 30 September 2019, 63,652,549 ordinary shares and 31,627 preference shares were represented, totalling 63,684,176 votes, which corresponds to 77.65 percent of the total number of shares and 79.01 percent of the total number of votes in the Company. The minutes are available at www.volati.se/sv/om-volati/bolagsstyrning. The meeting was held in Swedish.

The EGM voted to approve the proposed "Leo" transfers, which enable key personnel in Volati's subsidiaries to invest in shares in the subsidiaries. The transfers are a part of Volati's business model, which is to create mutual interest with key individuals within Volati's business units by way of co-investments. The Meeting also approved the withdrawal of 1,000,000 own ordinary shares held by the Company.

2020 Annual General Meeting

Volati's next Annual General Meeting is at 17.00 on Wednesday 6 May 2020 at Congressen, Hotel Birger Jarl in Stockholm.

② *Nomination Committee*

The AGM decides on the process for the election of the Board and auditors. The 2019 AGM adopted instructions for the establishment of a nomination committee, which apply until further notice. These instructions require the Nomination Committee to have a minimum of three members, one of whom may be the Chairman of the Board. If the Chairman of the Board is on the Committee,the other members are appointed as follows: no later than six months before the AGM, the Chairman of the Board invites each of the two largest shareholders – based on Euroclear Sweden AB's list of registered shareholders on the last banking day of September of the current year – to appoint a representative to serve on the Nomination Committee.

If the Chairman of the Board is not on the Committee, the members are appointed as follows: no later than six months before the AGM, the Chairman of the Board invites each of the three largest shareholders – based on Euroclear Sweden AB's list of registered shareholders on the last banking day of September of the current year – the opportunity to appoint a representative to serve on the Nomination Committee. If any of the shareholders declines the right to appoint a member, the right shall pass to the next largest shareholder.

The Chairman of the Nomination Committee is the member representing the largest shareholder by votes, unless the members agree otherwise. However, neither the Chairman of the Board nor any other Board member may serve as Chairman of the Nomination Committee. At least one member of the Nomination Committee must be independent of the largest shareholder of the Company in terms of votes or group of shareholders that collaborates on the Company's management. Should a shareholder represented on the Nomination Committee reduce its ownership so that the shareholding would no longer qualify them to appoint a member of the Nomination Committee, the member appointed by the said shareholder shall, if the Nomination Committee so decides, be asked to stand down and another of the Company's shareholders shall be invited to appoint a member in their place as described above. Should a shareholder not represented on the Nomination Committee increase its ownership so that the shareholding would qualify them to appoint a member of the Nomination Committee (and this shareholder is not in connection herewith invited to appoint a member of the Nomination Committee on the basis of what is set out in the previous sentence) such shareholder shall, if the Nomination Committee so decides, be invited to appoint a member without necessitating the resignation of a member appointed by another shareholder. However, the number of Nomination Committee members must never exceed six (6) and already elected members will take precedence in this context. Shareholders who have appointed a member of the Nomination Committee have the right to substitute such member for another to serve as a member of the Nomination Committee, and if a member leaves the Nomination Committee before the new Nomination Committee has been formed, the shareholder who appointed the member shall have the right to appoint a replacement.

The composition of the Nomination Committee must be announced no later than six months prior to the AGM. The Nomination Committee's mandate period extends until a new Committee has been formed. The Nomination Committee's tasks are to prepare and submit proposals to the AGM for: the Meeting Chairman, Board members, Chairman of the Board, fees to the Chairman and individual Board members, other remuneration for Board assignments, fees to the Company's auditor and, where applicable, the election of an auditor. The Nomination Committee also prepares and recommends principles for the composition of the Nomination Committee. Shareholders are given the opportunity to submit nomination proposals to the nomination committee.

The Nomination Committee for the 2019 Annual General Meeting consisted of three members. Carin Wahlén, representing Patrik Wahlén, led the Nomination Committee's work. In the nomination work prior to the 2019 AGM, the Nomination Committee assessed both the composition and size of the current Board, and the Volati Group's operations. Special emphasis was placed on Volati's strategies and objectives, and what the Group's future direction is expected to mean for the Board. As a diversity policy, the Nomination Committee has applied point 4.1 of the Code, taking into account that the Board must have an appropriate composition, characterised by diversity and breadth with regard to Board members' skills, experience and background, that is appropriate to Volati's operations, stage of development and other circumstances. The Nomination Committee also worked on the goal of achieving a balanced gender distribution on the Board. The Nomination Committee recommended the re-election of Patrik Wahlén as Chairman of the Board and the re-election of Karl Perlhagen, Patrik Wahlén, Björn Garat, Louise Nicolin, Christina Tillman, Anna-Karin Celsing and Magnus Sundström as Board members for the period up to the end of the next AGM. After the election at the 2019 AGM, three of the seven meeting-elected Board members are women (the CEO is not included in the total number of Board members). A report on the work of the Nomination Committee was submitted in the Nomination Committee's explanatory statement which was published prior to the 2019 AGM.

Nomination Committee for the 2020 AGM

On 26 October 2019, the Company published the composition of the Nomination Committee for the 2020 AGM: Carin Wahlén (chair) representing Patrik Wahlén, Jannis Kitsakis representing Fjärde AP-fonden, and Karl Perlhagen representing himself.

Shareholders wishing to submit proposals to the Nomination Committee can do so at the Company's address or by e-mail to bolagsstamma@volati.se.

The AGM decides on the following:

- Adoption of the Annual Report.
- Dividend.
- Election of Board members and, if applicable, auditors.
- Remuneration of the Board and auditors.
- Guidelines for remuneration of Group management.
- Other important business.

The Nomination Committee's tasks include submitting recommendations to the next AGM concerning:

- Chairman of the Meeting.
- Board members including number of members.
- Chairman of the Board.
- Fees to Board members.
- Other remuneration for Board tasks and any committee work.
- Election of auditors, if applicable, and auditor's fees.
- Changes to the Nomination Committee's instructions, as required.

3 Board of Directors

According to the Articles of Association, the Board of Directors of Volati shall consist of a minimum of three and a maximum of ten ordinary members. The Articles of Association do not contain any provisions on the appointment or dismissal of Board members or amendments to the Articles of Association.

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Composition of the Board

Name	Position	Elected	Independent of the Company	Independent of major shareholders	Total fee (SEK million)	Meeting attendance in 2019	Meeting attendance, Audit committee 2019
Patrik Wahlén	Chairman	2006	No	No	0.5	17/17	3/3
Karl Perlhagen	Member	2003	No	No	0.2	16/17	–
Björn Garat	Member	2015	Yes	Yes	0.2	17/17	–
Louise Nicolin	Member	2016	Yes	Yes	0.2	17/17	–
Christina Tillman	Member	2016	Yes	Yes	0.2	16/17	–
Anna-Karin Celsing	Member	2018	Yes	Yes	0.3	17/17	3/3
Magnus Sundström	Member	2018	Yes	Yes	0.3	17/17	3/3

Board of Directors

From left:
Karl Perlhagen, Christina Tillman, Louise Nicolin, Patrik Wahlén, Björn Garat, Magnus Sundström and Anna-Karin Celsing.

Board of Directors

1. Patrik Wahlén

Chairman of the Board since 2018, Board member 2005-2017. Born 1969.

Education: Business and Economics studies at Lund University.

Background: Patrik founded Volati in 2003 together with Karl Perlhagen. He has previously worked for Kemira Group and Ernst & Young Management Consulting AB.

Shareholding in the Company: 19,356,283 ordinary shares.

2. Karl Perlhagen

Chairman of the Board 2005-2017, Board member since 2018. Born 1970.

Education: Business and Economics studies at Lund University.

Other assignments: Chairman of the Board of Fridhems Intressenter Gladan AB, Fridhem Fastighetsutveckling Stockholm AB and Fridhem Grönskogen AB, Board member of Italo Invest AB (and assignments in subsidiaries of Italo Invest AB) and Ullna Golf Aktiebolag.

Background: Karl founded Volati in 2003 together with Patrik Wahlén, having previously founded Cross Pharma AB.

Shareholding in the Company: 34,440,000 ordinary shares and 216,190 preference shares (through companies).

3. Björn Garat

Board member since 2015. Born 1975.

Education: B.Sc., International Economics, Linköping University.

Other assignments: CFO and Deputy CEO at AB Sagax (and assignments in subsidiaries of AB Sagax), Board member of Manolo Holding AB and Paco Holding AB, and deputy Board member of LMG Distribution Aktiebolag.

Background: Partner and Head of Corporate Finance at Remium Nordic AB and financial analyst. CFO and Deputy CEO at AB Sagax since 2012.

Shareholding in the Company: 30,000 ordinary shares (via pension insurance).

4. Louise Nicolin

Board member since 2016. Born 1973.

Education: M.Sc. Engineering, Uppsala University, eMBA, Stockholm University, and International Directors Programme at INSEAD.

Other assignments: Chair of AB Better Business World Wide, Board member of VBG Group AB (publ), Enzymatica AB (publ), Optinova Holding AB (Finland) and deputy Board member of Arts for a reason AB.

Background: Since 2011, Louise has run Nicolin Consulting AB, focusing on business development and quality assurance. Previously worked as Business Unit Manager and Consultant Manager at PlantVision AB.

Shareholding in the Company: 16,642 ordinary shares (including family).

5. Christina Tillman

Board member since 2016. Born 1968.

Education: B.Sc. in Business and Economics, Stockholm University.

Other assignments: Chairman of the Board of NF11 Holding. Board member of Corem Property Group AB (publ), Corem Logistik Holding AB, Kavat and Deputy Board member of Kattvik Financial Services Aktiebolag and Stocksunds Fastighets AB.

Background: Christina's previous roles include CEO of Odd Molly and CEO of Gudrun Sjödén Design.

Shareholding in the Company: 6,000 ordinary shares.

6. Anna-Karin Celsing

Board member since 2018. Born 1962.

Education: MBA, Stockholm School of Economics.

Other assignments: Chair of Sveriges Television AB, Board member of Landshypotek Bank AB, Lannebo Fonder AB, OX2 Group and Serneke AB.

Background: Head of Investor Relations at Swedbank, Head of Communications at Ratos AB, Director of Swedish Financial Supervisory Authority. Various advisory roles and directorships within strategy, finance and corporate governance.

Shareholding in the Company: 7,000 ordinary shares and 700 preference shares.

7. Magnus Sundström

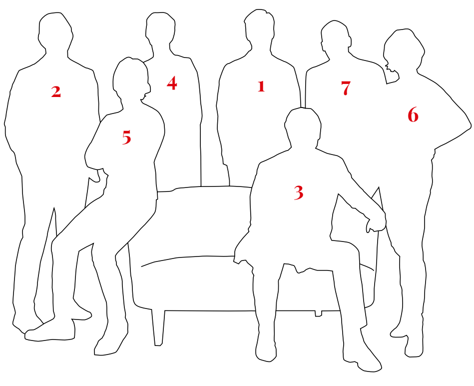
Board member since 2018. Born 1954.

Education: M.Sc., Industrial Economics, Linköping University.

Other assignments: CEO and owner of 1909 Gruppen AB and joint owner (50%) of B2B IT-Partner AB.

Background: Board member and Chairman of Tricorona AB.

Shareholding in the Company: 534,758 ordinary shares and 29,739 preference shares through associated company.



Management Group

From left:
Karin Rosenthal, Nicklas Margård,
Mårten Andersson, Maria Edsman,
Andreas Stenbäck, Håkan Karlström
and Johan Ekström.

Management Group

1. Mårten Andersson

CEO since 2014. Born 1971.

Education: B.Sc. in Business and Economics, Lund University and General Manager Program at Harvard Business School.

Other assignments: –

Background: Mårten previously served as CEO of Försäkringsbolaget Skandia and has held a number of international positions at Skandia.

Shareholding in the Company: 2,511,532 ordinary shares and 1,887 preference shares.

2. Karin Rosenthal

Finance Manager since 2017. Born 1978.

Education: Bachelor's degree, Stockholm University.

Other assignments: –

Background: Karin has previously worked at Klarna Klarna Bank AB and Fabege, among others.

Shareholding in the Company: 2,000 ordinary shares.

3. Andreas Stenbäck

CFO/CIO since 2019. Born 1979.

Education: M.Sc., Royal Institute of Technology, and B.Sc. in Business Administration and Economics, Stockholm University.

Other assignments: –

Background: Andreas has previously worked at Keystone Advisers and MCF Corporate Finance.

Shareholding in the Company: Purchase option for 800,000 ordinary shares.

4. Håkan Karlström

Head of Business Area Trading since 2018. Born 1961.

Education: Business and Economics studies at Lund University.

Other assignments: –

Background: Håkan has worked as CFO for business area Handel in 2015–2018, and since 1996 as CFO in the business area's former ownership sphere.

Shareholding in the Company: 20,000 ordinary shares, 7,000 ordinary shares through companies, 1,060 preference shares (via pension insurance), 2 percent of the shares in Trading's parent company Volati Handel.

5. Nicklas Margård

Head of Business Area Industry since 2017. Born 1969.

Education: Studied Economics at Lund University. MBA Studies at Concordia University, Montreal, Canada.

Other assignments: Board member of Micvac AB.

Background: Nicklas was CEO of Besikta Bilprovning between 2014–2017 and has served on the Board of Tornum since 2005. Nicklas previously worked as CEO of John Bean Technologies AB and was also responsible for Asia at JBT FoodTech.

Shareholding in the Company: 170,000 ordinary shares, and 2 percent of the shares in Industry's parent company Volati Industri.

6. Maria Edsman

Head of Business Area Akademibokhandeln since 2018. Born 1968.

Education: M.Sc. in Business Administration, Stockholm School of Economics and studies at University of Chicago Business School

Other assignments: Board member of Rusta AB.

Background: Maria was previously Retail Director at Akademibokhandeln, CEO of Polarn O. Pyret and CEO of Brothers & Sisters.

Shareholding in the Company: 0.75% of the shares in Akademibokhandeln.

7. Johan Ekström

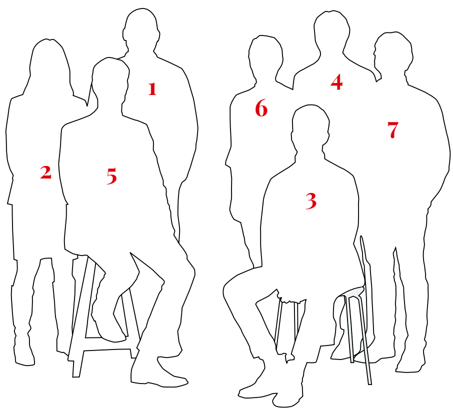
Head of Business Area Consumer since 2018. Born 1970.

Education: Ph.D. in Business (M&A strategies), Lund University.

Other assignments: –

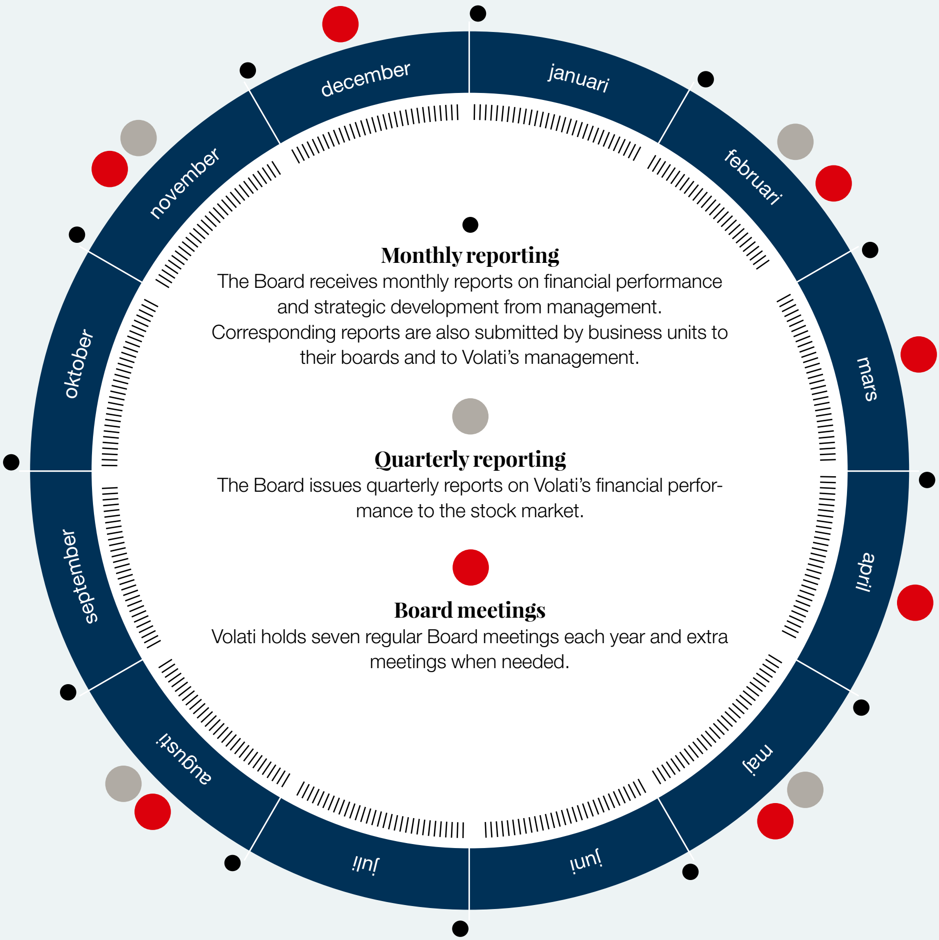
Background: Previously Operational Manager at Volati in 2017. Johan was a Business Area Manager at Skandia and a Board member of Skandia Investment Management. Johan has also held various roles as a Partner/ Senior Executive at Accenture, and served as a researcher and lecturer at the School of Economics and Management at Lund University.

Shareholding in the Company: 18,393 ordinary shares and 1,973 preference shares.



Clear and methodical follow-up

Volati has an annual calendar scheduling selected topics for discussion by the Board at each Board meeting. Correspondingly, Volati's management has an annual calendar with Board meetings for each business unit.



The Board and the Board's work

The Board's overall task is to manage the Company's affairs and be responsible for its organisation on behalf of shareholders. The Board's work is led by its Chairman. The Board holds an annual statutory meeting following the AGM. In addition to this, the Board is required to meet at least five times annually. At the statutory Board meeting, the Company's signatories are appointed, and the Board's formal work plan, instructions for the CEO and the Board's instructions on reporting to the Board (referred to as the reporting instruction) are reviewed and adopted. The Company's Board meetings deal with business such as the Company's financial situation, acquisition-related matters, evaluation of the business units and other relevant issues concerning Group companies. The Company's auditor attends and reports at the Board meetings at least once a year and more often when necessary. A quorum of the Board is attained when more than half of the members are present. At present, Volati's Board consists of seven members. In 2019, 17 meetings of the Volati Board were held and Board members' attendance is presented in the table below.

The Board has decided to perform an annual evaluation of the Board's work, whereby Board members are able to give their views on forms of work, Board materials, their own and other members' input, and the scope of the assignment. According to the evaluation, the work of the Board is considered to be functioning very well. All Board members are seen to be contributing constructively to strategic discussions and governance, and the discussions are viewed as open and dynamic. Dialogue between the Board and management is also considered to be very good.

4 *Audit Committee*

After the AGM, the Board has established an Audit Committee. The Audit Committee shall consist of three members, one of whom will be the Chairman of the Board, but the Committee Chairman shall be a member who is independent of the Company and its shareholders. The Audit Committee shall fulfil the tasks specified in the Swedish Companies Act and the Auditing Ordinance. These obligations mainly include the following tasks:

- monitoring the Company's financial reporting and making recommendations and proposals to ensure the reliability of the reporting;
- monitoring the efficiency of the Company's internal control, internal audit and risk management in the area of financial reporting;
- staying informed about the audit of the annual accounts and consolidated accounts, and the conclusions of the quality control by the Supervisory Board of Public Accountants (Revisionsnämnd);
- informing the Board of the results of the audit, how the audit contributed to the reliability of financial reporting and what was the Committee's function;
- examining and monitoring the auditor's impartiality and independence and in doing so, noting in particular whether the auditor provides the Company with services other than audit services;
- approving assignments for auditing firms that are auditors for the Company in relation to non-audit services amounting to more than SEK 100,000;
- assisting in the preparation of proposals for resolution on the appointment of auditors at general meetings; and
- preparing the Board's decisions in the above matters.

5 *Remuneration Committee*

The Board has decided not to establish a remuneration committee, as the Board considers it more appropriate for the full Board to carry out the tasks incumbent on a remuneration committee in accordance with the Swedish Companies Act and the Code.

In terms of remuneration matters, this means that the Board will:

- prepare decisions on matters concerning remuneration principles, remuneration and other terms of employment for senior executives;
- monitor and evaluate ongoing programmes and programmes concluded during the year for variable remuneration of senior executives; and
- monitor and evaluate the application of current remuneration structures and remuneration levels in the Company, and the guidelines for remuneration of senior executives as adopted by the general meeting.

6 *Investment Committee*

The Board has established an Investment Committee. The Investment Committee consists of Chairman of the Board Patrik Wahlén (Chairman), Board member Karl Perlhagen, CEO Mårten Andersson and CFO Andreas Stenbäck. The Investment Committee's primary task is to examine and ensure the quality of decision-support material for acquisitions and divestments. In addition, the Committee has been given an investment and divestment mandate authorising it to make decisions on the acquisition and divestment of shares or operations of up to SEK 100 million per acquisition or divestment for the Group as a whole.

The Board appoints the members and Chairman of the Investment Committee, which must consist of a minimum of three and maximum of five members. The Investment Committee meets as necessary, and minutes of the meeting are kept.

7 *Audit*

An auditor is appointed annually by the AGM. The auditor's tasks are, on behalf of the shareholders, to audit Volati's annual accounts and consolidated accounts, and to examine the corporate governance report and administration of the Board of Directors and CEO. The audit process and audit report are presented at the AGM. At the 2019 AGM, Ernst & Young Aktiebolag (E&Y) was elected as the auditing firm until the next AGM. E&Y has appointed Rickard Andersson as chief auditor. Auditor's fees are paid in accordance with a separate agreement made in accordance with the AGM's decision. In 2019, the Parent Company's audit fees paid to EY were SEK 1 million, while the Group's fees were SEK 6 million, and fees for audit activities in addition to the audit assignment were SEK 1 million.

8 *Volati's operational model*

Volati's operational model is based on decentralised governance of the business units, which means that daily decision-making takes place in the operations, with limited involvement by Group management. The Group's strategy and governance model are based on the vision of being the best owner of medium-sized companies. This will be achieved by preserving the companies' independence while the Group creates long-term conditions and support for change. This is mainly accomplished through six areas: decentralised leadership, corporate governance, strategic capital allocation, strategic HR, expertise and business tools, and support related to acquisitions. Volati has a flexible organisation which facilitates fast decision-making. A decentralised governance model creates a high level of entrepreneurship in the business units, provides a clear responsibility framework and helps to ensure that Volati can continue to grow with limited central resources. Volati believes that decentralised leadership is a key success factor for a scalable business model with several business units operating in different sectors. A strong focus on local entrepreneurship creates the right conditions for effective and informed decisions. In order to secure value creation throughout Volati, a vision and a long-term strategy are developed for each business unit. The long-term strategy is given concrete form through action plans and clear financial targets that are continuously monitored. The financial targets for each business unit are focused on value creation and include growth, EBITDA margin, cash conversion and return on capital employed.

Decentralised leadership involves great responsibility and confidence in the business units' management, both in terms of delivering results and upholding Volati's values. Achievement of goals is ensured by creating clear incentives, such as part ownership, and facilitating career development for the Group's employees.

Corporate governance at Volati

To create conditions for value creation in a decentralised business model, Volati focuses on maintaining a high level of professional corporate governance within the Group.

Group management governs, controls and monitors the Group's operations. This is primarily done by appointing business area managers, and CEOs and boards for several of the business units, and also by continuously monitoring developments as part of normal Board work and monthly reporting from the business units. The Boards of the business units comprise one or more individuals from Group management, including the business area manager and, where applicable, external Board members. The business area manager is the chairman of the business unit's Board.

The Board meets in accordance with a carefully planned schedule aimed at maximising the business unit's long-term potential and maintaining profitability, even in a short-term perspective. Four annual Board meetings that deal with various matters are combined with monthly reports to follow up strategic and financial targets.

In addition to a well-established calendar of Board meetings, Volati has introduced a structured model for following up results which permeates the entire Group and each business unit. Monthly Board reports and meetings are complemented by informal contacts between Group and business unit management on a daily basis, continuous risk assessment of the business unit, and annual assessments of profitability, market outlook and long-term strategy. Group management and the business area manager hold monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

9 *CEO and Management Group*

Volati's CEO is responsible for the Company's day-to-day management in accordance with the rules of the Swedish Companies Act, and the instructions for the CEO and the reporting instruction established by the Board. The CEO's responsibilities include acquisitions and divestments, human resources, financial and accounting matters, and regular contact with the Group's stakeholders and the financial market. In addition, the CEO prepares delegation regulations for the Group's senior executives, and also employs and dismisses senior executives and establishes their terms and conditions (within the scope of the guidelines adopted by the AGM).

The CEO reports to the Company's Board and implements the Board's decisions. The CEO ensures that the Board, in accordance with the current reporting instruction, receives the information it needs in order to make informed decisions. The CEO also ensures that the Board is presented with matters that are required to be addressed by the Board under applicable legislation, the Articles of Association and internal policies and guidelines. The CEO attends and reports at all Board meetings, apart from occasions when the CEO is under evaluation by the Board and when the Board meets the Company's auditor without the presence of members of Company management.

The CEO has appointed a Group management that has day-to-day responsibility for different operations. In addition to the CEO, Group management consists of Volati's CFO, Finance Manager and the Heads of Business Areas. Group management meets regularly to manage and monitor current projects, Group-wide development issues and organisational matters.

Guidelines for remuneration of senior executives

The 2019 AGM adopted guidelines for the remuneration of individuals who were senior executives at the date of the AGM. The guidelines apply to employment contracts signed after the AGM's adoption of the guidelines and to changes in existing employment contracts that are signed thereafter. The basic principle is that management's remuneration and other employment terms and conditions must be competitive in order to ensure that the Volati Group is able to attract and retain competent senior executives. Management's fixed remuneration must be competitive and based on the individual's experience, area of responsibility and performance. Senior executives may receive variable remuneration in addition to fixed remuneration. Variable remuneration must be connected to pre-defined targets and measurable criteria, and be designed to promote the Company's long-term value creation. Variable remuneration paid in cash may not exceed 50 percent of the annual fixed remuneration. The AGM may decide that variable remuneration will take the form of share-based payment in both the Company and its subsidiaries. In addition to promoting long-term value creation, share-based payment must be designed to achieve an increased community of interests between senior executives and the Company's shareholders. Other forms of remuneration and benefits, such as pension benefits, company car and health insurance, must be market-based. Pay during the notice period may total a maximum of 12 months' salary. No termination benefits shall apply.

The Board is entitled to deviate from the above guidelines if this is justified by special circumstances in individual cases. Any such deviations from the guidelines must be reported at the next AGM.

The cost of variable remuneration paid in cash for 2019, at the maximum outcome for senior executives, is approximately SEK 0.5 million, excluding social security contributions, based on the current composition of the Group management.

The Board's proposal for guidelines for remuneration of senior executives for the 2020 AGM

The Board of Directors proposes, in accordance with Chapter 8, Sections 51–53, of the Swedish Companies Act (2005:551) and the Swedish Corporate Governance Code, that the Annual

General Meeting adopt the Board's following proposal for guidelines for remuneration of senior executives, to apply until further notice (however, at the most up to and including the 2024 AGM).

These guidelines shall apply to remuneration that is agreed, and changes to already agreed remuneration, after the date on which the guidelines were adopted by the AGM.

In this context, the term senior executives refers to the CEO of Volati AB and the other members of Group management.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

Volati's business strategy, in brief, is aimed at creating value by acquiring companies with proven business models, leading market positions and strong cash flows at reasonable valuations, and developing them with a focus on long-term value creation. More detailed information about Volati's strategic priorities is provided in the Company's annual report and on the Company's website.

Successful implementation of Volati's business strategy and safeguarding of its long-term interests is dependent on Volati being able to recruit, develop and retain senior executives with relevant experience, expertise and qualified leadership skills. It is therefore important for Volati to be able to offer its senior executives a competitive total remuneration.

On this basis, the Company shall endeavour to offer its senior executives conditions that are market-based and motivating, as well as well-balanced and reasonable based on the competence, responsibility and performance of the senior executives.

The remuneration guidelines are intended to provide a clear framework for remuneration of Volati's senior executives so that conditions can be formulated that benefit Volati's business strategy and long-term interests, including its sustainability, lasting growth and profitability.

Forms of remuneration

Remuneration may take the following forms:

- Fixed cash remuneration
- Variable cash remuneration
- Pension benefits
- Other benefits

Guidelines for fixed remuneration

Each senior executive shall receive fixed cash remuneration, i.e. a fixed monthly basic salary. This represents foreseeable remuneration that contributes to attracting and retaining qualified employees. Senior executives' fixed remuneration must be competitive and based on the individual's experience, area of responsibility and performance.

Guidelines for variable remuneration

Senior executives may receive variable remuneration in addition to fixed remuneration. Variable remuneration shall be linked to pre-defined targets and measurable criteria that can be financial or non-financial. The targets and criteria should be designed to promote Volati's business strategy, long-term interests and sustainability by having a clear connection to Volati's business objectives and/or strategies.

For variable remuneration, limits for the maximum payment shall be set for each individual senior executive concerned. Variable remuneration is paid in arrears and is conditional on the fulfilment of the linked targets or criteria. It shall also be shown to be sustainable in the long term and shall not have any material detrimental effect on Volati's position.

The AGM may also decide that variable remuneration will take the form of share-based payment in both the Company and its subsidiaries. In addition to promoting the Company's business strategy, long-term interests and sustainability, share-based payment must be designed to achieve an increased community of interests between senior executives and the Company's shareholders.

Whether the agreed targets or criteria for variable remuneration have been achieved will be determined when the relevant measurement period has ended. The Board is responsible for any evaluation of variable remuneration paid to the CEO. The CEO is responsible for any evaluation of variable remuneration paid to the senior executive concerned. For financial targets, the evaluation shall be based on Volati's most recently published financial information.

For each senior executive concerned, variable remuneration may represent a maximum of 25 percent of the fixed remuneration and, if full variable remuneration, pension benefits and other benefits are paid, a maximum of 14 percent of the total remuneration.

Guidelines for pension benefits

Pension benefits shall generally be paid in accordance with rules, collective agreements (which may involve a right to early retirement), and, if relevant, practice in the country where the senior executive resides permanently. This represents foreseeable remuneration that contributes to attracting and retaining qualified employees. Pension benefits shall be defined-contribution, unless the individual in question is covered by a defined-benefit pension in accordance with compulsory collective agreement provisions. Pension benefits are vested when they have accrued. Variable remuneration shall only form the basis for pension benefits if it follows from compulsory collective agreement rules.

For each senior executive concerned, defined-contribution pension benefits may represent a maximum of 33 percent of the fixed remuneration and, if full variable remuneration, pension benefits and other benefits are paid, a maximum of 19 percent of the total remuneration.

Guidelines for other benefits

Senior executives may be entitled to both general benefits offered to all employees and additional benefits. The benefits contribute to attracting and retaining qualified employees. Examples of other benefits that may be received by senior executives include car allowance, health insurance, household-related services and financial protection for family/survivors.

For each senior executive concerned, other benefits may represent a maximum of 15 percent of the fixed remuneration and, if full variable remuneration, pension benefits and other benefits are paid, a maximum of 9 percent of the total remuneration.

Guidelines for termination and severance pay

Employment contracts between Volati and its senior executives are normally permanent. The contracts may be terminated without objective grounds by either party. Salary during the period of notice and any severance pay due shall generally be in accordance with rules, collective agreements and practices. In addition, the following shall apply: If Volati terminates the employment, the period of notice shall not exceed 12 months. In addition, severance pay based on fixed monthly salaries may be paid for a maximum of 12 months. The total remuneration during the period of notice and period of severance pay shall not exceed a total amount corresponding to the agreed fixed monthly salary at the time of termination and contractual benefits for 12 months plus the fixed monthly salary for 12 months. If termination of employment is at the senior manager's request, the period of notice shall not exceed six months and severance pay shall not be paid. If Volati chooses to apply a non-compete agreement in certain cases, fixed remuneration may be paid during the relevant period.

Consideration of remuneration and terms of employment for other employees

In preparing the Board's proposal for these remuneration guidelines, salary and terms of employment for Volati's other employees have been taken into account by ensuring that information about the Company's total salary costs and other personnel expenses is included in the Board's support material for these guidelines. This information is also included in the Board's annual remuneration report, which will be issued for the first time in 2021.

Decision-making process for establishing, reviewing and implementing the guidelines

Volati's Board, or Remuneration Committee if established by Volati's Board to fulfill these tasks, shall follow and evaluate the application of the guidelines for remuneration of senior executives, current programmes and programmes completed during the year for variable remuneration paid to senior executives and applicable remuneration structures and remuneration levels within Volati.

The Board shall prepare a remuneration report for each financial year and make the report available to shareholders on Volati's website no later than three weeks before the AGM.

If a Remuneration Committee is established by Volati's Board, the Remuneration Committee shall prepare the Board's proposal for guidelines for remuneration of senior executives. The Board shall prepare a proposal for guidelines for resolution by the AGM when there is a need for significant changes to the guidelines, and at least every four years. If the Board has established a Remuneration Committee, the Remuneration Committee's recommendation shall be used as a basis for the Board's proposal. The Meeting shall decide on the proposal.

The guidelines shall apply to each remuneration obligation to senior executives, and any change to such obligation, decided after the meeting at which the guidelines were adopted. The guidelines do not therefore have any effect on previously binding contractual obligations. The guidelines shall apply until the new guidelines are adopted by the AGM and made available to the public on Volati's website.

When the Board considers and decides on remuneration-related matters, the CEO and other members of Group management are not present, insofar as they are affected by the matters.

Right to decide on deviations from these guidelines

On occasions, the Board may decide to deviate from the guidelines, in whole or in part, if there are special reasons for to do so in an individual case and a deviation is necessary to meet Volati's long-term interests, including its sustainability, or to ensure Volati's financial viability. As stated above, any remuneration committee's tasks shall include preparing the Board's decisions in the area of remuneration, which includes decisions to deviate from the guidelines. In its annual remuneration report, the Board shall report and explain any deviations.

Review and changes of the guidelines has been conducted, with a description of all significant changes and an explanation of how shareholders' views have been considered.

These guidelines have been proposed prior to the Annual General Meeting in 2020, and shareholders have not had the opportunity to comment on the guidelines over and above their normal right to make proposals before the Annual General Meeting.

Internal control and risks

In accordance with the Swedish Companies Act, the Board is responsible for the internal control and governance of the Company. In order to maintain and develop a functioning control environment, the Board has adopted a number of fundamental documents of key importance to financial reporting. These include the Board's formal work plan, the instructions for the CEO and the reporting instruction. In addition, a functioning control environment requires an established structure with continuous supervision. The main responsibility for day-to-day maintenance of the control environment lies with the Company's CEO. The CEO reports to the Company's Board on a regular basis. This is done in accordance with the current reporting instruction and the procedures set out below.

To ensure a relevant level of control, the Company's Group management and each business unit establish a number of control activities to counteract the most significant risks identified in the risk analysis. These control activities serve as a basis for determining the minimum level of control that must be established and functioning within the Group and the relevant business unit.

The Group and business unit keep a list of identified risks and the control activities that must be established in order to counteract the risks, together with a description of how the control activities are monitored efficiently.

A self-assessment of minimum requirements is conducted annually and reported to the Board of each business unit. The CEO of each business unit is responsible for the self-assessment process. The CEO compiles an annual summary of the main conclusions from the business units' self-assessments for the Company's Board.

Volati has not appointed an internal audit function, as this is not considered necessary for maintaining internal control. The corresponding tasks will be conducted instead by management, the boards and external auditors.

Process for financial reporting

Volati has a Group-wide reporting system, Ocra, for all business units. The business units also have separate accounting systems that are customised to their particular operations. Each business unit reports on a monthly basis via Ocra.

1 Reporting from the business units

Volati has a fixed schedule for financial reporting, with all companies submitting a complete monthly report package comprising an income statement, balance sheet, cash flow, specific notes, employment matters and investments. In addition, qualitative comments from each business unit or business area are also submitted. The reporting is implemented based on the relevance for each business unit or business area, with the aim of allowing for efficient monitoring and analysis. The report package complies with laws, regulations and accounting practice. Volati works continuously to provide training for the business units and further develop the reporting process, in order to streamline the processes and improve data for the analysis of operations in a cost-efficient way.

2 Qualitative comments from the business units

Each unit submits monthly qualitative comments on developments in the last month in the areas of financial performance and specific strategic initiatives. The reports are submitted to Volati's management and to each business unit's Board. Group management and the business area manager hold monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

3 Reconciliation

When Volati has received the reports, a reconciliation process is conducted to ensure that the reporting was done correctly and implemented in a technically correct way. The reconciliation process is performed by Volati's function for consolidated accounts.

4 Analysis

Volati's management analyses the reporting based on the available knowledge about each business unit and, together with the business area manager, holds monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

5 Consolidation

Any deviations identified in the compilation of legal and operational monitoring or the analysis and reconciliation process are rectified following dialogue with the business unit. The consolidation process comprises the reconciliation of equity, intra-Group transactions, tax, investments and cash flow.

6 Reporting to the Board

Volati's management submits monthly reports to the Board on the Group's financial performance, information about the Group's development, the financial position, ongoing projects and certain specific key figures. The Board continuously monitors financial performance against Volati's financial targets. The Board receives more comprehensive material prior to each regular Board meeting, which may contain additional in-depth data about issues relevant to the theme of the meeting.

7 External reporting (quarterly)

Volati publishes quarterly reports and press releases. The Annual Report is printed and sent to all major shareholders, employees, subscribers and other stakeholders, as well as to potential acquisition targets and business partners. Current and previous financial reports are available on the Company's website.

The Company is subject to the provisions of the EU Market Abuse Regulation No. 596/2014 (MAR) which contains strict requirements on how companies handle inside information. These include how inside information is to be disclosed to the market, under what circumstances disclosure may be postponed and in what way a company is obliged to keep a list (log book) of people who work for the company and who have access to inside information.

Volati uses the InsiderLog digital tool to ensure that its management of inside information meets the requirements of MAR and the Company's insider policy – all the way from the decision to postpone publication of inside information to the notice being submitted to Swedish Financial Supervisory Authority when the insider event is over and the information has been made public. Only authorised persons in the Company may access InsiderLog.

8 Audit

EY is the auditor for the Parent Company and Group as a whole. Although the business units have E&Y as their local auditor, there are a few exceptions for some of the business units' minor subsidiaries that are newly acquired or based outside Sweden. In the autumn, the auditor conducts a review of internal control and management, which is reported to the business units and Volati's management. For the year-end report, an audit is performed in December and the auditors are present for physical inventory counts. Meetings are also held with Volati's accounting function to discuss accounting estimates and other relevant issues during the audit of the year-end report. The auditor submits significant auditors' notes to the Board of Directors and the auditor attends Board meetings as required. The audit reporting process includes a traffic-light system whereby the observations are graded by risk, materiality and control. Each business unit draws up an action plan to ensure that the auditors' notes are addressed. During the next review of internal control and management, the auditor checks that actions have been taken.

Consolidated income statement

SEK million	Note	2019	2018
Operating income			
Net sales	3	6,833	6,084
Operating expenses			
Raw materials and supplies		–3,756	–3,375
Other external costs	7	–672	–853
Personnel expenses	6	–1,533	–1,318
Other operating income	2	30	18
Other operating expenses	2	–5	–4
Gain of disposal	4	13	–
EBITDA		**909**	**552**
Depreciation/amortisation excluding acquired surplus values.		–397	–119
EBITA		**513**	**433**
Acquisition-related amortisation		–54	–49
Goodwill impairment		–328	–18
Operating profit		**130**	**366**
Finance income and costs			
Finance income	8	14	29
Finance costs	8	–110	–80
Profit before tax		**34**	**316**
Tax	9	–37	–42
Net profit		**–2**	**274**
Profit for the year attributable to:			
Owners of the Parent		74	272
Non-controlling interests		–77	2
Earnings per ordinary share, SEK	10	0.13	2.58
Adjusted earnings per ordinary share, SEK	10	3.12	2.58
Diluted earnings per ordinary share, SEK	10	0.13	2.58

Consolidated statement of comprehensive income

SEK million	Note	2019	2018
Net profit		–2	274
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of net pension obligations		–	–
Deferred tax on remeasured net pension obligations		–	–
Total		–	–
Items that may be reclassified subsequently to profit or loss			
Reversal of translation differences attributable to divested operations		–18	–
Translation differences for the year	22	11	19
Total		–8	19
Other comprehensive income for the year		–8	19
Total comprehensive income for the year		**–10**	**293**
Total comprehensive income attributable to:			
Owners of the Parent		66	290
Non-controlling interests		–77	2

Consolidated Statement of Financial Position

SEK million	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Intangible assets	11	2,853	3,126
Property, plant and equipment	12	336	404
Right-of-use assets	13	832	–
Other non-current financial assets	14	2	2
Other shares and interests	14	4	5
Deferred tax assets	9	58	59
Total non-current assets		**4,086**	**3,597**
Current assets			
Inventories	15	865	895
Trade receivables	22	574	558
Current tax receivables		8	27
Other current receivables		46	67
Derivatives		–	0
Prepayments and accrued income	16, 19	128	186
Cash and cash equivalents	22	447	241
Total current assets		**2,070**	**1,975**
Total assets		**6,156**	**5,571**
EQUITY AND LIABILITIES			
Equity	1		
Share capital		10	10
Other paid-in capital		1,995	1,995
Other reserves		44	34
Retained earnings, including net profit		301	520
Equity attributable to owners of the Parent		2,351	2,560
Non-controlling interests		9	7
Total equity		**2,360**	**2,567**
Liabilities			
Non-current interest-bearing liabilities	17, 22	599	974
Non-current lease liabilities	13	579	–
Non-current non-interest-bearing liabilities	22	56	89
Pension obligations		2	2
Warranties and other provisions	19, 20	4	10
Deferred tax	9	290	287
Total non-current liabilities		**1,531**	**1,361**
Current interest-bearing liabilities	17, 22	689	241
Current lease liabilities	13	225	–
Advances from customers	19	62	73
Trade payables		706	706
Current tax liabilities		48	61
Derivatives	22	0	0
Accruals and deferred income	21	354	379
Other current liabilities		183	184
Total current liabilities		**2,266**	**1,644**
Total liabilities		**3,796**	**3,005**
Total equity and liabilities		**6,156**	**5,571**

For information on the Group's pledged assets and contingent liabilities, see note 23.

Consolidated Cash Flow Statement

SEK million	Note	2019	2018
Operating activities			
Profit before tax		34	316
Adjustment for non-cash items			
Depreciation, amortisation and impairment of non-current assets		451	186
Impairment of non-current assets		328	–
Capital gain/loss on sale of non-current assets		–2	–1
Unrealised exchange differences		–7	–6
Unrealised interest-rate and currency derivatives		–	0
Gain of disposal		–13	–
Additional consideration remeasurement		–17	–14
Reversal of financial items		82	41
Share of profit/loss of associates		2	–
Other provisions		–6	–2
Total adjustments for non-cash items		**818**	**204**
Interest paid		–85	–39
Interest received		1	2
Income tax paid		–40	–53
Cash flow from operating activities before changes in working capital		**728**	**430**
Cash flow from changes in working capital			
Change in inventories		27	–62
Change in operating receivables		30	37
Change in operating liabilities		–26	43
Cash flow from changes in working capital		**31**	**18**
Cash flow from operating activities		**759**	**448**
Investing activities			
Investments in property, plant & equipment and intangible assets	3, 11, 12	–98	–83
Sale of property, plant & equipment and intangible assets		2	2
Investments in Group companies	4	–122	–545
Investments in financial assets		–2	–4
Divestments of financial assets		0	0
Divestments of subsidiaries	5	–5	1
Cash flow from investing activities		**–225**	**–629**

SEK million	Note	2019	2018
Financing activities			
Dividend on preference shares		–64	–64
Dividend on ordinary shares		–79	–41
Share buy-back		–45	–
Warrant buyback		–13	–
Owner transactions		–11	–
Repayment of lease liabilities		–269	–
Proceeds from borrowings	18	700	179
Repayment of borrowings	18	–550	–93
Cash flow from financing activities		**–331**	**–18**
Cash flow for the year		**203**	**–199**
Cash and cash equivalents at beginning of year		241	438
Exchange differences		3	2
Cash and cash equivalents at end of year		**447**	**241**

Consolidated Statement of Changes in Equity

SEK million	Share capital	Other paid-in capital	Other reserves	Retained earnings incl. net profit	Non-controlling interests	Total equity
Opening balance, 1 Jan 2018	10	1,995	16	328	13	2,362
Net profit	–	–	–	272	2	274
Other comprehensive income	–	–	18		0	19
Total comprehensive income	–	–	18	272	2	293
Dividend	–	–	–	–105	–	–105
Remeasurement of NCI	–	–	–	23	–	23
Other owner transactions	–	–	–	3	–8	–5
Closing balance, 31 Dec 2018	**10**	**1,995**	**34**	**520**	**7**	**2,567**

SEK million	Share capital	Other paid-in capital	Other reserves	Retained earnings incl. net profit	Non-controlling interests	Total equity
Opening balance, 1 Jan 2019	10	1,995	34	520	7	2,567
Net profit				74	–77	–2
Other comprehensive income			–8	–	0	–8
Total comprehensive income	–	–	–8	74	–77	–10
Dividend	–	–	–	–144	–	–144
Share buy-back	–	–	–	–45	–	–45
Warrant buyback	–	–	–	–13	–	–13
Shareholder contributions	–	–	–	–8	8	0
Remeasurement of NCI	–	–	–	14	–7	6
Divestment of operations	–	–	–	–79	79	0
Other owner transactions	–	–	–	0	–2	–1
Closing balance, 31 Dec 2019	**10**	**1,995**	**26**	**320**	**9**	**2,360**

Notes to consolidated financial statements

Note 1 Accounting policies

General information
The Parent Company Volati AB (publ), corporate reg. no. 5565554317, is a Swedish limited liability company with its registered office in Stockholm. The postal and visiting address of the head office is Engelbrektsplan 1, SE-114 34 Stockholm.

Presentation of the annual accounts
The financial statements and notes are presented in millions of Swedish kronor (SEK million) unless otherwise stated.

Basis of preparation
The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Commission for application within the EU.

The Group applies IFRS 16 Leases from 1 January 2019. Changes to IFRS application due to the introduction of IFRS 16 Leases have resulted in significant changes to the Group's financial reporting between the years 2018 and 2019. These are described below.

IFRS 16 Leases

Under IFRS 16, assets and liabilities attributable to leases are recognised in the balance sheet, with certain exceptions. Implementation of the new standard on leases has meant that the majority of the Group's leases are reported in the balance sheet. Volati has chosen the modified retrospective approach, which means that comparatives for the previous year have not been restated. Instead, the cumulative effect of the retrospective transition will be reported as an adjustment to the opening balances on 1 January 2019. Volati has mainly applied the practical expedients concerning short-term leases and low-value leases. More information can be found in note 13, Leases. With effect from 1 January, Volati has a new balance sheet presentation, having moved the previous finance leases from the 'property, plant and equipment' line to the 'right-of-use assets' line so that they are classified in the same place as operating leases under IFRS 16.

Basis of consolidation
Subsidiaries are entities over which Volati AB has control.

Subsidiaries are accounted for in accordance with the acquisition method. The acquisition is treated as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group's cost is determined by means of an acquisition analysis conducted when the acquisition takes place. The analysis determines the cost of the shares or business and the acquisition-date fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities. The cost of the subsidiary's shares or business comprises the fair values, at the transfer date, of assets, incurred or assumed liabilities, and issued equity instruments used as consideration in exchange for the acquired net assets. Acquisition-related costs are expensed as incurred. For business combinations where the cost exceeds the net value of acquired assets and assumed liabilities and contingent liabilities, the difference is recognised as goodwill. If the difference is negative, it is recognised directly in profit or loss.

Acquisition and divestment of companies

For acquisitions, subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. Income and expenses for companies divested during the year are included in the consolidated income statement until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group receivables and liabilities, income and expense, and unrealised gains or losses arising from intra-group transactions are eliminated in full.

Foreign currency

Transactions

Foreign currency transactions are translated into the functional currency at the exchange rate on the transaction date.

Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate on the reporting date. Changes in value due to the translation of operating assets and liabilities are recognised in operating profit or loss.

Non-monetary assets and liabilities recognised at historical cost are translated at the exchange rate on the transaction date. Non-monetary assets recognised at fair value are translated into the functional currency at the exchange rate on the fair value measurement date. Exchange-rate changes are then recognised in the same way as other changes in value for the asset or liability.

The following exchange rates were used for the principal currencies:

	2019		2018	
	Closing rate	Average rate	Closing rate	Average rate
EUR	10.447	10.589	10.255	10.257
NOK	1.059	1.075	1.031	1.069
USD	9.299	9.460	8.956	8.692

The consolidated financial statements use SEK as the presentation currency, which is the Parent Company's functional currency.

Financial statements of foreign entities

Assets and liabilities of foreign entities, including goodwill and other fair value adjustments, are translated into Swedish kronor using the exchange rate prevailing at the reporting date. Income and expenses for foreign entities are translated into Swedish kronor at average exchange rates representing an approximation of the rates prevailing on the transaction dates. Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve in equity. When a foreign operation is divested, the accumulated exchange differences are reclassified from the translation reserve to divested operations in the income statement.

Revenue from contracts with customers

The Group has diversified operations. Revenue recognition differs depending on the type of business but is based on the principle that the Group recognises revenue when the Group satisfies a performance obligation, which is when promised goods or services are delivered to the customer and the customer takes over the control of the goods. Control of a performance obligation can be transferred over time or at a point in time. Revenue consists of the amount that the Group expects to receive for the transferred goods or services.

In note 3 below, there is a summary of the most common performance obligations and payment terms that are found within Volati's different business areas.

Sale of goods, Services and other

Sales of goods are partly conducted under framework agreements. For recognition of revenue, orders in combination with framework agreements are treated as contracts with customers and each separate product in the order is considered to be a performance obligation. In cases where there is a material right to receive discounts, this right is considered to be a separate performance obligation. The transaction price is affected by elements of variable consideration, which normally consist of a right of return. Revenue is recognised at a certain point in time, as none of the criteria for the transfer of control over time are met. Control is normally passed on completion of delivery in accordance with applicable terms of delivery, which is the point when risks and rewards are transferred to the customer.

Performance obligations satisfied over time

When control is passed over time, revenue is recognised based on the progress towards satisfaction of the performance obligation. The choice of method for measuring progress requires judgement and is based on the type of product or service in question. The cost by cost method is generally used to measure the contract's stage of completion as it best represents the transfer of control to the customer, which is the point when we incur costs on our performance obligations. Use of the cost by cost method measures the stage of completion based on costs incurred at a given point time in relation to the total calculated costs to fulfil the contract. Revenue including estimated fees or profits is recognised proportionately as costs are incurred. Costs incurred to fulfil a contract include salaries, materials and subcontractors' costs, other direct costs and overheads for materials and manufacturing.

Warranties
In certain business units, the Group recognises a provision for service warranties, reported as costs and liabilities at the inception of a contract, based on the contractual requirements that may arise and are considered probable.

In some contracts, a business unit in the Group provides extended service warranties of up to ten years in addition to fixing defects that existed at the time of sale. Under IFRS 15, such service warranties are treated as separate performance obligations, whereby part of the revenue is allocated and apportioned over the term of the obligation. See also note 20.

Variable consideration
Returns – The Group recognises a repayment liability for the elements of revenue which at the time of sale are considered uncertain, linked to future returns. To assess the repayment liability, which is thus a reduction in revenue until the associated risk is no longer probable, the Group uses statistical models based on historical customer data. Most of the returns take place within days, which means that the Group recognises a provision and reduction in revenue during this period.

The Group also recognises an asset corresponding to the cost of the portion considered to be uncertain, linked to the right of return at the time of the transaction. This cost refers to the portion of the cost of sale associated with the right of return less the Group's costs to resell the product.

Discounts – Volume discounts are handled as a reduction in revenue at the time of the transaction for every performance obligation. This is based on the estimated discount under the customer agreement.

Gift vouchers – For sales of gift vouchers, the majority of the amount is reported as other liabilities and is recognised as a revenue only when the gift voucher is used or when its validity expires. However, the smaller part which the Company does not expect to be used during the period of validity is recognised as revenue over time.

Contract assets and liabilities
A contract asset or a contract liability arises when either party in a contract with a customer performs. When the Group satisfies an obligation by delivering a product or a service, a right to receive payment from the customer arises (contract asset). If the customer pays for the promised goods or services in advance, a contract liability arises.

Contract assets are tested for impairment in accordance with IFRS 9. See note 22.

Income from investments in associates
Income from investments in associates is reported in the income statement, net of tax, under Other operating income, as this does not have a material effect on the Group's earnings.

Finance income and costs
Net financial items includes dividends, interest income and expenses, interest charges on leases, costs for securing financing, cash handling costs, bank charges, factoring charges, redemption fees for credit card processing, credit sales costs, securities handling costs and exchange rate changes relating to financial assets and liabilities. Capital gains/losses and impairment of financial assets are also reported under net financial items. Interest income is distributed over the relevant period using the effective interest method. When the value of a receivable has declined, the Group reduces the carrying amount to the recoverable amount and continues to recognise the discount effect as interest income. The recoverable amount is determined by means of an analysis conducted for each reporting period to measure expected credit losses, using historical data on the debtor's financial position, the general economic situation in the debtor's industry and an assessment of both present and forecast conditions on the reporting date.

Interest income on impaired loans is reported at the original effective interest rate. Dividend income is recognised when the right to receive payment is established. Changes in the value of financial assets are measured at fair value through profit or loss, including derivative instruments that are not recognised in other comprehensive income due to hedge accounting.

Impairment of financial instruments is not reported on a separate line in the income statement, as the value is immaterial.

Intangible assets

Goodwill

In a business combination, if a positive difference arises between the cost of acquisition and the fair value of the acquired identifiable assets and assumed liabilities, this is recognised as goodwill.

Goodwill is measured at cost less any accumulated impairment. Goodwill is tested annually for impairment. See also note 11. Goodwill arising from the acquisition of associates is included in the carrying amount of investments in associates.

Capitalised development expenses

Development expenses that are directly attributable to the development and testing of identifiable and unique products and business systems controlled by the Group are reported as intangible assets when the following criteria are met:

- The technical feasibility of completing the product so that it will be available for use;
- The intention to complete the product and use or sell it;
- The ability to use or sell the product;
- The product will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and
- The ability to measure reliably the expenditure attributable to the product.

After initial recognition, internally generated intangible assets are recognised at cost less accumulated amortisation and impairment. Amortisation begins when the asset is available for use. In the Group, these items consist largely of ERP systems and development projects.

Other development expenditure that does not meet these criteria is expensed as it arises.

Other intangible assets

Other intangible assets acquired by the Group, often in business combinations, are recognised at the Group's cost less impairment and, if the asset has a finite useful life, accumulated amortisation.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the intangible asset's estimated useful life.

Intangible assets with a finite useful life are amortised from the date when the asset is available for use.

Estimated useful lives:

	Number of years
Patents	5
Trademarks	10–20
Technology	3-10
Customer relationships	10–20
Customer databases	5
Capitalised development expenses	3-7

Property, plant and equipment

Owned assets

Items of property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost can be measured reliably.

Property, plant & equipment is recognised at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Examples of directly attributable costs are delivery and handling costs, installation, title expenses, consultancy and legal services.

Parts of an item of property, plant and equipment with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the selling price and the asset's carrying amount less direct costs to sell. Gains and losses are reported under other operating income/expenses.

Depreciation
Depreciation is applied on a straight-line basis over the estimated useful life of the asset. Land is not depreciated.

	Number of years
Buildings	20–50
Machinery and equipment	3–10

The residual values and useful lives of assets are reviewed annually.

Calculation of recoverable amount of property, plant and equipment, and intangible assets
If there is an indication that an asset may be impaired, the recoverable amount is calculated. The recoverable amount is the higher of fair value less costs of disposal and value in use. See note 11 for a detailed description of the recoverable amount for intangible assets.

Reversal of impairment of property, plant and equipment, and intangible assets
Goodwill impairment is not reversed. Impairment of assets is reversed if there has been a change in the assumptions on which the calculation of recoverable amount was based. An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been determined, net of depreciation where applicable, had no impairment loss been recognised.

Leases

Leases (2018)
Leases are classified as finance leases or operating leases. A finance lease is a lease that transfers substantially all the financial risks and rewards incidental to ownership of an asset. If this is not the case, the lease is classified as an operating lease. Finance lease payments are apportioned between the finance charge (interest expense) and repayment of the outstanding lease obligation. The interest expense is reported under finance costs.

Leases (2019)
Right-of-use assets and lease liabilities are recognised in the statement of financial position for most contracts or components of contracts that qualify as leases. Exemptions are made for leases with a low value (new price for underlying asset) and short-term leases (lease term shorter than twelve months). When calculating the right-of-use asset, the lease term has been used, taking into account extension options if the exercise of such options is reasonably certain.

Right-of-use assets
The right-of-use asset (the leased asset) is initially measured at cost and in subsequent reporting periods at cost less accumulated depreciation and impairment, adjusted for remeasurement of the lease liability. These right-of-use assets essentially consist of rents for premises and warehouses etc. and leased cars and trucks.

Lease liabilities
Lease liabilities are initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, at the incremental borrowing rate. Lease liabilities are subsequently adjusted for interest and lease payments, as well as changes to the contract.

Financial assets and liabilities

At initial recognition, financial instruments are classified according to the purpose for which they were acquired and are managed. This classification determines how the instruments are measured. Financial instruments recognised in the balance sheet include derivatives, cash and cash equivalents, securities, other financial receivables, trade receivables, loan receivables, trade payables, bonds and loan liabilities.

Classification and measurement of financial assets
Classification of financial assets that are debt instruments is based on the Group’s business model for managing the asset and the characteristics of the asset’s contractual cash flows.

Assets are classified as follows:
- Financial assets at amortised cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI

Financial assets at amortised cost and fair value

The Group's financial assets are classified as at amortised cost, apart from derivatives and other shares and interests, which are classified as at fair value through profit or loss, or through other comprehensive income. Under the business model, assets classified as at amortised cost are held for collection of contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, financial assets classified as at amortised cost are measured at fair value plus transaction costs. However, trade receivables are initially recognised at the fair value.

The assets are covered by a loss allowance for expected credit losses.

Financial assets are derecognised when the right to receive cash flows from the instrument has expired or been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

Liabilities are classified as follows:
- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss
- Financial liabilities at fair value through equity

Classification and measurement of financial liabilities

Financial liabilities are classified at amortised cost, with the exception of derivatives, put options and additional consideration, which are recognised at fair value in the income statement or equity. At initial recognition, financial liabilities classified as at amortised cost are measured at fair value plus transaction costs. They are subsequently measured using the effective interest method. The Group's derivatives are classified and recognised as financial liabilities measured at fair value through profit or loss.

Impairment of financial assets

The Group's impairment model is based on expected credit losses, and takes into account forward-looking information. A loss allowance is recognised when there is exposure to credit risk, normally on initial recognition of an asset or receivable. In accordance with the standard, the Group applies a simplified approach for its receivables and contract assets, as they have short credit periods.

Cash and cash equivalents

Cash and cash equivalents consist of cash and demand deposits with banks and similar institutions.

Other shares and participations and other non-current financial assets

Other shares and participations are recognised at fair value through profit or loss, apart from investments in associates, which are initially measured at cost on the acquisition date. Associates' profit or loss and impairment losses are subsequently recognised on an ongoing basis under profit/loss from investments in associates if they are considered material; otherwise, they are reported under other operating expenses or income. Other non-current financial assets are recognised at fair value through profit or loss.

Financial liabilities/borrowings

Borrowing is initially recognised at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost, and any difference between the amount received (net of transaction costs) and the repayment amount is recognised in profit or loss over the term of the loan using the effective interest method.

Put options over non-controlling interests

Put options over non-controlling interests are agreements concluded with non-controlling interests entitling the holders to sell their shares in the company at fair value. The agreement, i.e. the put option, which corresponds to the purchase price of the shares, is recognised as a liability. On remeasurement of the liability, the change in value is recognised in equity. When the put option is initially recognised as a liability, equity corresponding to its fair value is reduced, whereby Volati has chosen to account for primarily non-controlling interests' in equity and, if this is not sufficient, in equity attributable to owners of the Parent Company, see note 22 Financing risk. On the reporting date, these put options were measured at a market value based on a multiple analysis adjusted for the net debt in each business unit.

Derivatives
Volati uses derivative financial instruments to cover risks associated with exchange rate movements. Currency hedging measures are applied for commercial exposure within the framework of each business unit's financial policy. All derivatives are recognised at fair value in the balance sheet. Changes in value arising from remeasurement may be recognised differently, depending on whether or not the derivative is classified as a hedging instrument. The Group does not apply hedge accounting as the qualifying criteria are not met. If the derivative is not classified as a hedging instrument, the change in value is recognised directly in the income statement under the items other operating income or other operating expenses. If the derivative is classified as a hedging instrument, the change in value is recognised in other comprehensive income and unrealised gains and losses are recognised in the hedging reserve in equity. If hedge accounting is discontinued before the end of the derivative's term, the derivative's future change in value are recognised directly in profit or loss, and the gains and losses already accumulated in equity are reclassified to profit or loss.

Equity

Share capital/other paid-in capital
A specification of share capital development can be found under 'Share information' in this annual report. Transaction costs directly attributable to the issue of new shares are recognised in equity, net of tax, as a deduction from the issue proceeds. In addition, costs attributable to transactions with minorities are recognised directly in equity.

Other reserves
Other reserves comprise the translation reserve, which includes all exchange differences arising on translation of foreign operations' reports prepared in a currency other than the Group's presentation currency. The Group's and the Company's presentation currency is Swedish kronor (SEK).

Retained earnings, including net profit
Retained earnings, including net profit, consists of the earnings of the Company and its subsidiaries.

Preference shares

Preference shares are reported under equity. Preference shares were issued in May 2015, giving entitlement to a priority dividend of SEK 40 per preference share (in quarterly payments of SEK 10). Following a General Meeting resolution, the preference shares are redeemable at a fixed amount which is gradually reduced from SEK 725 per share up to the fifth anniversary of the issue; to SEK 675 per share up to the tenth anniversary; and to SEK 625 per share for the period thereafter.

Inventories

Inventories, including self-constructed goods, are measured at the lower of cost and net realisable value.

Cost is calculated according to the first in-first out principle or using methods based on weighted average less obsolescence allowance. The cost of self-constructed finished and semi-finished goods comprises the cost of conversion and a reasonable proportion of indirect costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Inventories also consist of return assets that are associated with the right to return products. The right of return is measured as the cost of sale for the product less the Group's costs to resell it.

Employee benefits

Obligations under defined-contribution plans are recognised as an expense in the income statement as incurred.

Provisions
A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are estimated by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. The provisions are mainly attributable to guarantees.

Tax
Income tax consists of current tax and deferred tax. Taxes are recognised in the income statement except when the underlying transaction is recognised directly in equity or other comprehensive income, in which case the related tax effect is also recognised in equity or other comprehensive income.

Deferred tax is recognised on the basis of the difference between the carrying amounts of assets and liabilities and their corresponding tax bases,

Deferred income tax is determined using tax rates and tax rules that have been enacted or substantively enacted by the reporting date.

Deferred tax assets on temporary differences and deferred tax assets arising from loss carryforwards are only recognised to the extent that it is probable that they can be utilised within the next few years. The carrying amounts of deferred tax assets are reduced when it is no longer considered probable that they can be utilised.

Contingent liabilities
A contingent liability is recognised when a possible obligation arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liabilities are mainly attributable to pledged shares. See also note 23 Pledged assets and contingent liabilities.

Segment reporting

The Group's operations are governed and reported primarily by business area. Segments are consolidated in accordance with the same principles as for the Group as a whole. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the operating segments' performance. In the Group, this function has been identified as the CEO. The CEO reports the Group's financial performance to the Board at business-area level and, accordingly, both internal and external reporting correspond. The segments' earnings represent their contribution to the Group's earnings. However, the introduction of IFRS 16 Leases has resulted in reporting on one line rather than distributed by segment, as we followed up the operations in accordance with IAS 17 in 2019. A segment's assets include all operating assets used by the segment and primarily comprise intangible assets, property, plant and equipment, inventories, external trade receivables, other receivables, prepaid expenses and contract assets.

A segment's liabilities include all operating and interest-bearing liabilities used by the segment and primarily comprise provisions, deferred tax liabilities, external trade payables, other current liabilities, accrued expenses and contract liabilities and deferred income. Unallocated assets and liabilities mainly include the Company's assets, liabilities and Group eliminations of internal balances.

NOTE 2 Other operating income and expenses

Other operating income	2019	2018
Income from sale of machinery and equipment	2	2
Insurance compensation	1	0
Settlement compensation	7	–
Additional consideration remeasurement	17	15
Currency effects	2	0
Other	1	1
	30	**18**

Other operating expenses	2019	2018
Income from sale of machinery and equipment	–1	–1
Currency effects	–1	–2
Profit/loss from investments in associates	–2	0
Other	0	0
	–5	**–4**

NOTE 3 Segment reporting

	2019			2018		
Net sales[1]	**External net sales**	**Internal net sales**	**Net sales**	**External net sales**	**Internal net sales**	**Net sales**
Trading	2,137	1	2,138	2,106	1	2,107
Industry	2,008	0	2,008	1,270	1	1,271
Akademibokhandeln	1,793	–	1,793	1,784	–	1,784
Consumer	895	0	895	923	–	923
Internal eliminations	–	–2	–2	–	–1	–1
	6,833	**0**	**6,833**	**6,084**	**0**	**6,084**

Distribution of revenue 2019

Net sales[1]	Sale of goods	Services	Other	Total revenue from contracts with customers	Equipment leasing	Other	Total
Trading	2,137	–	–	2,137	–	0	2,137
Industry	1,835	134	11	1,980	28	–	2,008
Akademibokhandeln	1,761	–	–	1,761	–	31	1,793
Consumer	273	611	1	885	–	10	895
	6,006	**745**	**12**	**6,764**	**28**	**41**	**6,833**

[1] The business areas include acquired entities from the acquisition date and divested operations until the date of disposal. See separate notes on acquisitions and disposals completed during the respective periods.

Distribution of revenue 2018

Net sales[1)]	Sale of goods	Services	Other	Total revenue from contracts with customers	Equipment leasing	Other	Total
Trading	2,106	–	–	2,106	–	0	2,106
Industry	1,099	106	18	1,224	46	0	1,270
Akademibokhandeln	1,746	–	–	1,746	–	38	1,784
Consumer	303	608	2	913	–	10	923
	5,255	**715**	**20**	**5,989**	**46**	**48**	**6,084**

1) The business areas include acquired entities from the acquisition date and divested operations until the date of disposal. See separate notes on acquisitions and disposals completed during the respective periods.

Revenue categories	Performance obligation	Payment
Sale of goods	For the Trading, Akademibokhandeln and Consumer business areas, the performance obligation is satisfied at a point in time, i.e. when the customer has received the goods or has control over the goods. Within Industry, some of the performance obligations are satisfied over time. Returns are made at a point in time. Provisions for variable consideration such as returns are recognised according to historical data. Discounts are treated as a reduction in revenue and measured based on an assessment by management. Some of Industry's operations use payment plans instead, which are not treated as performance obligations.	In some cases, payment is made immediately, otherwise through invoicing. Payment terms of 30 days are most common, although there are contracts with payment terms of over 90 days. Some payments are also made under payment plans, in which case they are not treated as performance obligations.
Services	Most services are found within the Consumer business area. The associated performance obligation is satisfied at a point in time, which is when the customer has had the service carried out. There are also services in Industry, and the performance obligation is satisfied at a point in time, with a small number satisfied over time.	In some cases, payment is made immediately, otherwise through invoicing. Payment terms of 30 days are most common, although there are contracts with payment terms of over 90 days.
Equipment leasing	This takes place in the Industry business area and here the performance obligation is satisfied over time. Performance obligations for warranties are also satisfied over time.	In some cases, payment is made in advance, otherwise through invoicing. Payment terms of 30 days are most common, although there are contracts with payment terms of over 90 days.

See also note 1 for a further description of revenue streams.

Net sales by country[1) 2)]	2019	2018
Sweden	5,954	5,164
Norway	434	423
Finland	130	141
Germany	95	112
Denmark	57	70
Poland	36	30
Ukraine	45	32
Hungary	22	22
UK	17	26
France	13	26
Austria	11	11
Russia	12	25
Romania	0	1
Belgium	–	0
Hong Kong	6	1
Thailand	–	1
	6,833	**6,084**

1) The business areas include acquired entities from the acquisition date and divested operations until the date of disposal. See separate notes on acquisitions and disposals completed during the respective periods.

2) Net sales by country refers to the country in which the Group company that delivered the product or service has its registered office, which usually coincides with the end customer's market.

EBITDA[1)]	2019	2018
Trading	192	176
Industry	228	183
Akademibokhandeln	99	100
Consumer	139	138
Items affecting comparability[2)]	27	12
Central costs	–59	–56
EBITDA	**627**	**552**
IFRS 16 effect	282	–
Total EBITDA	**909**	**552**

EBITA[1)]	2019	2018
Trading	176	158
Industry	167	144
Akademibokhandeln	71	72
Consumer	108	104
Items affecting comparability[2)]	27	12
Central costs	–59	–57
Total EBITA excl. IFRS 16	**490**	**433**
IFRS 16 effect	22	–
Total EBITA	**513**	**433**
Acquisition-related amortisation	–54	–49
Goodwill impairment	–328	–18
Net financial items	–96	–50
Profit before tax	**34**	**316**
Tax	–37	–42
Net profit	**–2**	**274**

1) The business areas include acquired entities from the acquisition date and divested operations until the date of disposal.. See separate notes on acquisitions and disposals completed during the respective periods.

2) See note 28 for definition.

Operating profit[1]	2019	2,018
Trading	165	147
Industry	159	140
Akademibokhandeln	47	48
Consumer	97	93
Goodwill impairment	–328	–18
Items affecting comparability	27	12
Central costs	–60	–57
Total EBIT excl. IFRS 16	**108**	**366**
IFRS 16 effect	22	–
Total EBIT	**130**	**366**

Depreciation[1]	2019	2018
Trading	63	28
Industry	115	43
Akademibokhandeln	185	52
Consumer	85	44
Parent Company/Other	3	1
	451	**168**

[1] The business areas include acquired entities from the acquisition date. See separate note on acquisitions completed during the respective periods.

[2] See note 28 for definition.

	2019		2018	
Assets[1]	**Total assets**	**Of which intangible assets and property, plant & equipment**	**Total assets**	**Of which intangible assets and property, plant & equipment**
Trading	2,997	1,197	2,135	990
Industry	2,298	1,063	1,833	749
Akademibokhandeln	2,138	1,080	1,441	900
Consumer	1,152	659	1,243	875
Unallocated assets	–2,429	23	–1,081	16
	6,156	**4,021**	**5,571**	**3,531**

Liabilities[1]	2019	2018
Trading	2,637	1,842
Industry	2,496	2,103
Akademibokhandeln	1,677	1,038
Consumer	1,088	1,268
Unallocated liabilities	–4,101	–3,247
	3,796	**3,005**

Acquisition value of intangible and tangible investments[1]	2019	2018
Trading	8	5
Industry	39	32
Akademibokhandeln	21	29
Consumer	29	16
Parent Company/Other	–	–
	96	**83**

[1] The business areas include acquired entities from the acquisition date and divested operations until the date of disposal. See separate notes on acquisitions and disposals completed during the respective periods.

Note 4 Corporate acquisitions

2019

After the end of the year, on 21 January, an agreement was signed to acquire all shares in Heco Nordiska AB. The acquisition was completed and consolidated with effect from January 2020.

On 4 December 2019, Volati acquired all shares in Swekip Sweden AB. The acquisition was completed and consolidated with effect from January 2020.

On 13 September 2019, Volati acquired all shares in Väggmaterial i Sverige AB. The company develops and markets a wide range of innovative products including corner protection, putty and glass-fibre fabric. The acquisition is an add-on acquisition for the Trading business area. The acquisition was completed and consolidated with effect from October 2019.

Two deferred purchase considerations were settled during the year: SEK 1 million related to the acquisition of S:t Eriks and SEK 5 million related to Vinninga Cementvarufabrik (an acquisition S:t Eriks made prior to its own acquisition by Volati).

Volati acquired all shares in Stenentreprenader i Hessleholm AB and Mundus Maskin AB on 11 April 2019. The acquisitions are add-on acquisitions for Volati's Industry business area and the S:t Eriks and Tornum business units. The acquisitions are consolidated with effect from April. The impact of the acquisitions on the Volati Group's balance sheet at the time of acquisition is set out below.

Impact of acquisitions on balance sheet (SEK million)	
Intangible assets	30
Property, plant and equipment	6
Financial receivables	5
Deferred tax assets	0
Inventories	12
Trade receivables	24
Other receivables	10
Cash and cash equivalents	39
Deferred tax liabilities	–8
Non-current interest-bearing liabilities	–3
Current interest-bearing liabilities	–2
Current liabilities	–28
Net assets	**86**
Goodwill	74
Purchase price for shares	**160**
Purchase price for shares	–160
Consideration settled against existing receivable	5
Cash & cash equivalents in the acquired company at the acquisition date	39
Impact on the Group's cash & cash equivalents on acquisition date	**–116**

Impact of acquisitions on balance sheet (SEK million)	Net sales	EBITDA	EBITA	EBIT
	Full year 2019	Full year 2019	Full year 2019	Full year 2019
Trading	16	1	1	1
Industry	83	11	10	9
Volati Group	**100**	**12**	**11**	**10**

The Group's earnings were affected by transaction costs of SEK 1 million for the acquisitions. If the acquisitions had been consolidated with effect from 1 January 2019, their contribution to the Group's income statement, excluding transaction costs, for the period January-December 2019 would have been as follows: sales SEK 178 million, EBITDA SEK 18 million, EBITA SEK 16 million and operating profit SEK 13 million. Goodwill of SEK 74 million arising from the transactions is supported by several factors, largely attributable to the acquired companies' synergies, employees and market shares.

2018

S:t Eriks

Volati signed an agreement on 17 July 2018 to acquire all shares in S:t Eriks Group AB, a leading manufacturer of concrete and natural stone products for infrastructure, paving, roofing and water & sewage systems. S:t Eriks is a new business unit in the Industry business area, and has been consolidated in the Volati Group since 31 August.

Other acquisitions

In 2018, a small holding company was acquired for a purchase price of SEK 6.8 million. Transaction costs connected with the acquisition had an impact of SEK -0.4 million on EBITA for the year and the acquisition had an impact of SEK 9.7 million on net profit. The positive contribution to net profit was due to the purchase price being less than the valuation of historical losses.

In addition, five percent of the shares in Kellfri Holding AB were repurchased from the former CEO of Kellfri AB for a purchase price of SEK 4.6 million. The total effect on the Group's equity including non-controlling interests amounted to SEK -4.9 million.

During the year, a minor holding in an associate was acquired for SEK 4.3 million. In addition, shares in Volati Bok were repurchased from senior executives at a purchase price of SEK 5.1 million.

An overview of the effect of the acquisitions on the Volati Group's balance sheet at the time of acquisition is set out below.

Impact of acquisitions on balance sheet (SEK million)	S:t Eriks	Other acquisitions	
Intangible assets	80	–	80
Property, plant and equipment	174	–	174
Deferred tax assets	10	17	27
Inventories	221	–	221
Trade receivables	145	–	145
Other receivables	40	5	46
Cash and cash equivalents	29	0	29
Equity	–	–3	–3
Deferred tax liabilities	–44	–	–44
Other provisions	–5	–	–5
Non-controlling interests	–	8	8
Non-current interest-bearing liabilities	–16	–	–16
Current interest-bearing liabilities	–437	–	–437
Current liabilities	–204	0	–204
Net assets	**–6**	**27**	**21**
Measurement of historical losses	–	–10	–10
Goodwill	163	–	163
Purchase price for shares	**157**	**17**	**174**

Impact of acquisitions on balance sheet (SEK million)	S:t Eriks	Other acquisitions	
Purchase price for shares	–157	–17	–174
Deferred additional consideration	30	–	30
Deferred fixed consideration	115	–	115
Repaid liabilities at the acquisition date	–435	–	–435
Consideration settled against receivable	–	4	4
Cash & cash equivalents in the acquired company at the acquisition date	29	0	29
Impact on the Group's cash & cash equivalents on acquisition date	**–418**	**–13**	**–431**
Fixed consideration settled after acquisition	–114	–	–114
Effect on the Group's cash & cash equivalents 1 Jan–31 Dec 2018	**–531**	**–13**	**–545**

The deferred fixed consideration (SEK 114 million) was settled in December 2018. The deferred additional consideration is contingent on the future profitability of S:t Eriks and is payable if certain profitability criteria are met, in which case the amount will be settled no later than June 2020. As one of the profitability criteria was not met for 2018, the additional consideration was remeasured, resulting in a positive EBITDA effect of SEK 14 million. A goodwill impairment test was conducted in connection with the remeasurement, which resulted in goodwill being written down by SEK 14 million. Remeasurement in 2019 of the additional consideration based on the company's profitability, resulted in a positive EBITDA effect of SEK 17 million.

Impact of acquisitions on balance sheet (SEK million)	Net sales 2018	EBITDA 2018	EBITA 2018	EBIT 2018
S:t Eriks	372	31	20	5
Other acquisitions	–	–	–	–
Volati Group	**372**	**31**	**20**	**5**

The acquisitions' contribution to the Group's income statement in 2018 was as follows: net sales SEK 372 million, EBITDA SEK 31 million, EBITA SEK 20 million and operating profit SEK 5 million.

In addition, acquisition-related transaction costs had a negative effect of SEK 2 million on the Group's earnings. If the acquisitions had been consolidated with effect from 1 January 2018, their contribution to the Group's income statement, excluding transaction costs, for the period January-December 2018 would have been as follows: sales SEK 1,061 million, EBITDA SEK 61 million, EBITA SEK 33 million and operating profit SEK 14 million. Goodwill of SEK 163 million arising from the transactions is supported by several factors, largely attributable to the acquired companies' market shares.

Note 5 Divestment of shares in subsidiaries

On 7 November, Volati entered into an agreement to convert its ownership of me&i into preference shares without voting rights. The effect of the conversion means that Volati loses control of me&i and has deconsolidated me&i from the agreement date. Me&i was part of the Consumer business area prior to the divestment. The earnings effect of the ownership change was SEK 12 million, including transaction costs of SEK 1 million, and is reported in EBITDA under Capital gain/loss on sale of Group company. Volati has the possibility to receive up to SEK 83 million in future payments from me&i (including receivables of SEK 10 million from me&i). The change in ownership had a negative impact of SEK 5 million on the Group's cash and cash equivalents.

During the period 1 January to 7 November 2019, me&i's contribution to the consolidated income statement was as follows: sales of SEK 120 million, EBITDA of SEK 18 million (of which SEK 12 million as an earnings effect of the ownership change), EBITA of SEK 16 million (of which SEK 12 million as an earnings effect of the ownership change), EBIT of SEK -212 million (of which SEK 12 million as an earnings effect of the ownership change and SEK -228 million in impairment of intangible assets) and profit after tax of SEK -209 million (of which SEK 12 million as an earnings effect of the ownership change and SEK -224 million in impairment of intangible assets including tax effect). For the 2018 financial year, me&i contributed sales of SEK 147 million, EBITDA of SEK 11 million, EBITA of SEK 11 million, EBIT of SEK 6 million and profit after tax of SEK 5 million. During the period 1 January to 7 November, me&i contributed SEK -2 million to the Group's cash flow from operating activities. For the 2018 financial year, me&i contributed SEK 15 million to the Group's cash flow from operating activities. On the divestment date, me&i's net assets amounted to SEK -22 million, while its net assets on 31 December 2018 were SEK 168 million. Parent Company shareholders' share of Earnings per share attributable to divested operations for the period 1 January to 7 November 2019 was SEK -1.64 (0.06) and for Q4 SEK 0.16 (0.03). Parent Company shareholders' share of Adjusted earnings per share attributable to divested operations for the period 1 January to 7 November 2019 was SEK 0.19 (0.06) and for Q4 SEK 0.16 (0.03).

In 2018, four percent of the shares in Volati 1 Holding AB were transferred to the CEO of Ettikettoprintcom AB at a purchase price of SEK 1 million. The transaction had a positive effect of SEK 1 million on cash and cash equivalents and a negative effect of SEK 1 million on other current liabilities.

NOTE 6 Employees and personnel expenses

	2019			2018		
	Men	Women	Total	Men	Women	Total
Volati Head Office	7	4	**11**	5	3	**8**
Akademibokhandeln						
Akademibokhandeln Holding	0	1	**1**	0	1	**1**
Bokhandelsgruppen i Sverige AB	94	330	**423**	92	352	**444**
Bokus AB	19	12	**31**	17	13	**30**
Besikta						
Besikta Bilprovning i Sverige AB	470	53	**523**	515	54	**569**
Besikta Holding AB	0	0	**0**	0	0	**0**
Corroventa						
Corroventa Sweden	28	7	**35**	27	7	**34**
Corroventa Poland	1	0	**1**	1	0	**1**
Corroventa Germany	12	3	**15**	12	3	**15**
Corroventa England	4	0	**4**	4	0	**4**
Corroventa Austria	2	1	**3**	2	0	**2**
Corroventa France	3	1	**4**	2	1	**3**
Corroventa Norway	2	0	**2**	2	0	**2**
Ettiketto						
Ettiketto	52	18	**70**	50	15	**65**
Ettiketto Åtvidaberg	23	5	**28**	24	5	**29**
Trading						
Volati Handel Service AB	64	19	**83**	68	18	**86**
Thomée Gruppen AB	32	13	**45**	34	12	**46**
Bårebo Nordic AB	0	0	**0**	0	0	**0**
Habo Gruppen AB	19	10	**29**	19	11	**30**
Habo Denmark	5	1	**6**	6	1	**7**
Habo Finland OY	4	2	**6**	4	2	**6**
Habo Norge AS	12	5	**17**	12	5	**17**
Miljöcenter i Malmö AB	12	10	**22**	11	10	**21**
Kellfri Sweden	42	11	**53**	35	11	**46**
Kellfri Denmark	2	0	**2**	0	0	**0**
Kellfri Norway	2	0	**2**	2	0	**2**
Kellfri Finland	3	0	**3**	4	0	**4**
Kellfri Poland	0	0	**0**	0	0	**0**
Lantbutiken Sverige AB	0	0	**0**	2	2	**3**
Sörbö Industribeslag AS	27	1	**28**	25	1	**26**
T-Emballage Bygg AB	46	20	**66**	43	17	**60**
Väggmaterial Sverige [1)]	3	0	**3**	0	0	**0**
T-Emballage Förpackning	0	0	**0**	3	1	**4**
me&i [2)]						
Meandi AB	0	0	**0**	0	1	**1**
Meandi Holding	1	20	**21**	2	19	**21**
Meandi AS	0	0	**0**	0	0	**0**
Meandi GmbH	0	0	**0**	1	0	**1**
Meandi OY	0	0	**0**	0	1	**1**
NMP						
Naturamed-Pharma AB	0	0	**0**	0	0	**0**
Naturamed-Pharma AS	5	17	**22**	5	17	**22**
Pharmapolar AS	0	0	**0**	0	0	**0**

	2019			2018		
	Men	Women	Total	Men	Women	Total
S:t Eriks [3]						
Stenentreprenader i Hessleholm [4]	11	4	**15**	0	0	**0**
S:t Eriks Group AB	1	0	**1**	2	0	**2**
S:t Eriks AB	325	48	**373**	320	42	**362**
Nordskiffer AB	3	2	**5**	4	3	**7**
S:t Eriks Norge AS	1	0	**1**	1	0	**1**
Stenteknik i Karlstad AB	27	4	**30**	24	3	**27**
Vinniga Cementvarufabrik AB	37	1	**38**	34	0	**34**
Tornum						
Tornum Sweden	54	9	**63**	53	9	**62**
Tornum Finland	1	0	**1**	1	0	**1**
Tornum Poland	8	2	**10**	10	3	**13**
Tornum Hungary	3	0	**3**	3	0	**3**
Tornum Romania	6	0	**6**	6	0	**6**
Tornum Russia	4	1	**5**	3	1	**4**
Tornum Bulgaria	0	0	**0**	0	0	**0**
Tornum Ukraine	9	1	**10**	8	1	**9**
Tornum Thailaind	2	0	**2**	1	0	**1**
Silokonsult Göran Persson	5	0	**5**	5	0	**5**
Lidköpings Plåtteknik	7	0	**7**	7	0	**7**
Mundus Maskin [5]	4	0	**4**	0	0	**0**
	1,502	**634**	**2,136**	**1,511**	**645**	**2,157**

[1] Väggmaterial was consolidated on 1 September 2019 and the number of employees for the period of consolidation into Volati is therefore shown as FTEs.

[2] me&i was divested in November 2019 and the number of employees for the period up that date is therefore shown as FTEs.

[1] S:t Eriks was consolidated on 1 September 2018 and the number of employees for the period of consolidation into Volati is therefore shown as FTEs.

[4] Stenentreprenader was consolidated on 1 April 2019 and the number of employees for the period of consolidation into Volati is therefore shown as FTEs.

[5] Mundus was consolidated on 1 April 2019 and the number of employees for the period of consolidation into Volati is therefore shown as FTEs.

Number of employees per country	2019			2018		
	Men	Women	Total	Men	Women	Total
Bulgaria	0	0	0	0	0	0
Denmark	7	1	8	6	1	7
England	4	0	4	4	0	4
Finland	8	2	10	9	3	12
France	3	1	4	2	1	3
Norway	49	23	72	47	23	70
Poland	9	2	11	11	3	14
Romania	6	0	6	6	0	6
Russia	4	1	5	3	1	4
Sweden	1,385	600	1,985	1,395	609	2,005
Thailand	2	0	2	1	0	1
Germany	12	3	15	13	3	16
Ukraine	9	1	10	8	1	9
Hungary	3	0	3	3	0	3
Austria	2	1	3	2	0	2
	1,502	**634**	**2,136**	**1,511**	**645**	**2,157**

Distribution of senior executives on reporting date, %	2019 Men	2019 Women	2018 Men	2018 Women
Board members	57%	43%	57%	43%
Other members of senior management, including CEO	71%	29%	72%	28%

Salaries and other benefits	2019	2018
Board and CEO, Sweden	2	2
Other employees, Sweden	939	813
Other employees, outside Sweden	68	70
	1,009	**884**
Of which bonuses to Board and CEO	2	2

Social security contributions	2019	2018
Contractual and statutory social security contributions	318	281
Pension costs for boards and CEOs	0	0
Other pension costs	95	80
	413	**362**

Remuneration of Parent Company Board and senior executives

Volati's Board 2019, SEK million	Salaries	Fees	Other benefits	Pension cost	Total
Patrik Wahlén, Chairman of the Board	–	0,450	–	–	0,450
Karl Perlhagen	–	0,200	–	–	0,200
Björn Garat	–	0,200	–	–	0,200
Anna-Karin Celsing	–	0,250	–	–	0,250
Louise Nicolin	–	0,200	–	–	0,200
Christina Tillman	–	0,200	–	–	0,200
Magnus Sundström	–	0,275	–	–	0,275

Volati's senior executives 2019, SEK million	Basic salary	Variable remuneration	Other benefits	Pension cost	Total
Mårten Andersson, CEO	1.5	–	0.0	0.3	1.8
Other senior executives (6)	13.9	3.3	0.0	2.3	19.6

Volati's Board 2018, SEK million	Salaries	Board fees	Other benefits	Pension cost	Total
Patrik Wahlén, Chairman of the Board[2]	0.750	0,400	–	–	1,150
Karl Perlhagen	–	0,200	–	–	0,200
Björn Garat	–	0,200	–	–	0,200
Anna-Karin Celsing[1]	–	0,200	–	–	0,200
Louise Nicolin	–	0,200	–	–	0,200
Christina Tillman	–	0,200	–	–	0,200
Magnus Sundström[1]	–	0,200	–	–	0,200

Volati's senior executives 2018, SEK million	Basic salary	Variable remuneration	Other benefits	Pension cost	Total
Mårten Andersson, CEO	1.5	–	0.0	0.3	1.8
Other senior executives (6)	17.5	–	0.1	2.1	19.7

[1] Anna-Karin Celsing and Magnus Sundström were elected to the Board at the 2018 AGM.

[2] No fees are paid for Board work. The payment to Patrik Wahlén relates to his salary as an executive of the Company prior to becoming Chairman of the Board.

Remuneration of the CEO

Pension arrangements

The pension is a defined-contribution plan. There is no contractually agreed retirement age. The CEO has an individual pension, whereby pension contributions can be made as the CEO decides, but the cost of such a pension is deducted from the CEO's salary.

Termination of employment

The reciprocal period of notice is six months. Volati AB does not have any agreements concerning termination benefits for the CEO.

Other senior executives

Variable remuneration

The majority of senior executives are entitled to variable remuneration. A certain business area manager is entitled to variable remuneration which is individually tailored to the business area's operations. Underlying parameters for that manager's variable remuneration are profitability and individually defined parameters. The ceiling for variable remuneration is three months' salary.

Pension arrangements

The majority of senior executives have individual pensions, whereby pension contributions can be made as each particular senior executive decides, but the cost of such a pension is deducted from the executive's salary. One senior executive has special pension arrangements, with monthly contributions to a defined-benefit pension plan, based on an individual plan for which the pension premiums corresponded to about 30 percent of the pensionable salary in 2019. The majority of senior executives have a contractually agreed retirement age of 67.

Termination of employment

Volati AB does not have any agreements concerning termination benefits for any of the senior executives. The majority of senior executives have a a notice period of six months. However, certain senior executives have a notice period of 12 months in the event of termination of employment by the Company.

Note 7 Auditors' fees and remuneration

Ernst & Young AB	2019	2018
Audit services	6	5
Audit activities in addition to the audit assignment	1	0
Tax advisory services	0	0
Other services	0	0
	7	**5**

At the 2018 AGM, Öhrlings PricewaterhouseCoopers AB was replaced by Ernst & Young AB as the auditing firm.

Öhrlings PricewaterhouseCoopers AB	2019	2018
Audit services	–	1
Tax advisory services	–	0
Other services	–	1
	–	**2**

Other auditors	2019	2018
Audit services	0	0
Tax advisory services	0	0
	0	**1**

Note 8 Finance income and costs

Finance income	2019	2018
Interest income on bank deposits[1)]	1	2
Exchange gains	11	19
Revaluation and redemption of bond loan	2	7
Other finance income	1	1
	14	**29**

Finance costs	2019	2018
Interest expenses on loans[1)]	–12	–7
Interest expenses on bond[1)]	–26	–38
Interest expenses on leases	–46	–3
Interest expenses on derivatives	–1	–1
Impairment of financial receivable	–5	–
Exchange losses	–8	–17
Other finance costs[2)]	–14	–14
	–110	**–80**

1) Interest income and expenses accounted for using the effective interest method.

2) Other finance costs include costs for securing financing, cash handling costs, bank charges, factoring charges, redemption fees for credit card processing, credit sales costs and securities handling costs.

Note 9 Tax

	2019	2018
Current tax expense	–36	–55
Deferred tax	–1	13
Tax expense for the year	**–37**	**–42**

Reconciliation of effective tax	**2019**	**2019**	**2018**	**2018**
Profit before tax	34	–	316	–
Tax at applicable tax rate	–7	21%	–69	22%
Tax at other tax rates	0	0%	0	0%
Non-deductible expenses	–80	235%	–11	3%
Non-taxable income	19	–54%	6	–2%
Standard interest on tax allocation reserve	0	1%	0	0%
Temporary differences in balance sheet items	0	0%	10	0%
Change in tax losses	31	–90%	13	–6%
Income tax from prior years	2	–7%	0	0%
Remeasurement effect of changed future income tax rates	–	–	11	–3%
Other	0	1%	0	0%
Recognised effective tax	**–37**	**107%**	**–42**	**14%**

No tax was recognised in equity in 2019 or 2018.

Deferred tax	**2019**	**2018**
Property, plant & equipment and intangible assets	18	8
Inventories	0	–2
Trade receivables	2	–1
Untaxed reserves	–5	12
Unused losses from prior years	2	–7
Remeasurement effect of changed future income tax rates	–	11
Other temporary differences	–9	–7
Deferred tax attributable to prior years	–10	–
Deferred tax on temporary differences	**–1**	**13**

Deferred tax assets	**2019**	**2018**
Property, plant & equipment and intangible assets	12	11
Inventories	1	1
Unused losses from prior years	31	31
Trade receivables	7	3
Other temporary differences	7	12
	58	**59**

Deferred tax liabilities	**2019**	**2018**
Property, plant & equipment and intangible assets	184	195
Untaxed reserves	95	85
Other temporary differences	11	7
	290	**287**

NOTE 10 Earnings per share

The calculation of earnings per preference and ordinary share for 2019 was based on net profit for the year attributable to the Parent Company's shareholders, which was SEK 74 (272) million. The figure for earnings per ordinary share was reduced by the preference shareholders' proportionate share of the dividend for 2019, which was SEK 64 (64) million.

Earnings per preference share was based on the dividend adopted for the year until the 2020 AGM, which means a share of earnings of SEK 64 million divided by 1,603,773 preference shares. The remaining portion of the earnings, SEK 10 million, was divided by the average number of ordinary shares, which was 79,406,571.

	2019	2018
Profit/loss attributable to owners of the Parent	74	272
Deduction for preference share dividend	64	64
Profit/loss attributable to owners of the Parent adjusted for preference share dividend	10	208
Ordinary shares outstanding	79,406,571	80,406,571
Average no. of ordinary shares	79,721,639	80,406,571
Earnings per share	0.13	2.58
Earnings per preference share	40.00	40.00
Average no. of ordinary shares after dilution	79,721,639	80,469,822
Diluted earnings per share	0.13	2.58
Diluted earnings per preference share	40.00	40.00
Preference shares outstanding	1,603,774	1,603,774

NOTE 11 Intangible assets

Cost	Goodwill	Patents/ Technology	Brands/ Other	Capitalised development expenses	Total
1 January 2018	**2,165**	**14**	**780**	**295**	**3,253**
Investments	–	–	0	32	32
In new companies on acquisition	163	0	80	–	243
Disposals	–3	–	–	0	–3
Reclassifications	–	–	–	3	3
Translation differences	18	–	1	0	19
Divested operations	–	–	–	–	–
1 January 2019	**2,343**	**14**	**861**	**329**	**3,546**
Investments	–	–	0	31	31
In new companies on acquisition	74	–	30	–	104
Disposals	1	–	0	–3	–2
Reclassifications	–	–	–	–	–
Translation differences	17	–	1	0	18
Divested operations	–214	–	–19	–9	–242
31 December 2019	**2,222**	**14**	**872**	**348**	**3,455**

Accumulated amortisation	Goodwill	Patents/ Technology	Brands/Other	Capitalised development expenses	Total
1 January 2018	**–88**	**–11**	**–87**	**–133**	**–319**
Amortisation/impairment for the year	–18	0	–43	–44	–104
In new companies on acquisition	–	0	–	–	–
Disposals	3	–	–	0	3
Reclassifications	–	–	–	1	1
Translation differences	–1		0	0	–1
Divested operations	–	–	–	–	–
1 January 2019	**–104**	**–11**	**–130**	**–176**	**–420**
Amortisation/impairment for the year	–310	0	–65	–45	–420
Disposals	–1	–	0	3	2
Reclassifications	–	–	–	–	–
Translation differences	–1	–	–1	0	–2
Divested operations	214	–	19	4	237
31 December 2019	**–202**	**–12**	**–176**	**–213**	**–840**
Carrying amount					
31/12/2018	2,239	2	731	154	3,126
31/12/2019	2,020	2	696	135	2,853

	2019		2018	
Distribution of the Group's goodwill and other intangible assets with indefinite useful lives	**Goodwill**	**Other intangible assets**	**Goodwill**	**Other intangible assets**
Tornum	56	–	53	–
Corroventa	84	–	84	–
Ettikettoprintcom	91	5	91	5
S:t Eriks	190	32	149	32
Besikta	298	–	298	–
Me&i	–	–	203	18
NMP	132	20	228	20
Akademibokhandeln	410	240	410	240
Trading	757	124	722	124
	2,020	**421**	**2,239**	**439**

During impairment testing, goodwill and other intangible assets with indefinite useful lives are allocated to the business areas or business units which are considered to be cash generating units. The goodwill value of each cash generating unit is tested annually against the calculated recoverable amount, which is either the value in use or the fair value less costs of disposal.

Value in use
Value in use is calculated as the Group's share of the present value of projected future cash flows generated by the cash generating unit.

The cash flow projection is based on reasonable and verifiable assumptions that represent Volati's best estimate of the economic conditions that will exist, and considerable emphasis is therefore placed on external factors. The assessment of future cash flows is based on forecasts arising from the most recent budgets, projections and business plans submitted by each cash generating unit. These include the budget for the coming years and a projection for the subsequent four to five years. Cash flows after the forecast period are estimated based on an assumption of a long-term annual growth rate of 2 percent after the forecast period.

Cash flow projections do not include cash inflows and outflows from financing activities. The estimated value in use is comparable with the carrying amount of the subsidiary group. Key assumptions used for the calculations include the discount rate, sales growth. EBITDA margins, development of working capital and investment needs. Various assumptions have been made due to each subsidiary group operating as an independent unit with its own unique conditions. The key assumptions used for each subsidiary group are described below

Key assumptions used for value in use per cash generating unit

Discount rate
Future cash flows for each cash generating unit have been discounted to present value using a discount rate. Volati has chosen to calculate the present value of cash flows after tax. The discount rate reflects market assessments of the time value of money and the risks specific to each cash generating unit. The discount rate does not reflect such risks that are taken into account when calculating future cash flows. The calculation of the discount rate is based on the company's weighted average capital cost, the company's marginal interest rate on loans and other market interest rates on loans independent from Volati's capital structure. The required rate of return for loan capital is based on an interest expense for risk-free loans of 2.6 percent adjusted for an interest margin of 1.0 percent and a tax rate of 20.6 percent. The required rate of return for equity is based on a risk-free interest rate, plus a market risk premium of 4.5 percent, a company-specific risk premium of 5.0-6.0 percent and a beta value for each cash generating unit of 0.60-1.33. The discount rates used by Volati vary between 8.6 and 11.7 percent depending on the conditions for each cash generating unit.

Tornum
The cash flow projection for Tornum have been based on the company's capacity to leverage its market position in the markets where it is established, with local financing and EU grants enabling the start-up of projects in these countries. The key assumptions used to calculate value in use for Tornum are net sales growth, EBITDA margin and investment needs. Volati considers that long-term demand for Tornum's products in the company's established markets continues to be good and that there is an underlying need for modernisation investments in these markets. Based on this, Volati assumes that growth in net sales will be higher than GDP growth, while the EBITDA margin is expected to show a slightly increasing trend during the forecast period. If major macroeconomic events were to occur and adversely impact development and the willingness to invest in Eastern Europe, Russia and Ukraine, the trend could be worse than forecast. The assessment is that no reasonable changes in key assumptions will result in Tornum's calculated value in use falling below the carrying amount.

Corroventa
Corroventa's projected cash flows have been based on the company's ability to obtain returns on investments in developing the product range and

to leverage its geographic establishment. The key assumptions used to calculate Corroventa's value in use are net sales growth, EBITDA margin and investment needs. In addition, it is considered likely that the historic frequency and extent of weather-related flooding will continue into future forecast periods. Based on these factors, Volati anticipates that net sales growth will be higher than GDP growth and that the EBITDA margin will increase slightly during the forecast period. If the frequency of weather-related flooding falls during the forecast period, the trend may be below the forecast. The assessment is that no reasonable changes in key assumptions will result in Corroventa's calculated value in use falling below the carrying amount.

S:t Eriks

The forecast cash flows for S:t Eriks have been based on the companies' ability to obtain returns on the investments and efficiency improvements that are taking place, and on no significant changes taking place in the market. Volati estimates that long-term demand for S:t Eriks' products in the Swedish market, where the company is established, is relatively good. Based on this, Volati assumes that growth in net sales will be somewhat higher than GDP growth, while the EBITDA margin is expected to improve during the forecast period. The assessment is that no reasonable changes in key assumptions will result in S:t Eriks' calculated value in use falling below the carrying amount.

Ettiketto

The forecast cash flows for Ettiketto have been based on the company's ability to obtain returns on its existing non-current assets and no significant changes to behaviour of the company's major customers. The key assumptions used to calculate Ettikettoprintcom's value in use are net sales growth, EBITDA margin and investment needs. Based on this, Volati assumes net sales growth slightly above GDP growth, while the EBITDA margin is expected to remain largely unchanged during the forecast period. The assessment is that no reasonable changes in key assumptions will result in Ettikettoprintcom's calculated value in use falling below the carrying amount.

Besikta Bilprovning

The forecast cash flows for Besikta Bilprovning have been based on the company's market position being maintained during the forecast period, the rate of establishments in the market declining over time and the price level of services not being significantly changed. It is also assumed that there will be no significant changes to the regulatory conditions for the company's operations, such as changes to the statutory interval for inspections in Sweden. The key assumptions used to calculate Besikta Bilprovning's value in use are net sales growth, EBITDA margin and investment needs, and assumptions on new establishments of stations. Based on this, Volati assumes that growth in net sales will be largely in line with GDP growth, while the EBITDA margin is expected to be unchanged during the forecast period. The assessment is that no reasonable changes in key assumptions will result in Besikta's calculated value in use falling below Volati's carrying amount.

NaturaMed Pharma

NaturaMed Pharma's projected cash flows have been based on the company having an existing customer base in the Nordic countries with a historical subscription behaviour that enables NaturaMed Pharma to market its products to the relevant target groups in a cost-efficient manner, thereby retaining and expanding its subscription base. The key assumptions used to calculate NaturaMed Pharma's value in use are recruitment and depletion in terms of subscription growth and cost efficiency of marketing. Based on this, Volati assumes that growth in net sales will be largely unchanged and lower than GDP growth, while the EBITDA margin is expected to be unchanged during the forecast period. In the event of changes that are detrimental to the company's recruitment and depletion assumptions concerning the subscription trend and cost efficiency in marketing, the trend could be worse than forecast. In the event of significant changes to the regulatory conditions for the company's operations in terms of restrictions on marketing or permitted ingredients in products, the trend could be worse than forecast. The assessment is that no reasonable changes in key assumptions will result in NaturaMed Pharma's calculated value in use falling below the carrying amount.

Trading

Trading is treated as one unit as its components largely share the same platform. The projected cash flows for Trading have been based on the fact that the companies can benefit from their market position in the Nordic region, while the underlying economy does not decline significantly. The key assumptions used to calculate value in use for Trading are net sales growth and EBITDA margin. Volati estimates that long-term demand for Trading products in the markets where the Company is established is relatively good. Based on this, Volati assumes that growth in net sales will be higher than GDP growth, while the EBITDA margin is expected to be stable during the forecast period. If major macroeconomic events were to occur and adversely impact development and the willingness to invest in the Nordic region, the trend could be worse than forecast. The assessment is that no reasonable changes in key assumptions will result in Trading's calculated value in use falling below the carrying amount.

Akademibokhandeln

The forecast cash flows for Akademibokhandeln have been based on the company's ability to benefit from its strong market position in Sweden, with customer behaviour not changing at a faster rate than historical developments regarding formats or channels for book sales. The key assumptions used to calculate value in use for Akademibokhandeln are net sales growth and EBITDA margin. Volati estimates that long-term demand for Akademibokhandeln's products in the markets where the company is established is relatively good. Based on these factors,Volati expects net sales growth to be in line with GDP growth, while the EBITDA margin is expected to be stable during the forecast period. If significant events were to occur in the market or in customer behaviour which adversely affect development, the trend could be worse than forecast. The assessment is that no reasonable changes in key assumptions will result in Akademibokhandeln's calculated value in use falling below the carrying amount.

Sensitivity analysis

The value in use for each cash generating unit is dependent on the assumptions used to calculate discounted cash flows. Volati has made simulations of value in use in the event of changes to key assumptions used for the calculation. When testing the carrying amount in relation to value in use with an assumption of an EBITDA margin that is twenty percent below the forecasts for all years in the forecast period, the value in use for all cash generating units would be higher than the carrying amount. For corresponding testing of growth after the end of the forecast period, i.e. year 5 and beyond, annual growth of one percent rather than the forecast's two percent would still result in the value in use for all units being higher than the carrying amount. In a simulation where the discount rate is increased by one percentage point, the value in use for all units would still be higher than the carrying amount.

Impairment

In Q3 2019, impairment losses of SEK 328 million on goodwill and intangible assets were recognised for the cash generating units NaturaMed Pharma and me&i in the Consumer business area. The impairment does not affect cash flow. Volati changed its ownership of me&i in November 2019 and the company has been deconsolidated. No impairment was recognised in 2018 and no further impairment was identified at the end of 2019 after comparing the value in use for the companies with the Group's carrying amount for each cash generating unit.

NOTE 12 Property, plant & equipment

Cost	Land and buildings	Machinery and equipment	Equipment with finance leases	Total
1 January 2018	**57**	**647**	**107**	**811**
Investments	2	47	32	80
In new companies on acquisition	62	102	11	174
Sales/disposals	–	–37	–25	–62
Reclassifications	–	2	0	2
Translation differences	–	1	0	1
1 January 2019	**120**	**762**	**125**	**1,007**
Investments	1	81	–	82
In new companies on acquisition	–	2	–	2
Sales/disposals	–	–24	–	–24
Translation differences	–	1	–125	–124
Divested operations	–	–1	–	–1
31 December 2019	**121**	**820**	**0**	**941**
Accumulated depreciation				
1 January 2018	**–19**	**–508**	**–43**	**–570**
Depreciation for the year	–3	–53	–26	–82
Sales/disposals	–	36	20	56
Reclassifications	–	–5	0	–6
Translation differences	–	–1	0	–1
1 January 2019	**–22**	**–531**	**–49**	**–602**
Depreciation for the year	–4	–71	–	–75
Sales/disposals	–	23	–	23
Reclassifications	–	–	49	49
Translation differences	–	–1	–	–1
Divested operations	–	1	–	1
31 December 2019	**–26**	**–579**	**0**	**–605**
Carrying amount				
31/12/2018	98	230	76	404
31/12/2019	95	242	0	336

NOTE 13 Leases

Implementation of the new standard on leases IFRS 16 has meant that the majority of the Group's leases are reported in the balance sheet. Volati has chosen the modified retrospective approach, which means that comparatives for the previous year have not been restated. Instead, the cumulative effect of the retrospective transition will be reported as an adjustment to the opening balances on 1 January 2019. See the first table below. To calculate the effect of the introduction of IFRS 16, the length of the lease obligations has been based on the remaining lease terms, although extension options have been taken into account if exercise of such an option is reasonably certain. In addition, the calculation has been based on the leases that existed at the end of the 2018 financial year. For all contracts where the interest rate implicit in the lease could not be determined from the obligation, the discount rate used on transition for the value of the obligation has been adjusted according to the type of leased asset it refers to, the geographical location of the asset and the estimated financial risk associated with the lessee. The discount rate used for the obligations varies between 2 and 20 percent depending on the risk specific to the asset and the geographical location.

Volati AB's financial commitments under bank loan agreements are based on the accounting policies that existed at the inception of the loans, which is why the associated covenants are not affected by the introduction of IFRS 16.

Effects on assets, liabilities and equity, 1 January 2019

SEK million	31 Dec 2018	Reclassified due to IFRS 16	Restated for IFRS 16	1 Jan 2019
ASSETS				
Non-current assets				
Intangible assets	3,126			3,126
Property, plant and equipment	404	–76		328
Right-of-use assets		76	901	977
Financial assets	8			8
Deferred tax assets	59			59
Total non-current assets	**3,597**	**0**	**901**	**4,498**
Current assets				
Inventories	895			895
Trade receivables	558			558
Current tax assets	27			27
Other current receivables	67			67
Derivatives	0			0
Prepayments and accrued income	186		–59	127
Cash and cash equivalents	241			241
Total current assets	**1,975**	**0**	**–59**	**1,916**
Total assets	**5,571**	**0**	**842**	**6,413**

SEK million	31 Dec 2018	Reclassified due to IFRS 16	Restated for IFRS 16	1 Jan 2019
EQUITY AND LIABILITIES				
Equity				
Share capital	10			10
Other paid-in capital	1,995			1,995
Other reserves	34			34
Retained earnings, incl. profit for the period	520			520
Equity attributable to owners of the Parent	2,560		0	2,560
Non-controlling interests	7			7
Total equity	**2,567**	**0**	**0**	**2,567**
Liabilities				
Non-current interest-bearing liabilities	974	–49		925
Non-current lease liabilities		49	648	697
Non-current non-interest-bearing liabilities	89			89
Pension obligations	2			2
Warranties and other provisions	10			10
Deferred tax	287			287
Total non-current liabilities	**1,361**	**0**	**648**	**2,008**
Current interest-bearing liabilities	241	–26		215
Current lease liabilities		26	208	235
Advances from customers	73			73
Trade payables	706			706
Current tax liabilities	61			61
Derivatives	0			0
Accruals and deferred income	379		–14	364
Other current liabilities	184			184
Total current liabilities	**1,644**	**0**	**194**	**1,838**
Total liabilities	**3,005**	**0**	**842**	**3,846**
Total equity and liabilities	**5,571**	**0**	**842**	**6,413**

The introduction of IFRS 16 has had a positive effect of SEK 282 million on EBITDA for 2019 and a positive effect of SEK 22 million on EBITA. The introduction of IFRS 16 has resulted in depreciation for the period increasing by SEK 260 million and interest expenses by SEK 43 million. Profit after tax has been negatively affected by SEK 16 million. Interest-bearing liabilities have increased by SEK 739 million at 31 December 2019 as a result of the transition to IFRS 16.

Cash flow from operating activities for 2019 has been positively affected by SEK 242 million, with cash flow from financing activities negatively affected by the corresponding amount.

Reconciliation of operating lease obligations under IAS 17 and recognised lease liabilities under IFRS 16, SEK millions	
Operating lease obligations, 31 Dec 2018	**1,100**
Adjustment for prepaid rents	*–81*
Adjusted operating lease obligations, 31 Dec 2018	**1,019**
Short-term leases	–2
Low-value leases	–17
Change in assumptions for extension options and variable lease payments	–3
Other	–1
Nominal lease liability (excl. finance leases), 1 Jan 2019	**996**
Discounting effect	–140
Additional lease liability due to transition to IFRS 16, 1 Jan 2019	**856**
Finance lease liability, 31 Dec 2018	76
Lease liability, 1 Jan 2019	**932**

Right-of-use assets

Volati's right-of-use assets and lease liabilities are mainly related to rents for premises and warehouses and leased cars and trucks.

Some leases also involve exposure regarding non-lease components such as costs of water, heating etc. However, their value is considered non-material to the Group.

The future lease payments are discounted at the interest rate implicit in the lease, if that rate can be readily determined, Otherwise, the incremental borrowing rate is calculated based on the type of leased asset it refers to, the geographical location of the asset and the estimated financial risk associated with the lessee. The discount rate used for obligations varies between 2 and 20 percent depending on these different assumptions.

Volati's calculation of the length of the obligations is based on the remaining lease terms, but extension options have been taken into account if the exercise of such options is reasonably certain.

Right-of-use assets

Cost	Land and buildings	Machinery and equipment	Total
1 January 2019	**879**	**151**	**1,030**
Investments	106	41	148
Acquisition of companies	4	1	5
Completed contracts	–29	–22	–51
Reclassifications	–	–	–
Translation differences	1	0	1
Divested operations	–2	0	–3
31 December 2019	**960**	**171**	**1,130**
Accumulated depreciation			
1 January 2019	**–**	**–53**	**–53**
Depreciation for the year	–246	–38	–284
Completed contracts	26	13	39
Reclassifications	–	–	–
Translation differences	0	0	1
Divested operations	1	0	1
31 December 2019	**–219**	**–78**	**–297**
Carrying amount			
31/12/2019	740	92	832

Amounts reported in income statement	2019
Depreciation of right-of-use assets	–284
Interest expenses for lease liabilities	–46
Costs attributable to short-term leases	–16
Costs attributable to low-value leases	–5
Costs attributable to turnover rent not included in the lease liability measurement	0
Revenue from sub-leasing right-of-use assets	–
Total earnings effect	**–351**

On 31 December 2019, the Group's obligations under short-term leases were SEK xx million.

Cash flow from leases	2019
Lease interest paid	–46
Repayment of lease liabilities	–269
Lease payments made for short-term leases	–16
Lease payments made for low-value leases	–5
Variable lease payments made	–1
Total cash flow	**–336**

For a maturity analysis of lease liabilities, see note 22.

Future cash flows

There are future cash flows to which the Group could potentially be exposed that are not reflected in the measurement of the lease liability. These include exposure attributable to:

– Variable lease payments
– Extension options
– Residual value guarantees
– Leases that have been agreed but have not yet commenced

Variable lease payments generally exist only in certain of the Group's property leases. These are then governed by the sales in each store under a lease contract.

Variable payment terms are used to link the lease payments to the stores' cash flow and reduce the fixed payments. The lease payments for these stores are distributed as follows:

(SEK million)	
Fixed payments	303
Variable lease payments	0
Total lease payments	**304**

In total, variable lease payments amount to less than 1 percent of the Group's total lease payments . The Group estimates that this distribution will be relatively constant over the coming years. The variable lease payments are based on sales and, consequently, on financial development over the next few years. Taking into account the expected development of sales over the next three years, the variable lease payments are expected to account for a similar proportion of the lease payments.

Assessment of the extension options is on the basis that exercise of such options is reasonably certain. For Volati, residual value guarantees do not represent a material amount.

Leases that have been agreed but have not yet commenced are not considered to have any material impact on cash flow.

Note 14 Non-current financial assets

Other shares and interests	2019	2018
Opening cost	5	6
Investments	2	1
Disposals	–	0
Impairment	–1	–
Reclassifications	–	–2
Other	–1	–
	4	**5**

Other non-current financial assets	2019	2018
Opening cost	2	4
Reclassifications	–	2
Investments	1	–
Repayments	–1	–4
Other	–	0
	2	**2**

Note 15 Inventories

	2019	2018
Raw materials and supplies	93	85
Products in progress	1	2
Finished goods and merchandise	753	767
Return assets	2	–
Work in progress for third parties	4	9
Advances to suppliers	11	32
	865	**895**

Note 16 Prepayments and accrued income

	2019	2018
Accrued supplier bonus	22	21
Accrued income, percentage of completion projects	42	32
Prepaid rent	68	63
Prepaid leases	3	6
Prepaid insurance	4	4
Other prepayments	31	43
Other interim receivables	19	15
	189	**186**

Note 17 Interest-bearing liabilities

Non-current liabilities	2019	2018
Bond liabilities	600	893
Lease liabilities	579	49
Liabilities to shareholders	2	25
Other interest-bearing liabilities	1	–
	1,182	**967**

Current liabilities	2019	2018
Overdraft facilities	88	114
Liabilities to credit institutions[1)]	600	100
Lease liabilities	225	26
Other interest-bearing liabilities	0	0
	913	**241**

1) See note 22 for information about contractual dates for interest-rate renegotiations.

At the end of 2019, the unutilised portion of the overdraft facility was SEK 111 (160) million, the unutilised portion of the revolving credit facility was SEK 100 (450) million and cash & cash equivalents were SEK 447 (241) million .

Note 18 Changes to loans in cash flow from financing

	2019	2018
31 December	1,315	1,195
Non-cash movements		
Effect of transition to IFRS 16, 1 January	856	–
Loans in acquired companies	–	163
Remeasurement to market value	–21	–48
Translation differences	1	0
Non-cash change in lease liabilities	138	–
Other non-cash changes	–2	32
Cash movements		
Repayment of loans in acquired companies	–6	–114
Proceeds from borrowings	700	179
Repayment of borrowings	–550	–67
Repayment of lease liabilities	–269	–26
Owner transactions	–11	–
31 December	**2,151**	**1,315**

Note 19 Contract assets and liabilities

Contract assets	2019	2018	Classification in statement of financial position
Accrued income from projects	16	7	Prepayments and accrued income
	16	**7**	

Contract liabilities	2019	2017	Classification in statement of financial position
Short-term advances for inspection services	10	11	Advances from customers
Short-term advances for other services[1)]	25	37	Advances from customers
Provisions for extended warranties	3	3	Warranties and other provisions
	38	**51**	

1) Other services are mainly installations, assembly and paving.

The increase in contract assets from SEK 7 million in 2018 to SEK 16 million in 2019 is mainly due to an increase in outstanding unfinished projects at the end of 2019. The reduction in contract liabilities from SEK 51 million in 2018 to SEK 38 million in 2019 is mainly due to a lower level of outstanding projects with contractual terms that require advances. SEK 43 million of the closing contract liabilities of SEK 51 million in December 2018 was recognised as revenue during the year. None of the revenue recognised during the year relates to performance obligations satisfied during previous periods. The absolute majority of remaining performance obligations fall due within one year of the reporting date.

NOT 20 Warranty commitments and other provisions

	2019	2018
Closing balance, 31 Dec previous year	10	6
IFRS 15 transition effect	–	–1
Opening balance, 1 Jan	**10**	**5**
Warranty provisions in acquired companies	0	5
Warranty provisions	0	1
Provisions used	–1	–1
Reversal of unused provisions	–5	0
Closing balance, 31 Dec	**4**	**10**

Note 21 Accruals and deferred income

Accrued expenses	**2019**	**2018**
Accrued personnel expenses	208	214
Accrued customer bonuses	50	57
Accrued interest expenses	6	7
Accrued rental discounts	12	25
Accrued cost of goods sold	34	29
Accrued audit expenses	3	4
Other	36	41
Deferred income	**350**	**377**
Other	4	2
	2	**1**
Total	**354**	**379**

Note 22 Financial risk management and financial instruments

The Volati Group is exposed to various types of financial risk in the course of its operations. Some of Volati's operations are conducted outside Sweden. This exposes the Group to several different types of financial risks which could result in fluctuations in net profit, cash flow or equity, due to exchange rate movements. In addition, Volati has exposure in the form of loan financing with floating interest expenses and various risks associated with the duration of financing. The Parent Company manages the financial risks attributable to loan financing.

For currency risks, each business unit has its own procedures for when and how to manage currency exposure.

CREDIT RISK

Credit risk involves exposure to losses if a counterparty fails to discharge its financial obligations to the Group. If counterparties are unable to fulfil their financial obligations to the Group, this may have a negative effect on the Company's operations, financial position and earnings.

In its ongoing sales, Volati is exposed to credit risk in outstanding trade receivables. This risk is reduced as some companies in the Group have trade receivables with a short expected maturity, distributed among a large number of customers at low amounts per customer and measured, without discounting, at the amounts initially invoiced less allowances for expected losses. In addition, the risk in some larger and longer projects is reduced by means of credit insurance.

Historically, overall customer losses have been low throughout the Group. The total gross value of outstanding trade receivables at 31 December was SEK 587 (569) million. These were written down by a total of SEK -13 (-10) million. The age analysis of trade receivables at 31 December and the Group's loss allowance policy is described later in this note.

CURRENCY RISK

Volati's main currency risks are associated with the translation of equity and earnings in foreign subsidiaries, and the effect on earnings of the flows of goods between countries with different currencies.

Currency risk is based on exchange rate changes having an impact on the Company's earnings, and arises when transactions take place in foreign currency, i.e. when the Group makes purchases or sales in foreign currency, and when assets and liabilities are held in foreign currency. When consolidating foreign subsidiaries, the relevant country's currency is translated to Swedish kronor, which may have a negative effect on the Group's financial position. Large amounts of purchases are from suppliers in countries with different currencies, while many customer sales are in another currency. Future currency fluctuations can therefore have a negative effect on the Group's earnings and financial position. Volati's main exposure is to USD, EUR and NOK. USD exposure is due to a certain proportion of the Group's purchases being transacted in this currency, while revenue in USD is considerably lower. The Group's total exposure to EUR is mainly due to net purchases outweighing revenue in EUR, but the exposure varies from business area to business area, which means that financial development for a business area can be affected by EUR exchange rate movements. Exposure to NOK is related to revenue in NOK being significantly higher than expenditure. From time to time, the business units may use financial instruments to temporarily hedge their cash flows.

TRANSACTION EXPOSURE

As the Group's companies have revenues and expenses in different currencies, it is exposed to risks associated with currency fluctuations. Transaction risks are managed in the business units based on each business unit's circumstances, risks and controls, which are formulated and adopted separately for each subsidiary. Some of the business units engage in active currency hedging, whereby purchases and income are hedged to varying degrees by forward exchange contracts. The degree of currency hedging varies from business unit to business unit, mainly in terms of the companies' ability to transfer currency exposures to customers or suppliers. At the reporting date, there were some minor forward exchange contracts with a total nominal value of SEK 1 million, in which USD was hedged against SEK with durations of two to six months.

The table below shows the Group's net currency exposure to customers and suppliers at the reporting date (customers + and suppliers -) in the largest currencies.

	Currency exposure	
Net currency exposure to customers and suppliers, major currencies	**2019**	**2018**
EUR	–28	–59
SEK	–4	–14
USD	–8	–17
GBP	–9	–8
CNY	–2	–3
NOK	3	1

TRANSLATION EXPOSURE

Volati AB presents its income statements and balance sheets in SEK. Foreign companies have different presentation currencies. This means that the Group's earnings and equity are exposed during consolidation when foreign currencies, primarily EUR, NOK, DKK, GBP and PLN, are translated to SEK. At the reporting date, there was a significant amount of translation exposure primarily related to NOK exposure arising from acquisitions of business units in Trading and Consumer. Although Volati AB can hedge its translation exposure by borrowing in matching currencies, equity hedging had not been used at the reporting date.

The table below shows the Group's translation exposure in equity in the three largest currencies at the reporting date.

Translation exposure in equity in the balance sheet, major currencies, SEK million	Currency exposure 2019	2018
NOK	386	390
EUR	41	189
DKK	37	39

The table below shows the impact on the Group's EBITA in the event of a 10 percent decline in the Swedish krona against the three largest currencies, with all other variables remaining constant.

Translation exposure in the income statement, major currencies, SEK million	Currency exposure 2019	2018
NOK	–3	–3
PLN	0	1
EUR	0	–1
DKK	0	0

CAPITAL RISK

The Group strives to achieve a solvency ratio that enables it to conduct operations in accordance with the strategic plan. However, the solvency ratio for the entire Group is not a true indicator of the Company's assessment of its financial position as it does not take into account the value growth of underlying holdings when calculating equity. The capital structure reflects the Group's relatively low operational risks. The level of debt gives scope for generating a good return for shareholders, while equity is sufficient to safeguard the Group's long-term ability to continue operating. Cash and cash equivalents that cannot be invested in accordance with the Company's objectives and investment strategy are distributed to the owners within the framework of Volati's dividend policy.

INTEREST RATE RISK

Interest rate risk is the risk that the Volati's net financial items will be affected by changes in market interest rates. In the longer term, interest rate changes will have a significant effect on Volati's earnings and cash flow. The Group's total interest expenses for bank loans and bond loans for the financial year 2019 amounted to SEK 38 (45) million and for lease obligations SEK 46 (3) million. The average interest rate on bank loans at 31 December 2019 was 1.5 percent and for the bond loan 3.4 percent. The discount rate used for lease obligations varies between 2 and 20 percent.

If the prevailing interest rates were to change and/or the Company failed to pay interest in the future, the Company's operations, earnings and financial position could be adversely affected.

The majority of the Group’s loan liabilities are at variable interest rates or with a duration of up to three months. Based on the loan volumes at the reporting date, a one (1) percentage point change in the borrowing interest rate would have an effect of SEK 9 million on Volati’s profit after tax.

Volati continuously monitors interest rate trends and, on this basis, assesses which interest terms are best for the Group in the long and short term.

FINANCING AND LIQUIDITY RISK

Financing risk is defined as the risk of being unable to discharge payment obligations as a result of insufficient liquidity or difficulties in obtaining external financing. Liquidity risk is the risk of the Company being unable to discharge its payment obligations as a result of insufficient liquidity at the due date without a significant increase in the associated cost of obtaining funds. If the Company’s sources of financing prove to be inadequate, this could have a material adverse effect on the Group's operations, earnings and financial position.

Volati is dependent on obtaining financing through lenders. The Company’s financing needs include both operating activities and preparedness for future investments. The availability of financing is influenced by factors such as general availability of risk capital and the Group’s creditworthiness.

Volati manages financing risk at a consolidated level. Volati endeavours to have available cash and cash equivalents or unutilised credit facilities in order to manage any significant disruptions in the financing market. The available liquidity margin varies during the year and is dependent on whether there have been any significant acquisitions or divestments.

Volati’s borrowing from credit institutions is mainly in SEK and at floating interest rates.

Volati’s borrowing from credit institutions consists of two different financing frameworks, one of which is a revolving credit facility of SEK 700 million, with the tranches able to have different maturities, while the other is an overdraft facility of SEK 200 million. SEK 600 million of the revolving credit facility had been used at the reporting date. The revolving credit facility can be used until March 2022. At the end of the year, the unused portion of the overdraft facility amounted to SEK 111 million. The overdraft facility has a duration of 12 months and is automatically extended by another 12 months each year unless the bank has stated otherwise. Loan agreements are dependent on the Company’s financial performance meeting certain covenants, including the net debt to EBITDA and EBITDA to net interest income ratios. Volati AB has not breached any covenants during 2019.

In addition, Volati has chosen to make certain investments in property, plant & equipment under finance leases. See note 13 for information about these lease liabilities.

Financing from other lenders essentially consists of subordinated SEK liabilities to credit institutions, with varying terms and mainly at fixed interest rates. Financing from other lenders primarily consists of loans from minority shareholders, referred to as non-controlling interests, in some of the business units, which do not have predefined maturities.

In addition, Volati issued a bond loan totalling SEK 600 million in 2017. Volati AB’s bond loan, which is unsecured and non-subordinated, has a remaining term of four years with an interest rate of STIBOR (3 months) plus 350 basis points.

Volati has agreements with shareholders with non-controlling interests in certain business units which include put options on their company shares. The shareholder agreements entitle these shareholders, under certain conditions and on certain occasions, to sell the shares to Volati at market prices. On the reporting date, these put options were measured at a market value based on a multiple analysis adjusted for the net debt in each business unit.

DUE DATES

The due dates for non-interest-bearing and interest-bearing financial assets are mainly within one year.

The liquidity risk table below shows the due dates for Volati's financial assets and liabilities.

The amounts in the table are undiscounted and include known future interest payments.The exact amounts are therefore not presented in the balance sheet.

Liquidity risk

	2019			2018		
	Within one year	1-5 years	>5 years	Within one year	1-5 years	>5 years
Assets						
Cash and cash equivalents	447	–	–	241	–	–
Trade receivables	574	–	–	558	–	–
Other shares and interests	4	–	–	5	–	–
Other non-current financial assets	–	0	2	–	1	2
Derivatives	–	–	–	0	–	–
Liabilities						
Bond liabilities	–21	–600	–	–36	–968	–
Liabilities to credit institutions	–603[1]	–1	–	–104	–1	–
Overdraft facilities	–	–89	–	–117	–	–
Liabilities to shareholders[2]	–2	–	–	–2	–23	–
Additional consideration	–6	–	–	–12	–17	–
Put options	–56	–	–	–30	–41	–
Lease liabilities	–225	–402	–178	–26	–45	–4
Derivatives	0	–	–	0	–	–
Other current liabilities	–32[4]	–	–	–32[3]	–	–
Trade payables	–706	–	–	–706	–	–
Net	**–625**	**–1,091**	**–175**	**–260**	**–1,096**	**–2**

1) Maturities based on the contractual terms of each loan. The management, however, intends to extend the majority of the loans under its existing credit agreement.

2) All existing shareholder loans have indefinite due dates. Interest on existing shareholder loans is capitalised quarterly.

3) Refers to adopted dividend to preference shareholders for Q1 and Q2 2019. A new resolution on dividends to preference shareholders was passed at the 2019 AGM.

4) Refers to adopted dividend to preference shareholders for Q1 and Q2 2020. A new resolution on dividends to preference shareholders was passed at the 2020 AGM.

Financial instruments: carrying amounts and fair values by measurement category

	2019			2018		
	IFRS 9 category[1)]	Carrying amount	Fair value	IAS 39 category[1)]	Carrying amount	Fair value
Financial assets						
Other shares and interests	2	4	4	2	5	5
Other non-current financial assets	1.2	2	2	1.2	2	2
Derivatives held for trading	2	–	–	2	0	0
Trade receivables	1	574	574	1	558	558
Cash and cash equivalents	1	447	447	1	241	241
Financial liabilities						
Bonds	4	600	613	4	893	911
Loans from credit institutions	4	0	0	4	102	102
Derivatives held for trading	5	0	0	5	0	0
Trade payables	4	706	706	4	706	706
Additional consideration	5	6	6	5	29	29
Put options	6	56	56	6	71	71
Other current liabilities	4	32	32	4	32	32

[1)] applicable IFRS 9 categories
1 = Financial assets at amortised cost
2 = Financial assets at fair value through profit or loss
3 = Financial assets at fair value through OCI
4 = Financial liabilities at amortised cost
5 = Financial liabilities at fair value through profit or loss
6 = Financial liabilities at fair value through equity

The fair value of non-current borrowing is based on observable data from discounted cash flows to market interest rates, while the fair value for current receivables and liabilities is considered to correspond to the carrying amount. As interest charges are variable in relation to the debt, the carrying amount represents the fair value.

Financial instruments measured at fair value

	2019				2018			
	Carrying amount	Quoted prices	Observ-able inputs	Unob-serv-able inputs	Carrying amount	Quoted prices	Observ-able inputs	Unob-serv-able inputs
Financial assets								
Derivatives	4	–	–	4	5	–	–	5
Financial liabilities								
Derivatives	0	0	–	–	0	0	–	–
Put options	56	–	–	56	71	–	–	71
Additional consideration[1)]	6	–	–	6	29	–	–	29

[1)] Additional consideration is often contingent on the financial performance of the acquired business over a specific period and is measured on the basis of management's best estimate. Discounting to present value is applied for large amounts or long durations.

Derivatives outstanding at 31 December

	31 December 2019			31 December 2018		
Instruments	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value	Nominal value
Currency derivatives	0	0	1	0	0	42
Total	**0**	**0**	**1**	**0**	**0**	**42**

Trade receivables

	2019	2018
Trade receivables	587	569
Allowance for expected credit losses	-13	-10
	574	**558**

	2019			2018		
Maturity analy-sis	Nominal	Impairment	Carrying amount	Nominal	Impairment	Carrying amount
Not past due	487	–2	485	456	–1	455
Past due, less than 3 months	82	–1	80	92	0	91
Past due, more than 3 months	19	–10	9	21	–9	12
Total	**587**	**–13**	**574**	**569**	**–10**	**558**

As the Group includes companies within widely differing sectors, there is no general scale for loss allowances. Instead, the loss allowance is assessed for each business unit. The allowance is distributed as follows: receivables not overdue, less than one percent, up to 30 days, about one percent to a few percent, between 30-60 days, a few percent to 50 percent, and over 90 days, often 100 percent.

Loss allowance
The Volati Group's loss allowance model is based on expected losses, which means that the reduction in value is recognised immediately when the receivable arises. Volati applies the simplified approach for trade receivables. As the Group's business units operate in very different sectors and have different counterparties as customers, from government authorities to private individuals in other countries, the calculation basis for the loss allowance also differs. The underlying calculation for the loss allowance has therefore been adapted to each business unit. Generally, expected credit losses on trade receivables have been estimated for all companies using a provision matrix, which is based on the debtor's payment history, and an analysis of the debtor's current financial position, adjusted for factors specific to the debtor, the general economic situation in the debtor's industry and an assessment of both current and forecast conditions on the reporting date.

The average credit period differs greatly within the companies in the Group, from a large proportion of advance payments in certain operations to over 90 days in other business units, but the majority have payment terms of 30 days. No interest is charged on outstanding trade receivables.

The Group writes off a trade receivable when there is information that indicates that the debtor is in financial hardship and there are no realistic prospects of recovery, e.g. when the debtor has gone into liquidation or has filed for bankruptcy.

Year's change in allowance for expected credit losses	2019	2018
Opening balance	10	8
Acquisitions and disposals	0	0
Established losses	–2	–1
Reversal of unused amounts	–2	–1
Allowance for expected credit losses	8	4
Currency effects	0	0
Closing balance	**13**	**10**

Trade receivables by currency	2019	2018
SEK	457	450
NOK	55	57
EUR	44	36
DKK	9	10
GBP	8	6
PLN	5	5
USD	1	2
HUF	0	1
Other currencies	8	2
	587	**569**

Note 23 Pledged assets and contingent liabilities

Pledged assets	2019	2018
Finance leases	27	38
Pensions	2	2
Bank guarantee	–	75
Shares in subsidiaries[1]	–	795
	29	**910**

Contingent liabilities	2019	2018
Other obligations [2]	3	2
	3	**2**

[1] 2018, shares pledged for bond. The carrying value of the liability is SEK 308 million.

[2] Other obligations consist of customs bonds and completion guarantees.

Note 24 Investments in Group companies

Subsidiary, corp. reg. no., registered office	Number	Holding
Akademibokhandeln		
Volati Bok Holding AB (publ), 559233-6746, Stockholm	1,000	100%
Volati Bok AB, 559025-8637, Stockholm	7,839,200	97.99%
Akademibokhandeln Holding AB (publ), 559101-0938, Stockholm	8,000,000	100%
Akademibokhandelsgruppen AB, 559013-5033, Stockholm	800,000	100%
Bokhandelsgruppen i Sverige AB, 556204-5004, Stockholm	431,706	100%
Bokus AB, 556493-0492, Stockholm	100	100%
Besikta		
Besikta Bilprovning i Sverige Holding AB, 556910-0943, Malmö	1,000,000	100%
Besikta Bilprovning i Sverige AB, 556865-1359, Malmö	50,000	100%
ClearCar AB, 556862-8290, Malmö	60,158	100%
Corroventa		
Volati Luftbehandling Holding AB, 559046-2239, Bankeryd	960	96%
Volati Luftbehandling AB, 556717-4122, Bankeryd	1,000	100%
Corroventa Avfuktning AB, 556393-4669, Bankeryd	1,000	100%
Corroventa Entfeuchtnung GmbH, Meerbusch, Germany	–	100%
Corroventa Entfeuchtnung GmbH, Austria	–	100%
Corroventa Ltd, Southampton, UK	50,000	100%
Corroventa Finland Oy Ab, Esbo, Finland	100	100%
Corroventa Avfuktning Norge AS, Oslo, Norway	–	100%
Corroventa Déshumidification S.A., Paris, France	–	100%
Corroventa Osuszanie Sp.z.o.o, Polen	250	100%
Ventotech AB, 556699-5485, Bankeryd	142,513	100%

Subsidiary, corp. reg. no., registered office	Number	Holding
Ettiketto		
Volati 1 Holding AB, 559026-2282, Malmö	480	96%
Volati Tryck Holding AB, 556656-4786, Malmö	6,096,991	100%
Ettiketto AB, 556195-2465, Malmö	10,000	100%
Ettiketto Åtvidaberg AB, 556533-7473, Åtvidaberg	35,520	100%
Ettiketto Fastighets AB, 556186-7804, Åtvidaberg	30,000	100%
Trading		
Volati Handel Holding AB (publ), 559233-6763, Stockholm	1,000	100%
Volati Handel AB, 559016-1500, Malmö	926	92.6%
Volati Handel Service AB, 556805-9090, Malmö	1,000	100%
Habo Gruppen AB, 556199-2149, Habo	25,000	100%
Habo Danmark A/S, 10367484, Hinnerup, Denmark	–	100%
Habo Finland OY, 1524026-9, Vanda, Finland	–	100%
Habo Norge AS, 979 746 881, Trondheim, Norway	–	100%
Sörbö Industribeslag AS, 998 327 865, Trondheim, Norway	–	100%
Miljöcenter i Malmö AB, 556424-9018, Arlöv	2,000	100%
Miljöcenter Green Technology Hong Kong Limited, 2234277, Hong Kong	100	100%
Volati Agri Supply AB, 556795-4325, Skara	1,000	100%
Kellfri AB, 556471-9101, Skara	10,000	100%
Oy Kellfri AB, 20299787-6, Helsinki	1,000	100%
Kellfri Aps, 29404569, Fredericia, Denmark	125	100%
Volati JBF AB, 556251-0999, Malmö	10,000	100%
Volati Emballage AB, 559026-0179, Vetlanda	1,000	100%
T-Emballage Bygg AB, 556191-0737, Vetlanda	10,000	100%
T-Emballage Förpackning AB, 556497-9986, Vetlanda	2,000	100%
Väggmaterial Sverige AB, 556597-3996, Kungsbacka	1,000	100%
Thomée Gruppen AB, 556014-1896, Malmö	12,000	100%
NMP		
Volati Life AB, 556968-9077, Hammarö	930	93%
Volati Life Holding AS, Drammen, Norway	300	100%
NaturaMed Pharma AS, 970980016, Drammen, Norway	–	100%
NaturaMed Pharma AB, 556596-3799, Hammarö	1,000	100%
Pharmapolar AS, 00106007187, Drammen, Norway	100	100%
S:t Eriks		
Volati Infrastruktur AB, 559162-9612, Stockholm	490	98%
Stenentreprenader i Hessleholm AB, 556509-4702, Hässleholm	5,000	100%
S:t Eriks Group AB, 556993-9829, Staffanstorp	782,500	100%
S:t Eriks Holding AB, 556793-4970, Staffanstorp	1,000,000	100%
S:t Eriks AB, 556203-4750, Staffanstorp	22,222	100%
NoFo2 AB, 556777-2255, Staffanstorp	100,000	100%
NoFo3 AB, 556777-6736, Staffanstorp	100,000	100%

Subsidiary, corp. reg. no., registered office	Number	Holding
S:t Eriks Norge AS, 990918635, Slattum, Norge	1,000	100%
S:t Eriks i Töreboda AB, 556510-5524, Staffanstorp	1,000	100%
Stenteknik i Karlstad AB, 556701-9566, Kil	86	100%
Vinninga Cementvarufabrik AB, 556693-3957, Vinninga	300	100%
Nordskiffer AB, 556443-1103, Höganäs	1,000	100%
Håle Stenbrott AB, 556949-2068, Staffanstorp	500	100%
Tornum		
Volati Agri Holding AB,559214-8638, Stockholm	480	96%
Volati Agri AB, 556744-8955, Skara	1,000	100%
Tornum AB, 556552-1399, Kvänum	1,000	100%
Oy Tornum AB, 19633318, Paipis, Finland	100	100%
Tornum Polska Sp. z.o.o., 7752500766, Kutno, Polen	100	100%
Tornum Kft., 01-09-880602, Debrecen, Hungary	100	100%
Tornum S.R.L., 24851384, Bucharest, Romania	100	100%
OOO Tornum, 1123444005640, Volgograd, Russia	100	100%
Tornum EOOD, 202029045, Sofia, Bulgaria	100	100%
Tornum LLC, 38908992, Kiev, Ukraine	100	100%
Lidköpings Plåtteknik AB, 556908-3305, Lidköping	500	100%
Tornum Asia Co., Ltd., 0105559188441, Bangkok, Thailand	–	100%
Silokonsult Processteknik Sweden AB, 556369-6581, Skara	1,000	100%
Mundus Maskin AB, 556508-5619, Ystad	10,000	100%
Other		
Fastighetsaktiebolaget Strömsmeden 1 AB, 556750-6117, Stockholm	1,000	100%
LHJHA Förvaltning AB, 556722-1410, Stockholm	300,000	100%
Marum Kontorshus i Väst AB, 556181-7726, Skara	1,000	100%
Oxid Finans AB, 556683-6812, Stockholm	1,000	100%
Piplöken 3 AB, 556714-0123, Stockholm	1,000	100%
Volati Industri AB, 556880-6235, Stockholm	490	98%
Volati 2 AB, 556809-7975, Stockholm	1,051,854	100%
Volati Konsument AB, 556947-0064, Stockholm	1,000	100%
Volati Angelo AB, 556151-8258, Stockholm	5,000	100%
Volati Finans AB, 556762-3334, Stockholm	1,000	100%
Volati Italiano AB, 556345-3108, Stockholm	100,000	100%
Volati Ostran AB, 556036-8101, Stockholm	25,000	100%
Volati Tako AB 556495-9327, Stockholm	5,000	100%
Volati Treasury AB, 556847-3399, Stockholm	1,000	100%

Note 25 Key assumptions

The most important assumptions about future accounting estimates at the reporting date are as follows:

Goodwill impairment testing
The value of subsidiaries, including goodwill, is tested annually by calculating the recoverable amount, i.e. the value in use for each company. Calculation of these values requires several assumptions about future conditions and estimates of parameters to be made, such as discount rates and future cash flows. The procedure is described in note 11. The assessment is that no reasonable changes in key assumptions will result in the calculated recoverable amount falling below the carrying amount. Although the impairment testing involves assumptions about the future, there is not considered to be a significant risk of material adjustments to the carrying amounts of goodwill during the next financial year.

The carrying amount of goodwill at the end of 2019 was SEK 2,020 (2,239) million. In all cases, goodwill reported in the Group has been allocated to each Group company as a further breakdown to a level below this is not considered relevant.

Business acquisitions
Volati acquires businesses on a regular basis. An acquisition analysis is prepared for each acquisition, in which assets and liabilities are measured at fair value. The fair value measurement is to some extent based on management's assessment of the acquired company's future earnings capacity. Certain acquisitions are subject to an additional consideration, which is based on the outcome of the acquired company's earnings during a predetermined period. Management makes regular evaluations of the fair value of the additional consideration that is recognised as a liability, which also includes an assessment of future earnings development for the acquisition. An incorrect assessment can result in the acquired assets and liabilities in the additional consideration being overvalued.

Further information can be found in note 4, Corporate acquisitions.

Put options
Volati recognises a liability for put options over non-controlling interests. The liability is measured at fair value in equity and the calculation requires management's assessment of, among other things, profit multiples for the operations where put options exist. The carrying amount of the liability at the end of 2019 was SEK 56 (89) million. An incorrect assessment of the above can result in the liability recognised for the put options being over- or undervalued, which could have a material effect on the Company's earnings and financial position. More information can be found in note 22.

Extension options and discount rate
The introduction of IFRS 16 in 2019 means that new key assumptions regarding the assessment of extension options and discount rates have been made. Within the Volati Group, the assessment of the extension options regarding right-of-use assets has been taken into account if exercise of such options is reasonably certain. Use of the discount rate on leases also represents judgement in terms of what asset it refers to, the financial risk and length in years for the underlying market interest rate. An incorrect assessment of the above factors can result in right-of-use assets and lease liabilities being over- or undervalued.

NOTE 26 Events after the reporting period

As announced in a press release on 24 March 2020, Volati's Board of Directors proposes that no dividend be paid to ordinary shareholders, and that the preference share dividend be paid in accordance with the Company's articles of association.

On 21 January, all of the shares in the screws and fastenings supplier Heco Nordiska AB were acquired. See separate press release.

Volati's Board has adopted new financial targets and an updated dividend policy. The strategic direction stands firm, but with the new targets, the Company wants to consolidate its strong long-term focus on value growth.

Volati's overall objective remains to generate long-term value growth by building an industrial group of profitable companies with solid cash flows and capacity for continuous development.

New financial targets

The Board has established the following long-term financial targets, which should be evaluated as a whole.

- EBITA growth: The target is average annual growth in EBITA per ordinary share of at least 15 percent over a business cycle.
- Return on adjusted equity: The long-term target is a return on adjusted equity[1)] of 20 percent.
- Capital structure: The target is a net debt/adjusted EBITDA[1)] ratio of 2 to 3 times as an average over the last four quarters, and not exceeding 3.5 times.

[1)] See definition under alternative performance measures on pages 135–138.

Updated dividend policy

Volati will normally distribute 10–30 percent of the Company's net profit attributable to the Parent Company's shareholders. When determining dividends, net debt in relation to the Company's targets is taken into account, together with future acquisition opportunities, scope for development in existing companies and other factors that Volati's Board considers significant. Dividends on preference shares are issued at an annual amount of SEK 40.00 per preference share, in quarterly payments of SEK 10.00, in accordance with the Articles of Association.

NOTE 27 Related parties

Personnel expenses for Board members and senior executives who are also shareholders are presented in note 6.

During the year, two of the business units leased premises from companies owned by a member of Volati's Board. Rent for these premises during the year amounted to SEK 5 (5) million. A member of Volati's Board invoiced conference rent amounting to SEK 0.2 million in 2019. All related-party transactions have been conducted at market conditions.

In November 2019, Volati changed its ownership of me&i, and me&i's former minority shareholders become new majority shareholders in the company. In 2019, the warrants held by a former Volati senior executive were repurchased by Volati at their market value. In August 2019, Volati repurchased shares in subsidiaries and redeemed shareholder loans from key personnel in Volati's business units, which affects non-controlling interests. In October, Volati sold shares in subsidiaries to key personnel in Volati's business units in accordance with the decision of the EGM on 30 September 2019. During Q2 2019, in accordance with a resolution of the 2019 AGM, two percent of the shares in Volati Infrastruktur AB were transferred at market value to the CEO of S:t Eriks AB at a purchase price of SEK 1 million.

There are loans between minority shareholders of Volati AB's subsidiaries. The loans are on market conditions.

NOTE 28 Alternative performance measures

The financial reports published by Volati include the APMs, which supplement the metrics defined or specified in the applicable rules for financial reporting, such as revenue, profit or loss and earnings per share. APMs are specified when they, in their context, provide clearer or more in-depth data than those metrics defined in the applicable rules for financial reporting. The basis for APMs is that they are used by management to assess financial performance and can thus be considered to give analysts and other stakeholders valuable information.

Volati regularly uses APMs as a complement to the key metrics that represent generally accepted accounting policies. The APMs derive from Volati's consolidated accounts and do not comprise measures of financial performance or liquidity in accordance with IFRS and, accordingly, should not be considered as alternatives to net income, operating profit or other key metrics that are derived pursuant to IFRS or as an alternative to cash flow as a measure of consolidated liquidity.

The following table sets out definitions for Volati's key figures. The calculation of APMs is presented separately below.

Non-IFRS APMs and key metrics	Description	Reason for use
Organic net sales growth	Calculated as net sales for the period, adjusted for total acquired and divested net sales and currency effects, compared with net sales for the same period the previous year, as if the relevant business unit had been owned for the same length of time in the comparative period as the length of time it has been legally consolidated in the current period.	This metric is used by management to monitor the underlying, non-acquired and non-currency-affected, net sales growth in existing operations.
Adjusted net sales	Calculated as net sales for the last 12 months at the reporting date for the companies included in the Group at the reporting date, as if they had been owned for the last 12 months.	Together with adjusted EBITA and adjusted EBITDA, adjusted net sales provides management and investors with a view of the size of the operations included in the Group at the reporting date.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.	EBITDA is used together with EBITA to clarify earnings before the effects of depreciation and amortisation, and earnings before amortisation of acquisition-related intangible assets, in order to provide a view of the profit generated by operating activities.
Adjusted EBITDA	Calculated as EBITDA, excl. IFRS 16 adjustments, for the last 12 months for the companies included in the Group at the reporting date, as if they had been owned for the last 12 months, and adjusted for transaction-related costs, restructuring costs, remeasurement of additional consideration, capital gains/losses on the sale of operations and other income and expenses considered to be non-recurring.	Together with adjusted net sales and adjusted EBITA, adjusted EBITDA provides management and investors with a view of the size of the operations included in the Group at the reporting date, as it does not include items not directly attributable to day-to-day operations.
EBITA	Earnings before interest, taxes and amortisation.	Together with EBITDA, EBITA provides a view of the profit generated by operating activities.
Adjusted EBITA	Calculated as adjusted EBITDA, excl. IFRS 16 adjustments, less acquisition-related amortisation for the last 12 months at the reporting date for the companies included in the Group at the reporting date, as if they had been owned for the last 12 months.	Together with adjusted net sales and adjusted EBITDA, adjusted EBITA provides management and investors with a view of the size of the operations included in the Group at the reporting date.
EBITA excl. items affecting comparability	Calculated as EBITA, excl. IFRS 16, adjusted for remeasurement of additional consideration, capital gains/losses on the sale of operations and properties, and other income considered to be non-recurring.	Used by management to monitor the underlying earnings growth for the Group.
EBITA excl. central costs and items affecting comparability	Calculated as EBITA, excl. IFRS 16, adjusted for central costs, remeasurement of additional consideration, capital gains/losses on the sale of operations and properties, and other income and expenses considered to be non-recurring.	Used by management to monitor the underlying earnings growth for the operations in the Group.

Non-IFRS APMs and key metrics	Description	Reason for use
Adjusted profit after tax	Profit after tax, excluding significant impairment.	Used by management to monitor the underlying earnings growth for the operations in the Group.
Organic EBITA growth	Calculated as EBITA, excl. IFRS 16, excluding central costs and items affecting comparability for the period, adjusted for total acquired and divested EBITA and currency effects, compared with EBITA excluding central costs and items affecting comparability for the same period the previous year, as if the relevant business unit had been owned for the same length of time in the comparative period as the length of time it has been legally consolidated in the current period.	Used by management to monitor the underlying earnings growth for existing operations.
Adjusted earnings per ordinary share	Profit attributable to holders of the Parent's ordinary shares, excluding significant impairment, divided by the number of shares outstanding	Used to illustrate the underlying earnings per share in the Group.
Return on equity	Net profit (including share attributable to non-controlling interests) divided by average equity (including share attributable to non-controlling interests).	Shows the return generated on the total capital invested in the Company by all shareholders.
Return on adjusted equity in 2019[1)]	Net profit excluding significant impairment (including share attributable to non-controlling interests) less preference share dividend divided by average equity for the last four quarters (including share attributable to non-controlling interests) less preference share capital.	Shows the underlying return generated on ordinary share capital invested in the Company by owners of ordinary shares.
Return on adjusted equity[1)]	Net profit (including share attributable to non-controlling interests) less preference share dividend divided by average equity for the last four quarters (including share attributable to non-controlling interests) less preference share capital.	Shows the return generated on ordinary share capital invested in the Company by owners of ordinary shares.
EBITA per ordinary share	Calculated as EBITA divided by the number of ordinary shares outstanding.	Used to illustrate the earnings per share in the Group for owners of ordinary shares.
Return on capital employed (ROCE excl. GW)	EBITA, excl. IFRS 16, excluding items affecting comparability for the last 12 months divided by average capital employed for the last 12 months.	Shows the return on capital employed generated by each business area and the Group without taking into consideration acquisition-related intangible assets with indefinite useful lives.
Return on capital employed including goodwill (ROCE incl. GW)	EBITA, excl. IFRS 16, excluding items affecting comparability for the last 12 months divided by average capital employed, excl. IFRS 16, including goodwill and other intangible assets with indefinite useful lives for the last 12 months.	Shows the return on capital employed generated by each business area and the Group.
Equity ratio	Equity (including share attributable to non-controlling interests) as a percentage of total assets.	The metric can be used to assess financial risk.

1) The return on adjusted equity in 2019 was exclusive of significant impairment related to the Consumer business area. With the adoption of the new financial targets in February 2020, the definition now reverts to what it was previously.

Non-IFRS APMs and key metrics	Description	Reason for use
Cash conversion	Calculated as operating cash flow for the last twelve months divided by EBITDA excl. IFRS 16.	Cash conversion is used by management to monitor how efficiently the Company is managing working capital and ongoing investments.
Operating cash flow	Calculated as EBITDA, excl. IFRS 16, less the difference between investments in/divestments of property, plant & equipment and intangible assets, after adjustment for cash flow from changes in working capital, excl. IFRS 16.	Operating cash flow is used by management to monitor cash flow generated by operating activities.
Net debt/Adjusted EBITDA	Net debt, excl. IFRS 16 adjustments, at the end of the period in relation to adjusted EBITDA for the period.	The metric can be used to assess financial risk.

Calculations of alternative performance measures are presented separately below.

Alternative performance measures	2019	2018
Calculation of organic net sales growth		
Net sales	6,833	6,084
Acquired/divested net sales	–788	–1,636
Currency effects	–22	–41
Comparative figure for previous year	6,023	4,407
Organic net sales growth, %	**–1**	**1**
EBITA excl. central costs and items affecting comparability		
EBITA	513	433
Reversal of IFRS 16 effect	–22	–
Adjustment for items affecting comparability	–27	–12
EBITA excl. items affecting comparability	**463**	**421**
Adjustment for central costs	59	57
EBITA excl. central costs and items affecting comparability	**523**	**478**
Adjusted net sales		
Net sales, LTM	6,833	6,084
Acquired companies	79	690
Divested operations	–120	0
Adjusted net sales	**6,773**	**6,773**

Alternative performance measures	2019	2018
Adjusted EBITA and EBITDA		
EBITDA, LTM	909	552
Reversal of IFRS 16 effect	–282	–
Acquired companies	6	30
Divested operations	–5	–
Impairment, associates	1	–
Capital gain on disposal	–13	–
Transaction costs	3	3
One-time payments	1	2
Additional consideration remeasurement	–17	–14
Adjusted EBITDA	**604**	**573**
Depreciation	–397	–119
Reversal of IFRS 16 depreciation	260	–
Depreciation, acquired companies	0	–18
Divested operations	1	–
Adjusted EBITA	**468**	**436**
Calculation of organic EBITA growth		
EBITA	513	433
Reversal of IFRS 16 effect	–22	–
Adjustment for items affecting comparability	–27	–12
Adjustment for central costs	59	57
EBITA excl. central costs and items affecting comparability	**523**	**478**
Total acquired/divested EBITA	–26	–34
Currency effects	0	–1
Comparative figure for previous year	496	443
Organic EBITA growth, %	**4**	**0**

Adjusted profit after tax	**Full year 2019**	**Full year 2018**	**excl. IFRS 16 Full year 2019**
Profit after tax	–2	274	14
Adjustment for significant impairment	324		324
Adjusted profit after tax	**322**	**274**	**338**

	2019	2018
Basic earnings per ordinary share		
Net profit attributable to owners of the Parent	74	272
Deduction for preference share dividend	64	64
Net profit attributable to owners of the Parent, adjusted for preference dividend	10	208
Average no. of ordinary shares	79,721,639	80,406,571
Earnings per ordinary share, SEK	**0.13**	**2.58**

Adjusted basic earnings per ordinary share, SEK	Full year 2019	Full year 2018	excl. IFRS 16 Full year 2019
Net profit attributable to owners of the Parent	74	272	90
Adjustment for significant impairment, Parent	239	–	239
Deduction for preference share dividend	64	64	64
Net profit attributable to owners of the Parent, adjusted for preference dividend	249	208	264
Average no. of ordinary shares	79,721,639	80,406,571	79,721,639
Earnings per ordinary share, SEK	**3.12**	**2.58**	**3.32**

Diluted earnings per ordinary share	Full year 2019	Full year 2018	Excl. IFRS 16 Full year 2019
Net profit attributable to owners of the Parent, adjusted for preference dividend	10	208	26
Average no. of ordinary shares after dilution	79,721,639	80,469,822	79,721,639
Diluted earnings per ordinary share, SEK	**0.13**	**2.58**	**0.32**
Equity per ordinary share			
Equity at end of period including non-controlling interests	2,360	2,567	
Preference capital	828	828	
Equity at end of period including non-controlling interests, adjusted for preference capital	1,532	1,739	
No. of ordinary shares outstanding at end of period	79,406,571	80,406,571	
Equity per ordinary share, SEK	**19.29**	**21.63**	

Alternative performance measures	2019	2018
Calculation of return on equity		
(A) Net profit, LTM, including non-controlling interests	–2	274
Reversal of impairment	324	–
Adjustment for preference dividend, including dividend accrued but not yet paid	–64	–64
(B) Net profit, adjusted	258	210
(C) Average total equity	2,411	2,473
(D) Average adjusted equity	1,745	1,645
(A/C) Return on total equity, %	0	11
(B/D) Return on adjusted equity, %	15	13
Calculation of equity ratio		
Equity including non-controlling interests	2,360	2,567
Total assets	6,156	5,571
Equity ratio, %	**38**	**46**
Calculation of operating cash flow and cash conversion		
(A) EBITDA	627	552
(A) EBITDA excl. IFRS 16 effect	–35	–14
(B) Adjustment for non-cash items	31	18
Change in working capital	–3	–
Reversal of IFRS 16 effect on working capital	–96	–81
(C) Operating cash flow	523	475
(C/A) Adjusted cash conversion, %	**83**	**86**
Calculation of Net debt/Adjusted EBITDA, x		
Net debt		
Cash and cash equivalents	–447	–241
Unrealised derivative contract assets	–	0
Pension obligations	2	2
Non-current interest-bearing liabilities	642	974
Current interest-bearing liabilities	711	241
Unrealised derivative contracts	0	0
Accrued interest expense	–	7
Pension assets	–2	–2
Adjustment for nominal value of bond liability	4	–6
Adjustment for shareholder loans	–2	–25
Net debt	**907**	**949**
Adjusted EBITDA	604	573
Net debt/Adjusted EBITDA, x	**1.5**	**1.7**

ROCE %, at 31 December 2019	Trading	Industry	Akademi-bokhandeln	Consumer	Central costs and other	Volati Group
1) EBITA, LTM	**176**	**167**	**71**	**108**	**–59**	**463**
Capital employed, 31 December 2019						
Intangible assets	977	538	836	501		2,853
Adjustment for goodwill, patent/ technology, brands	–973	–520	–774	–451		–2,717
Property, plant and equipment	31	223	30	37		336
Financial right-of-use assets	23	39	2	1		66
Inventories	342	318	198	8		865
Trade receivables	296	217	28	33		574
Other current receivables	1	21	21	1		46
Prepayments and accrued income excl. IFRS 16	42	74	48	22		190
Adjustment for non-working-capital-related current receivables						–2
Advances from customers	–2	–49	–1	–10		–62
Trade payables	–186	–211	–254	–51		–706
Accruals and deferred income	–79	–116	–100	–49		–354
Other current liabilities	–34	–27	–58	–23		–183
Adjustment for non-working-capital-related current liabilities						12
Adjusted for preference share dividend						32
Capital employed, 31 December 2019	**438**	**508**	**–23**	**20**		**951**
Adjustment for average capital employed, LTM	33	80	98	17	0	220
2) Average capital employed, LTM	**471**	**588**	**75**	**37**		**1,172**
ROCE excl. GW 1)/2), %	**37**	**28**	**94**	**294**		**40**
3) Average capital employed, LTM, incl. goodwill and other intangible assets with indefinite useful lives	**1,332**	**1,037**	**726**	**703**		**3,801**
ROCE incl. goodwill 1)/3), %	**13**	**16**	**10**	**15**		**12**

ROCE %, 2018	Trading	Industry	Akademi–bokhandeln	Consumer	Central costs and other	Volati Group
1) EBITA, LTM	**158**	**144**	**72**	**104**	**–57**	**421**
Capital employed, 31 December 2018						
Intangible assets	936	772	859	844		3,126
Adjustment for goodwill, patent/ technology, brands	–932	–753	–794	–779		–2,972
Property, plant and equipment	54	263	40	31		404
Inventories	346	324	196	29		895
Trade receivables	292	201	30	36		558
Other current receivables	10	26	28	2		67
Prepayments and accrued income	38	74	50	23		186
Adjustment for non-working-capital-related current receivables	–	–	–	–		0
Advances from customers	–2	–60	0	–11		–73
Trade payables	–220	–169	–260	–54		–706
Accruals and deferred income	–83	–136	–94	–54		–379
Other current liabilities	–32	–28	–52	–27		–184
Adjustment for non-working-capital-related current liabilities	–	–	–	–		18
Adjusted for preference share dividend	–	–	–	–		32
Capital employed, 31 December 2018	**407**	**513**	**3**	**40**		**972**
Adjustment for average capital employed, LTM	25	–177	75	5	0	–72
2) Average capital employed, LTM	**432**	**336**	**78**	**45**		**900**
ROCE 1)/2)	**37**	**43**	**92**	**233**		**47**
3) Average capital employed, LTM, incl. goodwill and other intangible assets with indefinite useful lives	**1,284**	**669**	**728**	**817**		**3,493**
ROCE incl. goodwill 1)/3)	**12**	**21**	**10**	**13**		**12**

Income Statement, Parent Company

SEK million	Note	2019	2018
Operating income			
Net sales		24	14
Operating expenses			
Other external costs	2	–28	–18
Personnel expenses	3	–35	–27
Other operating expenses		–3	–2
Depreciation of property, plant and equipment		0	0
Operating profit/loss		**–43**	**–34**
Profit/loss from financial investments			
Profit/loss from investments in Group companies	4	364	500
Interest and similar income	5	180	160
Interest and similar expenses	6	–37	–29
Profit/loss after financial items		**465**	**598**
Appropriations	7	39	–101
Tax	8	0	0
Net profit		**505**	**497**

Statement of Comprehensive Income, Parent Company

SEK million	Note	2019	2018
Net profit and Comprehensive income for the year		**505**	**497**

Statement of Financial Position, Parent Company

SEK million	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Property, plant and equipment	9	0	0
Other shares and interests		1	1
Other non-current financial assets		1	1
Investments in subsidiaries	10	2,027	1,592
Total non-current assets		**2,029**	**1,594**
Current assets			
Receivables from Group companies		5,380	4,015
Prepayments and accrued income		4	3
Other receivables		2	1
Cash and cash equivalents		422	54
Total current assets		**5,807**	**4,072**
Total assets		**7,836**	**5,666**
EQUITY AND LIABILITIES			
Equity	11		
Restricted equity			
Share capital		10	10
Unrestricted equity			
Share premium reserve		2,377	2,435
Retained earnings		655	301
Net profit		505	497
Total equity		**3,547**	**3,244**
Untaxed reserves			
Tax allocation reserve		48	54
Liabilities			
Non-current liabilities			
Interest-bearing bond liability		596	595
Noncurrent non-interest-bearing liabilities		22	–
Pension obligations		1	1
Total non-current liabilities		**619**	**595**
Current liabilities			
Liabilities to Group companies		2,884	1,509
Trade payables		5	4
Current tax liabilities		–	2
Current interest-bearing liabilities		689	215
Other current liabilities		4	3
Accruals and deferred income	13	40	41
Total current liabilities		**3,622**	**1,774**
Total equity and liabilities		**7,836**	**5,666**

Cash Flow Statement, Parent Company

SEK million	2019	2018
Operating activities		
Profit after financial items	465	598
Adjustment for non-cash items		
Depreciation	0	0
Reversal of dividend from subsidiary	–473	–500
Reversal of financial items	–32	–146
Total adjustments for non-cash items	**–505**	**–645**
Interest paid	–34	–22
Interest received	119	146
Tax paid	–2	–30
Cash flow from operating activities before changes in working capital	**43**	**47**
Cash flow from changes in working capital		
Change in receivables	–2	0
Change in operating liabilities	2	–9
Cash flow from changes in working capital	**1**	**–9**
Cash flow from operating activities	44	38
Investing activities		
Investments in property, plant & equipment	–	–
Investments in subsidiaries[1)]	–1	–1,274
Liquidation of subsidiary	–	–
Cash flow from investing activities	**–1**	**–1,274**
Financing activities		
Share buy-back	–45	–
Warrant buyback	–13	–
Dividends paid	–144	–104
Dividends received	473	500
Change in intra-Group transactions	–405	487
Repayment of loans	–240	–26
Proceeds from borrowings	700	155
Owner transactions	–1	–
Cash flow from financing activities	**325**	**1,011**
Cash flow for the year	**368**	**–226**
Cash and cash equivalents at beginning of year	54	280
Cash and cash equivalents at end of year	**422**	**54**

1) In an internal restructuring during 2018, the Parent Company acquired the majority of subsidiaries, mainly at their carrying amounts, see note 10.

Statement of Changes in Equity, Parent Company

SEK million	Share capital	Share premium reserve	Retained earnings	Net profit	Total equity
Closing balance, 31 Dec 2017	**10**	**2,435**	**296**	**110**	**2,851**
Other appropriations of profits	–	–	110	–110	–
Dividend on ordinary shares	–	–	–40	–	–40
Dividend on preference shares	–	–	–64	–	–64
Quotient value issue, ordinary shares	–	–	–	–	–1
Comprehensive income for the year	–	–	–	497	497
Closing balance, 31 Dec 2018	**10**	**2,435**	**301**	**497**	**3,244**
Other appropriations of profits	–	–	497	–497	0
Warrant buy-back	–	–13	–	–	–13
Share buy-back	–	–45	–	–	–45
Dividend on ordinary shares	–	–	–79	–	–79
Dividend on preference shares	–	–	–64	–	–64
Comprehensive income for the year	–	–	–	505	505
Closing balance, 31 Dec 2019	**10**	**2,377**	**655**	**505**	**3,547**

Notes to the Parent Company's accounts

NOTE 1 Accounting policies

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements from the Swedish Financial Reporting Board's Emerging Issues Task Force. RFR 2 requires the Parent Company, as a legal entity, to prepare separate financial statements in accordance with International Financial Reporting Standards (IFRS) and statements adopted by the EU to the extent allowed within the framework of the Swedish Annual Accounts Act, and taking into account the relationship between tax expense and accounting profit. The recommendation also specifies permissible IFRS exemptions and additions, and the Company has decided to use the exemption from applying IFRS 9 in its reporting. Differences between the Group's and the Parent Company's accounting policies are described below.

The accounting policies described below have been applied consistently to all periods presented in the Parent Company's financial statements.

Revenue recognition
Dividends to the Parent Company are recognised as revenue.

Leases
The Parent Company applies the exemption rule in RFR 2 and recognises lease payments as an expense on a straight-line basis over the lease term.

Property, plant and equipment
The Parent Company recognises property, plant and equipment at cost less accumulated depreciation and impairment.

Depreciation
Depreciation is applied on a straight-line basis over the useful life of the asset.

	Number of years
Equipment	3-10

The residual values and useful lives of assets are reviewed annually.

Financial instruments
The Parent Company applies the IFRS 9 exemption rules in RFR 2 and financial instruments are therefore recognised at cost less impairment.

Group contributions
The Parent Company recognises Group contributions paid and received as appropriations in the income statement.

Tax
Deferred tax assets arising from tax loss carryforwards or other future tax deductions are recognised to the extent that it is likely that the loss can be offset against future profits.

Investments in subsidiaries
The Parent Company only recognises an impairment loss on the carrying amount of investments in subsidiaries when the value of a subsidiary is less than its value in use, as listed in Group note 10.

NOTE 2 Auditors' fees and remuneration

Ernst & Young AB	2019	2018
Audit	1	1
Other auditing services	1	0
Tax advisory services	0	0
	2	**1**

At the 2018 AGM, Öhrlings PricewaterhouseCoopers AB was replaced by Ernst & Young AB as the auditing firm.

Öhrlings Pricewaterhouse Coopers AB	2019	2018
Audit	–	0
Other auditing services	–	1
	1	**1**

The items 'audit' and 'other auditing services' comprise examination of the annual financial statements, accounting records and administration of the business by the CEO and Board, other procedures required to be carried out by the Company's auditors and advice or other assistance relating to observations made during the performance of these other procedures. Anything else is classified as other services.

NOTE 3 Employees and personnel expenses

The average number of employees in the Parent Company was 11 (8), of which 7 (5) were men. In 2019, six of the senior executives were employed by the Parent Company. One is employed in the Group (Akademibokhandeln)

	2019	2018
Salaries and other benefits		
Board and CEO	4	4
Other employees	19	13
	23	**17**
Social security contributions		
Contractual and statutory social security contributions	7	5
Pension costs, Board and CEO (incl. payroll tax)	0	0
Other pension costs	1	2
	9	**8**

NOTE 4 Profit/loss from investments in subsidiaries

	2019	2018
Dividends from subsidiaries	473	500
Impairment of shares in subsidiaries	–109	0
	364	**500**

NOTE 5 Interest and similar income

	2019	2018
Interest income from Group companies	180	160
Interest income from bank deposits	0	0
	180	**160**

NOTE 6 Interest and similar expenses

	2019	2018
Interest expenses to Group companies	–1	–1
Interest expenses on bonds	–22	–20
Interest expenses on loans	–10	–5
Other interest expenses	0	0
Exchange losses	–1	–2
Other finance costs	–3	–2
	–37	**–29**

NOTE 7 Appropriations

	2019	2018
Group contributions paid	–	–108
Group contributions received	34	–
Change in tax allocation reserve	5	7
Change in accelerated depreciation	0	0
	39	**–101**

NOTE 8 Tax

	2019	2018
Current tax expense	0	0
Deferred tax	–	–
Tax expense for the year	**0**	**0**

Reconciliation of effective tax	2019	2018
Profit before tax	505	497
Tax at applicable tax rate	–108	–109
Tax effect of non-taxable income	132	110
Tax effect of non-deductible expenses	–24	–1
Tax effect, other	0	0
Recognised effective tax	**0**	**0**

NOTE 9 Property, plant & equipment

Equipment	2019	2018
Accumulated cost		
Opening cost	**1**	**1**
Investments	–	–
Closing accumulated cost	**1**	**1**
Accumulated scheduled depreciation for the year		
Opening depreciation	**0**	**0**
Depreciation for the year	0	0
Disposals	0	0
Closing accumulated depreciation	**0**	**0**
Closing scheduled residual value	0	0

NOTE 10 Investments in Group companies

Accumulated cost	2019	2018
1 January	1,592	280
Investments[1)]	24	1,274
Shareholder contributions	520	37
Impairment	–109	–
31 December	**2,027**	**1,592**

			Carrying amount	
Subsidiary, corp. reg. no., registered office	**Number**	**Holding**	**2019**	**2018**
Volati Treasury AB, 5569473399, Stockholm	1,000	100%	0	30
Volati Industri AB, 5568806235, Stockholm	500	98%	560	471
Volati 2 AB, 5568097975, Stockholm	1,051,854	100%	5	13
Volati Konsument AB, 5569470064, Stockholm	1,000	100%	663	263
Marum Kontorshus i Väst AB, 5561817726, Skara	1,000	100%	9	9
Volati Finans AB, 5567623334, Stockholm	1,000	100%	18	72
Volati Handel AB, 5590161500, Malmö	1,000	93%	517	484
Volati Bok, 5590258637, Stockholm	8,000,000	98%	254	249
Volati Bok Holding AB, 559233-6746, Stockholm	1,000	100%	1	–
Volati Handel Holding AB, 559233-6753, Stockholm	1,000	100%	1	–
			2,027	**1,592**

1) In an internal restructuring during 2018, the Parent Company acquired the majority of subsidiaries, mainly at their carrying amounts.

NOTE 11 Equity

Dividend
In 2019, Volati AB distributed SEK 79 (40) million to holders of ordinary shares and SEK 64 (64) million to holders of preference shares.

Retained earnings
Retained earnings comprise unrestricted equity from previous years. Together with net profit for the year, this comprises total unrestricted equity, i.e., the amount that is available for distribution to shareholders.

Proposed appropriation of profits
Information on the Board's proposed appropriation of profits can be found in the administration report in this Annual Report and below.

Proposed appropriation of profits
The Board of Directors proposes that:

	SEK
Retained earnings	654,997,772.92
Net profit	504,622,645.00
Share premium reserve	2,376,791,416.66
Be appropriated as follows:	
Dividend of SEK 40.00 per preference share, totalling	64,150,960.00
Carried forward	3,472,260,824.58

NOTE 12 Pledged assets and contingent liabilities

Pledged assets	2019	2018
Shares in subsidiaries	–	–

Contingent liabilities	2019	2018
Rental guarantee	11	15
Guarantees for subsidiaries[1)]	–	75
	11	**90**

1) Volati AB has provided a parent company guarantee for subsidiaries' commitments to Nordea Bank See Group note 23 for information on the Group's external commitments.

NOTE 13 Accrued expenses

Accumulated cost	2019	2018
Accrued personnel expenses	1	1
Accrued social security contributions on accrued personnel expenses	0	1
Accrued interest on bond	5	5
Accrued liability for preference share dividend	32	32
Other accruals	2	2
	40	**41**

NOTE 14 Related parties

The Parent Company has a related party relationship with its Group companies and owners. See Group note 27. During the year, Group contributions and dividends were received from subsidiaries. In addition, the Parent Company has invoiced its subsidiaries for services rendered during the year at an amount of SEK 24 (11) million. Personnel expenses for owners are shown in Group note 6.

The Board and CEO hereby confirm that the consolidated annual 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 financial performance and position. The Parent Company's annual financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the Company's financial performance and position. The Board of Directors' Report for the Group and the Parent Company provides a fair overview of the development of the Group and the Parent Company's operations, financial position and performance and describes material risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 24 March 2020

Patrik Wahlén
Chairman of the Board

Karl Perlhagen
Board Member

Björn Garat
Board Member

Louise Nicolin
Board Member

Christina Tillman
Board Member

Anna-Karin Celsing
Board Member

Magnus Sundström
Board Member

Mårten Andersson
CEO

Our audit report was submitted on 24 March 2020

Ernst & Young AB

Rickard Andersson
Chief Auditor

Auditor's report

To the general meeting of the shareholders of Volati AB, corporate identity number 556555-4317

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Volati AB for the year 2019 except for the corporate governance statement on pages 64–83 and the statutory sustainability report on pages 54–59 and consolidated accounts of the company are included on pages 49–152 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 64-83 and the statutory sustainability report on pages 54-59. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and the statement of financial position for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's board of directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment test of goodwill and trademarks

Description

As Per 31 December 2019, the company's goodwill amounts to SEK 2 020 million and intangible assets with an indefinite useful life amount to SEK 421 million. Notes 1 and 11 describe the impairment test to be carried out annually or when there are indications of impairment. Goodwill and intangible assets with indefinite useful lives acquired through acquisitions are allocated to the company's cash generating units (CGU). When the book value exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the highest of a CGUs net realizable value and value in use, meaning the discounted present value of future cash flows. The cash flow forecasts are based on group management's forecasts that originate in the business units next year's budgets and forecasts for another four to five years. As disclosed in note 11, these forecasts include assumptions concerning, inter alia, net sales growth, profit margin, working capital and discount rates.

Note 11 describes significant assumptions used in the calculation of value and includes a sensitivity analysis for changes in key assumptions. Due to the assumptions required to calculate the recoverable amount, we have assessed that the valuation of goodwill and intangible assets with an indefinite useful life is a key audit matter in our audit.

How our audit addressed this key audit matter

Our review has included, among other things, the following audit procedures:

- Evaluation of the company's process to prepare and carry out impairment tests.
- Review of the company's identification of cash-generating units (CGUs) and how the operations are monitored internally.
- Review of each CGUs discount rate and long-term growth, and where possible by comparison with other companies active in the same industry.
- Evaluation, using valuation experts, of used valuation methods and impairment models, assessed the reasonableness of assumptions, sensitivity analysis, comparison of historical outcomes and reliability of previous forecasts.
- We also assessed whether the information disclosed is appropriate.

Business combinations

Description

The Company acquires companies on a continuous basis. As described in note 1, the Company's acquisition value is determined through a purchase price allocation in connection with the acquisition. Contingent consideration is included in the acquisition cost and is reported at fair value at the time of acquisition. Subsequent effects of revaluations of contingent consideration are recognized in the income statement. Acquired identifiable assets and liabilities assumed are initially recognized at fair value at the time of acquisition and the difference between the acquisition value and the fair value of identifiable assets and liabilities assumed is recognized as Goodwill.

As described in note 25, management is required to make assessments and assumptions in order to estimate the fair value of acquired assets and liabilities, especially when identifying and valuing intangible assets and accounting for contingent consideration. In some cases, the contingent consideration is determined on the basis of the financial performance of the acquired business over a predetermined period. The fair value measurement attributable to business combinations, including contingent considerations involves, to a large extent management's judgment based on the company's own assumptions and therefore constitutes a key audit matter in our audit.

Established fair values for the Company's acquisitions are reported in Note 4. As Per 31 December 2019 contingent considerations amount to SEK 6 million and are presented in note 22. Important assumptions used in the determination of fair value are described in note 25.

How our audit addressed this key audit matter

Our review has included, among other things, the following audit procedures;

- Review of significant acquisition agreements including any contingent deferred considerations.
- Evaluation of management's process for preparing purchase price allocations.
- Evaluation of management's assessments and valuation of identified assets and liabilities assumed, including contingent considerations.
- Reconciliation of purchase price allocation to accounting records.
- Evaluating, using valuation experts, used valuation methods and management assessments and assumptions.
- We also assessed whether the information disclosed is appropriate.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–48. The Board of Directors and the Managing Director 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 read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director’s responsibilities and tasks in general, among other things oversee the company’s financial reporting process.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

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

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Volati AB for the year 2019 and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company’s profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company’s and the group’s type of operations, size and risks place on the size of the parent company’s and the group’s equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company’s organization and the administration of the company’s affairs. This includes among other things continuous assessment of the company’s and the group’s financial situation and ensuring that the company’s organization is designed so that the accounting, management of assets and the company’s financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors’ guidelines and instructions and among other matters take measures that are necessary to fulfill the company’s accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor’s responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company’s profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company’s profit or loss are not in accordance with the Companies Act.

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 64–83 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 54-59 and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB with Rickard Andersson as the auditor in charge, Box 7850, 103 99 Stockholm was appointed auditor of Volati AB by the general meeting of the shareholders on the 25 April 2019 and has been the company's auditor since the 16 May 2018.

Stockholm, 24 March 2020

Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

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