ONE YEAR *of* DELIVERING BEYOND *the* EXPECTED.

CATELLA

ONE. THIS IS CATELLA.

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THIS IS CATELLA

THROUGH A PAN-EUROPEAN platform with global reach, Catella offers local expertise and customised services in property and alternative investments. With an offering aimed primarily at professional investors, operations are divided into three business areas: Corporate Finance, Property Investment Management and Equity, Hedge and Fixed Income Funds.

PAGE 2

MARKETS

THE EQUITY AND FIXED INCOME markets were unstable from the beginning of 2018. Global growth forecasts were downgraded and the US Federal Reserve raised the benchmark rate. However, the drivers of continued allocation of capital to the property sector still seemed strong.

PAGE 10

OPERATIONS

BUILDING PLATFORMS where employees from different countries and business areas exchange knowledge, jointly develop new business opportunities and coordinate activities and client contacts enables Catella to create innovative offerings for local and international investors.

PAGE 16

CORPORATE GOVERNANCE

CATELLA AB (PUBL) is a public Swedish limited liability company whose registered office is in Stockholm, Sweden. Catella has been listed on Nasdaq Stockholm Mid Cap since 2016 and is governed by the Swedish Companies Act, the Swedish Corporate Governance Code and the rules and regulations of Nasdaq Stockholm.

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ONE

Average annual growth for the past three years:

ASSETS UNDER MANAGEMENT

+14 %

TOTAL INCOME

+13 %

OPERATING PROFIT

+7 %

Manuela Scheibe
Head of Debt Advisory

Catella has established a pan-European platform with global reach, from which it offers local expertise and customised services in property and alternative investments for professional investors. Our vision is to be the preferred European partner for investors – together shaping the future in property and alternative investments.

Through geographical range and a broad product offer aimed at several client groups, Catella is reducing exposure to individual markets and asset classes and building stable earnings over time.

The Group has assets under management of about SEK 190 billion. Catella is listed on Nasdaq Stockholm in the Mid Cap segment.

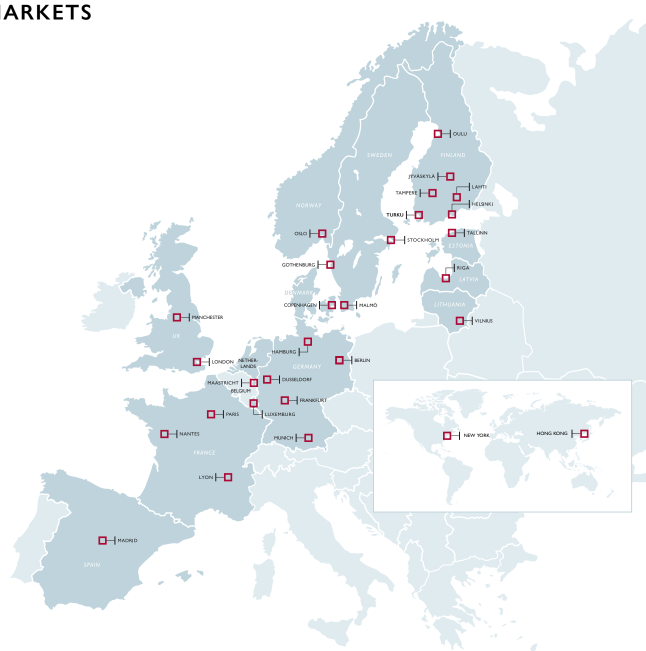
A PAN-EUROPEAN PLATFORM WITH LOCAL EXPERTISE AND GLOBAL REACH

CATELLA WAS FOUNDED IN 1987 and the head office is in Stockholm. With more than 550 employees at 29 offices in Europe, Asia and the US, Catella offers professional advice, innovative products, and active and systematic management in most asset classes. The business is run through three business areas: *Corporate Finance, Property Investment Management* and *Equity, Hedge and Fixed Income Funds.*

Due to the strategic development and sale of the Banking operations, the business area has been reported as a disposal group held for sale since the third quarter of 2018. The aim is to exit the consolidated financial situation, which entails extensive regulations and an inefficient capital structure.

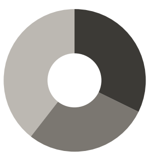
During 2018, Catella had sales of SEK 2.2 billion and assets under management of about SEK 190 billion.

MARKETS



INCOME DISTRIBUTION BY BUSINESS AREA

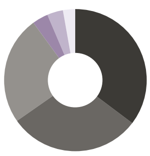
%



- Corporate Finance, 32 %
- Property Investment Management, 28 %
- Equity, Hedge and Fixed Income Funds, 39 %

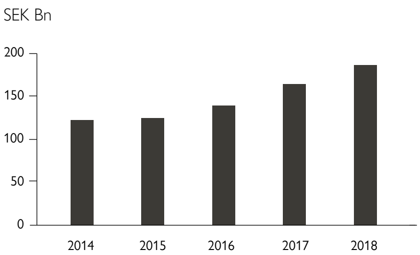
INCOME PER COUNTRY

%



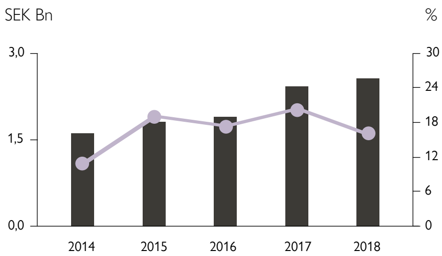
- Sweden, SEK 936M, 41.5 %
- Germany, SEK 615M, 27.3 %
- France, SEK 504M, 22.4 %
- Denmark, SEK 72M, 3.2 %
- Finland, SEK 71M, 3.1 %
- Other, SEK 57M, 2.5 %

ASSETS UNDER MANAGEMENT



- Assets under management, SEK Bn

TOTAL INCOME AND OPERATING PROFIT



- Income, SEK Bn
- Operating margin, %

Brian Rathje
Senior Associate

MARKET VALUE

SEK BN

2.0

AT 31 DEC 2018
+20 % CHANGE FROM LAST YEAR

TOTAL INCOME

SEK BN

2.2

2018
+20 % CHANGE FROM LAST YEAR

OPERATING PROFIT

SEK BN

0.4

2018
-14 % CHANGE FROM LAST YEAR

ASSETS UNDER MANAGEMENT

SEK BN

186

AT 31 DEC 2018
+13 % CHANGE FROM LAST YEAR

FOUNDED

1987

NUMBER OF EMPLOYEES

553

AT 31 DEC 2018
+24 % CHANGE FROM LAST YEAR

TIMELINE

1987 Catella founded in Sweden

1992 Property Advisory established in Sweden

1997 Fund Management established in Sweden

2001 Catella expands the Property Advisory business to Denmark and France

2003 Catella forms one of the first daily traded hedge funds in Sweden

2006 Property Asset Management established in Finland and France

2007 Property Funds established in Germany

2010 Scribona acquires Catella and changes its name to Catella

2011 Wealth Management business established through acquisitions and Catella acquires 5% of Systematic Funds

2014 Current CEO Knut Pedersen appointed. Catella becomes the majority owner in Systematic Funds

2014 Catella establishes Property Asset Management in France and Spain, which also covers Portugal

2015 New organisational structure with four business areas instituted

2016 Operations established in Norway, Germany and Spain London office opened as a base for international capital raising

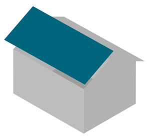
2016 Catella is listed on the Nasdaq Stockholm main market

2017 Catella establishes Property Asset Management in the Netherlands and Sweden and distribution operations in Hong Kong.

2018 Strategic review of Catella Bank and strengthened presence in the UK through a controlling interest in APAM

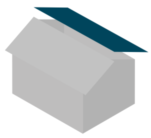
UNFOLDING THE CATELLA STRATEGY

At Catella, we see ourselves as the link between property and finance. We create value for our stakeholders by working together towards a clear vision. The various parts of our strategy are like the cornerstones of a building – all parts are important and necessary to achieving long-term success.



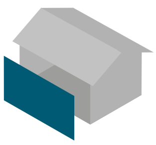
VISION

Our vision is to be the preferred European partner for investors – together shaping the future in property and alternative investments.



BRAND PROMISE

Delivering beyond the expected is our brand promise. It shapes our company culture.



STRATEGIC FOCUS AREAS

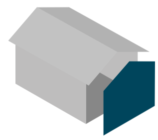
Growth:
– *Focus on strengthened position in current markets*

Expand the product offer:
– *New products in current product segments*
– *New product segments in current markets*

Develop global distribution:
– *Current and new locations*

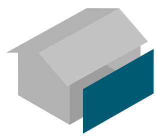
Performance and talent management:
– *Setting goals, evaluating performance and managing rewards*
– *Attracting people, developing talent and developing leadership*

One Catella:
– *Building a strong brand, synergies and best practice*



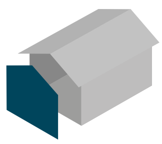
THOUGHT LEADERSHIP IN ALTERNATIVE INVESTMENTS

Through extensive experience, a wide network and strong local expertise combined with an entrepreneurial spirit and creativity, we can create value for our clients in ways other than traditional investment alternatives.



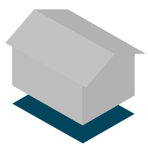
CAPITALIZE ON MARKET TRENDS

Market trends that are creating new opportunities include increased savings, urbanisation and digitalisation.



REACH

The business is positioned in 15 countries and 29 cities. More than 550 qualified professionals work in our three business areas.



VALUES

Our business is founded on a set of strong values. These values guide us in how we do business and interact with our stakeholders.
– *Professional*
– *Respectful*
– *Entrepreneurial*
– *People-oriented*

STRATEGIC FOCUS AREAS

Growth
Expand the product offer
Develop global distribution
Performance and talent management
One Catella

VISION

To be the preferred European partner for investors – together shaping the future in property and alternative investments.

REACH

15 countries
29 cities
3 business areas

BRAND PROMISE

"Delivering beyond the expected."

THOUGHT LEADERSHIP *in* ALTERNATIVE INVESTMENTS

VALUES

Professional
Respectful
Entrepreneurial
People-oriented

CAPITALIZE *on* MARKET TRENDS

STRATEGY

STABLE PLATFORM FOR GROWTH

Catella's stable European platform is enabling persistent strong growth in both advisory and wealth management. Several steps were taken in 2018 towards a more clearly positioned Catella. The key milestones were the sale of the banking business and the strategically important acquisition of British APAM. We are now continuing the effort to increase assets under management to build a wider base in the form of fixed revenues and thereby greater opportunity to generate variable revenues.

The vision is to be the preferred European partner for investors – together shaping the future in property and alternative investments. Catella took important steps in 2018 to build the future structure. Operations in the Banking business area were sold and Property Investment Management was expanded through the strategic acquisition of the British real estate and investment manager APAM. The breadth of our offer is strengthening our position with global investors.

STRATEGIC REVIEW OF THE BANKING BUSINESS

With the sale of the Wealth Management business in Luxembourg to VP Bank, Catella took an important step towards a more efficient capital structure and less extensive regulations. Catella and VP Bank will also initiate a distribution partnership to develop and provide products to the Nordic and European markets. The partnership will give Catella the opportunity to distribute alternative products via a large and trusted partner. Catella also divested 51 percent of the Swedish Wealth Management business to Söderberg & Partners, with which we now have a strategic partnership. Through these transactions, Catella has ensured that its clients are well taken care of by two strong and trusted partners in terms of product range and uninterrupted relationships with their account managers.

Catella has entered into an agreement to sell the card issuing business in Luxembourg to Advanzia Bank S.A. The transfer of client cards according to the agreement with Advanzia Bank S.A. will take place in 2019 and continue through early 2020 to ensure that the maximum number of clients are included in the transaction.

With these strategically important divestments, Catella has completed the strategic review. This took a great deal of the organisation's time during the year, and that time has now been freed up.

TRANSACTION ADVISORY IN THE PREMIUM SEGMENT

Catella Corporate Finance has a strong position locally in each country and from a pan-European perspective. Despite the weak beginning, the year continued with a high level of activity, primarily in Continental Europe where France had its strongest year ever. Profits for the full year were reduced by costs arising from our German business, where we are reviewing the structure and staff composition. Our market position in most countries where we operate is very strong, and we remain active in larger and more complex transactions. In the Nordic region, we have sharpened the focus on capital market-related transactions, which makes Catella less vulnerable to changes in transaction volumes in the property market. The quality of our offering and the expertise of our employees are made apparent through Catella's market position in complex advisory assignments related to transactions and financing.

Overall, we see good activity in the property market, where logistics and residential properties are the most attractive categories of real estate, while lower activity was recorded in the retail segment. There is still keen interest from international capital in property investments, although focus is gradually zeroing in on particular segments.

A STRONG BUSINESS GETTING EVEN STRONGER

The growth in assets under management in Property Investment Management, adjusted for APAM, increased in 2018, creating stability and the potential for higher future earnings. Total income fell slightly, while fixed revenues increased in comparison with the preceding year. The decrease in operating profit was driven primarily by variable revenues that did not materialise. Operating profit was also reduced by start-up costs related to our venture in France within logistics properties. We also established operations in Sweden and Benelux, which rapidly began generating business in 2018.

With the acquisition of British real estate investment and asset manager APAM, we have built a pan-European platform with

» With this geographical reach, which now includes the UK, we are creating a product offer that is highly relevant to international investors.

presence in ten countries. APAM represents a strong, business-driven culture that is a good fit for Catella and the acquisition puts our business in prime position to attract additional capital to our property products.

With this geographical reach, which now includes the UK, we are creating a product offer that is highly relevant to international investors. We are already seeing synergies with APAM in our structure, where the presence in London is triggering interest among investors in our operations in Continental Europe and vice versa.

FUNDS – GOOD RESULTS IN A CHALLENGING MARKET

Fund management at Catella is based on employees with outstanding skills and a structured process in all products, whether systematically or team-managed funds. Several Catella products have low correlation with the equity market and are relevant in the current, highly volatile market climate. In spite of a challenging 2018, we have strong faith in active management with substantial elements of market-neutral strategies.

Total assets under management fell slightly during the year, but the inflow, particularly in Systematic Macro, brought an improved product mix and increased fixed earnings. This is creating greater opportunities for performance-based income. Operating profit declined in comparison with the preceding year, affected mainly by variable income that did not materialise.

NEW GEOGRAPHIES AND CLIENT GROUPS

Catella had strong growth in parts of the current product portfolio. In order to ensure continued growth, it is important to widen operations in both Mutual Funds and Systematic Funds by focusing on new actively managed products. To further strengthen our position and capitalise on the existing platform, we are therefore focusing on increasing the distribution of European property products to Asian and international capital. This is being accomplished through our operations in London and Hong Kong, but also by applying for new permits in current and new geographies to reach client groups we have as yet not addressed. We also opened an office in New York in 2018 to increase distribution capacity in the US market, which is in line with our primary focus: concentrating on distribution in current and new locations while analysing opportunities to develop new products in parallel.

CATELLA ACADEMY

We believe in strong individuals who develop knowledge and client relationships in property and finance. We must attract and develop key employees to achieve long-term success. It is therefore important to promote a stimulating work environment in which employees can progress and contribute to Catella's success. The goal is for Catella to be the most attractive employer in property and finance. We are progressing towards that goal through our Young Professionals programme within the framework of the wider Catella Academy.

THE "NEW" CATELLA

I am convinced that the new strategic focus we are delivering is creating huge potential for future value creation. Divesting the Banking business area has demanded a great deal of time, energy and focus. Our constant ambition has been to create optimal conditions for clients and employees while protecting value for shareholders and ensuring a more efficient capital structure within the Group.

The growth strategy in alternative investment products and our commitment to being an active and alternative asset manager hold firm. We have the expertise and the structure to innovate products for a wide investor base. Increased concentration and coordination in distribution are bringing opportunities for continued growth in assets under management and thus higher fixed earnings. Our property advisory is creating market presence and synergies with large parts of the organisation. Our business areas are positioned for growth and we are now going to have the opportunity to focus even more on continuing operations and further developing the potential found within the framework of the Catella platform.

Our employees have eagerly taken responsibility for developing Catella and our business and continue to make outstanding contributions across the board. The strength of the Catella brand is their achievement. We will also do our utmost in future years to deliver beyond the expected.

Stockholm, April 2019

Knut Pedersen
President and Chief Executive Officer

TWO

Nadir Benabed
Director of New Residential Products

The property market

Despite some indications of a future cooldown, the drivers of continued allocation of capital to the property sector still seem strong. There are business opportunities for Catella and other firms in all phases of the value creation process in real estate.

The investment funds market

After several years of stable growth, the global financial market once again demonstrated its fickle nature and 2018 became a challenging year for the investment funds market. Demand for funds of various types is influenced by global economic fluctuations as well as investors' risk appetite and expectations for the future economy.

PERSISTENT STRONG INTEREST IN THE EUROPEAN PROPERTY MARKET

Investment volumes in the European property sector have increased relatively steadily since 2009. The current economic boom is the second-longest ever, and despite some indications of a future cooldown, the drivers of continued allocation of capital to the property sector still seem strong.

THE EUROPEAN ECONOMY demonstrated good resilience during the year, despite global political and macroeconomic uncertainty. The current economic boom is the second-longest ever, but forward-looking economic forecasts indicate a moderate cooldown. Historically low interest rates have led to a significant inflow of capital in the property market and driven prices up to record levels, especially in large cities. When interest rates are raised, the conditions for financing are affected and capital is usually reallocated from riskier investments in favour of more stable real estate investments with dividend yields and fixed income investments, to a considerable extent. Nevertheless, the drivers of continued allocation of capital to the property sector still seem to be strong.

INVESTORS ARE INCREASING THEIR EXPOSURE

Investment volumes in the European property sector have increased relatively steadily since 2009. There is keen interest among investors in North America and Asia. Based on the potential for diversification, protection against inflation and good, risk-adjusted returns, the property sector remains an attractive investment alternative in both rising and falling markets. According to the INREV survey, the majority of global investors still consider themselves below target for allocations to the property sector and plan to increase their exposure.

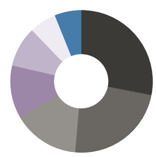
The challenge is finding suitable assets to invest in. This is driving the development of new business models and more niched property products that are needed to meet persistently strong demand and return requirements. The trend has been strengthened by rising prices in the property market and the political instability that has made investors more cautious.

TRANSACTION VOLUMES IN EUROPE – STRONG OFFICE PROPERTY MARKET

After an upturn in 2017, the European commercial property market levelled off somewhat in 2018. Transaction volumes declined by 9 percent to EUR 227.3 billion. A number of structural trends impacted how investors chose to distribute capital in the European property market. These included the online shopping trend, which is still affecting retail and demand for logistics properties.

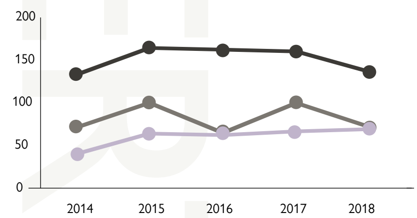
The UK, Germany and France still account for the bulk of total transaction volumes in Europe of EUR 175.2 billion, which reflects the size, transparency and maturity of these markets. The Nordic market showed strong

PROPERTY TRANSACTION VOLUMES IN EUROPE BY COUNTRY,
%



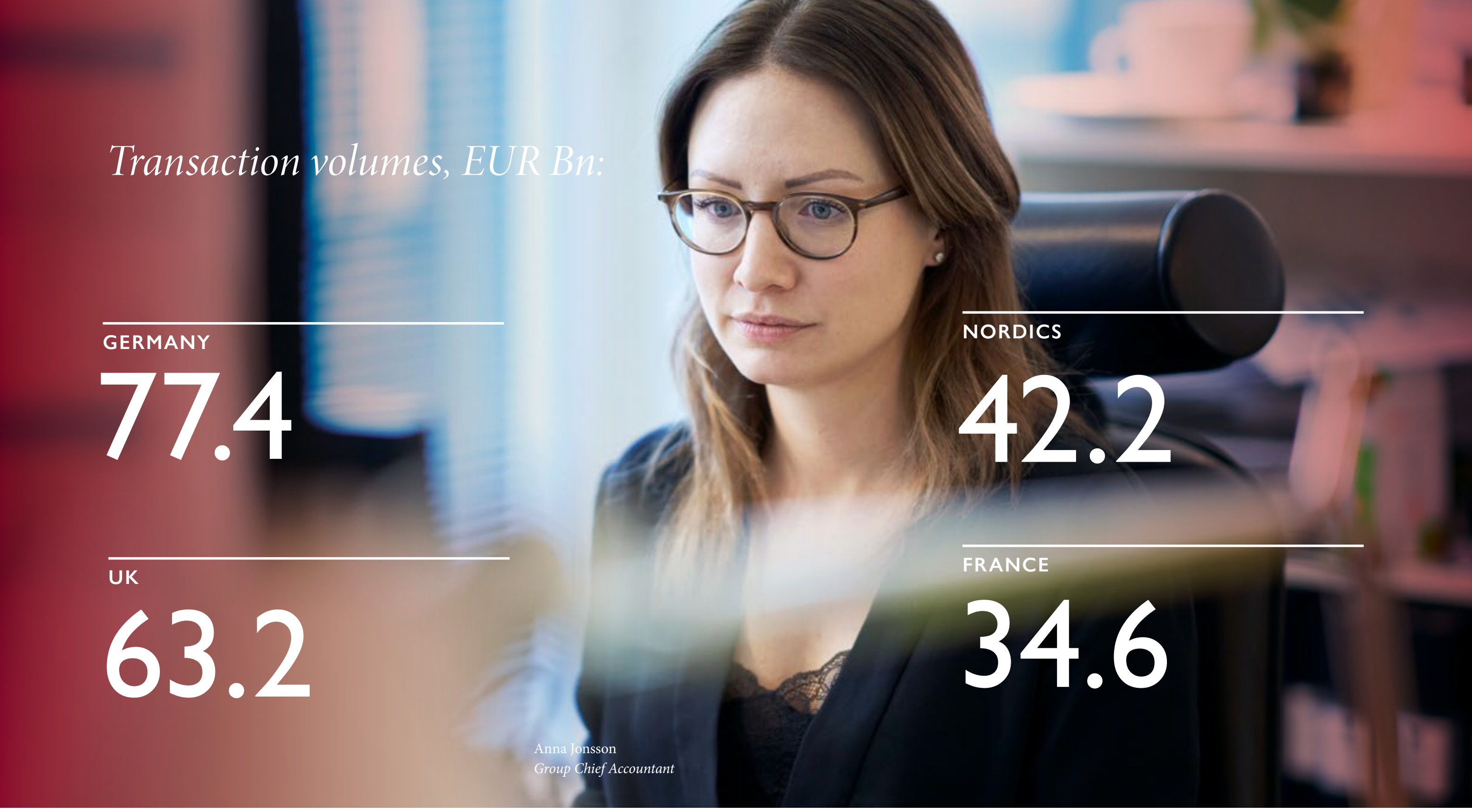
- Germany, 28%
- UK, 23%
- Nordics, 15%
- France, 12%
- Benelux, 9%
- Spain, 6%
- Other, 6%

EUROPEAN PROPERTY INVESTMENTS BY SOURCE OF CAPITAL
EUR Bn



- National
- Global
- European

Source: RCA – Real Capital Analytics.



Anna Jonsson
Group Chief Accountant

activity and high transaction volumes of EUR 42.2 billion.

Uncertainty surrounding the outcome of Brexit negotiations is generating some caution, particularly among European investors. The tendency has been for certain investment decisions to be postponed until the outcome is known. Although some believe Brexit may lead to fewer investments in the UK in the near term, few have any doubts about the long-term status of the region. The market is expected to maintain its top ranking in 2019 as regards willingness to invest, according to the INREV Investment Intentions survey (2019).

The office property market is still attracting the most capital, with a transaction volume of EUR 112.9 billion last year, followed by retail, residential, industrial and logistics properties.

THE NORDIC PROPERTY MARKET

Total transaction volume in 2018 increased by 25.0 percent in Norway and 0.5 percent in Sweden, while decreases were posted of 11.0 percent in Finland and 18.4 percent in Denmark. Activity in the Nordics was lower among international investors, particularly from the US and Asia. Combined with a shortage of properties in the office market, this reduced transaction volume from international investors by 25 percent. The Nordic residential sector showed persistent strong momentum and transaction volume from international investors increased by 66 percent.

TRENDS CREATING NEW OPPORTUNITIES

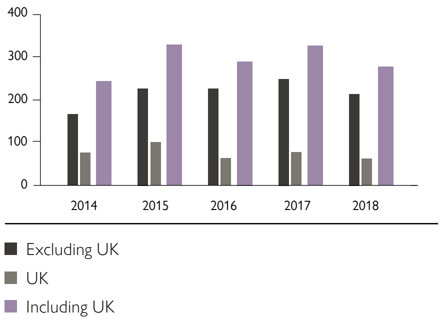
Urbanisation and digitalisation are expected to continue increasing. Combined with increasing capital allocation to long-term investments in property funds, which invest in real estate in Europe, these trends are creating substantial business opportunities in the property sector. Consequently, investments need to be adjusted to changes in how we live, work, communicate and move - for example, by mixing residential and public spaces, meeting new needs for transport and logistics solutions, communications and commercial development.

From an investment perspective, the interplay between property and infrastructure paves the way to new types of investment opportunities. One example, driven by digitalisation, is the development of smart logistics properties, where the greater market demand is driven by changes in consumer behaviour and growth in online shopping. Another example, rising from urbanisation, is the demand for more niched asset classes, such as investments in parking properties in large cities where access to parking is becoming increasingly limited in pace with rising in-migration.

There are business opportunities for Catella and other firms in all phases of the value creation process in real estate. From

PROPERTY TRANSACTION VOLUMES IN EUROPE

EUR Bn



analysis, design and planning to financing, acquisition, management and, finally, sale. As the world becomes more turbulent and investors increasingly sophisticated, the demand is rising for value-creating services and individualised solutions to managing all phases.

For firms like Catella, with specialist expertise that extends beyond transaction advisory, capital market-related services can generate better margins and added value. Many large investors, such as property funds, are seeking partnerships with local experts who can support them in several European countries. This is creating demand for precisely the type of qualified advisory services that are based on the deep knowledge of local conditions in each market that is found at Catella.

GREATER UNCERTAINTY IN A FICKLE MARKET

After several years of stable growth, the global financial market once again demonstrated its fickle nature. 2018 became a year of change for the investment funds market, in which greater uncertainty resulted in a more defensive attitude among private and institutional investors.

The equity and fixed income markets were unstable from the beginning of 2018. Global growth forecasts were downgraded and the US Federal Reserve raised the benchmark rate. This was followed by a period of gradual recovery. The index reached the highest point of the year in late summer, despite macroeconomic and political unrest in several areas of the world, whose causes included uncertainty surrounding the British exit from the EU.

The nervousness rose again in the autumn, even though neither business or the real economy were actually showing any signs of weakness. The market outlook went from optimistic to increasingly pessimistic and the consequence was a widespread dip in which cyclical and energy companies in particular delivered poorer performance. Indebtedness in the economy is at a record-high level and the global economy is becoming increasingly dependent upon asset market trends. These factors continued to have impact on growth forecasts.

SELF-FULFILLING PROPHECIES

The weaker growth forecasts may seem somewhat surprising considering that fiscal policy and monetary policy remain expansive in the most significant economies. However, nervousness has negative effect on the financial market and presents a risk of leading to postponement of investment

Fabian Briem
Sales Manager

» The weaker growth forecasts may seem somewhat surprising considering that fiscal policy and monetary policy remain expansive in the most significant economies.

decisions by companies and consumption decisions by consumers. This is a trend that often becomes something of a self-fulfilling prophecy - a strong stock exchange results in stronger economic growth. It works the same way when stock market prices fall.

It was clear to fund managers whose funds are based on neutral and quantitative strategies and where the strategy is to challenge the prevailing market consensus that 2018 was an unusual year. Many fund managers agree that the year was characterised by uncommon and difficult to interpret market behaviour.

ADVANTAGE TO HEDGE FUNDS IN SPITE OF A WEAK 2018

The target of generating positive returns regardless of stock market conditions notwithstanding, 2018 was a tough year for hedge funds. The Preqin All-Strategies Hedge Fund benchmark posted negative return for the year of -3.41 percent, the lowest since 2008. Few hedge funds managed to live up to expectations and a full 59 percent posted losses. Globally, there was an outflow from hedge funds of USD -33.9 billion, in contrast to the net inflow of USD 44.4 billion in 2017. The biggest outflow was from equity-related strategies, at USD -23.8 billion, and the largest inflow was recorded in credit-related strategies, at USD +13.8 billion.

In spite of disappointing returns for 2018, Preqin's Global Hedge Fund Report shows that 79 percent of institutional investors plan to retain or increase their exposure to hedge funds in the next few years. That is the highest figure since 2014 and suggests that investors are assuming an increasingly defensive position in preparation for 2019. A full 29 percent of investors in the report also plan to increase their exposure to macro strategies, which make up the bulk of all strategies. Going forward, investors are expected to increasingly focus on evaluating the hedge funds' returns, cost structures and capacity to manage an uncertain market. This defensive position is also expected to lead to reallocations of capital in the hedge fund segment. Funds with large exposures to the equity markets may see continued net outflows, to the benefit of alternative investment strategies that are less dependent upon market trends – such as macro strategies and CTA strategies.

INVESTORS IN FUNDS SOUGHT SAFER INVESTMENTS

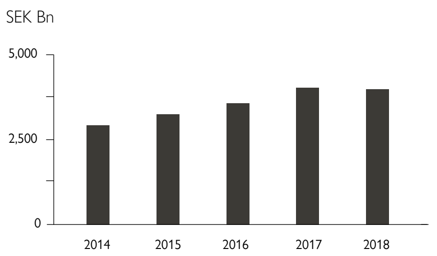
The Swedish investment funds market is still dominated by four major banks, but their dominance is waning in pace with the success of independent fund managers, foreign and domestic. In addition, digitalisation is still presenting opportunities to widen direct distribution to the consumer market via established digital platforms as well as proprietary channels.

At the end of 2018, total fund assets in Sweden amounted to SEK 3,978 billion, down SEK 40 billion from the previous year, primarily due to weak performance in the equity market. As market turbulence accelerated, investors in funds chose to put their money into safer investments. New investments in funds during the year amounted to SEK 54.4 billion, mainly comprising net deposits in short-term fixed income and mixed funds. A net outflow of SEK 6.8 billion was posted in equity funds, where the largest withdrawals were taken from Swedish equity funds, amounting to SEK 27.7 billion net. The net outflow from European equity funds was SEK 10.7 billion. In contrast, there were large net deposits to global funds and new investments during the year in these funds amounted to SEK 39 billion according to the Swedish Investment Fund Association.

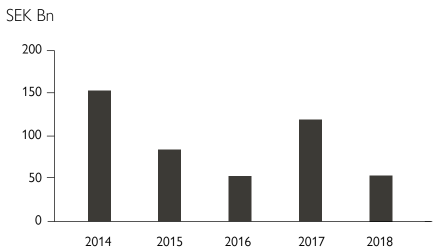
NEW REGULATIONS – MIFID II

The market for advisory services and fund distribution underwent changes in 2018 due to new EU regulations (MIFID II). Higher demands for transparency concerning product prices, distribution costs and payment in connection with advisory services are meant to make it clearer to customers what they are paying for. The transparency makes it easier for investors to evaluate fund management. It also means that funds which generate good risk-adjusted return and charge competitive fees will benefit over time. The trend shows that fund charges in Sweden have fallen in recent years and that annual charges for funds registered in Sweden are on par with the rest of Europe.

FUND ASSET GROWTH, SWEDEN



NET SAVINGS IN FUNDS, SWEDEN



THREE

Performance measures: Sales per business area, SEK M

CORPORATE FINANCE

715

PROPERTY INVESTMENT MANAGEMENT

634

EQUITY, HEDGE AND FIXED INCOME FUNDS

875

Yonna Henriksson
Associate Director

Catella operates in 15 countries with local offices in 29 cities in Europe, Asia and the US. The organisational structure promotes synergies through increased collaboration within and among Catella's business areas. Building platforms where employees from different countries and business areas exchange knowledge, jointly develop new business opportunities and coordinate activities and client contacts enables Catella to create innovative offerings for local and international investors.

Caroline Wachtmeister
Analyst

Martin Legaspi
Analyst

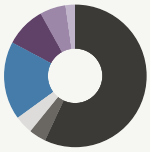
CORPORATE FINANCE

Catella provides high-quality capital market services to property owners and advisory services in all types of property-related transactions for various categories of property owners and investors. Operations are run in ten markets and offer deep local knowledge of local property markets combined with European reach.

Despite a turbulent beginning to the year in macroeconomic terms, activity was persistently high for Catella's Nordic and Continental European operations. Heightened political and financial uncertainty made investors more cautious, but strong interest in property continued, resulting in high transaction volumes. Read more on pages 20-21.

INCOME DISTRIBUTION BY COUNTRY

%



Continental Europe:

- France, 57%
- Spain, 4%
- Germany, 4%

Nordics:

- Sweden, 18%
- Finland, 9%
- Denmark, 6%
- Baltics, 2%

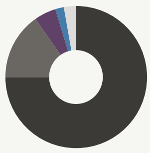
PROPERTY INVESTMENT MANAGEMENT

Catella is a leader in property investments and operates in ten markets across Europe. Professional investors are offered attractive, risk-adjusted returns via regulated property funds, asset management services and project management in the early stages of development projects.

The European property market remained active in 2018, with continued capital inflows. The broad geographical base created by Catella enhances the relevance to investors and the Catella brand is strong in numerous markets. The business area delivered substantial income growth compared to the preceding year and the business developed according to plan. Read more on page 22–23.

INCOME DISTRIBUTION BY COUNTRY

%



- Germany, 75%
- France, 15%
- Denmark, 5%
- Sweden, 2%
- Other, 3%

INCOME DISTRIBUTION BY SERVICE SEGMENT

Property funds

61%

Property Asset Management

39%

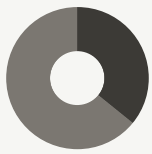
EQUITY, HEDGE AND FIXED INCOME FUNDS

CATELLA IS AN ACTIVE and alternative asset manager, offering actively managed mutual funds with a Nordic investment focus to private and institutional investors, as well as systematic management with a global focus to institutional investors.

MARKET TURBULENCE accelerated in 2018 in world equity markets and the volatility has continued into early 2019. Catella's focus remains on product development in funds that have low or negative correlation with the market. There is rising demand here among institutional investors and the strategy is consistent with the ambition to make Catella less dependent upon economic conditions and other macroeconomic factors. Read more on pages 24-25.

INCOME DISTRIBUTION

%



- Mutual Funds, 36%
- Systematic Funds, 64%

Caroline Boserup
Office- and Communications Assistant

ORGANISATIONAL STRUCTURE

PROPERTY INVESTMENTS AND ADVISORY

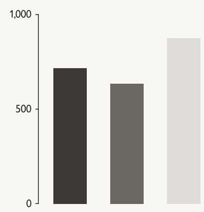
CORPORATE FINANCE	PROPERTY INVESTMENT MANAGEMENT
Nordics	Property Funds
Continental Europe	Property Asset Management

FUND MANAGEMENT

EQUITY, HEDGE AND FIXED INCOME FUNDS
Mutual Funds
Systematic Funds

INCOME PER BUSINESS AREA

SEK M



- Corporate Finance SEK 715M
- Property Investment Management SEK 634M
- Equity, Hedge and Fixed Income Funds SEK 875M

PERSISTENT STRONG INTEREST IN THE EUROPEAN PROPERTY MARKET

Catella is a leading provider of corporate finance advisory in the European property sector. As an advisor, Catella is distinguished by high-end advisory based on local teams. With its local presence combined with expertise in investment banking, Catella can offer its clients a mix of local market knowledge and access to international capital.

Within the Corporate Finance business area, Catella offers real estate companies, financial institutions, property funds and other property owners strategic advisory services, capital market-related services and qualified advisory specialising in large and complex transactions. Catella's primary objective is to create value and profitability by offering customised financial solutions attuned to the ever-changing and increasingly global market.

STRATEGIC ADVANTAGES GERMINATED FROM LOCAL ROOTS

The business is operated through 23 local teams in ten countries. Catella's strong local roots combined with its European reach, where colleagues from different countries and business areas share knowledge, yields opportunities for coordinated activities that result in new business opportunities. This puts Catella in prime position to craft competitive offerings for investors with both local and international focus.

GEOGRAPHICAL BALANCE AND STABLE EARNINGS

In spite of a turbulent beginning to the year in macroeconomic terms, activity remained high for Catella's Nordic and Continental European operations. Heightened political and financial uncertainty made investors more cautious, but strong interest in the asset class persisted, resulting in high transaction volumes. France, which is Catella's largest market, had a record year and executed several major transactions. In the German market, implementation of an ambitious positioning strategy and reorganisation is continuing, aimed at further solidifying and strengthening the position in advisory, something Catella saw gradual positive effects of during the year.

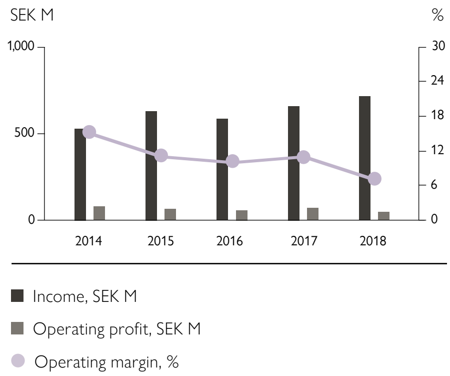
The Nordic market also demonstrated high activity, albeit cooling slightly during the year, with some differences in sentiment among the various sub-markets. Catella continued to strengthen its business in Finland by successfully capturing the rising interest of investors, particularly international investors.

With its geographical reach and wide service offering, Catella is able to reduce the exposure to individual markets and asset classes. The goals are to relevance to clients and more stable earnings over the long term.

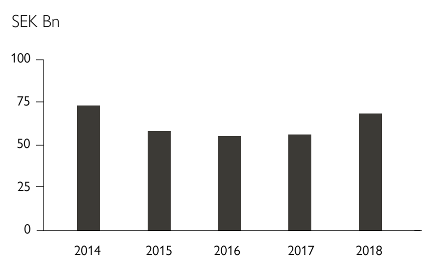
STRONG DEMAND FOR OFFICE, LOGISTICS AND RESIDENTIAL PROPERTIES

Activity in the property market has been good overall. Office properties accounted

TOTAL INCOME AND OPERATING PROFIT



TRANSACTION VOLUMES



Paul Cayla
Consultant

for the bulk of transaction volume during the year, while strong demand for logistics and residential properties persisted. Lower activity was observed in the retail segment. There is keen interest from international capital in real estate investments, although focus is gradually zeroing in on particular segments. Catella has a strong position in Corporate Finance locally in each country and from a pan-European perspective. The quality of Catella's offering is made apparent through Catella's market position in complex advisory assignments including those related to transactions, debt advisory and capital raising. The market responded well to the interesting investment products Catella created during the year.

Total income for the year was SEK 715 million (659), with operating profit of SEK 49 million (71).

STRATEGIC FOCUS

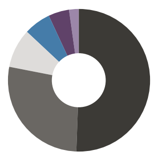
Catella is now increasing its capacity to offer unique and attractive services and investments to clients through enhanced collaboration within and between different business areas. Creating clearly identifiable added value for clients is increasing Catella's credibility among investors and enabling further growth in the business area.

While Catella maintains its strong position in qualified advisory related to property transactions, the Nordic segment of the business will be positioned going forward even more towards capital market-related services with continued focus on equity and debt advisory. Cross-border working groups have been established in the Nordic market to meet higher demand for debt advisory.

Catella has a strong position in Continental Europe as a qualified advisor in property transactions and focus will remain on stronger collaboration among the business areas and supporting the development of the Property Asset Management business. This effort included the 2018 launch of Catella Logistics Europe, a joint initiative of Corporate Finance and Property Investment Management aimed at developing attractive investment opportunities in logistics properties.

TRANSACTION VOLUMES BY COUNTRY

%



- France, 51 %
- Sweden, 27 %
- Denmark, 9 %
- Finland, 6 %
- Germany, 5 %
- Other, 2 %

EARNINGS REVIEW

SEK M	2018	2017
Nordics*	246	312
Continental Europe*	468	346
Total income	**715**	**659**
Assignment expenses and commissions	-88	-74
Operating expenses	-578	-514
Operating profit	**49**	**71**

KEY RATIOS

	2018	2017
Operating margin, %	7	11
Property transaction volumes for the period, SEK Bn	68.6	56.2
Of which Nordics	30.1	37.3
Of which Continental Europe	38.5	18.9
Number of employees at end of period	221	210

*Includes internal revenue between business areas. Internal revenues have been eliminated within the service segment for the current period and corresponding period in 2017.

Catella reinforced its operations in London and Hong Kong during the year. Combined with a stable pan-European platform, Catella can increase the distribution of European property products to Asian and international capital and strengthen its market position.

CREATING VALUE IN PROPERTY INVESTMENTS

Catella is a leading specialist in property investment management in Europe and offers institutional and professional investors attractive, risk-adjusted return via regulated property funds, asset management services and project management in the early stages of development projects.

Operations are run by local teams across Europe who together offer clients property products based on wide knowledge of the local property markets combined with European reach. This gives Catella the capacity to create property products throughout Europe and distribute them to local, European and international clients through the cross-border capacity and knowledge built into the platform.

SERVICE SEGMENTS THAT CREATE VALUE

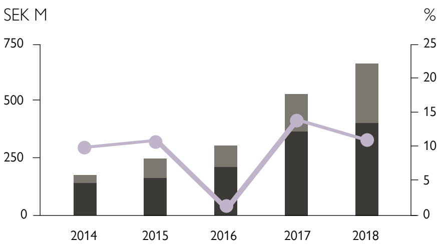
Catella manages all phases of the value creation process in property investments. This covers everything from project generation and acquisitions to financing, strategic management and, finally, sale. Catella Property Funds offers specialised funds with a variety of investment strategies as to risk and yield levels, asset classes and locations. Through 17 open-ended, specialised property funds, investors gain access to effective allocation in Germany and other European markets.

In the Property Asset Management service segment, Catella offers asset management and local value-added services in the property segment to property funds, other institutions, family offices and high net worth clients. Project management, where clients are offered access to investment opportunities at an early stage of development projects, is also included in the service segment. The development projects refer to land and buildings, where Catella provides services related to arrangement of project financing, co-financing and sale, once building permission has been granted. With its breadth of expertise, Catella is able to offer solutions that are adapted to client preferences and the prevailing market climate.

A PAN-EUROPEAN PLATFORM

The European property market remained active in 2018, with continued capital inflows. The broad geographical base created by Catella enhances the company's position among investors and the Catella brand is strong in numerous sub-markets. The business area delivered substantial income growth compared to the preceding year and the business developed well. The increase in assets under management compared to the preceding year was SEK 27.2 billion, including APAM at SEK 15.9 billion, and net inflow during the year was SEK 5.7 billion. Profits were reduced to a certain extent by start-up costs related to new business units in Property Asset Management and Project Management. Catella's property funds also invested during the year

TOTAL INCOME AND OPERATING PROFIT



■ Property Funds, SEK M
■ Property Asset Management, SEK M
● Operating margin, %

EARNINGS REVIEW

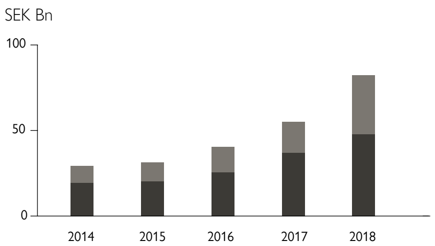
SEK M	2018	2017
Property Funds*	406	369
Property Asset Management*	260	164
Total income	**634**	**521**
Assignment expenses and commissions	-142	-146
Operating expenses	-423	-302
Operating profit	**68**	**73**

KEY RATIOS

	2018	2017
Operating margin, %	11	14
AUM at the end of the period, SEK Bn	82.2	55.0
Net inflow (+) and outflow (-) during the period, SEK Bn	5.7	13.7
Of which Property Funds	47.6	36.9
Net inflow (+) and outflow (-) during the period, SEK Bn	6.6	8.7
Of which Property Asset Management	34.6	18.0
Net inflow (+) and outflow (-) during the period, SEK Bn	-0.9	5.1
Number of employees at end of period	220	132

*Includes internal revenue between business areas. Internal revenues have been eliminated within the service segment for the current period and corresponding period in 2017.

ASSETS UNDER MANAGEMENT



■ Property Funds
■ Property Asset Management

to an increasing extent via the company's own local Property Asset Management operations. The powerful expansion in the business area contributed to the increase in the number of employees from 132 to 220.

STRATEGIC ACQUISITION OF APAM

In December 2018, Catella closed the acquisition of a 75 percent interest in the leading British real estate investment advisor and asset manager APAM. Catella Property Investment Management has continuously strengthened its competitiveness in Europe with annual cumulative growth in assets under management of 31 percent over the past three years. The organic growth combined with the acquisition of APAM further reinforces Catella's position, achieving assets under management of EUR 82.2 billion through the acquisition.

The United Kingdom is a key strategic market for Catella and, regardless of Brexit, there is tremendous interest in investing in the region. APAM is a leader in its field with vast knowledge of the UK property market and impressive historical returns. Through this transaction, Catella has further strengthened its pan-European platform and local expertise. The geographical breadth of the platform is creating increased stability in the business and the capacity to offer existing clients an expanded product and service range based on risk class and geographical preferences.

NEW VENTURE IN LOGISTICS PROPERTY SECTOR

Catella Property Investment Management established Catella Logistics Europe during the year to meet growing demand in the logistics property segment. The new business will focus on early stage development of logistics properties, where the key drivers are to meet the increasingly higher demands of institutional investors and logistics and industrial companies. The logistics sector is developing rapidly. Growth in e-commerce is driving changes across the entire logistics chain and modern, cost-efficient and technically superior spaces are required - needs that the older property stock cannot meet.

STRATEGIC FOCUS

At present, there is growing demand among investors to find investments that meet risk-adjusted return requirements. Catella intends to respond to this development through the active generation of new investment opportunities in the property sector by enhancing its offering in both Property Funds and Property Asset Management. With the acquisition and integration of APAM and the establishment of new operations, primarily in the logistics segment, and the planned launch of the first Luxembourg-based property fund, Catella is in prime position to take advantage of growth opportunities and meet the demands of investors.

TOTAL INCOME, SEK M

634

ASSETS UNDER MANAGEMENT SEK BN

82.2

Jean-Claude Granjon
External Senior Valuer

ATTRACTIVE, LONG-TERM ALTERNATIVES, REGARDLESS OF MARKET CONDITIONS

Catella is an active and alternative asset manager, offering actively managed mutual funds with a Nordic investment focus to private and institutional investors. Catella also offers Systematic Funds with high risk-adjusted return and low correlation to other asset classes to institutional investors.

WITHIN MUTUAL FUNDS, Catella offers actively managed equity, fixed income and hedge funds with focus on Nordic assets. With more than 25 years of experience, Catella currently manages ten funds with various investment strategies. The goal is offer attractive, long-term alternatives to private and institutional investors, regardless of market conditions and aligned with the investor's needs. In Mutual funds, Catella had SEK 29.3 billion in assets under management at 31 December 2018.

The majority of the Mutual Funds offering consists of alternative products whose objective is to generate positive returns regardless of market trends. Catella Hedgefond, which has undergone several changes in recent years, is one example. The product is managed in a more diversified manner than before and the correlation against the equity market has gone down significantly. Although fund performance did not meet expectations during the year, total risk in the portfolio was low. The fund is composed of several different strategies, where the more fortunate strategies were able to compensate for the poorer performances.

NICHE PLAYER WITH GLOBAL REACH

Catella enjoys a strong position in the Systematic Funds niche. Institutional investors from all over the world are choosing to invest in these globally competitive products. Systematic Funds are managed with the support of economic theory and statistical models, where big data is compiled and forms the basis of strategies with historically profitable outcomes. The funds invest globally, primarily in liquid securities in the currency, fixed income and equity markets. The business model is scalable and capable of handling large volumes. At 31 December 2018, assets under management amounted to SEK 74.7 billion in the service segment.

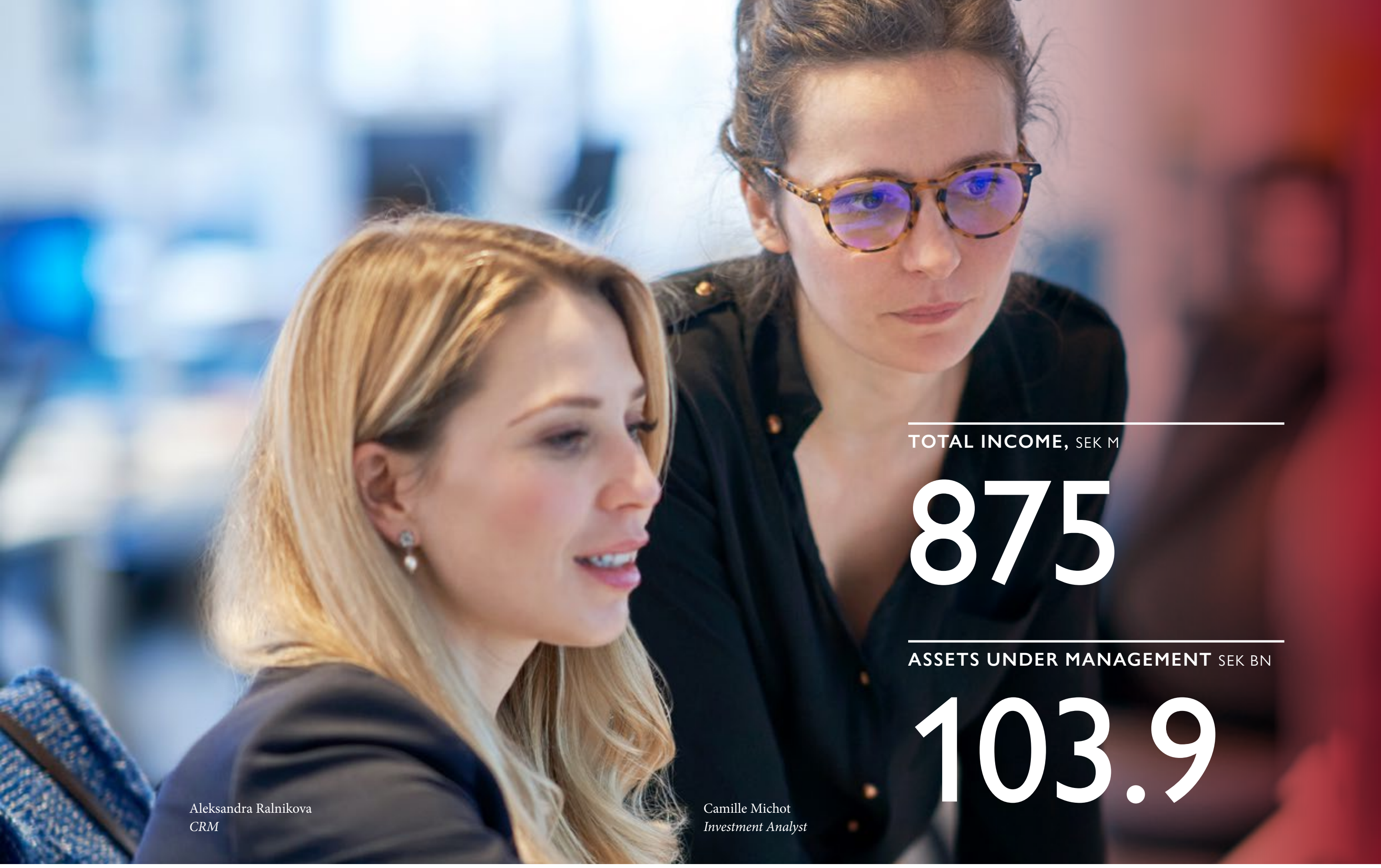
Catella offers investment strategies based on the assumption that market prices fluctuate around the true fundamental value of financial assets within the Systematic Funds (IPM AB) service segment. IPM is primarily recognised for its systematic macro strategy, as well as its systematic equity strategy, which is built on similar investment principles. The methods were designed to model movements around the underlying assets and strategies have been devised to generate high risk-adjusted return with low correlation against other asset classes. The investment process is entirely systematised. In the past three years, IPM has nearly doubled assets under management, which amounted to SEK 74.7 billion at 31 December 2018. The flagship product, IPM Systematic Macro, was the largest hedge fund in Scandinavia in terms of assets under management as of October 2018.

The relative independence of the equity market and other asset classes enhance risk-adjusted return in client portfolios. As one of the pioneers in smart beta strategies, Catella generates added value via Systematic Funds through exposure to the equity market independently of companies' market capitalization and thus offers a clear alternative to passively managed index mandates.

A CHALLENGING YEAR FOR VARIABLE INCOME

Growth declined during the year in the equity, fixed income and hedge funds due to a turbulent equity and fixed income market and greater competition from index funds. Total assets under management for the business area amounted to SEK 103.9 billion (109.3) at the end of the year.

Total income for the year for the business area increased to SEK 875.2 million (850.7), despite significantly lower variable income.



Aleksandra Ralnikova
CRM

Camille Michot
Investment Analyst

EARNINGS REVIEW

SEK M	2018	2017
Mutual Funds	311	396
Systematic Funds	564	455
Total income	**875**	**851**
Assignment expenses and commissions	-161	-151
Operating expenses	-391	-363
Operating profit	**323**	**337**

KEY RATIOS

	2018	2017
Operating margin, %	37	40
AUM at the end of the period, SEK Bn	103.9	109.3
Net inflow (+) and outflow (-) during the period, SEK Bn	-6.2	8.9
Of which Mutual Funds	29.3	32.0
Net inflow (+) and outflow (-) during the period, SEK Bn	-1.1	0.0
Of which Systematic Funds	74.7	77.3
Net inflow (+) and outflow (-) during the period, SEK Bn	-5.1	8.9
Of which Systematic Macro	49.8	48.6
Net inflow (+) and outflow (-) during the period, SEK Bn	-2.1	14.5
Of which Systematic Equity	24.9	28.7
Net inflow (+) and outflow (-) during the period, SEK Bn	-3.0	-5.7
Number of employees at end of period	91	89

*Includes internal revenue between business areas. Internal revenues have been eliminated within the service segment for the current period and corresponding period in 2017.

One explanation for this is an inflow of capital from Systematic Macro, which created a stable base for fixed earnings and opportunities for future variable revenues. Operating profit declined during the year, primarily die to variable revenues that did not materialise.

STRATEGIC FOCUS

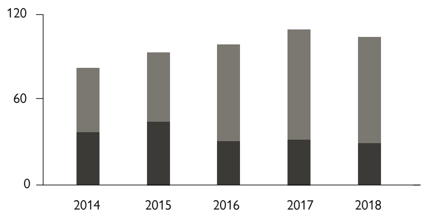
Catella's focus remains on product development in funds that have low or negative correlation with the market. Demand is rising among institutional investors and the strategy is consistent with the ambition to make Catella less dependent upon economic conditions and other macroeconomic factors.

The development towards an increasing element of digital distribution strategies is making it more important to offer well-positioned and distinctive products. The business area is also continuing to develop more niched funds that can constitute interesting alternatives, and adding to the existing product palette in areas including sustainability.

Catella is also focusing on strengthening the relationship with existing clients and resellers, including by ramping up visibility and augmenting personalised service by creating clarity, and thus peace of mind, in the digital environment as well.

ASSETS UNDER MANAGEMENT IN THE BUSINESS AREA

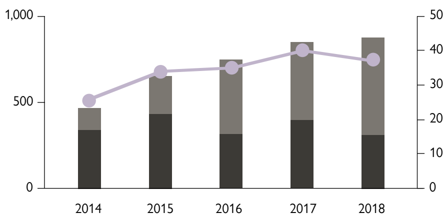
SEK Bn



- Mutual Funds
- Systematic Funds

TOTAL INCOME AND OPERATING PROFIT

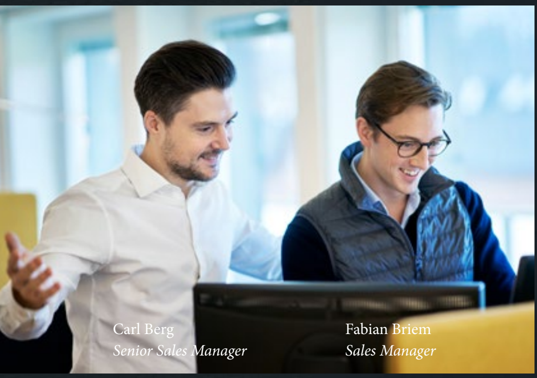
SEK M



- Mutual Funds, SEK M
- Systematic Funds, SEK M
- Operating margin, %

As capital in the international market becomes increasingly mobile, the need for allocation in various assets, currencies and geographies rises. As one aspect of the response to this shift, global distribution and presence with local expertise in each market are becoming increasingly important.

In the past two years, Catella has stepped up its presence locally in Europe and globally by establishing operations in the UK, the US and Asia with new offices in financial centres like London, New York and Hong Kong. The effort is in line with the strategy to further strengthen distribution capacity towards global investors. The aim is to enhance the relationship with international investors and attract additional capital to Europe.


Carl Berg *Senior Sales Manager*
Fabian Briem *Sales Manager*

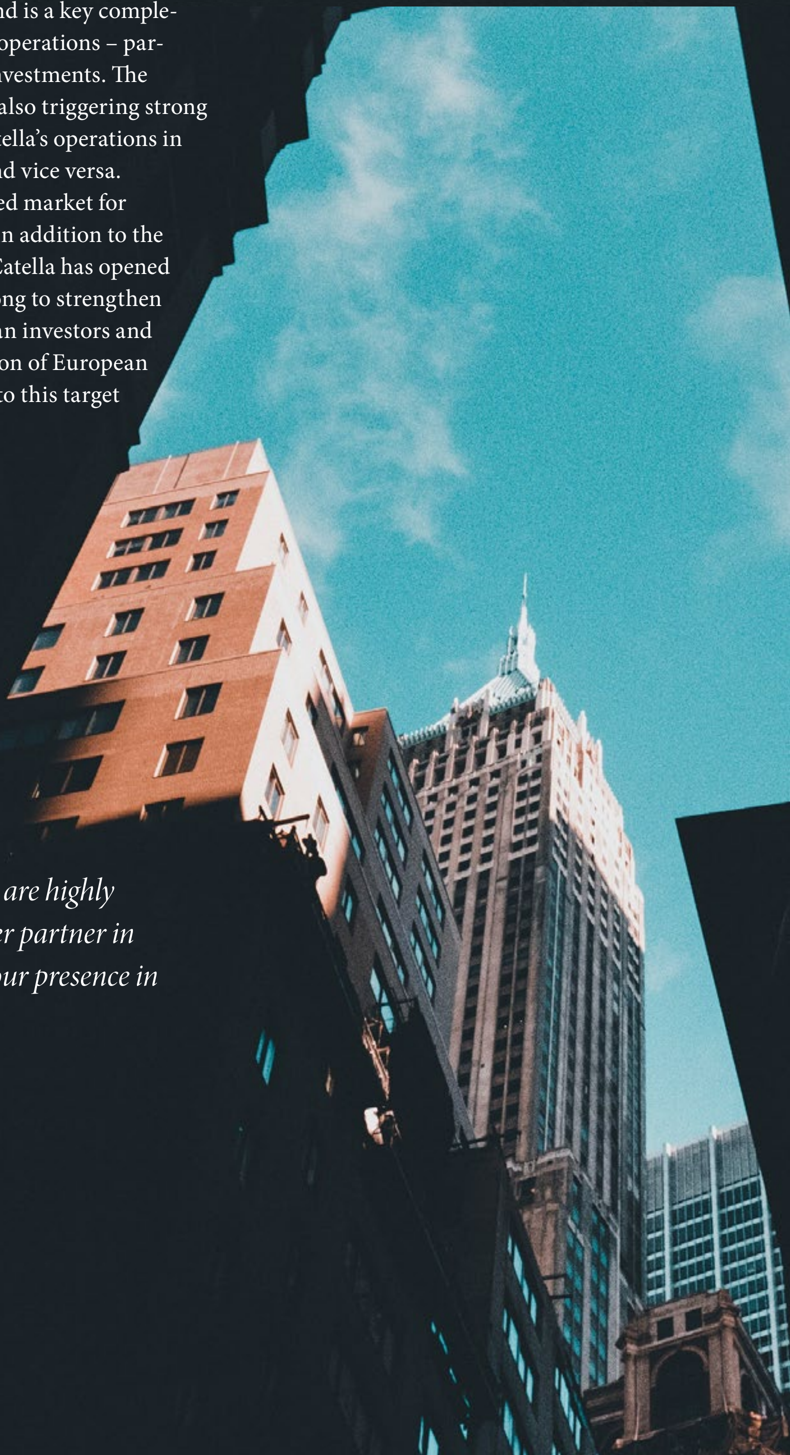
INCREASED PRESENCE IN LONDON, HONG KONG AND NEW YORK

Catella already has a stable pan-European platform with presence in 13 European countries. This breadth is strategically important because major international investors often seek partnerships with local experts able to support them across national borders.

The acquisition of British Real Estate advisor and asset manager APAM in London in 2018 strengthens Catella's position in Europe and globally and is a key complement to the European operations – particularly in property investments. The presence in London is also triggering strong investor interest in Catella's operations in Continental Europe and vice versa.

The UK is a prioritised market for investors in Asia, and in addition to the acquisition of APAM, Catella has opened operations in Hong Kong to strengthen relationships with Asian investors and facilitate the distribution of European products and services to this target group.

In Equity, Hedge and Fixed Income Funds Catella opened an office in New York in 2018 to increase its presence in the American market. The venture enhances opportunities to reach new markets with the existing offering while providing valuable information for the ongoing effort to develop new products.



RESPONDING TO GLOBAL INTEREST

Catella creates alternative investment products that are highly relevant to international capital. This makes us a sought-after partner in the global market, a position we have strengthened through our presence in Europe, Asia and the US.

Gustaf Kullenberg
Associate

YOUNG PROFESSIONALS – INVESTING IN TALENT

Identifying and developing talents within the company is key to Catella's continued success. In addition to an exciting and challenging workplace, every employee is given responsibility from day one and continuously offered new opportunities to learn. Ongoing skills development and networking activities are arranged to promote the development of young talents at Catella. Young Professionals is one example.

PARTICIPANTS IN young Professionals are nominated by managers and come from various parts of the organisation. Over a few intensive days in the programme, they are trained in new challenges. Lectures are alternated with case solving sessions, social activities and coaching in subjects including presentation techniques and rhetoric. The main objectives of Young Professionals are to strengthen participants in their personal development, expand their perspectives and deepen their understanding of Catella's operations to promote the company's development.

The programme begins with a group introduction at which business area managers talk about their operations, followed by a more interactive segment. Participants are divided into small groups and challenged to solve problems based on future challenges and opportunities. The proposed solutions are presented to management. Through these exercises, the participants learn more about the property and financial markets and are given the opportunity to build valuable relationships to encourage their continued development.

ONE CATELLA

One Catella was the theme for Young Professionals in 2018. The exercises were focused on how Catella can create and benefit from synergies between different business areas. The theme changes from year to year, but is always characterised by openness, courage and the drive to discover. The work takes place under the motto "room for your idea." By discussing issues and arriving at new solutions together, being coached and watching presentations, Catella hopes to inspire, develop and support new talents in their quest to achieve their goals and thus be an important part of Catella's success.

» With openness, courage and the drive to discover.

Sophia Ångström
Associate

SUSTAINABILITY REPORT

The sustainability report covers the parent company Catella AB (company registration no. 556079-1419) and all entities consolidated in Catella AB's consolidated accounts for 2018, as specified in Note 20. The sustainability report has been prepared in compliance with chapters 6 and 7 of the Swedish Annual Accounts Act.

There have been no material changes in the application of reporting principles or the scope of the report since the preceding year.

Catella has identified three material topics for the Group's sustainability programme in 2018:

- Responsible investment
- Prevention of corruption
- Employee welfare

By further developing the assumption of responsibility in investment processes, Catella can contribute to sustainable development and mitigate the risks of negative impact in the areas of environment, human rights and social conditions. Working actively to prevent corruption within the confines of Catella's business is a hygiene factor, but also a business-critical issue in order to be a responsible and trustworthy firm operating in the financial market. Catella's efforts to offer an attractive workplace to skilled employees are critical to the success of the Catella Group and thus a key sustainability topic for the company.

RESPONSIBLE INVESTMENT IN CATELLA'S FUND CATELLA'S BUSINESS

Catella's investment philosophy and process are founded on the belief that there is a link between a sustainable business model and sustained company growth and profitability. Catella's goal is to generate good, long-term returns for clients. Sustainable and responsible investment is fundamental to that purpose. It is accomplished by integrating sustainability topics into the investment process.

Catella Fondförvaltning AB (Mutual Funds) and IPM Informed Portfolio Management AB (Systematic Funds) have signed the UN Principles for Responsible Investment (PRI) as one aspect of the effort to be a responsible investor and owner. The six PRI are the basis of sustainability work at Catella. Catella Real Estate AG (Property Funds) has drawn up internal guidelines for responsible investment. Catella believes greater focus on sustainability is contributing to the value performance of the funds by shedding light on risks and opportunities in the funds' holdings.

Within each subsidiary, Catella has adopted policies and other documentation to meet its commitments concerning responsible investment. Catella has agreements with suppliers that provide norm-based screening at the company level of the portfolio companies included in Catella's various management mandates.

If Catella fails to meet its commitments concerning responsible investment, it could damage the company's reputation in the view of clients in particular and ultimately have adverse impact on Catella's income and earnings.

SUSTAINABILITY IN THE INVESTMENT PROCESS

Investment decisions in the funds are based on the managers' company and property research, in which factors including business model, market position, development opportunities, risks and type of tenant are analysed. Sustainability factors are assessed in parallel with financial factors in order to evaluate the company or the property.

Sustainability is the objective of the Catella Sverige Aktiv Hållbarhet fund, which actively seeks to identify companies where sustainability is embedded in the business concept. Sustainability is also an integrated aspect of the investment process in Catella Hedgefond, which is currently one of the largest hedge funds in Sweden. The fund excludes investments in sectors considered harmful to human health or the environment, such as tobacco, alcohol, commercial gambling operations, weapons and pornography. As regards fossil fuels, companies involved in coal production

Mads Dalgaard Hansen
Analyst

have been completely excluded. In addition, investments are made in companies within production and service only if they meet high standards for sustainability work.

SUSTAINABILITY IN OWNERSHIP

Via the funds it manages, Catella is an owner of listed companies, which entails a responsibility and an opportunity to exert influence over the portfolio companies. The purpose of Catella's ownership practices is to safeguard the common interests of unitholders in ownership matters and contribute to long-term and healthy development of portfolio companies and the financial market. Catella is working to bring about greater general transparency and reporting in ESG (Environmental, Social, Governance).

One example is how Catella works actively with shareholder engagement within the framework of the company's property funds in Germany, via Catella Real Estate AG (CREAG). When the property is under management, and during the investment process, existing and potential tenants are analysed to ensure that the tenants are not conducting business related to arms trading, military operations, nuclear reactors, certain pharmaceutical companies or companies that use child labour or commit abuses in the areas of equality, human rights or corruption.

PREVENTION OF CORRUPTION

Catella works actively to prevent all forms of corruption, including bribes from suppliers, and to prevent money laundering and terrorist financing.

Catella's regulated operations have adopted the provisions of the supervisory authorities in each country and have implemented internal guidelines to prevent money laundering and terrorist financing. These provisions are based on EU Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. Catella has implemented policies, procedures and policies and has trained its staff in order to detect any irregularities in the day-to-day course of business.

In support of these, Catella has implemented a corporate whistleblowing function that gives all employees a means to anonymously report serious wrongdoing that conflict with Catella's values, business ethics, policies or the law. The purposes of this function include to uphold good ethics and prevent irregularities and corruption within Catella to the benefit of the company's employees, clients, suppliers and owners. No incidences of corruption have been reported during the year.

Several subsidiaries of the Catella Group conduct operations that are regulated by the financial supervisory authority in their respective jurisdictions. The boards of directors of these subsidiaries have appointed risk management functions, compliance functions and internal audit functions that report regularly to the boards and managing directors concerning any irregularities, such as corruption. Equivalent functions also exist at the group level, which report to the board of directors and the chief executive officer of Catella AB.

Catella works continuously to ensure compliance with current regulations and to prepare for compliance with forthcoming regulatory changes. If Catella does not achieve full compliance, this could entail sanctions or withdrawal of authorisation from a supervisory authority.

EMPLOYEES

Catella believes in giving clear mandates to committed individuals who believe in personal accountability. One of the keys to the company's success is being the best in every local market. Accordingly, Catella's philosophy is based on local entrepreneurship, where we offer people we trust the opportunity to build unique products and services along with their colleagues all over Europe.

553 EMPLOYEES IN 15 COUNTRIES

At year-end, Catella had 553 employees (445), of whom 217 (205) in the Corporate Finance operating segment, 311 (221) in the Asset Management operating segment and 25 (19) in other functions.

COLLABORATION FOR INCREASED SYNERGIES

Group management initiated the internal development project One Catella in 2014. Catella is working actively to develop and refine the effort, where the objective is to identify strategies through increased knowledge transfer and collaboration between countries and business areas and enable a common pan-European perspective on investments and business opportunities.

Since the launch of One Catella, the expanded collaboration among employees, both within and among the business areas, has resulted in new collaborative projects, sharing of lessons learnt, client projects and products .

INVESTING IN YOUNG TALENT

In pace with the changes in the financial services and property industries, it is becoming ever more important to attract employees with the right skills and values. Aimed at motivating and rewarding younger talents across Europe, Catella offers an annual Young Professionals programme. The goal is to learn more about Catella during the joint event and actively participate in the Group's business development work within the framework of One Catella.

Catella also offers a number of internship programmes for young talents across Europe. University students and young talents are offered the opportunity to work directly with experienced colleagues in an international setting and to be an important part of a dedicated business team.

DIVERSITY AND EQUAL OPPORTUNITY

As Catella operates in 15 countries and does business in an international market, diversity and equal opportunity are unquestioned principles. The important thing is not where our employees come from, but that their background and experience are relevant to the challenges of our clients.

Catella's diversity and equal opportunity policy and the Code of Conduct are key instruments to ensure that everyone within the group conducts themselves in accordance with the company's norms. Catella strives to promote diversity and equal opportunity within all group operations.

Catella offers all employees an inclusive workplace where every individual is respected and has access to good working conditions, benefits and career opportunities, regardless of ethnicity, gender, sexual orientation, age, physical ability, family status, religious belief, experience or ideology. Catella is convinced that diversity and equal opportunity create value for everyone.

WORK ENVIRONMENT

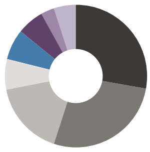
Catella strives to attain an open and inspiring corporate culture. The company's shared success is the result of employee performance as individuals and through teamwork.

Highly qualified and motivated employees are key to Catella's success. The company must create a positive work environment to attract and retain the right personnel. By including employees and working together as a team, Catella believes that the company will remain a motivating workplace.

Catella seeks to encourage an open corporate culture in which employees feel free to speak out concerning wrongdoing in the business. Catella has zero tolerance for all forms of bullying and harassment. Any action that impedes personal development, violates the individual's well-being in some way, or can be interpreted as harassment, bullying or offensive must be detected by the organisation or reported via the corporate

EMPLOYEES PER COUNTRY

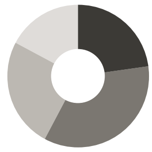
%



- Sweden, 28 %
- Germany, 27 %
- France, 17 %
- Finland, 7 %
- UK, 7 %
- Spain, 6 %
- Denmark, 3 %
- Other, 5 %

AGE DISTRIBUTION

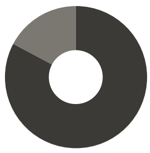
%



- <30, 23 %
- 31–40, 35 %
- 41–50, 25 %
- >50, 17 %

LEVEL OF EDUCATION

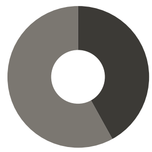
%



- University education, 83 %
- Other education, 17 %

GENDER DISTRIBUTION

%

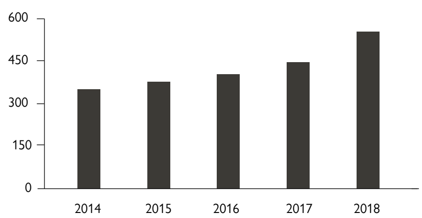


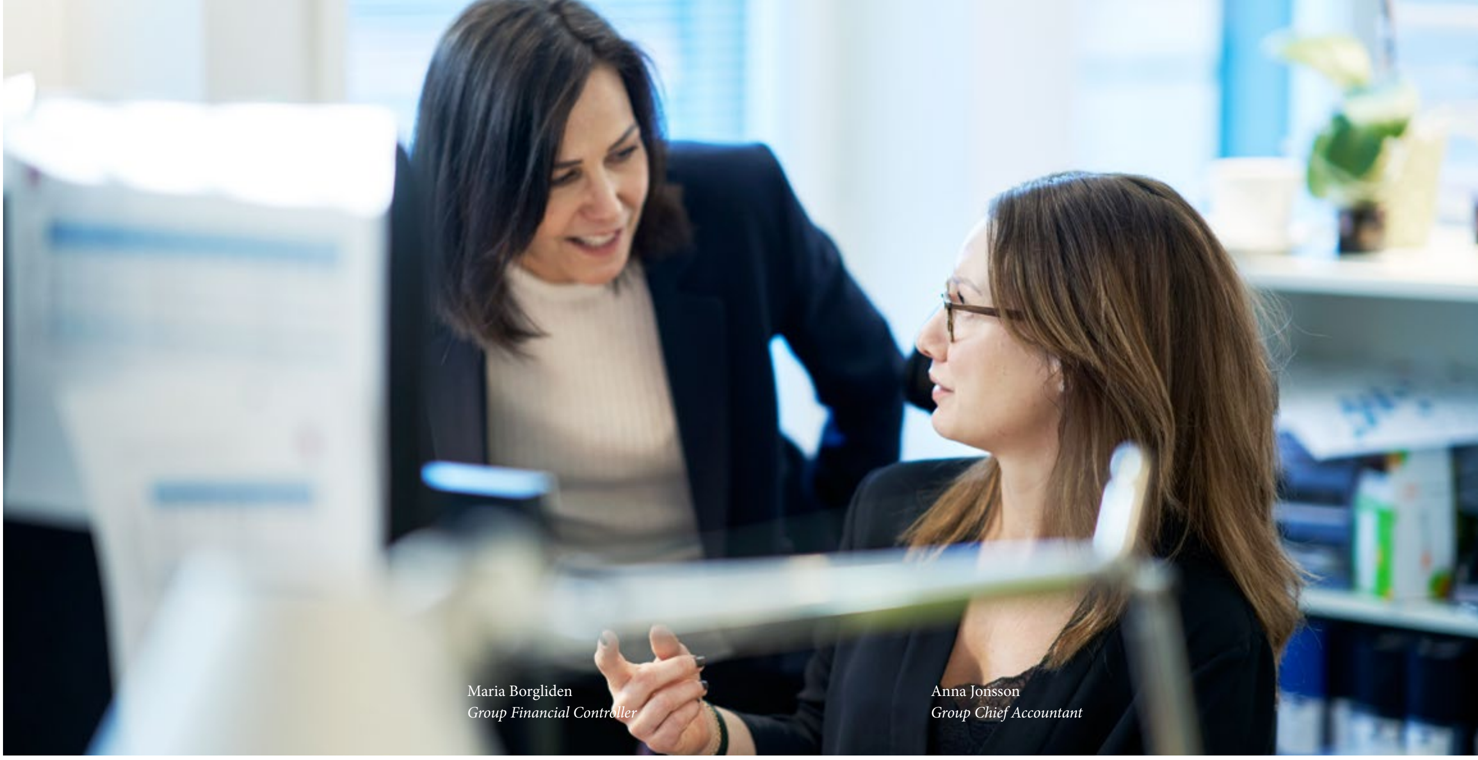
- Women, 42 %
- Men, 58 %

EMPLOYEE KEY FIGURES

	2018	2017
Number of employees at the end of the year	553	445
Average number of employees	539	449
Employee turnover, %	9	19
Percentage women, %	42	36
University educated, %	83	75

NUMBER OF EMPLOYEES





Maria Borgliden
Group Financial Controller

Anna Jonsson
Group Chief Accountant

whistleblowing function. No cases of wrongdoing were reported via the whistle-blowing function during the year.

DECENTRALISED RECRUITMENT

Proximity to local deals, expansive networks in every market and providing scope for local action and strengthened entrepreneurship are key components of Catella's success. Recruitment at Catella is decentralised and based on the principle that the local business units are in prime position to find the best individuals in each market.

COMPENSATION SYSTEM THAT INCENTIVISES BUSINESS

Catella believes in using the right incentives to encourage good performance, proper conduct and balanced risk-taking in line with client and shareholder expectations. The variable compensation structure is built around participation in the profit created at the level within Catella where the employee works and can make a difference. The composition and size of variable compensation is based on business logic, market and regulatory practice, the competitive situation and the employee's contribution to operations.

The variable compensation system is based on a profit-sharing model at the local level in the form of variable compensation and/or risk-taking through part ownership. Catella's compensation system creates strong incentive to do business that adds value for the client. Because variable compensation is based on local financial performance, the incentive also automatically encourages cost control. Catella also has a warrant scheme for senior management personnel that is linked to the price performance of the Catella share.

ENVIRONMENTAL IMPACT

Catella has limited direct impact on the environment, but the company strives to minimise the environmental impact of the business, such as the use of natural resources, emissions, raw materials and waste. Direct environmental impact comes mainly from energy consumption in offices, business travel and transport and the use of resources, such as consumption of paper.

Catella has indirect impact on the environment mainly through assets under management, but also via supplier agreements.

CONFLICTS OF INTEREST

There is risk that conflicts of interest will arise within the type of business Catella conducts. This is prevented through employee training and established procedures and processes that employees are obliged to follow.

The purpose is to prevent adverse impact on Catella's clients and Catella is required to inform clients when a conflict of interest has been identified that may affect them.

DECENTRALISED RECRUITING PROCESS

INCREASED KNOWLEDGE TRANSFER AND COLLABORATION BETWEEN COUNTRIES RESULTS IN NEW CLIENT PROJECTS AND PRODUCTS

THE VARIABLE COMPENSATION STRUCTURE IS BUILT AROUND PARTICIPATION IN THE PROFIT CREATED AT THE LEVEL WHERE THE EMPLOYEE CAN MAKE A DIFFERENCE

OPEN, EXPLORATORY AND COURAGEOUS EMPLOYEES WHO SEE THE OPPORTUNITIES IN BEING PART OF ONE CATELLA.

Stockholm, 24 April 2019

Johan Claesson
CHAIRMAN OF THE BOARD

Johan Damne
DIRECTOR

Joachim Gahm
DIRECTOR

Anna Ramel
DIRECTOR

Jan Roxendal
DIRECTOR

Knut Pedersen
CHIEF EXECUTIVE OFFICER

AUDITOR'S EXAMINATION OF THE STATUTORY SUSTAINABILITY REPORT

ASSIGNMENT AND RESPONSIBILITIES

It is the board of directors who are responsible for the statutory sustainability report on pages 28–32 and for that it has been prepared in accordance with the Annual Accounts Act.

SCOPE AND ORIENTATION OF THE EXAMINATION

Our examination was conducted in accordance with FAR's auditing standard RevU 19 The Auditor's Examination of the Statutory Sustainability Report. This means that our examination of the 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 opinions.

OPINION

A statutory sustainability report has been prepared.

Stockholm, 24 April 2019
PricewaterhouseCoopers AB

Daniel Algotsson
AUTHORISED PUBLIC ACCOUNTANT

A PLACE FOR TALENT TO FLOURISH

Rebecca Peterson
Team Catella

Catella has been a proud, long-term sponsor of Swedish tennis for 30 years. Through this initiative, Catella is helping give young tennis talents the right conditions to flourish on their journey towards the world elite. Tennis is also a popular forum for new meetings and business opportunities.

SINCE 2012, Catella has been also involved as the main sponsor of the Good to Great Tennis Academy, run by Magnus Norman, Mikael Tillström and Nicklas Kulti, all former world-ranked players. The Academy is making a key contribution to young tennis talents and to profiling Swedish tennis internationally.

Catella believes in the Good to Great concept, which brings in young people at an early stage of their development and, in harmony with their academic education, provides them full support on the journey towards the world elite. Young people age 12 and up are coached at the Academy by 15 full-time instructors. Although the majority are Swedish players, Good to Great accepts young talents from all over the world in order to raise the level of competition.

"Catella's support has been invaluable. Without them, the programme would not be what it is today. The partnership opens doors to young Swedish tennis players, as the sponsorship gives them the opportunity to compete on equal terms with the rest of the world," says Nicklas Kulti.

The ongoing Swedish junior tennis initiative, Team Catella, is a joint effort between Good to Great and Catella. The partnership makes it possible for young tennis talents to train with Good to Great and participate in international tournaments. Exceptional young players still sometimes step directly to the world elite, but today's players usually make their breakthroughs when they are a bit older. That is why, after they complete secondary school, Good to Great arranges contacts with several top universities in the US where players can continue to develop as athletes and scholars.

SPORT IS AN IMPORTANT MEETING PLACE

Catella's commitment to tennis is a long-term initiative that has over the years contributed to the progress of world-class players like Robin Söderling and Joachim "Pim Pim" Johansson. Sponsoring tennis also creates new business opportunities, builds relationships and strengthens the Catella brand. Tennis is an extremely popular sport in Sweden and Catella's clients appreciate the networks created through the initiative.

In 2018, Catella and Good to Great arranged the first Swedish Financial Tennis Championships. About 30 teams made up of representatives of several well-known financial houses participated in the tournament. The winning team was awarded prize money to donate to the charity of their choice. The winners in the women's class donated the funds to the Swedish Childhood Cancer Foundation and the winners in the men's class donated their prize money to the Swedish Juvenile Diabetes Foundation.

A NEW TENNIS FACILITY IS OPENED

Catella Arena, the Good to Great Tennis Academy's new facility, was opened in April 2018. Catella is the arena sponsor. Catella Arena is now considered one of the world's leading tennis facilities, where recreational players can train alongside current and future tennis stars.

"We have been working extremely hard to get Swedish tennis back to the top in world rankings since we opened the Good to Great Tennis Academy in early 2011. With Catella Arena, we have a facility that provides optimal conditions for realising this vision, with tennis training, physical therapy and sports injury treatments as well as the all-important nutrition and academic programmes," says Nicklas Kulti.

» Good to Great Tennis Academy.

SPONSOR

THE CATELLA SHARE AND OWNERSHIP

Catella is listed on Nasdaq Stockholm in the Mid Cap segment. Class A and B shares are traded under the stock tickers CAT A and CAT B, respectively. Catella has about 7,100 shareholders, of which the Claesson & Anderzén Group is the largest.

CATELLA'S MARKET CAPITALISATION at 31 December 2018 was SEK 1,952 million (1,621). Catella's share price (Class B) increased in 2018 from SEK 19.80 to SEK 23.20, a rise of 18 percent. This can be compared to the Stockholm All-share, which fell 8 percent.

The price of Catella's Class B share varied during 2018 between SEK 18.30 and SEK 25.65 and the average daily turnover was SEK 1,581 thousand, corresponding to 70,683 shares. Total turnover in 2018 amounted to SEK 395 million, corresponding to about 17,671 thousand shares.

SHARE CAPITAL

Share capital at 31 December 2018 was SEK 168 million (164) divided among 84,115,238 shares (81,848,572). The quotient value per share is SEK 2 (2). Share capital is allocated between two share classes with different voting rights: 2,530,555 Class A shares that carry FIVE votes per share, and 81,584,683 Class B shares that carry one vote per share. The Articles of Association confer a right for holders of Class A shares to convert these to an equal number of Class B shares. No Class A shares were converted to Class B shares in 2018.

DIVIDEND

Catella's target is to transfer to shareholders the portion of consolidated profit after tax which is not judged necessary to develop the group's operations, with consideration taken to the company's strategy and financial position. Adjusted for increases in value unrealised in earnings, at least 50 percent of consolidated profit after tax shall be transferred to the shareholders over time.

Given the growth opportunities within existing and new operations that are expected to generate long-term shareholder value, the board of directors is proposing a dividend to shareholders of SEK 1.20 per A and B share for the 2018 financial year. A divided of SEK 1.00 per A and B share was distributed to shareholders for the 2017 financial year.

SHAREHOLDERS

Catella had 7,138 (7,135)registered shareholders at the end of 2018. The largest individual shareholders at 31 December 2018 were the Claesson & Anderzén Group, with a holding of 49.2 percent (49.8) of equity and 48.5 percent (49.1) of voting rights, followed by Swedbank Robur fonder, with a holding of 6.0 percent (6.1) of equity and 6.2 percent (6.3) of voting rights.

The ten largest shareholders represented 72.7 percent (73.8) of equity and 72.2 percent (73.2) of voting rights at 31 December 2018. Foreign ownership amounted to 16.6 percent (19.4) of equity and 17.1 percent (19.6) of voting rights.

SHAREHOLDERS

AT 31 DECEMBER 2017

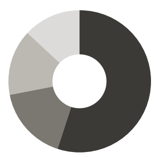
Shareholders	Class A	Class B	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,100,910	40,243,838	41,344,748	49.2%	48.5%
Swedbank Robur fonder	197,937	4,814,000	5,011,937	6.0%	6.2%
Strawberry Capital	143,334	3,486,000	3,629,334	4.3%	4.5%
Catella Bank[1]	288,000	1,889,517	2,177,517	2.6%	3.5%
Avanza Pension	4,924	2,160,912	2,165,836	2.6%	2.3%
Knut Pedersen		1,666,666	1,666,666	2.0%	1.8%
Thomas Andersson Borstam		1,590,000	1,590,000	1.9%	1.7%
Nordnet Pension	3,946	1,540,331	1,544,277	1.8%	1.7%
SIS AG, W8IMY		993,449	993,449	1.2%	1.1%
Mp Pensjon Pk		989,412	989,412	1.2%	1.0%
Other	791,504	22,210,558	23,002,062	27.3%	27.8%
Total	**2,530,555**	**81,584,683**	**84,115,238**	**100.0%**	**100.0%**

[1] *Refers to nominee-registered clients of Catella Bank.*

OWNER DISTRIBUTION OF EQUITY

31 DECEMBER 2018

%



- Legal entities 55%
- Foreign owners 17%
- Financial entities 15%
- Swedish private individuals 13%
- Special interest organisations 0.2%
- Municipal sector 0.0%

Robert Fonovich
Head of Corporate Finance Sweden

DISTRIBUTION OF SHARES

AT 31 DECEMBER 2017

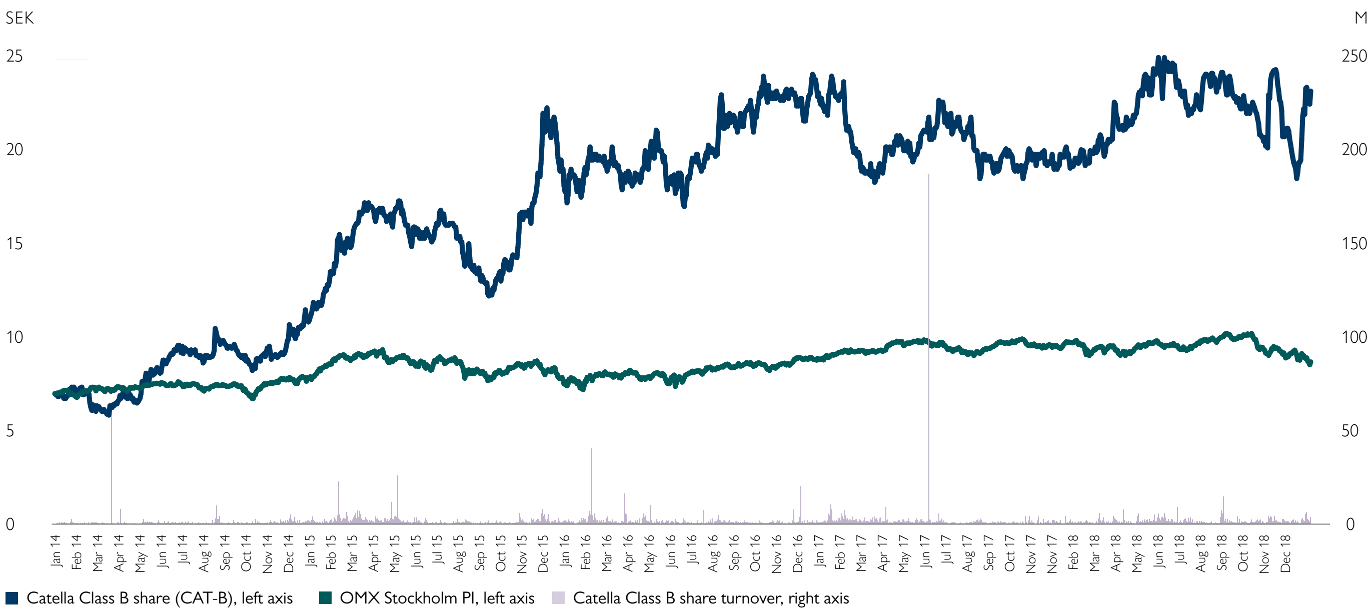
Shareholding	Number of shareholders	Number of Class A shares	Number of Class B shares	Equity, %	Votes, %
SEK 1 – 500	5,201	219,630	492,962	0.85%	1.69%
501 – 1,000	780	133,690	488,325	0.74%	1.23%
SEK 1,001 – 5,000	792	214,770	1,637,327	2.20%	2.88%
SEK 5,001 – 10,000	137	81,074	977,509	1.26%	1.47%
SEK 10,001 – 15,000	46	34,400	557,845	0.70%	0.77%
SEK 15,001 – 20,000	25	1,945	455,850	0.54%	0.49%
20,001 –	157	1,845,046	76,974,865	93.70%	91.47%
Total	**7,138**	**2,530,555**	**81,584,683**	**100.00%**	**100.00%**

DISTRIBUTION OF WARRANTS

BY EXERCISE YEAR AT 31 DECEMBER 2018

Issue 2014 (Exercise price SEK 8.40 per share)	Share of total outstanding warrants, %	Total number of outstanding warrants	Of which held in treasury
2019	50	2,333,333	66,666
2020	50	2,333,334	66,667
Total 2018	**100**	**4,666,667**	**133,333**

FIVE-YEAR OVERVIEW OF THE CATELLA CLASS B SHARE



SHARE OWNERSHIP AFTER FULL DILUTION

AT 31 DECEMBER 2018

Shareholders	Class A	Class B	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,100,910	40,243,838	41,344,748	46.6%	46.3%
Swedbank Robur fonder	197,937	4,814,000	5,011,937	5.6%	5.9%
Strawberry Capital	143,334	3,486,000	3,629,334	4.1%	4.2%
Catella Bank[1)]	288,000	1,889,517	2,177,517	2.5%	3.4%
Avanza Pension	4,924	2,160,912	2,165,836	2.4%	2.2%
Knut Pedersen	0	1,666,666	1,666,666	1.9%	1.7%
Thomas Andersson Borstam	0	1,590,000	1,590,000	1.8%	1.6%
Nordnet Pension	3,946	1,540,331	1,544,277	1.7%	1.6%
SIS AG, W8IMY	0	993,449	993,449	1.1%	1.0%
Mp Pensjon Pk	0	989,412	989,412	1.1%	1.0%
Other	791,504	22,210,558	23,002,062	25.9%	26.5%
Total	**2,530,555**	**81,584,683**	**84,115,238**	**94.7%**	**95.3%**

Warrant holders	Class A shares	Class B	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)		2,000,000	2,000,000	2.3%	2.0%
Knut Pedersen, CEO		1,333,334	1,333,334	1.5%	1.3%
Johan Nordenfalk, COO		200,000	200,000	0.2%	0.2%
Marcus Holmstrand, CFO		200,000	200,000	0.2%	0.2%
Treasury		133,333	133,333	0.2%	0.1%
Other		800,000	800,000	0.9%	0.8%
Total		**4,666,667**	**4,666,667**	**5.3%**	**4.7%**
Total number of shares and warrants	**2,530,555**	**86,251,350**	**88,781,905**	**100.0%**	**100.0%**

1) Refers to nominee-registered clients of Catella Bank.

FIVE-YEAR SHARE DATA

	2018[1]	2017	2016	2015	2014
Class B share price					
Average price, SEK	22.36	20.65	22.82	15.69	8.61
Closing price for the year, SEK	23.20	19.80	22.90	21.50	10.60
High/Low, SEK	SEK 23.65/18.30	SEK 24.70/17.80	SEK 24.50/16.70	SEK 22.90/10.50	SEK 11.70/5.80
Earnings per share, SEK	1.50	2.35	3.32	2.97	2.66
Cash flow per share, SEK	-0.54	4.42	-2.54	5.03	6.35
Equity per share, SEK	11.17	23.73	21.13	16.14	14.24
Dividend per share, SEK	1.20[2]	1.00	0.80	0.60	0.20
Dividend yield, %	5.17	5.05	3.49	2.79	1.89
Market cap at year-end, SEK M	1,952	1,621	1,875	1,755	868
P/E	9.28	5.70	5.26	6.45	3.82
P/B	2.08	0.83	1.08	1.22	0.69
EV/EBITDA	4.44	0.44	2.19	2.40	Neg.
Net liquidity(+) / net debt(–)	275	1,428	1,271	1,098	920
Average weighted number of shares after dilution	88,663,683	88,648,572	88,775,608	92,171,461	81,698,572
Number Class A shares	2,530,555	2,530,555	2,530,555	2,530,555	2,530,555
Number Class B shares	81,584,683	79,318,017	79,318,017	79,198,017	79,168,017
Total number of shares	**84,115,238**	**81,848,572**	**81,848,572**	**81,728,572**	**81,698,572**
Newly issued shares	2,266,666	0	120,000	30,000	–
Existing warrants	7,000,000	7,000,000	17,074,000	36,847,000	35,900,000
Newly issued(+) / expired(–) warrants (net)	-2,333,333	0	-10,074,000	-19,773,000	947,000
Total number of shares and warrants	**88,781,905**	**88,848,572**	**88,848,572**	**98,802,572**	**118,545,572**

[1] *Continuing operations.*
[2] *Board of directors' proposal.*

FOUR

Catella AB (publ) is a public Swedish limited liability company whose registered office is in Stockholm, Sweden. Catella has been listed on Nasdaq Stockholm Mid Cap since 2016 and is governed by the Swedish Companies Act, the Swedish Corporate Governance Code and the rules and regulations of Nasdaq Stockholm.

CORPORATE GOVERNANCE

Responsibility for management and control of operations in Catella and subsidiaries is allocated among the shareholders at the annual general meeting, the board of directors, CEO, other senior management personnel and the internal audit, compliance and risk management functions.

THIS RESPONSIBILITY PROCEEDS from the Swedish Companies Act, the Articles of Association, the Swedish Corporate Governance Code, the rules and regulations of Nasdaq Stockholm and internal rules of procedure, policies and instructions. These provisions are applied and monitored by means of corporate reporting procedures and standards.

SHAREHOLDERS

At the top of the corporate governance structure, shareholders exert their influence to guide the main direction of the company.

The largest individual shareholders at 31 December 2018 were the Claesson & Anderzén Group, with a holding of 48.9 percent (49.8) of equity and 48.3percent (49.1) of voting rights, followed by Swedbank Robur fonder, with a holding of 6.0 percent (0.0) of equity and 6.2 percent (0.0) of voting rights. See "The Catella share and ownership" section for further information.

2018 AGM

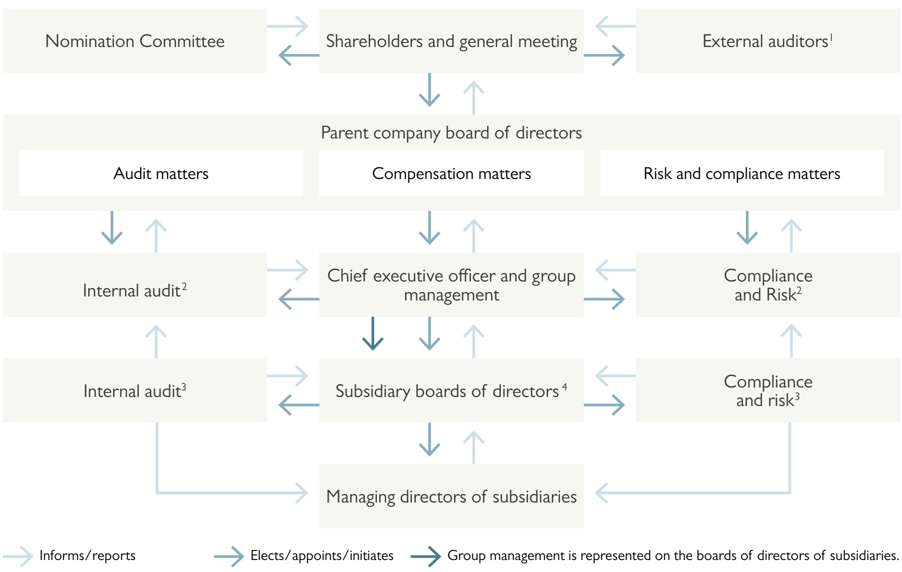
The AGM, which is the company's supreme governing body, gives all shareholders the opportunity to exert their influence.

Amendments to the Articles of Association are subject to resolution by the AGM. The Articles of Association do not impose any limitation on the number of votes a shareholder may cast at a general meeting. All shareholders are also entitled to vote at the general meeting for the entire number of shares they hold.

The AGM was held 28 May 2018 in Stockholm. The board of directors, auditor and owners representing 65.8 percent of total voting interest. Resolutions at the AGM included:

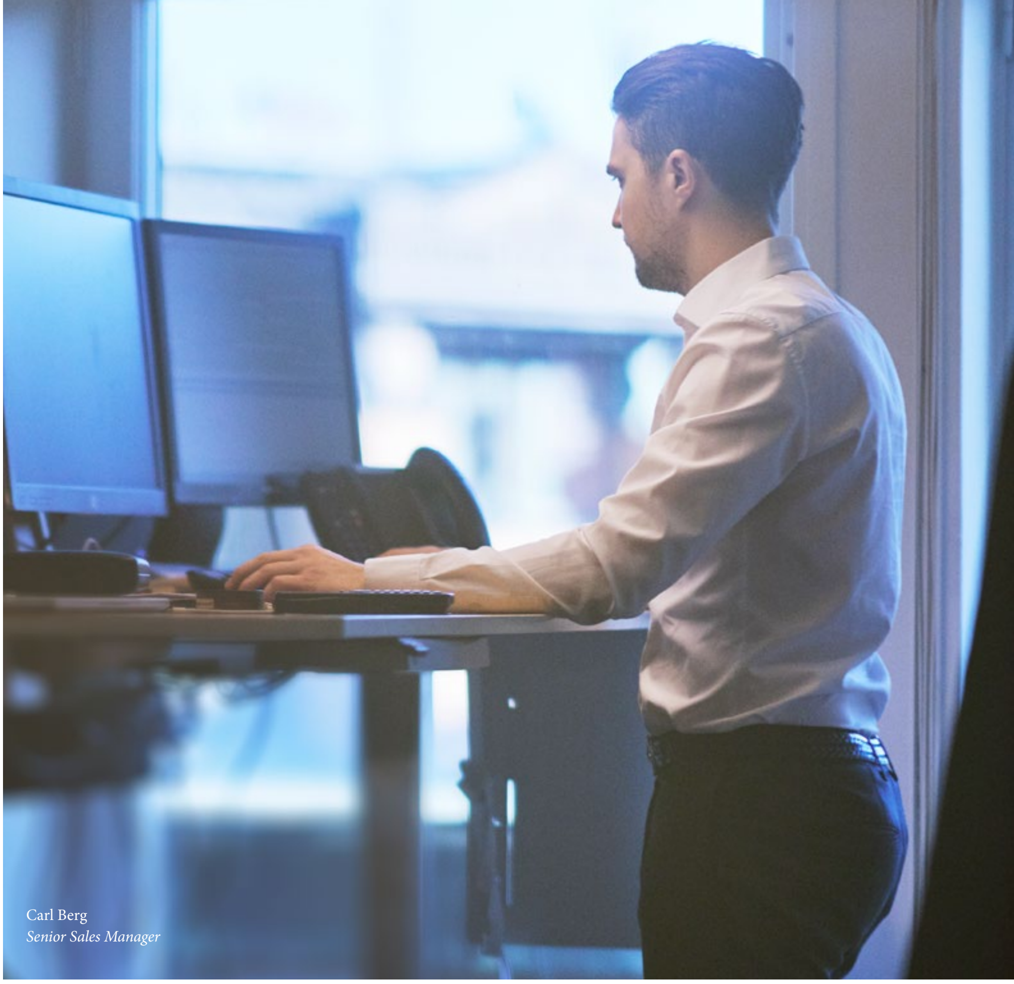
- To dispose of retained earnings and net profit for the year so that SEK 1.00 (0.80) per share (0.80) is distributed to shareholders and the remainder carried forward.
- To pay directors' fees of SEK 2,370,000 in total (2,120,000), including SEK 570,000 (550,000) to the chairman of the board and SEK 350,000 (330,000) each to other directors. It was further resolved to pay a fee to the chairman of the Audit Committee of SEK 130,000 (80,000) and to the other two committee members of SEK 100,000 (50,000) each, as well as a fee to the chairman of the Compensation Committee of SEK 40,000 and to the other committee members of SEK 30,000 (30,000).
- To pay fees to the auditor in accordance with approved invoice.
- To re-elect Johan Claesson, Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as directors and elect Johan Claesson chairman of the board.

CATELLA'S CORPORATE GOVERNANCE STRUCTURE



1) In addition to the auditor's report, the external auditors submit reports concerning review of the annual accounts, management and internal control for financial reporting to the board of directors and executive management of the Catella Group and its subsidiaries.
2) Internal audit, compliance at risk management functions at the group level for Catella's consolidated financial situation.
3) Internal audit, compliance and risk management functions exist in subsidiaries that conduct regulated operations.
4) Subsidiary boards deal with matters related to auditing, compensation and compliance correspondingly to the board of directors of the parent company.

- To appoint PricewaterhouseCoopers AB as the company's auditor and Daniel Algotsson as auditor in charge for a term ending at the close of the 2019 AGM.
- To endorse the Nomination Committee's proposed nomination principles for the 2019 AGM.
- To approve the board of directors' proposed guidelines for compensation to senior management personnel.
- The meeting approved the amendment of the Articles of Association to align with the company's current operations.



Carl Berg
Senior Sales Manager

EXTRAORDINARY GENERAL MEETING 2018

An extraordinary general meeting was held 22 January 2018 in Stockholm. The board of directors, auditor and owners representing 67.3 percent of total voting rights participated. Resolutions at the general meeting included:

- Resolution on approval of acquisition of shares in IPM Informed Portfolio Management B.V.
- Resolution on amendment of terms and conditions for warrants in series 2014/2018:A, 2014/2019:B and 2014/2020:C.

NOMINATION COMMITTEE

The members of the Nomination Committee are appointed in a procedure where the chairman of the board contacts the three largest shareholders in terms of voting rights as of 30 September, each of which appoints one representative. These representatives, along with the chairman of the board, make up the Nomination Committee for the period until the next AGM. The Nomination Committee appoints a committee chair internally, who cannot be the chairman of the board. The composition of the Nomination Committee must be publicly announced immediately upon appointment and no later than six months before the AGM. The Nomination Committee's remit is to present proposals to the AGM concerning the number of directors, directors' and auditor's fees, composition of the board of directors, chairman of the board, resolutions concerning the Nomination Committee, chairman of the AGM and election of auditors. The Nomination Committee's proposal is presented on Catella's website before the AGM. At the AGM, the Nomination Committee reports how its work has been conducted and presents its proposals and reasoning.

The members of the Nomination Committee ahead of the 2019 AGM are Thomas Andersson Borstam, privately and appointed by TAB Holding AB and chairman of the Nomination Committee; Johan Claesson, appointed by CA Plusinvest AB and chairman of the board of Catella AB (publ); and Kennet Andersen, appointed by Strawberry Capital AB. Two of the three members are independent in relation to the company, management and major shareholders.

BOARD OF DIRECTORS

As resolved by the general meeting, the board of directors shall be composed of five ordinary directors and no alternates.

The annual general meeting 28 May 2018 resolved to re-elect Johan Claesson, Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as directors for a term ending at the close of the next AGM. Johan Claesson was elected chairman of the board. Refer to the section "Board of directors and auditors" for further information about the directors.

THE BOARD'S AREA OF RESPONSIBILITY

The board of directors is responsible for the organisation and management of the group in accordance with the Swedish Companies Act and also appoints the CEO and the Audit and Compensation Committees. The board also decides pay and other compensation to the CEO and other members of Group management.

The board adopted an updated charter in May 2018, which includes the establishment of the Audit and Compensation Committees. The board decided that the Audit Committee will be composed of Jan Roxendal, chairman, Johan Claesson and Anna Ramel. The board decided that the Compensation Committee will be composed of Johan Claesson, chairman, and Jon Roxendal. The board has also adopted an instruction for financial reporting, an instruction to the CEO and new and updated policies.

The charter regulates matters including the duties of the chairman of the board, the business to be addressed at every meeting

ATTENDANCE AND COMPENSATION TO THE BOARD OF DIRECTORS

	Elected	Independent of company/owners	Attendance at Board meetings	Attendance Audit Committee meetings	Attendance at Compensation Committee meetings	Fees 2018, SEKk[1)]
Johan Claesson, chairman	2008	No/No	16/16	5/5	2/2	663
Jan Roxendal[2]	2011	Yes/Yes	15/16	4/5	2/2	555
Johan Damne[2]	2014	No/No	12/16			337
Joachim Gahm[2]	2014	Yes/Yes	16/16			297
Anna Ramel	2014	Yes/Yes	16/16	5/5		483

1) See Note [11] of the 2018 Annual Report for a specification of directors' fees paid.
2) Refers to invoiced amounts. See further disclosures under Note [11.] Compensation of the board of directors and senior managers.

of the board and business to be addressed at particular times during the year.

The board assures the quality of financial reporting through a series of group policies, rules of procedure, frameworks, clear structures with defined areas of responsibility and documented powers.

THE WORK OF THE BOARD OF DIRECTORS IN 2018

The board held 16 meetings (12) in 2018, of which 5 (3) were held by telephone. The CEO, Knut Pedersen, reported to the board but did not serve as a director. Knut Pedersen attended all board meetings. In addition to ongoing operations, matters related to the development of the Property Investment Management and Banking business areas, strategy and operational coordination and risk and compliance issues were accorded particular focus during the year. The chairman presided over the work of the board of directors and maintained continuous contact and dialogue with the CEO. The board met with the auditors once to receive their opinions on the company's financial reporting and internal control. Minutes at all board meetings in 2018 were recorded by the company's COO, Head of Group Legal and Compliance or an external lawyer. The minutes were verified by the chairman and one director. A review of the board's work and decisions during the year is presented below.

EVALUATION OF BOARD PERFORMANCE

The chairman of the board is responsible for evaluating the work of the board through contacts with individual directors and has ensured that the assessments were provided to the Nomination Committee.

AUDIT COMMITTEE

The committee supports the board in its work to assure the quality of financial reporting and internal control over financial reporting.

Specifically, the committee monitors financial reporting, the effectiveness of internal control, the activities of the internal audit function and the risk management system. The Audit Committee also keeps itself apprised concerning the statutory audit of the annual accounts. It will assess the independence of the external auditor and services in addition to the audit will be subject to its approval.

The committee will present its conclusions and proposals to the board of directors prior to its decisions. The Audit Committee held 5 (4) meeting in 2018. Catella's statutory auditors were present at all meetings.

THE WORK OF THE AUDIT COMMITTEE IN 2018

- Internal and external auditor's reports for Q3 2018
- Risk report for Q1 2018
- Risk report for Q2 2018
- Risk report for Q3 2018
- Compliance report Q1 2018
- Compliance report Q2 2018
- Compliance report Q3 2018
- Review of audit committee charter
- Examination and review of ICLAAP
- Examination of Group Compliance
- Examination of Long Form Report
- Updating and proposals on new policy documents
- Risk policy
- Examination of Sustainability Report 2017
- Review of currency hedging
- Review of governance structure in material subsidiaries

Mikaela Borgström
Executive Assistant and Office Manager

COMPENSATION COMMITTEE

The Compensation Committee deals with matters related to pay, variable compensation, share-related incentive programmes and other forms of compensation to members of Group management and to other management levels if the board of directors so decides. The committee will present its conclusions and proposals to the board of directors prior to its decisions. The committee held 2 (2) meetings in 2018.

GUIDELINES FOR COMPENSATION TO SENIOR MANAGEMENT PERSONNEL

Compensation to the CEO and other members of group management shall comprised fixed salary, variable compensation, other benefits and pension benefits. Total compensation shall be market-based, competitive and proportionate to the employee's duties and powers. Variable compensation is based on performance in relation to individually defined qualitative and quantitative targets and shall never exceed 24 months' fixed salary. Upon termination of an employment contract by the company, pay during the period of notice and severance pay combined shall not exceed 12 months' salary. Pension benefits shall be provided through defined contribution plans, unless other arrangements are justified by special circumstances. The board of directors is permitted to depart from these guidelines only if justified by special circumstances in individual cases.

Details of compensation to the CEO and other senior management personnel are disclosed in Note 11 of the 2018 Annual Report.

Emmanuel Schreder
Head of Corporate Finance Continental Europe

SHARE-RELATED INCENTIVE PROGRAMME

At 31 December 2018, Catella had a total of 4,666,667 outstanding warrants divided among three series with exercise dates in 2019 and 2020. Upon exercise of the warrants, the subscription price per share is SEK 8.40. In the judgement of the board of directors, the incentive programme promotes the long-term financial interests of the company because, through personal investment, senior management personnel will benefit from and work to achieve long-term and positive appreciation in the value of the company's share. Further information is provided under "The Catella share and ownership."

THE WORK OF THE BOARD OF DIRECTORS AND KEY DECISIONS IN 2018

QUARTER 1

- Year-end report 2017.
- Evaluation of compensation matters prior to the annual general meeting. Review of the audit and evaluation of the auditor's performance.
- Review of internal audit and decision on internal audit plan for 2018.
- Review of risk reporting and decision on risk plan for 2018.
- Review of compliance and decision on compliance plan for 2018.
- Evaluation of the CEO
- Decision on strategic review of the card acquiring business in Banking
- Decision on acquisition of controlling interest in APAM

QUARTER 2

- Annual Report 2017.
- Interim report Q1 2018.
- Review and decision on external audit plan for 2018.
- Review of risk and compliance, Q1 2018.
- 2018 AGM.
- Adoption of the board charter, instruction to the chief executive officer and reporting instruction.
- Appointment of audit and compensation committees
- Adoption of updated and new policies and guidelines for the Catella Group in 2018.
- Decision to issue additional convertible bond of SEK 250 million.
- Change in number of shares and votes in Catella AB (publ)
- Decision on currency hedging via derivative instruments

QUARTER 3

- Interim report Q2 2018.
- Review of risk and compliance, Q2 2018.
- Review and decision on updated risk policy.
- Adoption of charters for the Audit and Compensation Committees.
- Decision to sell Wealth Management business in Luxembourg.
- Decision to establish Catella Logistics Europe with focus on development of logistics properties.
- Strategy review of the Equity, Hedge and Fixed Income Funds business area.

QUARTER 4

- Interim report Q3 2018.
- Review of risk and compliance, Q3 2018.
- Strategic review of Banking business area.
- Review of auditor's report, Q3 2018.
- Adoption of updated and new policy documents.
- Decision on budget for 2019.
- Decision to enter into strategic partnership with Söderberg & Partners and in so doing sell 51% of the Wealth Management business in Sweden.
- Decision to sell card issuing business in Luxembourg to Advanzia Bank, thus concluding the strategic review.

CEO AND GROUP MANAGEMENT

Group management has overall responsibility for operations within the Catella group in accordance with the strategy and long-term objectives set by the board of directors of Catella AB.

The CEO leads and regularly meetings with heads of subsidiaries and other senior management personnel to discuss the business situation and other operational matters. The CEO has delegated decision authority to the heads of subsidiaries by means including the rules of procedure for each subsidiary, but this does not relieve the CEO of his responsibility. To support his work, the CEO has appointed a Group management team and heads of business areas for consultation on important matters. Group management is described in greater detail in the Group management section.

EVALUATION OF THE CEO

The board of directors continuously evaluates the CEO's performance. This matter is addressed in particular at one board meeting per year, at which no members of group management are present.

AUDITING

The auditor is appointed by the annual general meeting for a term of one year. According to the Articles of Association, Catella shall have at least one and no more than two auditors and no more than two alternate auditors. The auditor and, where applicable, alternate auditor, shall be an authorised public accountant or registered audit firm. The 2018 AGM elected the auditing firm of PricewaterhouseCoopers AB (PWC) , with authorised public accountant Daniel Algotsson serving as auditor in charge. The company's external auditors were present at all meetings of the Audit Committee. In addition to the audit, PWC performed a number of other assignments for Catella related to matters including various sales and acquisitions, primarily related to the strategic review of the Banking business area in 2018.

As resolved by the AGM, audit fees shall be paid to the auditor in accordance with approved invoice. Fees paid to the auditors for the 2018 financial year are specified in Note 8 of the 2018 Annual Report.

INTERNAL CONTROL

The board of directors' responsibility for internal control is governed by the Swedish Companies Act and the Swedish Annual Accounts Act (1995:1554). Information about Catella's internal control and risk management system and measures taken by the board of directors to ensure effective internal control must be disclosed each year in Catella's corporate governance statement.

Catella's internal control process is based on the COSO framework developed by the Committee of Sponsoring Organizations of the Treadway Commission. The process was designed to ensure adequate risk management including reliable financial reporting in compliance with IFRS, applicable laws and regulations and other standards that must be applied by companies listed on Nasdaq Stockholm and which are the parent institutions in a consolidated financial situation. This work involves the board of directors, group management and other staff.

CONTROL ENVIRONMENT

The board of directors has adopted policy documents that govern the roles and allocation of responsibilities between the CEO and the board of directors. The board of directors monitors and assures the quality of internal control in accordance with the board charter. In addition, the board has adopted a number of fundamental guidelines that govern risk management and internal control processes. These include risk assessment, mandatory control activities to manage the most material risks, an annual plan for internal control performance, self-assessment and reporting. The control environment within Catella encompasses these duties and powers, along with laws and regulations. All employees are responsible for compliance with adopted policy documents.

RISK ASSESSMENT

Group management performs a comprehensive risk analysis each year, which identifies macroeconomic, strategic, operational, financial and compliance risks. Risks are

Souade Chtany
Associate Director

functions. In respect of the consolidated financial situation, the board of directors of Catella AB has appointed risk management, compliance and internal audit functions that regularly report to the board and the CEO. In respect of companies outside the consolidated financial situation, the board has judged that internal audit is not necessary at present. The regulations applicable to subsidiaries affect their organisations and structures.

In companies within the consolidated financial situation there are, for example, risk management, compliance and internal audit functions that are independent of business operations and report to the respective subsidiary's managing director, directly to the board of directors and to the heads of each function in the group's consolidated financial situation. Group management is represented on the boards of directors of subsidiaries and these representatives report to the board of directors of the parent company. Subsidiary boards also include independent directors.

evaluated based on estimated probability and impact as well as the effectiveness of established measures to manage the risks.

CONTROL ACTIVITIES

The structure of control activities is profoundly important to Catella's work to manage risks and ensure internal control. Control activities are linked to the company's business processes and each unit ensures that control activities are executed in compliance with established standards.

INFORMATION AND COMMUNICATION

Guidelines, instructions and manuals pertinent to financial reporting are communicated to relevant employees via the group's intranet. The board receives regular financial reports covering the group's financial position and profit trend. The company holds meetings held at the management level and thereafter at the level each unit considers appropriate. A corporate communications policy has been adopted by the board of directors concerning external disclosures, which was designed to ensure that the company complies with requirements for disclosure of accurate information to the market.

MONITORING

The board of directors continuously evaluates the information provided by group management. Catella's financial position and investments and ongoing operations within Catella are discussed at all board meetings. The board of directors is also responsible for monitoring internal control. This work includes ensuring that measures are taken to correct any shortcomings, as well as following up on recommended actions noted in connection with the external audit, and, with regard to the consolidated financial situation, also from internal audit, the risk management function and the compliance function, which are further described below.

The company performs an annual self-assessment of its risk management and internal control work. This process involves self-assessment of the effectiveness of control activities each year for all operational business processes in each reporting unit. The CFO is responsible for the self-assessment. The board of directors is informed of the key conclusions of the assessment process, as well as any actions concerning the company's internal control environment.

INTERNAL CONTROL AND MONITORING IN THE CONSOLIDATED FINANCIAL SITUATION

Several subsidiaries of the group conduct operations that are regulated by the financial supervisory authority in their respective jurisdictions. Parts of the group thus constitute a consolidated financial situation that is subject to applicable regulations, which require the establishment of control

WHISTLEBLOWING FUNCTION

A corporate whistleblowing function gives all employees a means to anonymously report serious wrongdoing that conflict with Catella's values, business ethics, policies or the law. The purposes of this function include to uphold good ethics and prevent irregularities within Catella to the benefit of the company's employees, clients, suppliers and owners. No issues were reported to Catella's whistleblowing function during 2018.

COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE

As a Swedish limited liability company listed on Nasdaq Stockholm, application of the Swedish Corporate Governance Code (the Code) began at Catella on 19 December 2016. Catella is obliged to follow the Code's principle of "comply or explain" and has not deviated from the Code in 2018.

BOARD OF DIRECTORS AND AUDITORS

Johan Claesson

CHAIRMAN OF THE BOARD

Born 1951.

Chairman of the board of Catella AB since 2011 and director since 2008

OTHER CURRENT ASSIGNMENTS: Chairman of Claesson & Anderzén AB and directorships in other companies in the group, chairman of Apodemus AB. CEO and director of Bellvi Förvaltnings AB and Johan och Marianne Claesson AB. Director of Fastighetsaktiebolaget Bremia, K3 Business Technology Group PLC and Leeds Group PLC.

BACKGROUND: Owner and executive chairman of Claesson & Anderzén AB.

EDUCATION: MBA.

SHAREHOLDING (APRIL 2019): 1,100,910 Class A shares and 40,577,171 Class B shares.

WARRANTS (APRIL 2019): 1,766,667.

OWNERSHIP: Private and via companies.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: No.

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: No.

Johan Damne

DIRECTOR

Born 1963.

Director of Catella AB since 2014

OTHER CURRENT ASSIGNMENTS: CEO of Claesson & Anderzén Aktiebolag, board assignments as chairman or director and CEO assignments in wholly or partially owned companies within the Claesson & Anderzén group.

BACKGROUND: CEO of Claesson & Anderzén AB.

EDUCATION: MBA.

SHAREHOLDING (APRIL 2019): 150,000 Class B shares.

WARRANTS (APRIL 2019): None.

OWNERSHIP: Private.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: No.

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: No.

Joachim Gahm

DIRECTOR

Born 1964.

Director of Catella AB since 2014

OTHER CURRENT ASSIGNMENTS: Chairman of Arise AB and Sustainable Growth Capital SGC AB and Solhemmet Fastigheter AB. Director of Tryggkredit AB. Group leader and member of municipal executive committee and the executive sub-committee for the Swedish Christian democratic party in Danderyd.

BACKGROUND: Former president of Öhman Investment AB.

EDUCATION: MBA.

SHAREHOLDING (APRIL 2019): None.

WARRANTS (APRIL 2019): None.

OWNERSHIP: –

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes.

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: Yes.

Anna Ramel

DIRECTOR

Born 1963.

Director of Catella AB since 2014

OTHER CURRENT ASSIGNMENTS: Director of Erik Penser Bank AB (publ), Nordea Asset Management AB and Nordea Investment Management AB.

BACKGROUND: Compliance consultant in the financial services sector. Former legal counsel and compliance manager for firms including ABG Sundal Collier AB and Alfred Berg Fondkommission AB.

EDUCATION: LL M (Master of Laws).

SHAREHOLDING (APRIL 2019): None.

WARRANTS (APRIL 2019): None.

OWNERSHIP: –

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes.

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: Yes.

Jan Roxendal

DIRECTOR

Born 1953.

Director of Catella AB since 2011

OTHER CURRENT ASSIGNMENTS: Chairman of the Second Swedish National Pension Fund (AP2). Chairman, CEO and owner of Roxtra AB. Director of Magnolia Bostad AB and Stiftelsen Serafimerlasarettet (Seraphim Hospital Foundation).

BACKGROUND: CEO and CFO of Gambro AB, PRESIDENT and CEO of Intrum Justitia Group, COO of ABB Group and CEO of ABB Financial Services.

EDUCATION: Higher public education in banking.

SHAREHOLDING (APRIL 2019): 129,554 Class B shares.

WARRANTS (APRIL 2019): None.

BONDS (APRIL 2019): SEK 2,000,000.

OWNERSHIP: Private.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes.

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: Yes.

Daniel Algotsson

AUDITOR

Born 1982.

PricewaterhouseCoopers AB (PWC) has been Catella's auditing firm since 2011. The auditor in charge is Daniel Algotsson, authorised public accountant and member of FAR.

OTHER AUDIT ASSIGNMENTS: FCG Fonder, Mangold, Proventus and Vasakronan.

SHAREHOLDING (APRIL 2019): None.

WARRANTS (APRIL 2019): None.

OWNERSHIP: –

GROUP MANAGEMENT

Knut Pedersen

PRESIDENT AND CEO

Born 1968.

Member of group management since January 2014.

OTHER CURRENT ASSIGNMENTS: Chairman of Catella Fondförvaltning AB and member of the Supervisory Board of Catella Real Estate AG Kapitalanlagegesellschaft. Director of Catella Bank S.A. and several other subsidiaries of the Catella group.

BACKGROUND: Extensive experience acquired in various positions in the financial sector in Sweden and abroad, most recently as CEO and Group Head of Markets for ABG Sundal Collier AB. Previous positions include trader for UBS Warburg and Head of Equities and Head of Nordic Trading at Nordea Sweden.

EDUCATION: BSC (Economics), Ross School of Economics, University of Michigan.

SHAREHOLDING (APRIL 2019): 3,000,000 Class B shares.

WARRANTS (APRIL 2019): None.

OWNERSHIP: Private.

Johan Nordenfalk*

CHIEF OPERATING OFFICER

Born 1973.

Member of group management since March 2011.

OTHER CURRENT ASSIGNMENTS: Director of Catella Fondförvaltning AB, Catella Bank S.A., IPM Informed Portfolio Management AB and several other subsidiaries of the Catella group. Also has minor board assignments outside Catella.

BACKGROUND: Employed by Catella since 2011. Former partner and practising lawyer with the law firm of Hamilton advokatbyrå.

EDUCATION: LL M, Lund University, Maîtrise en droit from Université Panthéon-Assas, Paris.

SHAREHOLDING (APRIL 2019): -

WARRANTS (APRIL 2019): -

OWNERSHIP: Private.

* Effective 18 March 2019, Johan Nordenfalk left his employment with Catella and thus his position in Group management to pursue other commitments outside the company.

Marcus Holmstrand

CHIEF FINANCIAL OFFICER

Born 1980.

Member of group management since September 2015.

OTHER CURRENT ASSIGNMENTS: Director of several other subsidiaries of the Catella group and member of the Supervisory Board of Catella Real Estate AG.

BACKGROUND: Employed by Catella since 2011, previously as Group Business Controller. Previously served as Group Business Controller at Haldex AB and controller with the SCA Group.

EDUCATION: MSC, Economics, Jönköping International Business School, post-graduate studies at University of California Davis Graduate School of Management.

SHAREHOLDING (APRIL 2019): 204,000 Class B shares.

WARRANTS (APRIL 2019): None.

OWNERSHIP: Private.

Stockholm, 24 April 2019

Johan Claesson

CHAIRMAN OF THE BOARD

Johan Damne

DIRECTOR

Joachim Gahm

DIRECTOR

Anna Ramel

DIRECTOR

Jan Roxendal

DIRECTOR

Knut Pedersen

CHIEF EXECUTIVE OFFICER

AUDITOR'S OPINION ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of shareholders in Catella AB (publ), company registration number 556079-1419

ASSIGNMENT AND RESPONSIBILITIES

The board of directors is responsible for the corporate governance statement for the 2018 financial year on pages 38–49 and for its preparation in accordance with the Annual Accounts Act.

SCOPE AND ORIENTATION OF THE EXAMINATION

Our review has been conducted in accordance with FAR's auditing standard RevU 16 Auditor's Examination of the Corporate Governance Statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph 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.

Stockholm, 24 April 2019
PricewaterhouseCoopers AB

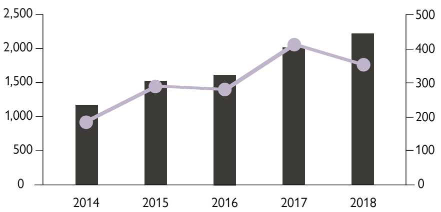
Daniel Algotsson
AUTHORISED PUBLIC ACCOUNTANT

FINANCIAL REVIEW

Group

TOTAL INCOME AND OPERATING PROFIT

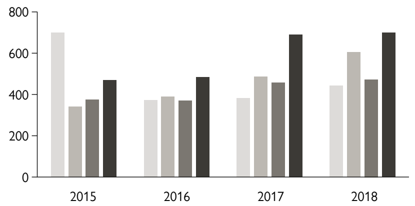
SEK M



■ Total income
▬ Operating profit

TOTAL INCOME PER QUARTER

SEK M

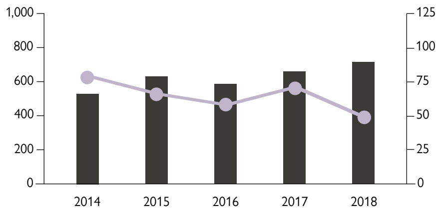


■ Q1 ■ Q2 ■ Q3 ■ Q4

Corporate Finance

TOTAL INCOME AND OPERATING PROFIT

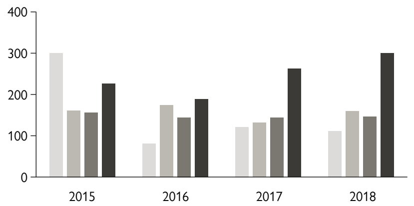
SEK M



■ Total income
▬ Operating profit

TOTAL INCOME PER QUARTER

SEK M

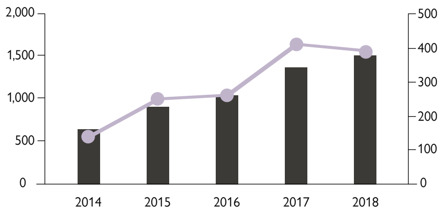


■ Q1 ■ Q2 ■ Q3 ■ Q4

Asset Management

TOTAL INCOME AND OPERATING PROFIT

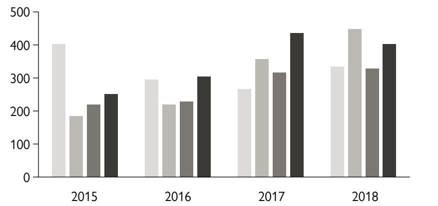
SEK M



■ Total income
▬ Operating profit

TOTAL INCOME PER QUARTER

SEK M



■ Q1 ■ Q2 ■ Q3 ■ Q4

CONSOLIDATED KEY FIGURES[1]

	Corporate Finance		Asset Management		Other		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Operating margin, %	7	11	26	30	–	–	16	20
Profit margin, %	2	7	18	23	–	–	9	17
Return on equity, %[2]	21	30	47	51	–	–	11	22
Equity/assets ratio, %	15	32	61	46	–	–	41	55
Equity, SEK M [2]	35	120	887	438	17	678	940	1,236
Number of employees at end of period	221	210	310	221	21	15	552	446
Earnings per share, SEK[2]	–	–	–	–	–	–	1.50	2.99
Equity per share, SEK[2]	–	–	–	–	–	–	11.17	15.10
AUM at the end of the period, SEK Bn	–	–	186.2	164.3	–	–	186.2	164.3
Net inflow (+) and outflow (-) during the period, SEK Bn	–	–	-0.5	22.7	–	–	-0.5	22.7
Property transaction volumes for the period, SEK Bn	68.6	56.2	–	–	–	–	68.6	56.2

[1] *Continuing operations.*
[2] *Attributable to owners of the parent.*

INCOME STATEMENT BY OPERATING SEGMENT

	Corporate Finance		Asset Management		Other		Group	
SEK M	2018	2017	2018	2017	2018	2017	2018	2017
Net sales	710	656	1,457	1,358	-9	-15	2,159	1,998
Other operating income	5	3	53	14	0	-2	57	15
	715	**659**	**1,510**	**1,371**	**-9**	**-17**	**2,216**	**2,013**
Direct assignment expenses and commissions	-88	-74	-301	-295	0	10	-389	-359
Personnel costs	-405	-372	-521	-443	-33	-30	-960	-845
Other expenses	-173	-142	-300	-218	-41	-37	-514	-397
Total expenses	-667	-588	-1,123	-955	-74	-57	-1,864	-1,601
Operating profit/loss	**49**	**71**	**387**	**416**	**-84**	**-74**	**352**	**412**
Financial items, net	0	0	-16	7	1	27	-15	34
Profit before tax	**48**	**70**	**371**	**423**	**-83**	**-47**	**337**	**446**
Tax	-33	-27	-104	-108	11	27	-127	-108
Net profit for the year from continuing operations	**15**	**43**	**267**	**315**	**-72**	**-20**	**210**	**338**
Operations held for sale								
Profit/loss for the year from disposal groups held for sale			-242	-48			4	-5
Net profit/loss for the year	**15**	**43**	**25**	**268**	**-72**	**-20**	**4**	**-5**
Profit/loss attributable to owners of the parent company	**15**	**43**	**-55**	**169**	**-72**	**-20**	**-112**	**192**

FINANCIAL POSITION BY OPERATING SEGMENT

	2018	2017	2018	2017	2018	2017	2018	2017
ASSETS								
Non-current assets								
Intangible assets	65	63	525	271	56	56	646	390
Financial assets at fair value through profit or loss	0	0	142	114	194	265	337	379
Non-current loan receivables	-	-	0	586	-	-	0	586
Other non-current assets	28	19	46	123	158	109	232	251
	94	**83**	**714**	**1,093**	**408**	**431**	**1,215**	**1,606**
Current assets								
Accounts receivable	119	142	206	245	-	0	325	387
Current loan receivables	-	0	32	48	67	-	99	48
Cash and cash equivalents	185	255	486	2,625	17	298	687	3,177
Other current assets	55	31	296	1,095	73	51	423	1,177
	359	**428**	**1,020**	**4,013**	**156**	**349**	**1,535**	**4,790**
Assets in disposal groups held for sale	-	-	4,249		-2	-	4,247	-
Total assets	**453**	**511**	**5,983**	**5,106**	**562**	**779**	**6,997**	**6,396**
EQUITY AND LIABILITIES								
Equity attributable to owners of the parent	35	120	1,389	931	17	678	1,442	1,729
Non-controlling interests	34	45	171	169	0	0	205	214
Total equity	**69**	**165**	**1,561**	**1,100**	**17**	**678**	**1,647**	**1,943**
Liabilities								
Non-current liabilities								
Non-current loan liabilities	-	-	-		748	494	748	494
Other non-current liabilities	102	3	84	31	-103	8	83	43
	102	**3**	**84**	**31**	**646**	**502**	**831**	**537**
Current liabilities								
Borrowing		-		122	-	-	-	122
Current loan liabilities		-		2,784	-	-	-	2,784
Other current liabilities	281	343	591	1,068	-94	-400	778	1,011
	281	**343**	**591**	**3,974**	**-94**	**-400**	**778**	**3,917**
Liabilities in disposal groups held for sale	**-**	**-**	**3,747**		**-6**	**-**	**3,741**	**-**
Total liabilities	**383**	**346**	**4,422**	**4,006**	**545**	**102**	**5,350**	**4,453**
Total equity and liabilities	**452**	**511**	**5,983**	**5,106**	**562**	**779**	**6,997**	**6,396**

CASH FLOW BY OPERATING SEGMENT

	2018	2017	2018	2017	2018	2017	2018	2017
Profit before tax	48	70	78	372	-83	-47	44	395
Adjustment for non-cash items	42	55	56	80	-2	-19	96	116
Adjustment for cash items	-111	-87	-12	-162	174	35	50	-214
Cash flow from operating activities	**-21**	**39**	**277**	**289**	**88**	**-31**	**344**	**297**
Cash flow from tangible and intangible non-current assets	-5	-5	-30	-47	–	–	-35	-52
Acquisition of subsidiaries, net of cash and cash equivalents			-220	-1	-208	-4	-428	-5
Cash flow from other financial assets		0	-22	-8	96	2	74	-6
Cash flow from investing activities	**-5**	**-5**	**-289**	**-67**	**-185**	**-2**	**-479**	**-74**
Net borrowings, amortisation of loans	0	0		–	252	291	252	291
Repurchase of share warrants, new share issue, dividends, contributions from and payments to non-controlling interests	-37	-20	-63	-67	-63	-65	-163	-153
Cash flow from financing activities	**-37**	**-20**	**-63**	**-67**	**190**	**226**	**89**	**139**
Cash flow for the year	**-64**	**14**	**-74**	**155**	**93**	**192**	**-45**	**362**
Cash flow for the year from disposal groups held for sale	**–**	**–**	**344**	**1**	**–**	**–**	**344**	**1**

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Report of the Board of Directors

The Board of Directors and the Chief Executive Officer of Catella AB (publ), Corporate identity number 5560791419, hereby present the Annual Accounts and Consolidated Accounts for the financial year 2018. The results of operations of the Group and Parent Company are presented in the following Income Statements, Balance Sheets, Cash Flow Statements, Statements of Changes in Equity and Notes.

Amounts are in SEK M unless otherwise indicated. Figures in tables and comments may be rounded.

INFORMATION ON OPERATIONS

Catella is a leading specialist in property advisory services, property investments and mutual funds with operations in 15 countries. The Group ("Catella") manages assets totalling some SEK 190 Bn. Operations are conducted in the Corporate Finance and Asset Management operating segments.

In *Corporate Finance*, Catella provides transaction advice and capital market related services in the property sector. Advisory services are provided on assignment by property companies, financial institutions, pension funds, property funds and other property owners. Operations are conducted in the Baltics, Denmark, Finland, France, Spain, Sweden and Germany.

In Asset Management, operations are divided into three business areas. Catella's offering under the *Equity, Hedge and Fixed Income Funds* business area covers a broad selection of fund alternatives with complementary focus and management methodologies. Operations are conducted in two service segments; Mutual Funds, which provides equity, hedge and fixed income funds with a Nordic focus to private and institutional investors, and Systematic Funds, which manages systematic macro and equity strategies for institutional investors. Catella deals with all phases of value creation in property through its *Property Investment Management* business area, from identifying projects through acquisition to financing, to strategic management, and finally, exit. Investments are made on assignment by financial institutions, pension funds, property funds and other property owners. Catella also creates value in proprietary open, specialized property funds on assignment by institutional investors, and in property-related development projects. Operations are conducted in the Baltics, Denmark, Finland, France, Luxembourg, Norway, Spain, Sweden, Germany, the Netherlands and the UK. The Asset Management business segment also includes the *Banking* business area which is being wound down. In the first half of 2018, Catella initiated a strategic review of all service areas in the Banking business area. The review was concluded in December 2018 after Catella Bank S.A. entered an agreement regarding the divestment of all operations through asset transfers to three different operators. From 30 September 2018, the Banking business area is reported as a disposal group held for sale in accordance with IFRS 5. This means that in the Consolidated Income Statement net profit (after tax) is reported on a separate line under Net profit from disposal group held for sale. Comparative figures for previous years have been reported in a corresponding manner in the Consolidated Income Statement. In the Consolidated Statement of Financial Position, Banking's assets and liabilities are reported separately from other assets and liabilities on separate lines under Assets in divestment group held for sale and Liabilities in divestment group held for sale respectively. However, comparative figures from earlier years relating to Banking's assets and liabilities have not been reclassified in the corresponding manner.

Catella also manages loan portfolios comprising securitised European loans with primary exposure to housing.

The Group consists of Parent Company Catella AB (publ) (the "Parent Company") and several independent but closely collaborating subsidiaries with their own Boards.

OWNERSHIP STRUCTURE

Catella AB (publ) has its registered office in Stockholm, Sweden, and has been listed on NASDAQ Stockholm's Mid Cap segment since December 2016, and previously on First North Premier on NASDAQ Stockholm since 2011. Catella's largest shareholder, accounting for at least one-tenth (1/10) of the shares/votes at the end of the financial year was the Claesson & Anderzén Group (and related parties) with 49.2% (49.8) of the share capital and 48.5% (49.1) of the votes, followed by Swedbank Robur) with a holding of 6.0% (6.1) of the capital and 6.2% (6.3) of the votes. The third largest shareholder was Strawberry Capital AS with 4.3% (4.4) of the capital and 4.5% (4.6) of votes. Catella's ten largest shareholders jointly controlled 72.7% (73.8) of the share capital and 72.2% (73.2) of the votes as of 31 December 2018. There is more on ownership structure in the section on the Catella share and owners.

OVERVIEW OF EARNINGS, FINANCIAL POSITION AND CASH FLOW

Progress of the Group—five-year summary

SEK M	2018	2017	2016	2015	2014
Net sales	2.159	1.998	1.597	1.508	1.158
Operating profit/loss	352	412	280	290	188
Financial items—net	-15	34	16	51	86
Profit/loss before tax	337	446	296	341	274
Net profit for the year from continuing operations	**210**	**337**	**226**	**300**	**256**
Net profit/loss for the year from divestment group held for sale	**-238**	**-53**	**130**	**-28**	**-29**
Net profit for the year	**-28**	**284**	**357**	**272**	**228**
Average no. of employees	**539**	**629**	**588**	**526**	**480**

SEK M	2018	2017	2016	2015	2014
Equity	1.647	1.943	1.730	1.436	1.252
Total assets	7.009	6.396	5.651	5.011	4.356
Equity/Asset ratio %	24	30	31	29	29

SEK M	2018	2017	2016	2015	2014
Cash flow from operating activities	344	297	-137	549	497
Cash flow from investing activities	-479	-74	55	-50	41
Cash flow from financing activities	89	139	-126	-88	-20
Cash flow for the year	**-45**	**362**	**-208**	**411**	**519**

The Group's net sales operations totalled SEK 2,159 M (1,998), up 8% year on year. The Property Investment Management business area had the largest increase in net sales followed by Corporate Finance, while Equity, Hedge and Fixed Income Funds presented a modest sales increase.

Operating profit for remaining operations was SEK 352 M (412). The lower operating profit was mainly due to increased fixed personnel expenses and consulting expenses in all business areas.

The Group's net financial income and expense was SEK -15 M (34). Net financial income and expense includes interest income of SEK 18 M (23), mainly attributable to the loan portfolios, and interest expenses of SEK 27 M (17), mainly related to Catella's bond loans. Increased interest expenses were mainly due to increased borrowing by the Parent Company within the framework of existing bond loans in June. Other financial items amounted to SEK -6 M (28), of which realized currency forwards aimed at limiting exchange rate exposure totalled SEK -14 M (5) and positive exchange rate differences were SEK 5 M (2). Net financial income and expense also includes positive fair value adjustments of SEK 7 M (17) mainly attributable to loan portfolios and APAM's investments alongside clients and borrowing arrangement expenses of SEK 2 M (3).

The Group's profit before tax for remaining operations was SEK 337 M (446).

The tax expense for remaining operations was SEK 127 M (108), corresponding to effective tax of 38% (24) in the year. The high tax expense was mainly due to limited opportunity for tax offset between various Group operations and restrictions in the utilization of loss carry-forwards.

The Group's profit after tax for remaining operations was SEK 210 M (337). Net profit after tax for the year from divestment group held for sale was SEK -238 M (-53) and relates to the Banking business area.

Net profit for total Group operations was SEK -28 M (284), of which SEK -112 M (192) was attributable to Parent Company shareholders.

During 2018, consolidated equity decreased by SEK 295 M, amounting to SEK 1,647 M as of 31 December 2018. The additional purchase of shares in IPM in February decreased Group equity by SEK 208 M, of which SEK 179 M was attributable to Parent Company shareholders and SEK 29 M to non-controlling holdings. In addition, Group equity decreased as a result of dividends to Parent Company shareholders and to non-controlling holdings of SEK 84 M and SEK 100 M respectively. Other items that influenced Group equity in the year are net profit for the year of SEK -28 M, positive translation differences of SEK 61 M, fair value changes in the holding of Visa shares of SEK 9 M, other transactions with non-controlling interests of SEK 35 M and a new issue of SEK 21 M. As of 31 December 2018, the Group's equity/assets ratio is 24% (30% as of 31 December 2017).

During 2018, total assets increased by SEK 613 M, amounting to SEK 7,009 M as of 31 December 2018. Intangible assets increased by SEK 256 M, of which the majority was attributable to acquisition-related goodwill and the contacts portfolio from the acquisition of APAM in December. Furthermore, exposure to associated companies increased by a total of SEK 122 M through equity investments and lending to associated companies.

Consolidated cash flow from operating activities before changes in working capital amounted to SEK 140 M (426), of which SEK 280 M (405) related to remaining operations and SEK -140 M (21) relates to disposal group held for sale. In the full year, tax paid amounted to SEK 154 M (86).

Consolidated cash flow from operating activities was SEK 344 M (297), of which changes in working capital comprised SEK 204 M (-129). Of the changes in working capital, SEK 315 M was attributable to banking operations and SEK -111 M to other operations.

Cash flow from investing activities were SEK -479 M (-74), of which SEK -220 M relates to changes in the Group's cash and cash equivalents in connection with the acquisition of APAM and SEK -207 M relates to the acquisition of additional shares in IPM. Furthermore, Catella invested SEK 165 M in associated company Grand Central Beteiligungs GmbH simultaneously with receiving dividends and repaid capital contributions totalling SEK 157 M from associated company Nordic Seeding GmbH. During the year, Catella also acquired shares in associated company Kaktus 1 TopCo ApS for SEK 66 M. In addition, the company also invested a total of SEK 37 M in Biblioteksparken A/S and a number of unlisted Swedish limited companies. Cash flow from loan portfolios totalled SEK 97 M, of which SEK 85 M related to the divestment of Minotaure and Ludgate. Catella also received SEK 16 M through Nordic Light Fund's repurchase of fund units. This means that the fund has repaid all its realized income and is now in liquidation. Cash flow from terminated currency forwards totalled SEK -7 M in the year.

Cash flow from financing activities was SEK 89 M (139), of which SEK 253 M related to the issue of a new bond loan, SEK 184 M related to dividends to Parent Company shareholders and non-controlling interests, and SEK 21 M comprised payments from warrant holders for the subscription of new shares in Catella AB.

Cash flow for the year amounted to SEK -45 M (362), of which cash flow from remaining operations was SEK -389 M (361) and cash flow from disposal group held for sale was SEK 344 M (1).

Performance of operating segments—two-year summary

	Corporate Finance		Asset Management	
SEK M	2018	2017	2018	2017
Total income	715	659	1.510	1.371
Direct assigment costs and commission	-88	-74	-301	-295
Income excl. direct assignment costs & commission	627	585	1.209	1.076
Operating expenses	-578	-514	-818	-666
Operating profit/loss	49	71	391	410
Financial items—net	0	0	-16	7
Profit/loss before tax	48	70	375	417
Tax	-33	-27	-104	-108
Net profit for the year from continuing operations	**15**	**43**	**271**	**309**
Net profit/loss for the year from divestment group held for sale	**-**	**-**	**-242**	**-48**
Net profit for the year	**15**	**43**	**29**	**262**

SEK M	2018	2017	2018	2017
Equity	69	165	1.561	1.100
Total assets	464	511	5.983	5.106
Equity/Asset ratio %	15	32	26	22

Corporate Finance reported net sales of SEK 710 M (656) and total income was SEK 715 M (659). France reported its strongest year to date while Germany continued to underperform. Operating profit was SEK 49 M (71). The decrease in profit was mainly due to increased fixed salary expenses and higher consulting expenses.

Asset Management reported net sales of SEK 1,457 M (1,358) and total income was SEK 1,510 M (1,371). A majority of the sales increase was derived from the Property Investment Management business area. Operating profit was SEK 391 M (410). The profit decrease was mainly due to lower variable earnings and increased fixed salary expenses as a result of the focus on future growth and increased distribution.

IMPAIRMENT TESTING

During the year, Catella conducted impairment tests on assets with indefinite useful lives based on carrying amounts as of 30 September 2018. Catella's assets with indefinite useful lives consist of goodwill and brands, with a reported value of SEK 448 M (276) and SEK 50 M (50). Impairment tests proceed from estimated future cash flows based on budgets and forecasts approved by management and the Board of Directors. The impairment test indicated that there was no need for impairment.

INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2018, the Group made investments totalling SEK 689 M (128). Of this amount, SEK 29 M (44) were investments in intangible assets and SEK 17 M (12) related to investments in property, plant and equipment. Additional investments and new investments in subsidiaries were SEK 492 M (8), of which SEK 207 M (0) relates to acquisitions of shares from non-controlling holdings. Furthermore, a total of SEK 89 M (16) was net invested in associated companies after repayment of deposited capital and dividends. Additionally, SEK 36 M (37) was invested in funds managed by IPM, and SEK 26 M (10) was invested in other operational holdings that are not associated companies. Depreciation, amortisation and impairment in the financial year was SEK 32 M (81).

FINANCING

In June 2018, Catella issued a further SEK 250 M of unsecured bonds under the existing framework of SEK 750 M at a price corresponding to 102.50% of the nominal amount. Catella has previously issued bonds totalling SEK 500 M, which means that the framework amount has now been fully utilised.

The bond is listed on NASDAQ Stockholm and accrues floating-rate 3-month Stibor plus 400 b.p.

Funding is conditional on the satisfaction of covenants based on financial position. These covenants were satisfied in the year and as of 31 December 2018.

The Group also has an overdraft facility of SEK 30 M (30), of which SEK 30 M (30) was unutilized as of 31 December 2018.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Extraordinary General Meeting in Catella AB

The Extraordinary General Meeting in Catella AB (publ) held on 22 January 2018 adopted the following resolutions:

- Authorisation of the acquisition of shares in IPM Informed Portfolio Management B.V.
- Amendment of the terms for warrants of series 2014/2018:A, 2014/2019:B and 2014/2020:C

Additional purchases in IPM

As of 5 February 2018, Catella completed the additional acquisition of some 13% of the shares in IPM BV. The transaction was based on a company value of IPM AB (Systematic Funds) of some SEK 2 Bn and the total purchase consideration was SEK 207.4 M, reported under equity in 2018. Catella's indirect and direct ownership in IPM AB totalled 60.6% after the transaction.

Divestment of parts of the loan portfolio

In February 2018, Catella divested the loan portfolios Ludgate and Minotaure for a total of SEK 85 M. The transaction had only a minor impact on profit for 2018, as the portfolio's positive value adjustment of SEK 19 M was reported as of 31 December 2017.

Annual settlement in Systematic Funds

Up until 31 December 2017, variable earnings from a proportion of Systematic Funds' assets under management were reportedly on a quarterly basis in accordance with agreements with certain customers. From 1 January 2018, Systematic Funds has transferred to annual settlement for all products, which means that variable earnings can only be settled and recognized at year end.

Currency hedging

In May, Catella started currency hedging using derivatives. The purpose of the hedging is to reduce the exchange rate risk in Catella's net exposure in EUR. Catella applies hedge accounting in accordance with IFRS 9 from the date currency hedging of net exposure commences. The proportion of profit or loss on hedging instruments judged to constitute an effective hedge is recognised in other comprehensive income. For more information, see Note 3 Financial risk management.

Changed number of shares and votes in Catella AB (publ)

The number of shares and votes in Catella AB (publ) has been changed as a result of the issue of 2,266,666 new class B shares in May by utilising warrants under the incentive program authorized by the Extraordinary General Meeting on 13 February 2014.

Annual General Meeting 2018

The Annual General Meeting (AGM) on 28 May 2018 approved a dividend of SEK 1.00 (0.80) per share for the financial year 2017. The AGM also resolved to reelect all Board members.

Catella issues further bonds and announces amended terms and conditions

In June 2018, Catella issued a further SEK 250 M of unsecured bonds under the existing framework of SEK 750 M at a price corresponding to 102.50% of the nominal amount. Catella has previously issued bonds totalling SEK 500 M, which means that the framework amount has now been fully utilised. Final maturity is in June 2022. The issue proceeds were mainly used to finance previously announced acquisitions.

Later in June, Catella also announced that the terms of its bond loans had been amended, effective from 27 June 2018, which mean that Catella renounced its right to redeem the bonds prior to the First Call Date.

Catella establishes Catella Logistic Europe in France

Catella established Catella Logistic Europe SAS in order to participate in growing demand for logistics properties. The company focuses on services in early logistics property development in France, Spain and Germany with high demands on quality from logistics and industry operators as well as institutional investors.

Strategic review of Catella Bank

In the first half of 2018, Catella initiated a strategic review of all of Catella Bank's service areas with the aim of exiting the consolidated financial situation due to the extensive regulatory framework and inefficient capital structure it entailed.

Catella divests Wealth Management operations in Luxembourg

In October, Catella Bank signed an asset transfer agreement relating to the divestment of its Wealth Management operations in Luxembourg to VP Bank (Luxembourg) SA as a result of the strategic review. The transaction was completed in February 2019 and the final purchase consideration amounts to SEK 95 M. As part of the asset transfer, both assets and liabilities will be transferred to VP Bank, which is expected to reduce Catella's total assets by some SEK 2 Bn.

Catella and Söderberg & Partners in strategic partnership

In December 2018, Catella Bank signed an agreement relating to the divestment of 51% of its Wealth Management operations in Sweden to Söderberg & Partners for SEK 36 M. At the same time, the parties entered a strategic partnership where Catella intends to continue to create alternative investment products for this customer segment in the asset management sector as a whole.

Catella's total assets are expected to decrease by some SEK 1 Bn in connection with the transaction as both assets and liabilities will be transferred to a joint venture company. Catella will consolidate its 49% holding in the joint venture as an associated company in accordance with the equity method effective from the transaction date in February 2019.

Catella divests card issuing operations in Luxembourg to Advanzia Bank, completing its strategic review

In December 2018, Catella Bank signed an agreement relating to the divestment of its card issuing operations in Luxembourg to Advanzia Bank SA. The transaction was completed in March 2019 and the fixed purchase consideration amounts to SEK 126 M with a maximum additional purchase consideration of SEK 240 M. Catella expects the additional earn-out to amount to SEK 126 M, which will be recognized at the end of 2019 or early 2020. The transfer of card customers in accordance with the agreement with Advanzia Bank will be completed during 2019 and early 2020 to ensure that a maximum customer numbers are included in the transaction.

Catella's total assets are expected to decrease by some SEK 350 Bn in connection with the transaction as both assets and liabilities will be transferred to Advanzia Bank.

Catella strengthens its presence in the UK and acquires 75% of APAM

In March 2018, Catella signed a share purchase agreement regarding the acquisition of a majority stake in property investment and asset management advisor APAM Ltd. In connection with signing the agreement, Catella made a non-refundable part payment of the purchase consideration of GBP 2.7 M. In December 2018, following approval by the Luxembourg supervisory authority, Catella completed the acquisition of 75% of APAM for a purchase consideration of GBP 18 M on a debt and cash free basis.

SIGNIFICANT EVENTS AFTER YEAR-END

Changes to Catella AB's (publ) Group management

On 18 March 2019, Catella announced that Johan Nordenfalk, Chief Operating Officer (COO), will be resigning from his current position and leaving Catella's Group management.

EMPLOYEES

The number of employees in remaining operations, expressed as full-time equivalents, was 552 (446), of which 221 (210) were employed in the Corporate Finance operating segment, 310 (221) in the Asset Management operating segment and 21 (15) in other functions.

The number of employees in the disposal group held for sale (Banking) was 153 (180) at year end.

At the end of the year, there were 705 (626) employees, expressed as full-time equivalents.

FINANCIAL INSTRUMENTS, RISKS AND UNCERTAINTIES

Risks and uncertainties

Within the Corporate Finance operating segment, seasonal variations are significant. This means that sales and results of operations vary during the year.

The Corporate Finance operating segment relies on the credit market functioning efficiently. In turn, the credit market affects the market for property transactions, which is Catella's principal market in Corporate Finance. Corporate Finance is also very personnel intensive and relies on key employees. If several key employees decided to leave Catella, this could affect the Group's sales and results of operations.

In the Asset Management operating segment, various kinds of risk arise, such as credit risk, market risk, liquidity risk and operating risk. Policies and instructions have been established for controlling and limiting risk-taking in the operations in terms of issuing credit and other operating risks.

The Asset Management operating segment harbours the Group's asset management and banking operations, where the latter is in the process of being wound up. This includes lending coincident with client purchases of securities and properties in Europe. Trading in this operating segment is primarily on behalf of clients for client transactions. All transactions that are implemented on behalf of clients are controlled by instructions from the client, or through agreed investment rules or fund provisions. Catella does not bear any risk in terms of the progress of clients' financial instruments, other than due to non-compliance with agreed instructions. Several subsidiaries in the operating segment are regulated by the supervisory authority in the country in which they have their legal domicile.

The banking operations and the credit card operations conducted within the auspices of the subsidiary Catella Bank S.A. are exposed to risks including credit and counterparty risk, as well as changes to regulatory structures relating to operations. The Bank's sales and results of operations can be negatively affected by potential regulatory changes, and altered credit ratings of its clients and counterparties. The bank has limited currency exposure to foreign currency transactions. Currency exposure is hedged using derivative instruments.

Financial risks are mainly managed through continuous measurement and follow-up of financial progress. Financial risks also arise because the Group is in need of external funding and uses various currencies. The Group's financial risks mainly comprise financing and liquidity risk, interest rate risk, currency risk and credit/counterparty risk. These risks are described in Note 3.

A number of companies in the Catella Group conduct operations that are under the supervision of regulatory financial authorities in their respective domestic markets. In addition, Catella's consolidated financial situation is under the supervision of CSSF in Luxembourg since 31 March 2016. Existing regulatory frameworks and rapid regulatory changes are complex in general, and specifically with regard to Catella's banking operations. These regulatory framework place stringent, and in future even more stringent, demands on the routines and procedures, and liquidity and capital reserves, of the operations under supervision. Compliance with these regulatory frameworks is a pre-condition for conducting operations subject to supervision. Catella continuously seeks to ensure compliance with existing regulatory frameworks and to prepare for future compliance with coming regulatory changes. At a pace with winding down the banking operations in 2019, the regulatory risk is expected to decrease.

The preparation of financial statements requires the Board of Directors and Group Management to make estimates and judgements. Estimates and judgements affect the Income Statement and Balance Sheet, as well as disclosures regarding contingent liabilities, for example. Actual outcomes may differ from these estimates and judgements, due to changed circumstances or conditions. More information on critical estimates and judgements is presented in Note 4.

Financial instruments
Financial instruments are mainly used in the Asset Management operating segment, as follows:

Use of financial instruments
In Asset Management, active trading is conducted in all types of securities and currency on behalf of clients and managed funds. In addition, the bank advises its clients on financial matters as follows:

- Short-term investments: deposit accounts with automatic payment of accrued interest and principal at maturity.
- Mid-term investments: at the client's request, investments in equities, fund units and bonds adapted to the client's risk profile with an investment horizon of three to five years.
- Management of funds and discretionary management: investments in accordance with each fund's provisions or investment directives based on the manager's judgement.

The operating segment does not trade in or take positions on its own behalf in financial instruments apart from with the intention of limiting the currency exposure that arises in Catella Bank's card operation and within IPM's investment services in discretionary management and fund management. Due to the operating segment's prudent policy for issuing credit and trading in financial instruments, exposure to risks is limited. The operating segment is mainly exposed to credit risk and market price risk.

Derivatives
There is some currency exposure within Catella Bank's card operation, and IPM relating to transactions in foreign currency. These companies use currency swaps and forward contracts to limit this risk as follows:

- Currency forwards are agreements to purchase or sell various currencies for future delivery, including undelivered spot transactions.
- Currency swaps are agreements to swap a future cash flow in one currency for another. Swaps result in a financial exchange of currencies.

The hedging transactions described above are of a financial nature and are not recognised as hedges in accordance with the accounting standard IFRS 9 Financial Instruments.

In May, the Parent Company Catella AB (publ) started currency hedging using derivatives. The hedging was entered into to reduce currency risk (translation risk) in the Group's net exposure in foreign operations denominated in EUR. Catella applies hedge accounting in accordance with IFRS 9 from the date currency hedging of net exposure commences.

Other risks
Other risks in the Group include operating, strategic, political, reputational and commercial risks.

Operating risk
Operating risk is the risk of a loss due to internal causes (data error, mistakes, fraud, incomplete compliance with laws and internal regulations, other deficiencies in internal controls etc.) and events in the surrounding world (natural disasters, external crime, etc.) The Group has established procedures and controls to minimise operating risk. There are especially significant operating risks in the subsidiary Catella Bank, where there are significant volumes/transacttions using real-time systems that require 24-hour availability. At a pace with winding down the banking operations in 2019, the operational risk is expected to decrease. For traditional insurable risks such as fire, theft, liability, etc., the Group judges that it has satisfactory protection through its existing insurance cover.

Part of the Group's operations conduct licensable operations, regulated by the financial supervisory authorities of the relevant countries of fiscal domicile. Existing regulatory frameworks and rapid regulatory changes are complex in general, and specifically with regard to Catella's banking operations. These regulatory framework place stringent, and in future even more stringent, demands on the routines and procedures, and liquidity and capital reserves, of the operations under supervision. Compliance with these regulatory frameworks is a pre-condition for conducting operations subject to supervision. Catella continuously seeks to ensure compliance with existing regulatory frameworks and to prepare for future compliance with coming regulatory changes. In the event that subsidiaries were to become unable to satisfy such regulatory stipulations, this may have adverse consequences for Group profit and the value of the Group's assets. At a pace with winding down the banking operations in 2019, the regulatory risk is expected to decrease.

Reputational risk
Reputational risk is the risk that the Group's reputation is damaged on the market, in the media or with clients, which could have a negative impact on Group profit. Reputational risk also increases as the Group grows and becomes a larger market operator. Catella currently believes that its reputation is strong and its client base is broad.

Political risks
Catella holds equities, funds and loan portfolios. Its most significant investment is in the subsidiary European Equity Tranche Income ("EETI"), which has invested in securitised European loans primarily with exposure to housing. The loan portfolios held by EETI are described further in Notes 3 and 23 in the Annual Accounts. In addition to the financial risks described in these Notes, EETI is exposed to political risk. Retroactive changes to legislation could have a negative impact on the value of EETI's investments. It is difficult to determine precisely how such changes would influence consumer behaviour and it is possible that the degree of prepayment would increase and affect the expected cash flow from the investments.

Other political risks include potential changes in regulations that affect the Group's operations and how they are conducted. Should subsidiaries be unable to meet the requirements arising from any new regulations, this could have a negative impact on the Group's results of operations and on the value of the assets in these subsidiaries. No assessments can be made of any impact from this risk.

Strategic risk and other risks
Strategic risk could result from institutional changes and changes in fundamental market conditions that may occur. Legal and ethical risks are based in part on external regulatory frameworks, mainly legislation and regulations, guidelines and instructions of supervisory authorities regarding operations, and in part on the requirements of the business community that operations be conducted on confidence-building grounds. Catella actively works with trade organisations, legal networks and other contacts to be able to control and adapt the companies' operations to changes in strategic risks at an early stage. Processes in the operations are subject to internal regulations. Continuous training, control and follow-up in terms of regulatory compliance are arranged by the Risk and Legal/Compliance units, which together with management, are responsible for continuously updating regulations.

FUTURE PROGRESS

Corporate Finance
This business area is putting considerable emphasis on increasing the share of value-adding and capital markets-related services, with the aim of improving profitability. In the Nordics, where these efforts have made the most progress, there was a clear margin improvement in 2018. Catella has strong market positions

in Sweden, Denmark and Finland, and seeks to continuously advance its market position, with an increased focus on value-added and capital markets-related services. In addition, operations are being coordinated to streamline the allocation of resources. Catella also harbours an ambition to start up operations in Norway in order to offer a complete Nordic platform in Corporate Finance.

In continental Europe, the French operations have a very strong market position in transaction advice, evidenced by strong growth in 2018. The strategy in continental Europe is to use best practice in this business area to develop operations on current and new markets. For example, experiences from the French operation are being used to enhance Catella's offering and market position in Germany and Spain.

Asset Management

Catella already provides a well-diversified product mix in the Equity, Hedge and Fixed Income Funds business area, but its ambition is to create more products to achieve a better balance between different product categories, and to provide competitive, active asset management. Sales through resellers remain important to achieve the growth targets in Mutual Funds, with a focus on high quality of service and presence. In 2018, Catella continued to allocate increased resources to distribution, prioritising an increased presence in relation to its institutional customer and a higher share of foreign customers Systematic Funds mainly addresses institutional clients. Apart from this focus on institutions, the ambition is to access new markets and client groups, primarily via a range of permits and fund solutions. Distribution remains a focus area, including through Catella's presence in London and the establishment of a presence in New York.

The property investment management business area is continuing to build its transaction and management capacity in all markets where Catella is present. Catella is combining local strategies with greater access to the international capital markets and has formed a collective capital raising organisation in London and Hong Kong. Growth in this business area is being created by adding new products into existing structures and through geographical expansion. In 2018, Catella completed the acquisition of UK company APAM, which was of strategic significance to Catella's pan-European platform with a presence in ten countries. Given the geographical breadth, which now includes the UK, Catella has a product offering of high relevance to international investors. The London presence generates investor interest in Catella's operations in continental Europe and vice versa. The ambition for the business area is to selectively launch niche funds and investment structures to address the needs of local and international investors. Increased collaboration, both within the business area and with Catella's other business areas, ensures that Catella capitalises on synergies.

CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance ("the Code"), Catella has prepared a special Corporate Governance Report including a section on internal control. The Corporate Governance Report can be found on pages 39-49.

RESEARCH AND DEVELOPMENT

Catella is active in Corporate Finance and Asset Management, and does not conduct research in the sense referred to in IAS 38 Intangible assets.

SUSTAINABILITY AND ENVIRONMENTAL IMPACT

No Group company conducts operations that require permits under the Swedish Environmental Code.

In accordance with the Annual Accounts Act, Catella has prepared a statutory Sustainability Report which is presented on pages 28-32.

PARENT COMPANY

Catella AB (publ) is the Parent Company of the Group. Group Management and other central Group functions are gathered into the Parent Company.
For 2018, the Parent Company recognised income of SEK 32.5 M (11.2) and operating profit/loss for the year of SEK -55.5 M (-51.9). The increased income is mainly due to costs of the strategic review of the bank being invoiced to the bank in 2018. The Parent Company's costs for external consultants and sponsoring were also up year-on-year.

The Parent Company's net financial income and expense was SEK -17.6 M (171.4) and includes interest and other costs associated with bond loans of SEK 24.8 M (18.0) and realized gains on derivative instruments of SEK 6.9 M. In May 2018, Catella started currency hedging using derivatives. The purpose of the hedging of EUR 60 M was to reduce the exchange rate risk in Catella's net exposure in EUR.

Profit before tax was SEK -73.1 M (119.5), and profit/loss for the year was SEK 143.4 M (120.4). Net profit/loss for the year included group contributions from subsidiaries totalling SEK 236.2 M, implying that the majority of the Parent Company's total loss carry-forwards have been utilized. The deferred tax receivable of SEK 19.8 M reported of 31 December 2017 has been reversed and reported as tax on net profit/loss for the year.

Cash and cash equivalents amounted to SEK 17.8 M (263.9) and total assets to SEK 1,426.5 M (1,088.6) on the reporting date. The increase in total assets was mainly due to the issue of a further SEK 250 M in unsecured bonds under the existing framework of SEK 750 M at a price corresponding to 102.50% of the nominal amount. The Parent Company has previously issued bonds totalling SEK 500 M, which means that the framework amount has now been fully utilised. The loan accrues variable interest comprising 3-month STIBOR plus 400 basis points with final maturity in June 2022. The issue proceeds were used to finance the acquisition of UK firm APAM Ltd., amongst other things.

In connection with the additional acquisition of IPM and the acquisition of APAM, Catella AB made unconditional shareholder contributions totalling SEK 398.5 M to the subsidiary Catella Holding in 2018. The contribution increased the book value of shares in the subsidiary.

At the end of the year, there were 13 (10) employees in the Parent Company, expressed as full-time equivalents.

PROPOSED APPROPRIATION OF PROFIT

The following non-restricted reserves and earnings in the Parent Company are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	56.742.720
Retained earnings	36.322.337
Net profit for the year	143.384.912
	236.449.969

The Board of Directors and Chief Executive Officer propose that funds are allocated as follows:

SEK	
dividend paid to shareholders, 1,20 per share, in total	100.938.286
carried forward (of which 56 742 720 allocated to share premium reserve)	135.511.683
	236.449.969

Proposed payment of dividends on 4 June 2019.

In spring 2019, warrant holders have opted to exchange their warrants for 2,166,667 new class B shares in Catella AB and 200,000 warrants were re-purchased as a result of changes in Catella AB's management. In addition, 166,666 warrants held in treasury expired without being utilized. This will increase the number of shares in Catella AB from 84,115,238 at year end to 86,281,905 on the record date 29 May 2019, and total dividend will amount to SEK 103,538,286.

Board of Directors' statement on proposed dividend

The Parent Company's and Group's financial position is good, as reported in the most recent Income Statement and Balance Sheet. In 2018, consolidated profit was charged with costs relating to the winding down of Catella Bank's operations, while significant income from agreed asset transfers were also excluded from profit. The Board of Directors judges that the proposed dividend is covered by equity, and is within the limits set by the company's dividend policy. As of 31 December 2018, the Group's equity/assets ratio is 24%. For the consolidated financial situation, the equity/assets ratio on the same date is 25 %. The proposed dividend, all things being equal, will reduce the equity/assets ratio by just over one percentage point. Other capital relations and liquidity as described in Note 40, and cash and cash equivalents, will also be satisfactory in relation to the operations the Group is active within, after the proposed dividend. Accordingly, the Board of Directors considers that the proposed dividend is justifiable in terms of the demands placed by the Group's (the company and Group respectively) nature, scope and risks on the scale of equity, and the company and the Group's needs to strengthen the Balance Sheet, liquidity and financial position otherwise.

PROPOSED COMPENSATION GUIDELINES FOR SENIOR MANAGERS OF CATELLA, 2019

The Board of Directors of Catella AB (publ) proposes that the AGM 2019 approves the following guidelines for compensation to senior managers.

Scope of guidelines

These guidelines concern compensation and other terms of employment for the members of Catella's Group Management for the period the guidelines apply, hereby jointly designated senior managers as of 26 April, Group management comprises Knut Pedersen (CEO) and Marcus Homstrand (CFO). Johan Nordenfalk, previously COO, will be resigning and leaving Catella's Group management in April 2019. The guidelines apply for agreements entered after the AGM resolution, and for amendments to existing agreements after this date. The guidelines should be subject to annual review.

Information on previously decided compensation that has not yet become due for payment is stated in Note 11 of these Annual Accounts.

Guidelines

The Board proposes the following compensation guidelines for senior managers: Compensation to the CEO and other members of Group Management comprise basic salary, variable remuneration and other benefits, as well as pensions. Total compensation should be on market terms and competitive, and be in relation to responsibilities and authority. Variable salary is based on results achieved in relation to individually defined qualitative and quantitative targets, and is subject to a ceiling of 24 months' salary for the CEO and 12 months' salary for other senior executives. Upon termination of employment by the company, as an aggregate total, dismissal pay and severance pay may not exceed 12 months' salary. Pension benefits should be defined contribution. The Board may diverge from these guidelines only in special circumstances.

Consolidated Income Statement

SEK M	Note	2018 Jan–Dec	2017 Jan–Dec
Net sales	6	2.159	1.998
Other operating income	7	57	15
		2.216	**2.013**
Direct assigment costs and commission		-389	-359
Other external expenses	8	-471	-354
Personnel costs	10, 11, 12	-960	-845
Depreciation and amortisation	9	-26	-17
Other operating expenses	13	-18	-26
Operating profit/loss		**352**	**412**
Interest income accordring to effective interest rate method	14	2	1
Interest income other	14	16	22
Interest expenses	14	-27	-17
Other financial income	14	30	40
Other financial expenses	14	-36	-12
Financial items—net		-15	34
Profit/loss before tax		**337**	**446**
Tax	15	-127	-108
Net profit for the year from continuing operations		**210**	**337**
Operations held for sale:			
Net profit/loss for the year from divestment group held for sale		-238	-53
Net profit for the year		**-28**	**284**
Profit/loss attributable to:			
Shareholders of the Parent Company		-112	192
Non-controlling interests	20	84	92
		-28	**284**
Earnings per share attributable to Parent Company shareholders, SEK	16		
Continued operations			
- before dilution		1,50	2,99
- after dilution		1,43	2,76
Discontinued operations			
- before dilution		-2,83	-0,64
- after dilution		-2,69	-0,60
Total operations			
- before dilution		-1,33	2,35
- after dilution		-1,26	2,17
Number of shares at end of year		84.115.238	81.848.572
Average weighted number of shares after dilution		88.663.683	88.648.572

Consolidated Statement of Comprehensive Income

SEK M	2018 Jan–Dec	2017 Jan–Dec
Net profit for the year	-28	284
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit pension plans	0	0
Items that may be subsequently reclassified to profit or loss:		
Fair value changes in financial assets through OCI	10	9
Hedging of net investment	12	0
Exchange-rate differences	48	31
Other comprehensive income for the year, net of tax	**70**	**40**
Total comprehensive income for the year	**42**	**325**
Total comprehensive income attributable to:		
Shareholders of the Parent Company	-43	231
Non-controlling interests	86	93
	42	**325**

Consolidated Statement of Financial Position

SEK M	Note	2018 31 Dec	2017 31 Dec
Assets			
Non-current assets			
Intangible assets	18	646	390
Tangible assets	19	29	27
Investments in associated companies	20	116	45
Financial assets at fair value through other comprehensive income	22	0	59
Financial assets at fair value through profit or loss	23	337	379
Long-term loan receivables	25	0	586
Deferred tax assets	15	81	99
Other non-current receivables	26	6	21
		1.215	**1.606**
Current assets			
Accounts receivable	24	325	387
Current receivables from Associated companies		99	48
Current loan receivables	25	0	779
Tax assets		19	4
Other receivables		22	29
Prepaid expenses and accrued income	27	258	255
Derivatives	21	9	14
Financial assets at fair value through profit or loss	23	114	95
Client funds		12	0
Cash and cash equivalents	28	687	3.177
		1.547	**4.790**
Assets in divestment group held for sale	40	4.247	-
Total assets		**7.009**	**6.396**
EQUITY AND LIABILITIES			
Equity	29		
Share capital		168	164
Other contributed capital		270	253
Reserves		4	-65
Retained earnings incl. net profit/loss for the year		1.000	1.377
Equity attributable to shareholders of the Parent Company		**1.442**	**1.729**
Non-controlling interests	20	205	214
Total equity		**1.647**	**1.943**
Liabilities			
Non-current liabilities			
Borrowings	30	0	0
Long-term loan liabilities	30	748	494
Deferred tax liabilities	15	29	38
Other provisions	31	53	4
		831	**537**
Current liabilities			
Borrowings	30	0	122
Current liabilities	30	0	2.784
Derivatives	21	0	5
Accounts payable		89	244
Liabilities to associated companies		1	2
Tax liabilities		77	116
Other liabilities		59	52
Accrued expenses and deferred income	32	552	590
Client funds		12	0
		790	**3.917**
Liabilities in disposal group held for sale	40	3.741	-
Total liabilities		**5.362**	**4.453**
Total equity and liabilities		**7.009**	**6.396**

For information about the Group's pledged assets and contingent liabilities, see Notes 33–35

Consolidated Statement of Cash Flows

SEK M	Note	2018 Jan–Dec	2017 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		44	395
Adjustments for non-cash items:			
Wind down expenses		155	-
Other financial items		5	-28
Depreciation and amortisation	9	32	28
Items affecting comparability - Impairment of intangible assets		0	53
Impairment /reversal impairment current receivables	13	3	6
Change in provisions		-2	2
Interest income from loan portfolios	14	-16	-22
Acquisition expenses		5	2
Profit/loss from participations in associated companies	7	18	20
Personnel costs not affecting cash flow	10	49	55
Other non-cash items		1	-
Paid income tax		-154	-86
Cash flow from operating activities before changes in working capital		**140**	**426**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		-66	-234
Increase (+)/decrease (–) of operating liabilities		271	106
Cash flow from operating activities		**344**	**297**
Cash flow from investing activities			
Investment in tangible assets	19	-16	-12
Investment in intangible assets	18	-19	-40
Acquisition of subsidiaries, net of cash and cash equivalents acquired	37	-428	-5
Sale of subsidiaries, net of cash disposed	37	-1	0
Acquisition of associated companies	20	-246	-12
Dividend and other disbursements from associated companies		157	-
Investment in financial assets		-85	-50
Sales of financial assets		62	21
Cash flow from loan portfolios		97	23
Dividends from investments		0	1
Cash flow from investing activities		**-479**	**-74**
Cash flow from financing activities			
New share issue		21	-
Borrowings	36	252	493
Repayment of loans	36	0	-202
Dividend		-84	-65
Transactions with non-controlling interests		-100	-87
Cash flow from financing activities		**89**	**139**
Cash flow for the year		**-45**	**362**
Cash and cash equivalents at beginning of year		3.177	2.750
Exchange rate differences in cash and cash equivalents		102	66
Cash and cash equivalents at end of year*	28	**3.234**	**3.177**
Of which cash flow from divestment groups held for sale:			
Cash flow from operating activities		174	17
Cash flow from investing activities		0	-16
Cash flow from financing activities		170	0
Cash flow for the year from divestment group held for sale		**344**	**1**
* Of which cash and cash equivalents recognised in Assets in disposal groups held for sale		2.547	-

SEK 2,545 M (2,111) of the Group's cash and cash equivalents is related to Catella Bank, and pursuant to the regulations and rules Catella Bank is regulated by, the rest of the Group does not have access to Catella Bank's liquidity.

Interest received and paid is stated in Note 36.

Consolidated Statement of Changes in Shareholders' Equity

SEK M	Equity attributable to shareholders of the Parent Company							
	Share capital	Other contributed capital *	Fair value reserve	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests **	Total equity
Opening balance at 1 January 2018	**164**	**253**	**12**	**-77**	**1.377**	**1.729**	**214**	**1.943**
Adjustment for retroactive application of IFRS 9								
Increased provision for anticipated credit losses in accordance with IFRS 9					**-2**	**-2**		**-2**
Adjusted opening balance at 1 January 2018	**164**	**253**	**12**	**-77**	**1.375**	**1.727**	**214**	**1.941**
Total comprehensive income for the year, January - December 2018								
Net profit for the year					-112	-112	84	-28
Other comprehensive income, net of tax			10	59	0	68	2	70
Total comprehensive income for the year			**10**	**59**	**-112**	**-43**	**86**	**42**
Transactions with shareholders								
Transactions with non-controlling interests					-179	-179	-94	-273
New share issue	5	17				21		21
Dividend					-84	-84		-84
Closing balance at 30 December 2018	**168**	**270**	**22**	**-19**	**1.000**	**1.442**	**205**	**1.647**

* Other paid-up capital is share premium reserves in the Parent Company.
** Holdings in non-controlling interests are attributable to minority holdings in subsidiaries in Systematic Funds and Property Funds, and several subsidiaries in Property Asset Management and Corporate Finance.

As of 31 December 2018, the Parent Company had a total of 4,666,667 warrants outstanding, of which 133,333 in treasury. 2,266,666 warrants were utilised to subscribe for an equal number of shares at a price of SEK 9.40 per share, and 66,667 warrants held in treasury expired without being utilised in 2018.

SEK M	Equity attributable to shareholders of the Parent Company							
	Share capital	Other contributed capital *	Fair value reserve	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests **	Total equity
Opening balance as of 1 January 2017	**164**	**253**	**3**	**-107**	**1.250**	**1.563**	**167**	**1.730**
Total comprehensive income for the year, January - December 2017								
Net profit for the year					192	192	92	284
Other comprehensive income, net of tax			9	30	0	39	1	40
Total comprehensive income for the year			**9**	**30**	**192**	**231**	**93**	**325**
Transactions with shareholders								
Transactions with non-controlling interests							-46	-46
Dividend					-65	-65		-65
Closing balance as of 31 December 2017	**164**	**253**	**12**	**-77**	**1.377**	**1.729**	**214**	**1.943**

* Other paid-up capital is share premium reserves in the Parent Company.
** Holdings in non-controlling interests are attributable to minority holdings in subsidiaries in Systematic Funds and Property Funds, and several subsidiaries in Property Asset Management and Corporate Finance.

As of 31 December 2017, the Parent Company had a total of 7,000,000 outstanding warrants, of which 200,000 held in treasury. There were no transactions involving warrants in 2017.

Notes on the Consolidated Accounts

NOTE 1 COMPANY INFORMATION

The Catella Group ("Catella") includes the Parent Company Catella AB (publ) (the "Parent Company") and a number of companies that conduct operations in two operating segments: Corporate Finance and Asset Management. In addition, Catella manages a loan portfolio consisting of securitised European loans, with its main exposure to housing.

The Annual Accounts and Consolidated Accounts of Catella AB (publ) for the financial year-ending on 31 December 2018 were approved for publication by the Board of Directors and the Chief Executive Officer on 26 April 2019 and will be presented for adoption by the Annual General Meeting on 27 May 2019.

The Parent Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. The head office is located at Birger Jarlsgatan 6 in Stockholm. Catella AB is listed on Nasdaq Stockholm in the Mid Cap segment.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The Consolidated Accounts of Catella were prepared in accordance with the Swedish Annual Accounts Act RFR 1 supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS) and IFRIC interpretation statements endorsed by the EU. The Consolidated Accounts were prepared under historical cost convention, apart from the re-measurement of financial assets valued at fair value in Other comprehensive income and financial assets and liabilities (including derivative instruments) valued at fair value through profit or loss.

The preparation of financial statements requires the Board of Directors and Group Management to make estimates and judgements. These estimates and judgements affect the income statement, statement of Comprehensive income and statement of financial position, as well as the disclosures provided, such as contingent liabilities. Actual outcomes may differ from these assessments in the context of other assumptions or in other circumstances. The areas involving a high degree of judgement and that are complex, or such areas for which assumptions and estimates are of material importance to the Consolidated Accounts, include the assessment of future cash flows, which for example, form the basis of the measurement of loan portfolios, goodwill, trademark and contract portfolios, the measurement of deferred tax assets attributable to tax-loss carry-forwards, the measurement of accounts receivable, as well as assessments of disputes and the need to provision for them.

The accounting policies presented below were applied consistently to all periods presented in the Consolidated Accounts, with the exceptions described in greater detail. The accounting principles governing income from customer contracts and financial instruments for the comparative year can be found in Note 2 of the Annual Report for 2017. Furthermore, the Group's accounting policies were applied consistently by Group companies and the policies of associated companies were adjusted to the Group's accounting policies as necessary.

Introduction and effects of new and revised IFRS for 2018

Two new accounting standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, have been applied from 1 January 2018.

IFRS 9 "Financial Instruments" deals with the classification, measurement and recognition of financial assets and liabilities and introduces new regulations for hedge accounting. IFRS 9 replaces those parts of IAS 39 dealing with the classification and measurement of financial instruments and introduces a new impairment model. IFRS 9 retains a mixed-measurement model with three measurement categories for financial assets: amortised cost, fair value recognised in Other Comprehensive Income and fair value recognised through profit or loss. How an instrument should be classified depends on the company's business model and the nature of the instrument. Investments in proprietary equity instruments must be recognised at fair value through profit or loss, but it is also possible to recognise the instrument at fair value through other comprehensive income the first time it is recognised. In such cases, no reclassification to the Income Statement will occur when the instrument is sold. IFRS 9 also introduced a new model for calculating credit loss provisions based on expected credit losses over the life span of the receivables. For financial liabilities, there is no change in presentation and measurement except in cases where a liability is recognised at fair value through profit or loss based on the fair value option. Changes in value attributable to changes in the entity's own credit risk are then recognised in Other Comprehensive Income.

Catella has evaluated the business model for the management of financial assets and whether contracted cash flows comprise capital amounts and interest exclusively. The new classification of financial assets and liabilities has not impacted Catella's reporting of consolidated financial assets in the 2018 financial reporting, with the exception of assigning new titles to the various categories of financial instruments. The new impairment model for calculating the credit loss reserve has had an effect of SEK - 2 M, net after tax, on financial reporting and equity as of 1 January 2018. The increase in the credit loss reserve is mainly attributable to the Banking business area, and to a lesser extent to Corporate Finance. IFRS 9 has been applied retroactively without necessitating restatement of comparative figures in accordance with the transitional rules.

IFRS 15 "Revenue from contracts with customers" regulates revenue recognition. The principles established by IFRS 15 are intended to provide users of financial statements with more useful information about the company's revenues. The expanded disclosure obligation means that information on types of revenues, settlement dates, uncertainties concerning revenue recognition and cash flow attributable to the company's contracts with customers must be provided. According to IFRS 15, revenue should be recognised when the customer gains control over the good or service sold and has the ability to use and receive the benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the associated SIC and IFRIC.

The introduction of IFRS 15 has not had a significant impact on consolidated financial reporting. No adjustments were made to opening balances or comparative figures.

New standards and interpretations not yet adopted by the Group

IFRS 16 "Leases" was published in January 2016 and applies from 1 January 2019. The implementation of the standard will imply that virtually all lease contracts are reported in the Balance Sheet. The standard does not distinguish between operating and financial lease contracts. An asset (the right to use a leased asset) and a financial liability corresponding to the company's commitment to pay lease charges must be reported for virtually all lease commitments. One exception exists for short contracts and contracts of minor value.

Catella has collated the final effects of the new standard. Right of use correlates closely to the lease liability in the consolidated financial position, and is estimated at SEK 298 M, of which SEK 8 M relates to discontinued operations. Rental costs for 2019 are estimated at SEK 51 M, of which SEK 3.5 M relates to discontinued operations. Furthermore, Catella intends to apply the simplified standard and will not recalculate comparable figures.

Consolidated accounts

(a) Subsidiaries: Subsidiaries are all of the companies in which the Group has a controlling influence. The Group controls a company when it is exposed to, or is entitled to, variable returns from its holdings in the company, and has the ability to affect returns through its influence over the company. The existence and effect of potential voting rights that may currently be utilised or converted are taken into consideration in the assessment of whether the Group exercises a controlling influence over another company. Subsidiaries are included in the Consolidated Accounts from the date on which the controlling influence is transferred to the Group. They are excluded from the Consolidated Accounts effective the date on which the controlling influence ceases. All transactions with shareholders of subsidiaries are recognised based on the substance of these transactions. Gains/losses attributable to shareholders of non-controlling interests, who in addition to their ownership also are active in the subsidiary, are placed on a par with other forms of variable compensation and, accordingly, are recognised as personnel expenses in the income statement. These shareholders' portion of the net assets in the Group is recognised in the Consolidated statement of financial position as a non-controlling interest.

The acquisition method is applied to the recognition of the Group's business combinations. Goodwill arising coincident with the acquisition of subsidiaries, associated companies and joint arrangements is the amount by which the purchase consideration exceeds Catella's share of the fair value of identifiable assets, liabilities and contingent liabilities in the acquired company on the date of transfer. If the fair value of the subsidiary's acquired assets, liabilities and contingent liabilities exceeds the purchase consideration, the difference is recognised directly in profit or loss. Contingent consideration is recognised on the acquisition date at fair value and classified as a liability that is subsequently re-measured through profit or loss. Non-controlling interests in the acquired business are measured at either fair value or at the proportional share of the acquired operations' net assets held as a non-controlling interest on a case-by-case basis. All acquisition-related transaction costs are expensed. These costs are recognised in the Group under the item “other external expenses” in profit or loss.

Intra-group transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated. Wherever appropriate, the accounting policies for the subsidiaries have been changed in order to guarantee consistent application of the Group’s policies.

(b) Transactions with shareholders of non-controlling interests: The Group treats transactions with non-controlling interests as transactions with the Group’s shareholders. Coincident with acquisitions from non-controlling interests the difference between the consideration paid and the actual acquired portion of the carrying amount of the subsidiary’s net assets is recognised in equity. Gains and losses attributable to disposals of non-controlling interests are also recognised in equity.

When the Group no longer holds a controlling or significant influence, each remaining holding is re-measured at fair value and the change in the carrying amount is recognised in profit or loss. The fair value is utilised as the first carrying amount and forms the basis for the future accounting of the remaining holding as an associated company, joint venture or financial asset. All amounts relating to the divested unit that were previously recognised in other comprehensive income are recognised as if the Group had directly sold the related assets or liabilities, which may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Associated companies: Associated companies are holdings that are neither subsidiaries nor joint arrangements, but for which the Group is able to exercise a significant influence, which in general applies to shareholdings of between 20% and 50% of the votes. Holdings in associated companies are recognised in accordance with the equity method and initially measured at cost. The carrying amount of the Group’s holdings in associated companies includes goodwill identified on acquisition, net of any impairment losses.

Associated companies are included in the Consolidated Accounts from the acquisition date. They are excluded from the Consolidated Accounts on the date on which they are sold. Transactions, balance sheet items and unrealised gains on transactions between the Group and its associated companies are eliminated in accordance with the Group’s participation in the associated company. Unrealised losses are also eliminated, but are regarded as indicating an impairment need for the transferred asset. Shares of profits of associated companies are recognised in the Consolidated Income Statement under operating profit, net of tax. Shares in associated companies are recognised in the Statement of Financial Position at cost, including the portion comprised of goodwill, adjusted for dividends and the share of the associated company’s profit after the acquisition date.

Segment reporting

According to IFRS 8, operating segments are recognised in a manner that is consistent with the internal reporting regularly presented to the chief operating decision maker. The chief operating decision-maker is the function that is responsible for the allocation of resources and the assessment of the operating segment’s profit or loss. For Catella, the CEO has been identified as the chief operating decision-maker.

Catella has four business areas (operating segments under IFRS 8) that have been merged to two reportable segments that Catella terms Operating Segments. IFRS 8 permits that two or more operating segments may be aggregated into a single segment providing they have similar financial characteristics, and are also similar in terms of the nature of products and services, the type of production process, customer categories, distribution, and the extent to which operations, where applicable, are affected by various regulatory structures and risks.

On this basis, Catella has defined the following reportable operating segments for the Group: Corporate Finance (consisting of the Corporate Finance operating segment) and Asset Management (consisting of the combined Property Investment Management, Equity, Hedge and Fixed Income Funds, and Banking operating segments). This combination is based on the nature of services, their delivery, and recipient customer categories of all segments being similar, which are also influenced to a similar degree by risks and regulatory structures. Information reported for each operating segment has been prepared in accordance with the accounting policies applied to the Group. The operating segments are regularly monitored by the manager of the segment and Catella’s CEO, who decide on the allocation of resources, budgetary targets and finance plan.

Translation of foreign currencies

(a) Functional currency and reporting currency: Items included in the financial statements of the Group’s various units are measured in the currency used in the financial environments in which each company primarily conducts its business activities (functional currency). Swedish krona (SEK) is used in the Consolidated Accounts, which is Catella AB’s functional currency and the Group’s reporting currency.

(b) Transactions and Balance Sheet items: Transactions in foreign currencies are translated to the functional currency at the rates of exchange ruling on the transaction date or the date on which the items were re-measured. Exchange rate gains and losses arising on payment for such transactions and on the translation of monetary assets and liabilities in foreign currency at the closing day rate are recognised through profit or loss. The exception is for transactions comprising hedging that meet the requirements for hedge accounting of cash flows or for net, investments, when gains/losses are recognised in other comprehensive income. Exchange rate gains and losses attributable to loans and cash and cash equivalents are recognised through profit or loss as “other financial items.” All other exchange rate gains and losses are recognised in the items “other operating income” or “other operating expenses” in the Income Statement.

Changes in the fair value of financial assets comprising debt instruments denominated in foreign currency, classified as measured at fair value in Other comprehensive income, are divided between translation differences and other changes in the reported value of securities. Translation differences related to changes in amortised cost are recognised through profit or loss.

Translation differences for financial assets and liabilities, such as shares measured at fair value in the Income Statement, are recognised in the Income Statement as a portion of fair value gains/losses. Translation differences for financial assets not comprising debt instruments, such as shares classified as financial assets measured at fair value in Other comprehensive income, are transferred to the fair value reserve via Other comprehensive income.

(c) Group companies: The results of operations and financial position of all of the Group companies that have a functional currency that is different to the reporting currency are translated to the Group’s reporting currency as follows:

- (a) Assets and liabilities for each of the balance sheets are translated at the closing day rate;
- (b) Income and expenses for each of the income statements are translated at the average exchange rates (insofar as the average rate constitutes a reasonable approximation of the accumulated effect of the rates applying on the transaction date, otherwise income and expenses are translated at the rate on the transaction date), and
- (c) All translation differences arising are recognised in other comprehensive income and accumulated in the translation reserve under equity.

Translation differences arising as a result of the translation of net investments in foreign operations and borrowing and other currency instruments identified as hedging of such investments are entered in other comprehensive income on consolidation. When a foreign operation is sold, either wholly or partly, the translation differences that were recognised in other comprehensive income are entered in profit or loss and recognised as a portion of the capital gain/loss.

Goodwill and adjustments of fair value arising on the acquisition of foreign operations are treated as assets and liabilities of this operation and translated at the closing day rate.

Classification of assets and liabilities

Non-current assets and non-current liabilities essentially comprise amounts that are expected to be recovered or paid after more than 12 months from the reporting date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or paid within 12 months of the reporting date.

Property, plant and equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and any accumulated impairment. Depreciation is based on historical cost and estimated useful life.

Straight line depreciation is utilised for all types of assets as follows:

- Leasehold improvements 20% per year or over the lease contract term
- Computers and peripherals 25-33% per year
- Other office machines and office equipment 20% per year

The residual values and useful lives of the assets are tested at the end of every reporting period and adjusted as necessary.
The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Gains and losses on disposal are determined by comparing sales proceeds to carrying amounts and are recognised in other operating income or other operating losses.

Intangible assets

(a) Goodwill: The amount by which the purchase price, any non-controlling interest and the fair value on the acquisition date of previous shareholdings, exceeds the fair value of identifiable acquired net assets is recognised as goodwill. Goodwill from acquisitions of subsidiaries is recognised as intangible assets. Goodwill is tested every year to identify any impairment and is recognised at cost less accumulated impairment losses. Goodwill impairment is not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill relating to the sold unit.

Goodwill is allocated between cash-generating units when any impairment tests are performed. Goodwill is allocated to cash-generating units or groups of cash- generating units, as established in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill item arose.

(b) Trademarks and brands: Trademarks and brands acquired in a business combination are recognised at fair value on the acquisition date. Trademarks recognized in the Consolidated statement of financial position is the registered trademark Catella, which is deemed to have an indefinite useful life. The trademark is tested every year to identify any impairment and is recognised at cost less accumulated impairment losses.

(c) Customer relations: Contract portfolios and associated customer relationships relating to a business combination are identified in the acquisition analysis and are recognised as a separate intangible asset. The customer relationships arising from business combination are measured at fair value. Fair value measurement uses a valuation model based on discounted cash flows. Measurement is based on the turnover rate and return for the acquired portfolio on the acquisition date. In this model, a separate cost or required return is paid in the form of a contributory asset charge for the assets utilised in order for the intangible asset to generate a return. Cash flows are discounted through a weighted average cost of capital (WACC), which is adjusted with respect to local interest rate levels in the countries where the acquisitions occurred. The useful life of the contract portfolios and associated customer relationships is based on the turnover rate of the acquired portfolio, which is deemed to be between five and seven years and corresponds to an annual amortisation rate of 14-20%. Amortisation is recognised in the item depreciation of acquisition-related intangible assets in profit or loss.

(d) Software licences: Acquired software licenses are capitalised on the basis of the expenses arising when the relevant software was acquired and commissioned. These capitalised expenses are amortised over the estimated useful life, usually three to four years. Coincident with Catella's increased ownership of IPM Informed Portfolio Management AB, the Group acquired a proprietary portfolio management system which is estimated to have a useful life of 10 years.

(e) Deferred tax attributable to intangible assets: Deferred tax liabilities should be measured based on the local tax rate for the difference between the carrying amount and the taxable value of the intangible asset. The deferred tax liability is to be reversed over the same period in which the intangible asset is amortised, which results in the effect of the amortisation on the intangible asset, in terms of the full tax rate relating to profit after tax, being neutralised. The deferred tax liability is initially recognised with a corresponding increase in goodwill. No deferred tax attributable to goodwill on consolidation is considered.

Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not amortised/-depreciated but tested for impairment yearly. Assets that are amortised/-depreciated are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets's fair value less any selling expenses and its value in use. For impairment testing, assets are grouped at the lowest levels at which separate identifiable cash flows exist (cash-generating units). Assets, that are not financial assets or goodwill and that were previously amortised/depreciated, are tested on each closing day to determine whether a reversal should be conducted.

Reversal of impairment

Impairment of assets included in the scope of IAS 36 are reversed if there is an indication that the impairment no longer exists and a change has occurred in the assumptions underlying the measurement of recoverable amount. However, impairment of goodwill is never reversed. A reversal is only conducted to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount, less any depreciation/amortisation wherever applicable, that would have been recognised had no impairment loss been recognised.

Impairment of loan receivables and accounts receivable recognised at amortised cost is reversed if the previous reasons for impairment no longer exist and full payment from the customer can be expected to be received.

Financial assets

Classification

The Group classifies its financial assets in the following three valuation categories: amortised cost, fair value via profit or loss and fair value via Other comprehensive income. How an instrument should be classified depends on the company's business model and the nature of the instrument. Management determines the classification of the financial assets when they are first recognised.

(a) Financial assets measured at accrued cost

The category includes financial assets that are not equity instruments or derivatives, and where the asset is held in a business model for the purpose of drawing contracted cash flows and where the agreed terms of the asset only trigger payment of capital amounts and interest on the outstanding capital amount. Examples of assets in this category include accounts receivable and loan receivables. They are included in current assets, except for items becoming due for payment more than 12 months after the end of the reporting period, which are classified as non-current assets.

(b) Financial assets measured at fair value through profit or loss

This category includes equity instruments, derivatives and other financial assets identified as items measured at fair value (fair value option) at the initial reporting date.

Equity instruments

Investments in proprietary equity instruments not comprising subsidiaries must be recognised at fair value through profit or loss, but it is also possible to recognise the instrument at fair value in Other comprehensive income. The choice is made per instrument, in connection with its termination, and cannot be changed retroactively. This assumes that the holding is not held for trading purposes with the aim of making short-term gains on value changes in the share price. Catella includes operational holdings such as Pamica and APAM's investments alongside its customers in this category.

Derivatives

Derivatives are always measured at fair value through profit or loss with the exception of derivatives that have been identified and recognised as hedges of net investments where value changes are recognised in Other comprehensive income.

Items measured at fair value

Financial assets not comprising equity instruments or derivatives, where cash flow does not exclusively comprise capital amounts plus interest and/or is held in a business model not wholly or partly focused on drawing contracted cash flows are classified as items measured at fair value through profit or loss. Group loan portfolios are included in this category since this corresponds to the original recognition and Catella's monitoring of these assets. The loan portfolios have been acquired with the purpose of realising inherent values either by collecting contracted cash flows or by divestment at fair value. Assets in this category are classified as current assets to the extent relating to the cash flows forecast over the next 12 months, while the remainder of the loan portfolios are recognised as non-current assets. This category also includes the Group's fund holdings and other debt instruments (financial receivables) such as the Group's listed bond holdings.

(c) Financial assets measured at fair value in Other comprehensive income

Equity instruments classified as financial assets measured at fair value in Other comprehensive income at the initial reporting date. No reclassification to the Income Statement will occur when the instrument is sold. The choice is made per instrument and cannot be changed retroactively. This assumes that the holding is not held for trading purposes with the aim of making short-term gains on value changes in the share price. Examples of equity instruments in this category include strategic and long-term holdings that do not comprise subsidiaries or associated companies. They are included in non-current assets if management does not intend to dispose of them within 12 months of the end of the reporting period. Catella's preference shares in Visa Inc. and a minor shareholding in Swift are classified in this category.

Recognition and measurement

Purchases and sales of financial assets are recognised on the transaction date—the date on which the Group undertakes to purchase or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs, which apply to all financial assets that are not recognised at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognised at fair value, while related transaction costs are recognised through profit or loss. Financial assets are derecognised from the statement of financial position when the right to receive cash flows from the instrument has expired or been transferred and the Group has essentially transferred all risks and rewards associated with ownership. Financial assets measured at fair value in Other comprehensive income and financial assets measured at fair value through profit or loss are recognised at fair value after the acquisition date. Financial assets classified as amortized cost are recognized after the acquisition date at amortised cost by applying the effective interest method.

Gains and losses due to changes in fair value relating to the category of financial assets measured at fair value through profit or loss are recognised in profit or loss in the period in which they arise and are included in the income statement item other financial items divided between the interest coupon received on outstanding loans and the change in fair value. The interest rate component is calculated in accordance with the effective interest method based on applicable discount rates that are an approximation of the instrument's interest rate component. The basis for determining fair value in this category is either the listed market value or measurement based on a discounted cash flow analysis performed by a party external to Catella. Dividends from equity instruments reported as financial assets measured at fair value through profit or loss are reported in the Income Statement as a proportion of Other financial items when the Group's right to receive payments has been determined.

Exchange rate differences from revaluation of financial instruments are reported in the Income Statement. Fair value changes in financial instruments classified as financial assets measured at fair value in Other comprehensive income are recognised in Other comprehensive income. There is no reclassification to the Income Statement in connection with divestments of equity instruments in this category.

Interest on financial assets measured at amortised cost calculated using the effective interest method are recognised in the Income Statement under Interest income. Dividends from equity instruments reported as financial assets measured at fair value in Other comprehensive income are reported through profit or loss as a proportion of Other financial items when the Group's right to receive payments has been determined.

Impairment of financial assets

On each reporting date, the company calculates the reserve for anticipated credit losses for a financial asset of group of assets. The expected credit losses of receivables is measured on the basis of historical experience of bad debt loss on similar receivables information and forward-looking information. Accounts receivable subject to impairment are recognised at the present value of expected future cash flows. Receivables with short terms are not discounted.

Derivative instruments and hedging measures

Derivative instruments are recognised in the statement of financial position on the contract date and measured at fair value, both initially and at subsequent re-measurement. The effect of the re-measurement is recognised in profit or loss. No hedge accounting, only financial hedging, takes place for the hedging transactions executed by Catella, except hedging of net investments in foreign operation (hedging of net investment).

Hedging of net investment

Hedges that have been entered to reduce currency risk (translation risk) in net investments denominated in foreign currency are recognised from the date the currency hedge of net exposure was entered into. The proportion of profit or loss on a hedging instrument that has been identified and judged to be an effective hedge is recognised in Other comprehensive income. The gain or loss attributable to the ineffective portion is immediately recognised in profit or loss under other financial items. Accumulated gains and losses in the Translation reserve in equity are recognised through profit or loss when the foreign operation is wholly or partly sold.

Receivables in foreign currency that comprise a portion of the company's net investments in foreign subsidiaries are also measured at the closing day rate. Exchange rate differences on these receivables are recognised directly in other comprehensive income.

Accounts receivable

Accounts receivable are amounts to be paid by the customer for goods sold or services rendered in operating activities. If payment is expected within one year, the receivable is classified as a current asset. Otherwise, the receivable is entered as a non-current asset.

Accounts receivable are initially recognised at fair value and subsequently at amortised cost by applying the effective interest method, less reserves for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other short-term investments in securities. that are due for payment within three months after the acquisition date. The item includes client account receivables attributable to the asset management and securities operations reported net of client account liabilities.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been purchased from suppliers in operating activities. Accounts payable are classified as current liabilities if they become due for payment within one year. Otherwise, the liability is entered as a non-current liability.

Accounts payable are initially recognised at fair value and subsequently at amortised cost by applying the effective interest method.

Borrowing

Borrowing is initially recognised at fair value, net of transaction costs. Borrowing is subsequently recognised at amortised cost and any difference between the amount received (net after transaction costs) and the amount of the repayment is recognised through profit or loss allocated over the loan term, by applying the effective interest method.

Fees paid for loan commitments are recognised as transaction costs for the borrowing to the extent that it is probable part or all of the credit facility will be utilised. In such cases, the fee is recognised when the credit facility is utilised. Where there is no longer any evidence to suggest that it is probable that part or all of the credit facility will be utilised, the fee is recognised as an advance payment for financial services and allocated over the term of the relevant loan facility.

Overdraft facilities are recognised as borrowing under current liabilities in the Statement of Financial Position.

Current and deferred income tax

Tax expenses for the period include current and deferred tax. Tax is recognized through profit or loss, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or equity, respectively.

The current tax expense is calculated on the basis of the tax rules that have been enacted or substantively enacted on the reporting date in the countries in which the Parent Company's subsidiaries and associated companies conduct business activities and generate taxable income. Management regularly evaluates the claims made in tax returns for situations in which applicable tax rules are subject to interpretation. Whenever deemed necessary, management provisions for amounts that must probably be paid to the tax authority.

In accordance with the balance sheet method, deferred tax is recognised on all temporary differences arising between the taxable value of the assets and liabilities and their carrying amounts in the Consolidated Accounts. However, deferred tax is not recognised if it arises as a result of a transaction comprising the initial recognition of an asset or liability that is not a business combination and that on the transaction date impacts neither recognised nor taxable earnings. Deferred income tax is calculated by applying tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date and that are expected to be applicable when the deferred tax asset in question is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future tax surpluses will be available that the temporary differences can be utilised against.

Deferred tax is measured on temporary differences arising on participations in subsidiaries and associated companies, except where the date of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and liabilities are offset when a legal offset right for the tax assets and liabilities in question exists and when the deferred tax assets and liabilities are attributable to taxes charged by the same tax authority and relate to the same taxpayer or different taxpayers where there is the intention of settling the balances by making a net payment.

Employee benefits

(a) Pension obligations

Group companies have different pension plans. The pension plans are usually financed through payments to insurance companies or funds administered by an asset manager, with payments determined based on periodic actuarial calculations. Most of the pension plans in the Group are defined contribution. However, there are some defined benefit pension plans for managers within Catella Bank Luxembourg. These obligations are not significant amounts for the Group. The Group's new pension plans should be defined contribution.

A defined contribution pension plan is a pension plan in which the Group pays fixed contributions to a separate legal entity on a mandatory, contractual or voluntary basis. The Group has no other additional payment obligations once the payments have been made. The contributions are recognised as personnel costs when they become due for payment. Prepaid contributions are recognised as an asset to the extent that the cash repayment or decrease in future payments benefit the Group.

(b) Remuneration on termination of employment

Compensation on termination is paid when the Group terminates the employment of an employee prior to the normal time of retirement or when the employee accepts voluntary redundancy in exchange for such compensation. The Group recognises severance pay when it is demonstrably obliged to either terminate the employment of an employee in accordance with a detailed, irrevocable formal plan, or to provide severance pay as a result of an offer made to encourage voluntary redundancy. Benefits expiring more than 12 months after the end of the reporting period are discounted to present value.

(c) Profit share and bonus plans

The Group recognises a liability and an expense for bonuses and profit shares based on a formula that takes into consideration the profit that is attributable to the Parent Company's shareholders after certain restatements. The Group recognises a provision when a legal obligation or an informal obligation exists due to previous practice.

Share-based remuneration

The Group's outstanding warrants were issued in 2014 within the framework of an incentive program for the CEO and senior managers. These warrants were settled and paid in accordance with market terms. The value of these warrants was determined by using an option valuation model (Black & Scholes). The warrants are classified as share-based payment.

Other contributed capital was credited when the warrants were issued. The company issues new shares when the options are utilised. Payments received, less any directly attributable transaction costs, are credited to share capital (quotient value) and other contributed capital when the options are exercised.

Provisions

Provisions for restructuring expenses and statutory requirements are recognized when the Group has a legal or informal obligation due to earlier events, it is probable that an outflow of resources will be required to settle the commitment and the amount has been measured reliably. Restructuring provisions include expenses for the termination of leases and severance pay. No provisions are made for future operating losses.

If a number of similar commitments exist, an assessment is made of the probability of an outflow of resources being required to settle this whole Group of commitments. A provisions is recognised even if the probability of an outflow being required for a specific item in this Group of commitments is insignificant.

Provisions are measured at present value of the amount expected to be required to settle the commitment. In this context, a discount rate before tax is used that reflects the current market assessment of the time value of money and the risks associated with the provision. The increase in the provision due to the passing of time is recognised as an interest expense.

Revenue recognition

Revenue includes the fair value of what is received or will be received for the services sold in the Group's operating activities. Revenue is recognised excluding value-added tax and discounts, and after elimination of intra-group sales. The Group recognises revenue when its amount can be reliably measured and control has been transferred. Specific criteria for each of the Group's operations are described below. The Group bases its estimates on historical outcomes, and in this context, takes the type of customer, type of transaction and special circumstances in each individual case into account.

Remuneration that is progressively accrued through services rendered, for example, fixed-fee consultancy, advisory or management fees is recognised as revenue coincident with the delivery of these services and transfer of control, which in practice, means that recognition is on a straight-line basis for the period to which the service relates. This revenue can either be a predetermined amount or a percentage fee of volumes managed for example (such as assets under management).

Remuneration attributable to a specific service or action is recognised as revenue when the service is rendered. Such income includes commission for items as Catella Bank's credit card operation and currency services. This revenue can either be a predetermined amount or a percentage fee of volumes managed for example (such as card programme transactions or currency exchange).

Performance-based revenue, such as performance fees for extra returns in asset management or coincident with sales assignments, are recognised in accordance with applicable agreements regarding the point in time at which the performance-related fees may be charged. This means that in the case of a property sales assignment for example, where remuneration is a predetermined percentage of the customers' sales price of the property that is paid only when a sale has been completed is not recognised until a legally binding business transaction on the property has been concluded, and correspondingly, performance fees paid for surplus returns as recognised against an established reference level only on the measurement date, which can be daily, quarterly or annually depending on the product.

Commissions to resellers and settlement companies in Catella Bank's credit card operations is recognised as an expense coincident with income being accrued in accordance with the above principles.

Interest income is recognised as revenue by applying the effective interest method.

Dividend income is recognised when the right to receive payment has been established.

Lease arrangements

Lease arrangements, where essentially, the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made during the lease term (after discounting for any incentives from the lessor) are expensed in the Income Statement on a straight-line basis over the lease term. The Group has only entered operating leases.

Earnings per share

The computation of earnings per share is based on consolidated net profit/loss for the year attributable to the Parent Company's owners and on the weighted average number of shares outstanding during the year. When computing earnings per share after dilution, earnings and the average number of shares after dilution are adjusted to take the effects of dilutive potential ordinary shares that originate from warrants issued during reporting periods into account. The dilution of warrants affects the number of shares and arises only when the exercise price is lower than the share price quoted on the stock exchange.

Items affecting comparability

Events and transactions that are material and not repeated items and whose effect on profit or loss is important to consider when net profit/loss is compared to previous years are recognised as items affecting comparability.

Non-current assets held for sale and discontinued operations

The Group applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which addresses classification, measurement and disclosure requirements with regard to divestments of non-current assets held for sale and discontinued operations.

Discontinued operations are parts of Group operations comprising independent operations or significant operations in a geographical area. In the Income Statement, net profit (after tax) from discontinued operations is reported on a separate line under Net profit for the year, discontinued operations. The

Notes to the Income Statement have been adjusted to exclude discontinued operations.

In the first half of 2018, Catella initiated a strategic review of all service areas in the Banking business area. The review was concluded in December 2018 after Catella Bank S.A. Entered an agreement regarding the divestment of all operations through asset transfers to three different operators. From 30 September 2018, the Banking business area has been presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. This means that discontinued operations are reported net after tax on a separate line in the Consolidated Income Statement. Catella has chosen to term this item in the Income Statement Net profit from disposal group held for sale. The comparative figures in the Income Statement for the previous year have been adjusted as if the divested operations had never formed part of the Group's operations. In the Consolidated Balance Sheet, assets and liabilities attributable to the transferred operations are reported separately from other assets and liabilities on separate lines under Assets in divestment group held for sale and Liabilities in divestment group held for sale respectively. Because sales continue as of the reporting date and upon presentation of the Annual Report, the Banking business area has been reported in accordance with IFRS as stated above.

Other

Part of the Group's asset management assignment involves retaining cash and cash equivalents belonging to clients in the Group's bank accounts, with the corresponding liability to clients. Client funds are recognised in the Consolidated Statement of Financial Position as a current receivable and current liability. Both the receivable and liability are treated as items under financing activities in the Cash Flow Statement, and accordingly, do not impact on cash flow.

NOTE 3 FINANCIAL RISK MANAGEMENT

This note only relates to the Group's remaining operations unless otherwise indicated. For operations held for sale, see Note 40.

The Group is exposed to financial risks such as interest rate risk, currency risk, financing/liquidity risk and credit risk through its operating activities. Catella's Board of Directors assesses current and future risks and decides how they are to be managed by formulating group-wide risk management guidelines, which are evaluated and amended regularly. Risk management is also conducted at the relevant subsidiary level under the supervision of Group Management, Risk management of significant subsidiaries is described below.

With regard to Asset Management, these subsidiaries include a dedicated risk management function that is independent from business operations, with the relevant managers reporting to each managing director and directly to the subsidiary's Board of Directors. Group Management is represented on subsidiary Boards and reports on to the Parent Company's Board.

In the Asset Management operating segment, subsidiaries under the supervision of national financial supervisory authorities are Catella Real Estate AG, Catella Fondförvaltning AB, Catella Bank S.A., Catella Kapital och Pension AB and IPM Informed Portfolio Management AB. In the Corporate finance operating segment, there are no subsidiaries under supervision. Subsidiaries under supervision have an internal compliance function that monitors the subsidiaries' compliance with internal and external regulatory frameworks and customer agreements. The function is independent of operations in each subsidiary and its managers report to the Managing Director and directly to the Board of the subsidiary. Group Management is represented on subsidiary Boards and reports on to the Parent Company's Board of Directors.

As mentioned above, risk management is applied at subsidiary and operational levels since the different operating segments in the Group differ with regard to the operations conducted. For this reason, significant risks in each operating segment are described separately in the respective section on risk below.

Asset management harbours the Group's asset management and banking operations. The subsidiaries in this operating segment do not trade in financial instruments except in respect of hedge positions relating to client transactions. Nor do the subsidiaries trade in or take positions on their own account. Due to the subsidiaries' prudent policy for issuing credit and trading in financial instruments, exposure to risks is limited. This operating segment is mainly exposed to credit risk.

The Group's treasury management consists of investments and holdings in loan portfolios and shares. These assets are recognised with the Parent Company in the category "Other." Investments in loan portfolios, described in more detail in Note 23, are mainly exposed to credit risk, but also to liquidity risk depending on potential changes in the repayment rate of the loan portfolios, interest rate risk and currency risk because the loans are in a currency other than SEK and mainly issued at variable interest. The book, and fair, value of the securitised loan portfolios was SEK 213 M (278) at year-end. Shareholdings, described in more detail in Note 23, are mainly exposed to market price risk relating to the value of the shares. Shareholdings had a book value, also market value, of SEK 47 M (127) at year-end.

Liquidity risk

Liquidity risk is the risk that within a defined period, the Group is unable to re-finance its existing assets, or is unable to satisfy increased needs for liquidity. Liquidity risk also includes the risk that the Group is compelled to borrow at unfavourable interest, or must sell assets at a loss to be able to fulfil its payment obligations.

For remaining operations, as of 31 December 2018, the short-term liquidity reserve (cash and cash equivalents, short-term investments and committed but unutilised credit facilities) amounted to 36% (57) of consolidated annual sales and 103% (232) of consolidated borrowing and loan liabilities. Remaining operations have only long-term borrowing and loan liabilities.

In the Group's investments in loan portfolios, the primary financial obligetions are payment of ongoing operating expenses. These obligations are met with cash flows from individual loans in the acquired loan portfolios, which are monitored by Catella's investment advisors. Accordingly, the loan portfolios have limited inherent financial commitments, although Catella is subject to the risk of encountering difficulty in realising assets, which accordingly, could affect the Group's prospects of obtaining funds to maintain its financial commitments. Since the market for subordinated securities with collateral in assets is currently illiquid. Many of the investments in loan portfolios are illiquid, although not all. A small number of investments are over-the-counter (OTC) transactions, which are not registered according to the applicable securities laws, which restricts the transfer, sale, pledge or other disposal of these investments, except in the case of transactions that do not need to be registered according to, or otherwise comply with, these laws. The Group assesses that short and long-term liquidity are favourable and that there is flexibility in financing. If the Group's liquidity were to change and if the Group needed to divest part or all of the loan portfolio, consisting of securitised European loan portfolios, mainly with exposure to housing, for liquidity reasons, the potential to alter this portfolio rapidly and obtain a reasonable price could be limited, due to changes in economic and other circumstances. If the Group acquires investments for which there is no market, the Group's potential to renegotiate such investments or obtain reliable information on the value of an investment or the risks to which it is exposed to, could be limited.

The following tables summarise the Catella Group's liquidity risk for remaining operations at the end of 2018 and 2017.

Liquidity report as of 31 December 2018-2017, remaining operations

SEK M 31 December 2018	< 3 months	4 to 12 months	Between 1 and 3 yrs.	Between 3 and 5 yrs.	> 5 yr.	Without maturity	Total
Borrowings			0				0
Loan liabilities	-7	-21	-57	-763			-848
Derivatives							0
Accounts payable and other liabilities	-149						-149
Total outflows *	**-156**	**-21**	**-57**	**-763**	**0**	**0**	**-997**
Accounts receivable and other receivables	382	65					447
Derivatives	9						9
Financial assets at fair value through profit or loss **	2	60	71	82	69		284
Total inflows *	**393**	**124**	**71**	**82**	**69**	**0**	**739**
Net cash flow, total	**237**	**103**	**14**	**-681**	**69**	**0**	**-258**

SEK M 31 December 2017	< 3 months	4 to 12 months	Between 1 and 3 yrs.	Between 3 and 5 yrs.	> 5 yr.	Without maturity	Total
Borrowings			0				0
Loan liabilities	-4	-13	-34	-520			-571
Derivatives							0
Accounts payable and other liabilities	-116						-116
Total outflows *	**-121**	**-13**	**-34**	**-520**	**0**	**0**	**-687**
Accounts receivable and other receivables	250	45					295
Derivatives	4						4
Financial assets at fair value through profit or loss **	83	8	83	104	71		350
Total inflows *	**337**	**53**	**83**	**104**	**71**	**0**	**649**
Net cash flow, total	**217**	**40**	**49**	**-415**	**71**	**0**	**-39**

Net cash flows reported above totalled SEK -258 M for remaining operations at the end of 2018 (2017: -SEK 39 M), to be compared to cash and cash equivalents of SEK 687 M (2017: SEK 1,066 M).

* Indicated amounts relate to undiscounted contractual cash flows

** Refers to EETI's loan portfolios, more information in Note 23.

The Group's borrowing and financing are managed by the Parent Company and holding companies in the Group. The Parent Company's management and accounting department carefully monitor rolling forecasts of the Group's and subsidiaries liquidity reserves to ensure that the Group and subsidiaries have sufficient cash funds to meet needs in operating activities. In June 2018, Catella issued a further SEK 250 M of unsecured bonds under the existing framework of SEK 750 M. Catella has previously issued bonds totalling SEK 500 M, which means that the framework amount has now been fully utilised. The Group also has an overdraft facility of SEK 30 M (30), of which SEK 30 M (30) was unutilized as of as of 31 December 2018.

For a description of the Group's loan liabilities, see Note 30. For the unutilized portion of granted bank overdraft facilities, see Note 28.

In combination with Catella's cash flows, the funding sources outlined above provide short and long-term liquidity and ensure flexibility in the Group's funding of its operations.

Market risk

Market risk is the risk of loss or decreased future income due to fluctuations in interest rates, exchange rates and share prices, including price risk relating to the sale of assets or closure of positions. Except in treasury management, all trading in financial instruments in the Group is client based and not conducted for proprietary trading or speculative purposes.

Market price risk in Treasury Management

The Group's investments in loan portfolios are primarily exposed to market price risk through changes in the value of these investments and through interest rate fluctuations that reduce potential interest income. Investments in loan portfolios accrue variable interest or have underlying assets with variable interest and are measured according to a market-based credit spread based on an interest rate such as EURIBOR. An increased credit spread could directly affect Catella through its impact on unrealised gains or losses on portfolio investments, and therefore also Catella's ability to make a profit on investments, or indirectly by affecting Catella's potential to borrow and access capital. In accordance with the accounting policies in Note 2, investments in the loan portfolios are measured at fair value through profit or loss. Note 23, financial assets measured at fair value through profit or loss, presents each individual loan portfolio and the weighted average expected variable interest rate on each investment.

The risks described above could result in either higher or lower income for Catella. The way that changes in discount rates and changes in anticipated cash flows would affect profit before tax, measured as the change in fair value of Catella's loan portfolios, is described in the sensitivity analyses in Note 23.

Market price risk in Asset Management

Consistent with the above, trading in financial instruments is exclusively client based, which is why the market price risk is regarded as limited.

Interest risk

Interest rate risk is the risk that the Group's net profit could be impacted by changes in general interest rate levels. The Group has also arranged loan finance, mainly denominated in SEK, at variable interest to finance its own business operations. Detailed information on these liabilities is provided in Note 30. The Parent Company analyses and continuously monitors its exposure to interest rate risk.

Information on the Group's net debt profile and a sensitivity analysis are presented below, with information on fixed interest periods. As of 31 December 2018, remaining operations had net cash of SEK 275 M (851) and interest cover, a measure of the ability to cover interest expenses, was 13.3 (25.4).

The Group's interest-bearing liabilities and assets by currency

	Continued operations		Total operations
	2018	2017	2017
SEK M	**31 Dec**	**31 Dec**	**31 Dec**
EUR liabilities	0	0	-761
USD liabilities	-	-	-723
SEK liabilities	-748	-494	-1.590
GBP liabilities	-	-	-153
CHF liabilities	-	-	-88
NOK liabilities	-	-	-12
DKK liabilities	-	-	-26
HKD liabilities	-	-	0
Liabilities in other currencies	-	-	-54
Total interest-bearing liabilities	-749	-494	-3.406
Term (days)	90	90	17
Average interest expense for the year,%	3,5	4,6	0,6
Interest +0.5%	4,0	5,1	1,1
Net effect on profit or loss of 0.5% increase, SEK M	-4	-2	-17
Interest -0.5%	3,0	4,1	0,1
Net effect on profit or loss of 0.5% decrease, SEK M	4	2	17

	2018	2017	2017
SEK M	**31 Dec**	**31 Dec**	**31 Dec**
EUR assets	675	547	2.173
USD assets	19	9	700
SEK assets	266	684	1.513
GBP assets	30	53	220
CHF assets	-	-	85
NOK assets	9	4	15
DKK assets	17	41	67
HKD assets	5	7	8
Assets in other currencies	3	0	54
Total interest-bearing assets	1.024	1.345	4.834
Term (days)	35	19	44
Average interest income for the year,%	1,0	2,3	1,5
Interest +0.5%	1,5	2,8	2,0
Net effect on profit or loss of 0.5% increase, SEK M	5	7	24
Interest -0.5%	0,5	1,8	1,0
Net effect on profit or loss of 0.5% decrease, SEK M	-5	-7	-24

Foreign Exchange rate risk

The Group is active internationally and is subject to exchange rate risks that arise from various currency exposures. Exchange rate risk arises through business transactions, recognised assets and liabilities and net investments in foreign operations.

Subsidiaries' operations are predominantly conducted in the country in which they are located, and accordingly, transactions are executed in the same currency as the subsidiary's reporting currency. Accordingly, transaction exposure is limited, as described in more detail below.

Financing of foreign assets—translation risk

Translation risk is the risk that the value in SEK relating to equity in foreign currencies could vary due to exchange rate fluctuations. The Group's net exposure in foreign currency amounted to SEK 2,670 M (1,400) as of 31 December 2018. This net exposure consists of capital financed by deposits and equity. This means that, from a Group perspective, Catella has equity in foreign currencies that is exposed to exchange rate fluctuations. This exposure leads to a translation risk and thereby to a situation in which unfavourable exchange rate fluctuations could negatively impact the Group exposure foreign net assets on translation to SEK. In order to reduce the currency risk in Catella's net exposure in EUR, the Group started using currency hedging in the form of currency swaps in May 2018. Hedging currently totals a nominal amount of EUR 60 M.

Currency swaps are entered into with short terms and are replaced with new currency swaps on maturity. The hedging quotient for the relationship is 1:1, which means that the nominal amount in the hedging instrument is equal to the proportion of the total net investment in EUR designated as the hedged item. Hedging is expected to be very effective. Potential sources of inefficiency include significant changes in the credit risk of Catella or the counterparty, which would affect the value change of the derivative but not the hedged item, or that net exposure falls below the nominal amount of the derivatives. No inefficiencies were reported in the period as the credit risk of Catella and the counterparty does not materially impact the valuation of hedging instrument. As of the reporting date, the Group had an outstanding currency swap with a nominal amount of EUR 60 M which expired in February 2019. The forward rate for this swap is 10.3215 SEK/EUR. The following table summarises the effects of hedge accounting on Catella's profit and financial position. For more information about the impact of hedge accounting on Other comprehensive income, see the Consolidated Statement of Comprehensive Income.

SEK M	**2018**
Carrying amounts hedge accounting, MSEK, derivatives, current assets	5
Carrying amounts hedge accounting, MSEK, derivatives, liabilitiesassets	-
Nominal amount hedging instrument, MEUR	60
Net assets in MEUR designated as hedging instruments	60
Hedging ratio	1:1
Changes in fair value on hedging instrument to calculate efficiency	12
Changes in fair value on hedged risk to calculate efficiency	-12
Closing value in translation reserve attributable to net investment hedging	12

The following tables show the breakdown of the Group's capital employed by currency and its funding. They also include a sensitivity analysis of net liquidity/net debt and capital employed resulting from exchange rate fluctuations of +/-10% for SEK. Changes to net liquidity/net debt and capital employed from exchange rate fluctuations are reported in Other comprehensive income, and consequently do not affect profit for the year. In 2018, the translation difference amounted to SEK 61 M (31). Given a change in foreign exchange rates as of year end of +/-10%, the translation difference would increase/decrease by SEK 267 M (140).

Capital employed and financing by currency, 2018-2017

SEK M 31 December 2018	EUR	USD	GBP	CHF	NOK	DKK	HKD	Other currencies	Total foreign currencies	SEK	Total, group	Total, group +10%	Total, group –10%
Capital employed	66	3	260	-	4	68	5	0	406	460	865	973	892
Net liquidity (+)/Net debt (–)	674	19	30	-	9	17	5	3	757	-482	275	277	139
Non-controlling interests	-43	0	-1	-	-6	-8		0	-57	-148	-205	-211	-200
Net exposure continuing operations	**698**	**21**	**289**	**0**	**7**	**77**	**10**	**3**	**1.106**	**-171**	**935**	**1.039**	**831**
Net debt/equity ratio continuing operations	-0,9	-0,9	-0,1	0,0	-0,7	-0,2	-0,5	-1,0	-0,7	-21,5	-0,2	-0,2	-0,1
Net exposure divestment group held for sale	1.565	47	15	1	0	0	0	2	1.631	-1.124	507	670	344
Group's net exposure	**2.263**	**68**	**304**	**1**	**7**	**77**	**10**	**5**	**2.736**	**-1.295**	**1.442**	**1.709**	**1.175**

SEK M 31 December 2017	EUR	USD	GBP	CHF	NOK	DKK	HKD	Other currencies	Total foreign currencies	SEK	Total, group	Total, group +10%	Total, group –10%
Capital employed	198	2	1	0	6	-16	3	0	194	344	538	557	518
Net liquidity (+)/Net debt (–)	546	9	53	0	4	41	7	0	661	190	851	917	785
Non-controlling interests	-29		0	0	-9	-10	0	0	-49	-165	-214	-219	-209
Net exposure continuing operations	**715**	**11**	**54**	**0**	**1**	**15**	**10**	**0**	**806**	**369**	**1.174**	**1.255**	**1.094**
Net debt/equity ratio continuing operations	-0,7	-0,8	-1,0	0,0	-0,4	-1,6	-0,7	-1,2	-0,8	-0,4	-0,6	-0,6	-0,6
Net exposure divestment group held for sale	557	27	13	-3	-1	0	1	0	595	-40	554	614	495
Group's net exposure	**1.272**	**38**	**67**	**-3**	**0**	**15**	**11**	**0**	**1.400**	**328**	**1.729**	**1.869**	**1.589**

Transaction risk

Transaction risk is the risk of an impact on the consolidated net profit due to the value of the commercial flows in foreign currencies changing because of exchange rate fluctuations. Because the Group's operating activities are largely conducted in foreign subsidiaries whose functional currency is EUR or another foreign currency, exchange rate fluctuations between these currencies and SEK affect consolidated profit or loss.

The majority of the revenues of the subsidiary IPM are denominated in foreign currency, mainly USD and EUR, while the majority of expenses are in SEK. Currency risk arises when invoices in foreign currency are raised against clients. Because their maturity is short, the risk of substantial fluctuations in exchange rates is low. To reduce exchange rate risk, accumulated foreign currency positions are sold daily. In addition, IPM utilizes currency forward contracts to limit its currency exposure.

On the reporting date, other subsidiaries of Catella had no substantial liabilities or assets in foreign currencies that resulted in net exposure in a currency other than the companies' functional currencies except relating to certain intra-group transactions.

Credit risk

Credit risk is the risk of losses due to a borrower not being able to fulfil its obligations to Catella. Credit risk relates to all receivables and potential receivables from companies, financial companies, public administration and private individuals.

Credit risk—accounts receivable and loan receivables

The risk of bad debt is generally low in the Group, due to several different factors. Counterparties are predominantly well-known mid-size and large clients, where there is an established, long-term relationship. This results in stable deposit streams. Credit checks are conducted on new clients. The sale and the transactions generated by the client portfolio are also diversified in several ways, the most important being that no or few clients constitute a significant part of total sales or lending. Accordingly, a default by an individual client would have a minor effect overall. Counterparties and loan receivables have been approved in accordance with the Group's authorisation schedule. Furthermore, Catella renders services for geographically diversified clients in a large number of sectors including the public sector, financial sector and real estate companies. Accordingly, exposure to an economic downturn in a single sector or region is relatively limited. Overall, this implies stable payment flows from sales and lending generated, as confirmed by the low level of expected client losses and bad debt, which were 0.1% (0.3) of Group net sales in 2018. There were no customer losses in remaining operations in 2018 (2017: 0.2% of net sales). Credit risk relating to receivables from associated companies has been reviewed and is not deemed to be material. Cash and cash equivalents have been invested with established banks with good credit ratings and, accordingly, no impairment is necessary.

Credit risk—Treasury Management

The Group's investments in loan portfolios primarily consist of holdings in, and/or financial exposure to, securities that are subordinated from a payment perspective and are ranked below securities that are backed by, or represent ownership of, the same asset class. In the event of default by an issuer of such investments, holders of more senior securities from the issuer are entitled to payment before Catella. Some of the investments also have structural elements, which means that payment of interest and/or principal goes to more senior securities that are backed by, or represent ownership of, the same class of asset in the event of default or when the loss exceeds predetermined levels. This could lead to interruptions in Catella's expected revenue flow from its investment portfolio. Although holders of asset-backed securities normally have the advantage of high collateral levels, control over the timing and method of the sale of such collateral in the event of default is normally transferred to holders of the most senior securities. There are no guarantees that the income from the sale of collateral will be sufficient to fully repay Catella's investments.

Catella endeavours to reduce credit risk by actively monitoring its investment portfolio and the underlying credit quality of its holdings. Catella endeavours to further minimise credit risk by creating a diversified portfolio in terms of geographical allocation, administrators and issuers. Catella does not intend to undertake any credit hedging other than hedging of credit exposure in specific investments in individual cases. In 2018, no credit hedging was conducted.

Advance payment risk is the risk that individual debtors will pay off mortgages used as collateral for loan portfolios before their scheduled maturities. In its valuations, Catella takes into account an expected advance payment rate on the loans used as collateral for its investments, but it is possible that Catella's investments and the assets used as collateral for them will be repaid earlier than expected, and thereby affect the value of Catella's portfolio. Catella's investment advisors review advance payment assumptions quarterly and update them as required. The assumptions are reviewed by examining the information about the performance of the underlying loans. The advance payment rate is affected by changes in interest rates and a number of financial, geographical and other factors that lie outside Catella's control, and consequently, cannot be predicted with certainty. The level and timing of a debtor's advance payments of mortgages used as collateral for certain investments could adversely affect the revenue accrued by Catella on these investments.

Default risk is the risk that individual debtors will be unable to pay the required interest and principal at maturity. In its valuations, Catella takes into account an expected rate of default and an expected level of loss, but Catella's investments could incur larger losses if the payments in default are higher than expected. The risk of default is handled by Catella's investment advisor, who regularly analyses holdings. Every quarter the investment advisor reviews the various assumptions and updates them as required. The assumptions are reviewed by examining the information about the performance of the underlying loans. The degree of default risk is affected by Interest rate changes and a number of financial, geographical and other factors that lie outside Catella's control, and consequently, cannot be predicted with certainty. The level and timing of a debtor's default of mortgages used as collateral for certain investments could adversely affect the revenue accrued by Catella on these investments.

Credit ratings of financial assets

The following table states the credit ratings of the financial assets of the Group's residual operations.

Credit ratings of financial assets, remaining operations

SEK M 31 December 2018	Accounts receivable	Loan receivables and other debt instruments	Receivables from associated companies	Derivatives	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA		38					38
AA+							0
AA	0					55	55
AA-	0			5		86	92
A+	1			4		250	254
A	3					163	166
A-	21	10				5	36
BBB+	8					28	36
BBB	6				22	13	41
BBB-						48	48
BB	0						0
BB-	0						0
B	0					4	4
CCC	0						0
	39	**48**	**0**	**9**	**22**	**652**	**771**
Counterparties without external credit ratings							
Company	196	213	99		47	29	584
Funds	87				120		207
Financial companies	1					6	7
Public administration	1						1
Private individuals	2						2
	286	**213**	**99**	**0**	**167**	**35**	**801**
Total	**325**	**261**	**99**	**9**	**190**	**687**	**1.571**

SEK M 31 December 2017	Accounts receivable	Loan receivables and other debt instruments	Receivables from associated companies	Derivatives	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA					28		28
AA+					10	4	14
AA							0
AA-	1					639	640
A+	1			4		240	245
A	1					33	35
A-	1				10	7	18
BBB+	1					1	2
BBB	1				0	24	25
BBB-	0					75	75
BB+							0
BB-							0
B+							0
B	0					6	7
	6	**0**	**0**	**4**	**48**	**1.029**	**1.087**
Counterparties without external credit ratings							
Company	138	278	48		20	31	516
Funds	59				124		183
Financial companies	2					3	5
Public administration	1						1
Private individuals	12						12
	212	**278**	**48**	**0**	**144**	**34**	**717**
Total	**219**	**278**	**48**	**4**	**192**	**1.063**	**1.805**

* Standard & Poor's long-term credit rating has been used.

Geographical concentration of credit risks

The following table states the geographical concentration of credit risks.

Geographical concentration of credit risks in financial assets

	Financial assets				Pledged assets, contingent liabilities and commitments			
	2018	2017			2018	2017		
SEK M	Continued operations	Continued operations	Operations held for sale	Total verksamhet	Continued operations	Continued operations	Verksamheter som innehas för försäljning	Total verksamhet
Sweden	527	829	976	1.805	66	63	106	169
Luxembourg	0	31	1.653	1.685			1.167	1.167
Germany	289	235	93	328	136	128	0	128
France	249	182	122	303	96	42	60	102
Portugal	148	137	51	189			9	9
Spain	86	85	80	166	11	10		10
Monaco			149	149			618	618
Switzerland			136	136			470	470
Other countries	273	305	459	764	84	27	555	582
Total	**1.571**	**1.805**	**3.719**	**5.524**	**393**	**270**	**2.987**	**3.256**

Capital risk and capital management and related risk

The objective of the Group's capital structure is to provide a healthy return to shareholders by maintaining an optimal capital structure aiming to achieve the lowest possible cost of capital, and in subsidiaries, achieving the requirement of financial stability placed on subsidiaries. The Group's capitalisation must be risk based and proceed from a judgement of the overall risk level of operations. It should also be forward looking and consistent with long and short- term business plans and expected macroeconomic growth. The capital is assessed with relevant key ratios, such as the ratio between net debt and equity. As of 31 December 2018, remaining operations had net cash of SEK 208 M (851), which equates to a ratio of 0.1 (0.5) of consolidated equity.

Part of the Group's operations conduct licensable operations, regulated by the financial supervisory authorities of the relevant countries of fiscal domicile. Existing regulatory frameworks and rapid regulatory changes are complex in general, and specifically with regard to Catella's banking operations. These regulatory framework place stringent, and in future even more stringent, demands on the routines and procedures, and liquidity and capital reserves, of the operations under supervision. Compliance with these regulatory frameworks is a pre-condition for conducting operations subject to supervision. Catella continuously seeks to ensure compliance with existing regulatory frameworks and to prepare for future compliance with coming regulatory changes. In the event that subsidiaries were to become unable to satisfy such regulatory stipulations, this may have adverse consequences for Group profit and the value of the Group's assets. At a pace with winding down of the banking operations in 2019, the regulatory risk is expected to decrease. For Catella's consolidated financial situation, the tier 1 capital ratio and the total capital ratio was 2.6% (3.7) of the total risk-weighted exposure. The consolidated financial situation and subsidiaries subject to capital adequacy requirements from supervisory authorities satisfied such requirements in the year and as of 31 December 2018.

Fair value hierarchy for the measurement of financial assets and liabilities

The following table presents financial instruments measured at fair value based on how the classification in the fair value hierarchy has been conducted. The various levels are defined as follows:

Listed (unadjusted) market prices

The fair value of financial instruments traded on an active market is based on listed market prices on the reporting date. A market is considered to be active if listed prices from a stock exchange, broker, industrial Group, pricing service or supervisory authority are readily and regularly available and these prices represent actual and regularly occurring market transactions at arm's length. The listed market price used for the Group's financial assets is the actual bid rate. This category includes short-term investments in listed equities and bonds.

Valuation techniques using observable market data

The fair value of financial instruments not traded on an active market (such as OTC derivatives or certain funds) is measured using valuation techniques. Here, market information is used as much as possible when available, while company-specific information is used as little as possible. If all significant input data required for the fair value measurement of an instrument is observable, the instrument is listed in the column of valuation techniques that use observable market data in the following table. The investments presented in the following table in the column for valuation techniques that use observable market data are mainly derivative instruments and fund holdings.

Valuation techniques using non-observable market data

If one or more significant input data is not based on observable market information, the instrument concerned is classified in this category. Specific valuation techniques used to measure financial instruments are the calculation of discounted cash flows to measure fair value of the remaining financial instruments. The financial instruments classified in this category are the value of Catella's investments in securitised loan portfolios. They are measured at fair value based on forecast discounted cash flows, see also Note 23. This category also includes unlisted shareholdings.

A sensitivity analysis of changes to significant parameters for measuring loan portfolios (financial assets measured at fair value in profit or loss) is provided above in the section regarding Market price risk in treasury management.

Financial instruments by category

The Consolidated Statement of Financial Position presents how financial instruments are allocated by category, with no further disclosure on categories in the Notes.

The Group's assets and liabilities at fair value as of 31 December 2018, remaining operations

SEK M	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
Assets				
Derivatives		9		9
Financial assets at fair value through other comprehensive income		-		0
Financial assets at fair value through profit or loss	56	120	275	451
Total assets	**56**	**129**	**275**	**459**
Derivatives		-		0
Total liabilities	**0**	**0**	**0**	**0**

The Group's assets and liabilities at fair value as of 31 December 2017, total Group operations

SEK M	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
Assets				
Derivatives		14		14
Financial assets at fair value through other comprehensive income		59		59
Financial assets at fair value through profit or loss	55	110	309	474
Total assets	**55**	**183**	**309**	**547**
Derivatives		5		5
Total liabilities	**0**	**5**	**0**	**5**

Changes in instruments in the category of valuation techniques using non-observable market data in 2018 and 2017:

SEK M	2018 Assets at fair value through profit or loss	2017 Assets at fair value through profit or loss
As of 1 January	309	270
Investments	77	11
Disposals	-102	-3
Amortisation	-7	-14
Gains and losses recognised through profit or loss	18	36
Reclassification to Assets in divestment group held for sale	-1	-
Reclassification to shares in subsidiaries	-31	-
Exchange rate differences	12	8
As of 31 December	**275**	**309**

Financial assets and financial liabilities

The following table indicates which financial instruments the Group holds and how these have been reported and valued. Financial assets and liabilities as of 31 December 2018 relate exclusively to remaining operations. Financial assets and liabilities as of 31 December 2017 relate exclusively to total Group operations.

SEK M	2018	2017
Financial assets		
Financial assets at amortized cost		
Accounts receivable	325	387
Receivables from associated companies	99	48
Loan receivables	-	1.365
Cash and cash equivalents	687	3.177
Financial assets available for sale	-	59
Financial assets at fair value through profit or loss	451	474
Derivatives		
Used for hedge accounting	5	-
Held for trading at fair value through profit or loss	4	14
	1.571	**5.524**
Financial liabilities		
Financial liabilities at amortized cost		
Accounts payable and other liabilities	149	298
Borrowings and loan liabilities	749	3.400
Derivatives		
Held for trading at fair value through profit or loss	-	5
	898	**3.704**

NOTE 4 CRITICAL ESTIMATES AND JUDGMENTS

Estimates and judgements are continuously evaluated and based on historical experience and other factors, including expectations of future events that are considered reasonable in prevailing circumstances.

Key estimates and assumptions for accounting purposes

The Group makes estimates and assumptions about the future. By definition, the resulting estimates for accounting purposes will rarely match real outcomes. Estimates and assumptions that entail a significant risk of restatement of carrying amounts of assets and liabilities during the next financial year are addressed below.

Impairment tests of intangible assets with indefinite useful lives

The Group has goodwill of SEK 448 M (276) and trademarks and brands of SEK 50 M (50) which, in accordance with the accounting policy described in Note 2, are subject to impairment tests annually, in the fourth quarter. A judgement of recoverable amount is conducted based on measurements and estimates. The impairment test for 2018 indicated that there was no need for impairment. For more information, see Note 18.

Investments in property development projects

Through associated companies, Catella has investments in property development projects in Germany, Denmark and France. The projects are managed by Catella's German, Danish and French subsidiaries. Through its associated companies, Catella intends to invest in the early phase of projects where concept and frameworks are determined, to later divest the projects and realise profit before construction starts and projects are completed. The investments are subject to the risk that relevant companies are required to invest in later phases of projects, manage projects to completion or exit projects and potentially forfeiting the invested capital. Reporting according to IFRS 15 Revenue from Contracts with Customers require judgments to be made regarding the milestones reached by projects and rates of completion, which in turn influence the valuation of projects. In 2018, profit of SEK 16 M after tax was recognised for the property development project Living Lyon, of which SEK 6 M comprised Catella's share. Total Group net investments in property development projects through associated companies totalled SEK 152 M (63) as of 31 December 2018. The recognised value of shares in associated companies amounted to SEK 116 M (45) on the same date. For more information, see Note 20. In addition, Catella issued loans to associated companies totalling SEK 67 M (0).

Measurement of securitised loan portfolios

At 31 December 2018, the value of Catella's loan portfolios was SEK 213 M (278). The measurement of the loan portfolios is based on a large number of parameters, including estimated future cash flows, as described in Note 3, Financial risk management. Since the market for these loan portfolios, subordinated securities with collateral in assets, is currently illiquid, many, although not all, of Catella's investments are illiquid. As a result, the valuation model includes a number of parameters that are non-observable market data, which leads to significant uncertainty. Changes in judgements underlying the chosen parameters could result in a change in the fair value of Catella's loan portfolio in the Consolidated Statement of Financial Position and such a change could be material. It is not possible to quantify the probability in the event that assumptions made prove inaccurate and would thereby imply an inaccurate valuation of the portfolio. For further information and a sensitivity analysis, refer to Notes 3 and 23.

Measurement of preference shares in Visa Inc.

Catella received class C preference shares in Visa Inc. in connection with Visa Inc.'s acquisition of Visa Europe in June 2016. Conversion of preference shares to class A shares will take place when the legal disputes underway against Visa Europe have been resolved. The conversion rate is dependent on the outcome of these disputes. Although measurement of the preference shares takes these legal disputes into consideration, the measurement may be negatively or positively affected by the final outcome.

Valuation of unlisted share holdings

As of 31 December 2018, Catella's holding of unlisted shares amounted to SEK 62 M (14) comprising Private Equity products Pamica and Pamica 2, shares in Climate Arena Holding and APAM's investments alongside customers. Because the valuations are based on non-observable market data there is a greater degree of uncertainty associated with these judgments.

Measurement of identifiable assets and liabilities coincident with acquisition of subsidiaries/operations

The measurement of identifiable assets and liabilities coincident with the acquisition of subsidiaries or operations includes, as a part of the allocation of the purchase consideration, both items in the acquired company's Balance sheet and items not subject to recognition in the acquired company's Balance sheet, such as customer relations and software will be measured at fair value. Normally, no listed prices exist for the assets and liabilities to be measured, whereby various valuation techniques must be applied. These valuation techniques are based on a range of different assumptions. Other items that could be difficult to identify and measure are contingent liabilities that may have arisen in the acquired company such as disputes. All balance sheet items are thereby subject to estimates and judgements. For further information regarding acquisitions, see Note 37.

Valuation of Catella Bank

In connection with winding down operations in Catella Bank, the bank has signed a number of binding undertakings in relation to its staff, suppliers and other stakeholders. These undertakings have been valued and reported in accordance with the provisions in IAS 37 as of 31 December 2018. The valuations are based on management's best assessments, but the actual outcome of the winding down of operations may imply then need for further impairment of assets and provisions for additional undertakings may become necessary.

Recognition of income tax, value added tax and other tax rules

The recognition of income tax, value added tax and other taxes is based on current rules in the countries in which the Group conducts operations. Due to the overall complexity of all rules governing taxes and the reporting of taxes, application and recognition are based on interpretation, as well as estimates and judgements of potential outcomes. Deferred tax is computed on temporary differences between recognised and tax values of assets and liabilities. Two types of assumptions and estimates mainly affect the reported deferred tax. Firstly, there are assumptions and estimates to establish the carrying amount of various assets and liabilities, and secondly judgements as to whether there will be a future taxable profit so that the temporary differences will be realisable. At year end, the Group reported deferred tax assets totalling SEK 134 M (99), of which SEK 81 M (98) related to remaining operations and SEK 53 M (1) related to disposal group held for sale. A majority of these amounts comprises tax loss carry-forwards that are deemed to be utilised within a forecast period for ten years. The Group has total loss carry-forwards amounting to SEK 880 M (615). Loss carry-forwards for which no deferred tax asset is recognized in the Consolidated Balance Sheet amount to SEK 388 M (306).

Critical estimates and assumptions were also made in terms of the recognition of provisions and contingent liabilities related to tax risks. For more information on taxes, see Note 15.

Effects on the Group's financial position from ongoing disputes and the measurement of contingent liabilities

Reporting of disputes and measurement of contingent liabilities are based on judgements. If these judgements were to differ from actual outcomes, this could have a material impact on Catella's accounts. For more information, see Note 34.

NOTE 5 INFORMATION PER SEGMENT

Disclosures by operating segment

Catella conducts operations in a number of countries where local managers are responsible for each local operation. There are three business areas in the Asset Management segment. Business area managers monitor operations in these business areas, and provide support for each operation. Business area managers report to the Head of the Asset Management operating segment (currently the CEO) and the Heads of the Nordic and Continental European markets in the Corporate Finance operating segment report to the Head of Corporate Finance (currently the CEO).

Operating segments report in a manner consistent with Catella's internal reporting to the CEO, identified as the chief operating decision maker of Catella. Catella's chief operating decision maker evaluates the Group's operations based on these operating segments and reporting segments: Corporate Finance and Asset Management. Catella's chief operating decision maker mainly uses adjusted earnings before interest, taxes, depreciation and amortisation to evaluate the operating segments' results of operations. The chief operating decision maker also receives monthly information on each segment's revenues and expenses and information on transaction volumes and volumes under management. There is more detail on this in Note 2.

The Parent Company, other holding companies and treasury management are recognised in the “Other” category. Acquisition and financing costs and Catella’s trademark are also recognised in this category. Transactions between the operating segments are limited and relate mainly to financial transactions and certain reinvoicing of expenses. Limited transactions for rendering services to external customers occur. Any transactions are conducted on an arm’s length basis.

The operations of the Group’s reportable segments are as follows:

Corporate Finance

This operating segment has one business area with two main geographical markets, Nordic and Continental Europe. In Corporate Finance, Catella offers transaction advisory services on sales and acquisitions to domestic and international investors in Europe, focusing on complex transactions. Catella also provides market analysis and strategic advice, as well as advisory services on financing for companies in the property sector.

Asset Management

This operating segment is divided into three business areas. Catella provides equity, hedge and fixed income funds through the Equity, Hedge and Fixed Income Funds business area. With its broad offering, Catella is able to address the investment needs of private and institutional investors from various risk aspects, market conditions and management methodologies. Furthermore, Catella offers property funds, mainly to institutional owners, through the business area Property Investment Management. Catella also offers asset management in the property sector, mainly for international investors and funds, as well as services in property-related development projects. The Banking business area, which is in the process of being wound down, offers investment advice and asset management as well as niche card and payment solutions to private banks and e-commerce businesses and acts as a card issuer.

In the first half of 2018, Catella initiated a strategic review of all service areas in the Banking business area. The review was concluded in December 2018 after Catella Bank S.A. Entered an agreement regarding the divestment of all operations through asset transfers to three different operators. From 30 September 2018, the Banking business area is reported as a disposal group held for sale in accordance with IFRS 5. This means that in the Consolidated Income Statement, Banking’s net profit (after tax) is reported on a separate line under Net profit from disposal group held for sale. Comparative figures for previous years have been reported in a corresponding manner in the Consolidated Income Statement. In the Consolidated Statement of Financial Position, from 30 September 2018, Banking’s assets and liabilities are reported separately from other assets and liabilities on separate lines under Assets in divestment group held for sale and Liabilities in divestment group held for sale. However, comparative figures from earlier years relating to Banking’s assets and liabilities have not been reclassified in this way.

Information on each segment’s revenues, expenses, assets, liabilities and cash flow is provided below.

Income Statement by operating segment

	Corporate Finance		Asset Management		Other		Eliminations		Group	
SEK M	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales	710	656	1.457	1.358	34	16	-43	-31	2.159	1.998
Other operating income	5	3	53	14	2	0	-2	-2	57	15
	715	**659**	**1.510**	**1.371**	**35**	**16**	**-45**	**-33**	**2.216**	**2.013**
Direct assigment costs and commission	-88	-74	-301	-295	0	0	0	10	-389	-359
Other external expenses	-175	-137	-268	-204	-60	-29	32	16	-471	-354
Personnel costs	-405	-372	-521	-443	-42	-36	8	5	-960	-845
Depreciation and amortisation	-5	-4	-20	-13	-1	0	0	0	-26	-17
Other operating expenses	7	-2	-12	0	-18	-25	6	2	-18	-26
Operating profit/loss	**49**	**71**	**387**	**416**	**-85**	**-74**	**2**	**0**	**352**	**412**
Interest income accordring to effective interest rate method	1	1	0	1	1	0			2	1
Interest income other	1	0	0	0	21	25	-6	-3	16	22
Interest expenses	-3	-3	-3	-1	-25	-17	4	3	-27	-17
Other financial income	3	2	6	12	20	27			30	40
Other financial expenses	-2	0	-19	-4	-14	-8			-36	-12
Financial items—net	0	0	-16	7	3	27	-2	0	-15	34
Profit/loss before tax	**48**	**70**	**371**	**423**	**-83**	**-47**	**0**	**0**	**337**	**446**
Tax	-33	-27	-104	-108	11	27			-127	-108
Net profit for the year from continuing operations	**15**	**43**	**267**	**315**	**-72**	**-20**	**0**	**0**	**210**	**338**
Operations held for sale:										
Net profit/loss for the year from divestment group held for sale			-242	-48			4	-5	-238	-53
Net profit for the year	**15**	**43**	**25**	**268**	**-72**	**-20**	**4**	**-5**	**-28**	**284**

Financial position by operating segment

SEK M	Corporate Finance 2018	Corporate Finance 2017	Asset Management 2018	Asset Management 2017	Other 2018	Other 2017	Eliminations 2018	Eliminations 2017	Group 2018	Group 2017
Assets										
Non-current assets										
Intangible assets	65	63	525	271	56	56	0	0	646	390
Tangible assets	11	11	18	16	1	1	0	0	29	27
Investments in associated companies	0	0	16	0	100	44	0	0	116	45
Financial assets at fair value through other comprehensive income	0	0	0	59	0	0	0	0	0	59
Financial assets at fair value through profit or loss	0	0	142	114	194	265	0	0	337	379
Long-term loan receivables	0	0	0	586	0	0	0	0	0	586
Deferred tax assets	0	0	11	31	70	68	0	0	81	99
Non-current receivables from group companies	12	4	0	0	101	0	-114	-4	0	0
Other non-current receivables	5	5	2	16	0	0	0	0	6	21
	94	**83**	**714**	**1.093**	**521**	**1.129**	**-114**	**-699**	**1.215**	**1.606**
Current assets										
Accounts receivable	119	142	206	245	0	0			325	387
Receivables from group companies	11	2	1	8	73	311	-85	-320	0	0
Receivables from associated companies	0	0	32	48	67	0			99	48
Current loan receivables	0	0		779		0			0	779
Tax assets	2	1	17	3	0	0			19	4
Other receivables	14	8	14	16	6	5			34	30
Prepaid expenses and accrued income	39	20	212	227	8	9			259	255
Derivatives	0	0	4	14	5	0			9	14
Financial assets at fair value through profit or loss	0	0	48	48	65	46			114	95
Cash and cash equivalents	185	255	486	2.625	17	298			687	3.177
	371	**428**	**1.020**	**4.013**	**242**	**668**	**-85**	**-320**	**1.547**	**4.790**
Assets in divestment group held for sale			4.249				-2		4.247	-
Total assets	**465**	**511**	**5.983**	**5.106**	**763**	**1.798**	**-201**	**-1.018**	**7.009**	**6.396**
EQUITY AND LIABILITIES										
Equity attributable to shareholders of the Parent Company	35	120	1.389	931	17	1.372		-695	1.442	1.729
Non-controlling interests	34	45	171	169	0	0			205	214
Total equity	**69**	**165**	**1.561**	**1.100**	**17**	**1.372**	**0**	**-695**	**1.647**	**1.943**
Liabilities										
Non-current liabilities										
Long-term loan liabilities	0	0	0		748	494			748	494
Non-current liabilities to group companies	101	0	12	4	0	0	-114	-4	0	0
Deferred tax liabilities			18	26	11	12			29	38
Other provisions		3	53	2					53	4
	102	**3**	**84**	**31**	**759**	**506**	**-114**	**-4**	**831**	**537**
Current liabilities										
Borrowings		0		122		0			0	122
Current liabilities		0		2.784		0			0	2.784
Derivatives		0		5		0			0	5
Accounts payable	54	39	27	198	8	7			89	244
Liabilities to group companies	22	111	105	325	-48	-116	-79	-320	0	0
Liabilities to associated companies	0	0	1	2	0	0		0	1	2
Current tax liabilities	33	29	44	88	0	0		0	77	116
Other liabilities	45	29	27	23	1	1	-2	0	71	52
Accrued expenses and deferred income	139	136	388	427	26	27			552	590
	293	**343**	**591**	**3.974**	**-14**	**-80**	**-81**	**-320**	**790**	**3.917**
Liabilities in disposal group held for sale			3.747				-6		3.741	-
Total liabilities	**395**	**346**	**4.422**	**4.006**	**745**	**425**	**-201**	**-324**	**5.362**	**4.453**
Total equity and liabilities	**464**	**511**	**5.983**	**5.106**	**763**	**1.798**	**-201**	**-1.018**	**7.009**	**6.396**

Cash flow by operating segment

	Corporate Finance		Asset Management		Other		Group	
SEK M	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Profit/loss before tax	48	70	78	372	-83	-47	44	395
Justering för poster som inte ingår i kassaflödet:								
Wind down expenses			155				155	-
Other financial items	5	-2	5	-8	-6	-19	5	-28
Depreciation and amortisation	5	4	26	24	1	0	32	28
Items affecting comparability - Impairment of intangible assets				53			0	53
Other items not affecting cash flow	31	53	25	10	2	0	59	63
Paid income tax	-41	-22	-112	-54	-1	-9	-154	-86
Change in operating capital employed	-70	-64	100	-108	174	44	205	-129
Cash flow from operating activities	**-21**	**39**	**277**	**289**	**88**	**-31**	**344**	**297**
Cash flow from tangible and intangible non-current assets	-5	-5	-30	-47			-35	-52
Acquisition of subsidiaries, net of cash and cash equivalents			-220	-1	-208	-4	-428	-5
Sale of subsidiaries, net of cash disposed			-1	0			-1	0
Net investments in Associated companies			-16	-12	-73		-89	-12
Cash flow from other financial assets		0	-22	-8	96	2	74	-6
Cash flow from investing activities	**-5**	**-5**	**-289**	**-67**	**-185**	**-2**	**-479**	**-74**
Net borrowings, amortisation of loans	0	0			252	291	252	291
New share issue, dividends, contributions from, and payments to, non-controlling interests	-37	-20	-63	-67	-63	-65	-163	-153
Cash flow from financing activities	**-37**	**-20**	**-63**	**-67**	**190**	**226**	**89**	**139**
Cash flow for the year	**-64**	**14**	**-74**	**155**	**93**	**192**	**-45**	**362**
Of which cash flow from divestment groups held for sale:								
Cash flow from operating activities	-	-	174	17	-	-	174	17
Cash flow from investing activities	-	-	0	-16	-	-	0	-16
Cash flow from financing activities	-	-	170	0	-	-	170	0
	-	**-**	**344**	**1**	**-**	**-**	**344**	**1**

Disclosures by geographical market

	Total sales to external customers *		Total assets		Non-current assets **	
SEK M	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Sweden	993	1.007	1.338	2.280	642	663
Luxembourg	1	2	0	1.683	-	66
Germany	494	458	368	498	63	121
France	495	328	288	302	33	68
Other countries	176	204	227	987	59	153
Non-current assets not specified by country **	-	-	540	646	418	537
Assets in divestment group held for sale	-	-	4.247	-	-	-
Total	**2.159**	**1.998**	**7.009**	**6.396**	**1.215**	**1.606**

* Based on the location of sales outlets and essentially corresponding to customers' geographical location.
** Financial instruments and deferred tax assets are not specified by country. Instead, these items are recognised on the line "Non-current assets not specified by country.

NOTE 6 NET SALES

SEK M	**2018**	**2017**
Fund and Asset Management income	1.414	1.328
Brokerage income, Corporate Finance	672	619
Other income	73	52
	2.159	**1.998**

The Group has income streams that are reported over time as well as at a specific reporting date. None of the Group's subsidiaries apply percentage of complete method.

NOTE 7 OTHER OPERATING INCOME

SEK M	**2018**	**2017**
Capital gain on operating property development project	24	-
Recharged costs for company analysis	16	8
Recharged project costs	6	-
Share of profit from associated companies	-	-
Other	11	6
	57	**15**

NOTE 8 OTHER EXTERNAL COSTS

Remuneration of auditors

SEK M	2018	2017
PwC		
Audit assignment *	7	6
(of which to the Parent company´s audit firm PricewaterhouseCoopers AB)	*4*	4
Audit activities other than audit assignment **	0	0
(of which to the Parent company´s audit firm PricewaterhouseCoopers AB)	*-*	-
Tax advisory **	0	0
(of which to the Parent company´s audit firm PricewaterhouseCoopers AB)	*0*	0
Other services	2	4
(of which to the Parent company´s audit firm PricewaterhouseCoopers AB)	*2*	3
	10	**11**
Other audit firms		
Audit assignment	1	1
Audit activities other than audit assignment	0	-
Tax advisory	0	-
Other services **	0	-
	1	**1**
Total remuneration to auditors	**11**	**11**

* Audit assignment means fees for the statutory audit, i.e. work necessary to present the Audit Report, and audit-related advisory services rendered coincident with the audit assignment.
** Services in addition to auditing, with the exception of other statutory assignments, mainly relate to auditing of regulatory reporting (Long form report) to CSSF in Luxembourg for the consolidated financial situation and also tax advice etc. in connection with mutual fund operations, transfer pricing and value added tax, and technical accountancy advice regarding IFRS.

NOTE 9 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

SEK M	2018	2017
Depreciation of tangible assets	8	6
Amortisation of non-acquisition-related intangible assets	14	7
Amortisation of acquisition-related intangible assets	4	5
	26	**17**

Amortization of acquisition-related intangible assets for the year is attributable to portfolio management systems, customer relationships and distribution channels identified in connection with the acquisitions of IPM Informed Portfolio Management AB, Catella Asset Management AS, Catella Asia Ltd. And APAM Ltd.

NOTE 10 PERSONNEL

Employee benefits

SEK M	2018	2017
Salaries and other compensation	652	590
Social security expenses	150	133
Pension costs defined contribution pension plans	54	47
Pension costs defined benefit pension plans	0	0
	856	**771**

Salaries and other remunerations

SEK M	2018	2017
Boards of Directors and Presidents *	143	142
Other employees *	509	448
	652	**590**
* of which bonus	105	133

Apart from the aforementioned compensation, which was an expense for Catella in 2018, earnings attributable to partners in subsidiaries in which they work are recognized as a personnel cost in accordance with applicable accounting policies. This cost amounts to SEK 49 M (55).

Average no. of employees (full-time equivalents)

	2018		2017	
Average	**Total**	**of which women**	**Total**	**of which women**
Sweden—parent company	15	2	13	2
Sweden—subsidiaries	139	56	134	56
Luxembourg	-	-	1	-
Germany	146	60	121	45
France	85	41	75	37
UK	39	16	-	-
Finland	38	13	36	12
Spain	33	12	29	10
Denmark	18	4	15	3
Baltics	11	3	12	4
Netherlands	8	4	8	4
Norway	4	1	4	1
Hong Kong	2	1	2	-
USA	1	1	1	1
Total	**539**	**214**	**451**	**175**

As of 31 December 2018, the number of Board members and Presidents totalled 177 (169), of whom 21 (19) were women. In several cases, these individuals are one and the same person, as such an individual may hold multiple directorships.

NOTE 11 COMPENSATIONS OF THE BOARD OF DIRECTORS AND SENIOR MANAGERS

Principles

Directors' fees are paid to the Chairman of the Board and Board members in accordance with the resolution of the Annual General Meeting. The following guidelines for compensation of senior managers were adopted by the Annual General Meeting 2018:

These guidelines concern compensation and other terms of employment for the members of Catella's Group Management for the period the guidelines apply, hereby jointly designated 'senior managers. The guidelines apply for agreements entered after the AGM resolution, and for amendments to existing agreements after this date. The Board of Directors is entitled to depart from these guidelines, if there are special reasons for this in an individual case. The guidelines should be subject to annual review.

Remuneration to the Chief Executive Officer and other members of Group management normally consist of basic salary, variable salary, as well as other benefits and pension. Total compensation should be on market terms and competitive, and be in relation to responsibilities and authority. Variable salary should be based on results achieved in relation to individually defined qualitative and quantitative targets, subject to a ceiling of 24 months' salary. Upon termination of employment by the company, as an aggregate total, dismissal pay and severance pay may not exceed 12 months' salary. Pension benefits should be defined contribution. The Board may diverge from these guidelines only in special circumstances.

Board of Directors and senior executives

For a presentation of the Board of Directors and Group Management, see the section on the Board of Directors, Auditors and Group Management.

During the year, the composition of the Board of Directors was unchanged, with Johan Claesson serving as Chairman of the Board, and Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as ordinary Board members. Group Management was also unchanged in the year, with Knut Pedersen as CEO and President, Johan Nordenfalk as COO and Marcus Holmstrand as CFO.

Board fees, approved by the AGM on 28 May 2018, totalled SEK 570,000 (550,000) to the Chairman of the Board and SEK 350,000 (330,000) each to other Board members. In addition, remuneration of SEK 130,000 (80,000) to the Chairman of the Audit Committee and SEK 100,000 (50,000) each to two other Committee members, and SEK 40,000 (40,000) to the Chairman of the Remuneration Committee and SEK 30,000 (30,000) to the Committee member are payable. In addition to fees approved by the AGM, Board members are entitled to invoice their Board fee through privately owned companies provided this is permissible from a tax perspective and is cost neutral to Catella. Board members are then permitted to include social security expenses that would have been payable by Catella AB had the Board fee been paid directly to the Board member. In these cases, Board fees correspond to approved fees, plus invoiced social security expenses. In addition, statutory sales tax is payable.

Senior managers' variable compensation and other employment terms in 2018

The Chief Executive Officer and other senior managers are entitled to receive performance-based bonuses. The right to receive bonuses and the calculation basis for bonuses are set and reviewed annually by the Board of Directors. Bonuses are paid at an amount of a maximum of 24 (12) months' salary. The company's costs for variable salary to Group management amounted to SEK 2 M including social security expenses in 2018. The maximum outcome would have cost the company just under SEK 15 M including social security expenses.

In addition to statutory pension and insurance benefits, the company should provision an amount corresponding to up to 30% of the basic salary of senior managers for the occupational pension solution designated by the employee each year. Senior managers are entitled to 30 days of holiday per year.

A period of notice of six months applies between the company and the CEO if employment is terminated by executives and a period of notice of 12 months if the company terminates employment.

A period of notice of six months applies between the company and other senior managers if employment is terminated by executives and a period of notice of 12 months if the company terminates employment.

Share-based incentive program

See Note 12, Share-based payment.

Compensation and other benefits in 2018

Tkr	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension cost	Other compensation	Total
Chairman of the Board						
Johan Claesson	663					663
Other Board members						
Johan Damne	337					337
Joachim Gahm*	297					297
Anna Ramel*	483					483
Jan Roxendal*	555					555
Total compensation to board members	**2.336**	**-**	**-**	**-**	**-**	**2.336**
Chief Executive Officer						
Knut Pedersen	3.543	525	110	1.117		5.296
Övriga ledande befattningshavare**	4.106	990	22	1.220		6.338
Total compensation to CEO and other members of Group management	**7.649**	**1.515**	**132**	**2.337**	**-**	**11.633**

* Relates to invoiced amounts up until the end of May and salary after that date, for more information see Board and senior executives above.
** Other senior managers means Johan Nordenfalk (COO) and Marcus Holmstrand (CFO).

Compensation and other benefits in 2017

Tkr	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension cost	Other compensation	Total
Chairman of the Board						
Johan Claesson	580					580
Other Board members						
Johan Damne	330					330
Joachim Gahm*	434					434
Anna Ramel*	456					456
Jan Roxendal*	482					482
Total compensation to board members	**2.281**	**-**	**-**	**-**	**-**	**2.281**
Chief Executive Officer						
Knut Pedersen	3.516	3.062	146	1.073		7.797
Övriga ledande befattningshavare**	3.970	3.645	26	1.097		8.739
Total compensation to CEO and other members of Group management	**7.486**	**6.707**	**173**	**2.170**	**-**	**16.535**

* Relates to invoiced amounts, for more information see the "Board of Directors and senior managers" heading above.
** Other senior managers means Johan Nordenfalk (COO) and Marcus Holmstrand (CFO).

Shareholdings and other holdings

The Board of Directors' and Group Management's share and warrant holdings in Catella AB were as follows as of 31 December 2018 and 2017 respectively*:

	Class A shares		Class B shares		Options		Bonds, SEK	
No. / SEK	2018	2017	2018	2017	2018	2017	2018	2017
Board of Directors								
Johan Claesson, Chairman of the Board (direct and indirect	1.100.910	1.087.437	40.243.838	39.694.718	2.000.000	-	-	-
Johan Damne, Board member	-	-	150.000	150.000	-	-	-	-
Jochim Gahm, Board member	-	-	-	-	-	-	-	-
Anna Ramel, Board member	-	-	-	-	-	-	-	-
Jan Roxendal, Board member	-	-	109.554	109.554	-	-	2.000.000	2.000.000
Management								
Knut Pedersen, President and CEO	-	-	1.666.666	-	1.333.334	5.000.000	-	-
Johan Nordenfalk, Chief Operational Officer	-	-	220.000	120.000	200.000	300.000	-	-
Marcus Holmstrand, CFO	-	-	104.000	4.000	200.000	300.000	-	-
Total holdings	**1.100.910**	**1.087.437**	**42.494.058**	**40.078.272**	**3.733.334**	**5.600.000**	**2.000.000**	**2.000.000**

* Information for senior managers at the end of each financial year.

NOTE 12 SHARE-BASED INCENTIVES

As of 31 December 2018, the Group had 4,666,667 (7,000,000) outstanding warrants conferring entitlement to subscribe for 4,666,667 new class B shares in Catella AB (publ). Of the total number of outstanding warrants, 133,333 (200,000) are held in treasury by one of the Group's subsidiaries, Aveca AB.

All warrants, apart from those held in treasury, are held by senior managers and other key staff of the Group. The warrants were acquired on market terms, based on valuation in accordance with a customary valuation model (Black & Scholes). The Group does not have any legal or informal commitment to re-purchase or settle the warrants for cash. However, according to the terms and conditions of the warrants, Catella is entitled to re-purchase the warrants on the basis of the same valuation model from the option-holder if he or she is no longer employed by the Group.

2,266,666 warrants were utilised to subscribe for an equal number of shares at a price of SEK 9.40 per share, and 66,667 warrants held in treasury expired without being utilised in 2018. There were no repurchase of share warrants in 2018. In the Consolidated Accounts, the repurchase of share warrants is reported under other contributed capital to the extent it consists of non-restricted equity, and the remainder against retained earnings.

The issue price will be adjusted in the event of a decision on potential future dividends to shareholders, together with other dividends paid during the same financial year exceeding 8 (8) % of the average price of the share over a period of 25 trading days immediately prior to the day on which the Board of Catella AB (publ) announces its intention to present such a dividend proposal to the Annual General Meeting.

The Extraordinary General Meeting in Catella AB (publ) on 22 January 2018 authorized a change in the terms for warrants of series 2014/2018:A, 2014/2019:B and 2014/2020:C. The change implies that the option terms take into account the value transfer taking place from the warrants holder to shareholders when the Company pays dividends.

Given exercise of issued warrants, ownership structure would be affected by a dilution effect at each point. Outstanding warrants as of 31 December 2018 imply a dilution effect of 5.3% (7.9) of the capital and 4.7% (7.1) of the votes.

In spring 2019, warrant holders have opted to exchange their warrants for 2,166,667 new class B shares in Catella AB at a price of SEK 8.40 per share and 200,000 warrants were repurchased as a result of changes in Catella AB's management. In addition, 166,666 warrants held in treasury expired without being utilized.

Change in the number of outstanding warrants:

No.	2018	2017
Opening balance as of 1 January	7.000.000	7.000.000
Newly issued	-	-
Exercise of options to subscribe for new shares	-2.266.666	-
Expiry of unutilised warrants	-66.667	-
As of 31 December	**4.666.667**	**7.000.000**
of which held by Catella	**133.333**	**200.000**

Outstanding warrants at year-end have the following maturity dates and exercise prices:

Share issue 2014 (exercise price: SEK 8.40 per share)

Year	Share of total outstanding share warrants, %	Total no. of outstanding share warrants	of which held by Catella
2019	50	2.333.333	66.666
2020	50	2.333.334	66.667
Total	**100**	**4.666.667**	**133.333**

NOTE 13 OTHER OPERATING EXPENSES

SEK M	2018	2017
Impairment of accounts receivable	0	-4
Recovered bad debt losses	1	0
Share of profit from associated companies	-18	-20
Other operating expenses	-1	-3
	-18	**-26**

NOTE 14 FINANCIAL ITEMS

SEK M	2018	2017
Interest income accordring to effective interest rate method		
Interest income on bank balances	0	0
Interest income on loan receivables	1	0
Other interest income	1	1
	2	**1**
Interest income other		
Interest income on financial assets at fair value through profit or loss	16	22
	16	**22**
Interest expenses		
Interest expenses to credit institutions	-3	-2
Interest expenses on bond loan	-23	-15
Other interest expenses	-1	0
	-27	**-17**
Other financial income		
Capital gains on group companies	-1	4
Dividend income on financial assets at fair value through profit or loss	0	0
Fair value gains on financial assets at fair value through profit or loss	8	24
Capital gains on financial assets at fair value through profit or loss	1	6
Exchange rate gains	21	7
	30	**40**
Other financial expenses		
Fair value loss on financial assets at fair value through profit or loss	-1	-4
Capital losses on financial assets at fair value through profit or loss	-14	0
Issue and loan guarantee expenses	-2	-3
Guaranteecommission propertydevelopmentproject	-2	–
Exchange rate losses	-17	-4
	-36	**-12**

NOTE 15 TAXES

SEK M	2018	2017
Current tax:		
Current tax on profit/loss for the year	-111	-110
Adjustments relating to previous years	0	-2
Total current tax	**-112**	**-112**
Deferred tax:		
Origination and reversal of temporary differences	-14	3
Effect of change in tax rates	-2	0
Total deferred tax	**-15**	**3**
Income tax	**-127**	**-108**

Income tax on the Group's profit differs from the theoretical amount that would have resulted from the use of a weighted average tax rate in the consolidated companies, as follows:

SEK M	2018	2017
Profit/loss before tax	337	446
Income tax calculated at domestic tax rates applicable to profit in the respective countries	-98	-107
Tax effects of:		
Previously not recognized loss carry forwards	19	-
Utilized loss carry forwards, previously not recognized	1	33
Tax losses for which no deferred tax asset was recognised	-24	-27
Effect from temporary differences with non-recognized deferred tax asset	-20	6
Effect of change in tax rates	-2	-
Non-taxable capital gains	0	1
Other non-deductible/non-taxable items	-8	-6
Share of profit from associated companies	6	-6
Adjustments relating to previous years	0	-2
Tax expense	**-127**	**-108**

Deferred tax assets and tax liabilities are allocated as follows:

SEK M	2018	2017
Deferred tax assets		
Estimated to be utilised after more than 12 months	76	86
estimated to be utilised within 12 months	6	13
Reclassification to Assets in divestment group held for sale	-1	-
Net recognised against deferred tax liabilities	0	0
	81	**99**
Deferred tax liabilities		
to be paid after 12 months	46	35
to be paid within 12 months	3	3
Reclassification to Assets in divestment group held for sale	-20	-
Net recognised against deferred tax assets	0	0
	29	**38**
Deferred tax assets/liabilities (net)	**51**	**61**

Deferred tax assets and deferred tax liabilities as of 31 December 2018 relate exclusively to remaining operations. Deferred tax assets and deferred tax liabilities as of 31 December 2017 relate to total Group operations.

SEK M	2018 31 Dec	2017 31 Dec
Deferred tax assets		
Defined benefit pension plans	-	1
Future deductible expenses	11	30
Tax depreciation	-	0
Tax deficit	70	69
Net recognised	-	-
Total	**81**	**99**
Deferred tax liabilities		
Fair value gains	1	20
Intangible assets	27	14
Un-taxed reserves	1	3
Net recognised	-	-
Total	**29**	**38**

SEK M	2018 31 Dec	2017 31 Dec
Deferred tax assets		
Opening balance	99	97
Change in temporary differences	-19	1
New tax loss carryforwards	1	1
Reclassification to Assets in divestment group held for sale	-1	
Exchange rate differences	-	0
Closing balance	**81**	**99**
Deferred tax liabilities		
Opening balance	38	34
Change in temporary differences	0	4
Change through acquisition	13	1
Amortisation of acquisition values	-1	0
Reclassification to Assets in divestment group held for sale	-20	0
Exchange rate differences	0	0
Closing balance	**29**	**39**

According to IAS 12, "Income Taxes", deferred tax assets relating to tax loss carry-forwards are recognised to the extent it is probable that future taxable profits will be available. According to this standard, Catella recognises a deferred tax asset of SEK 81 M (99), of which the majority comprises loss carry-forwards and which is based on a judgement of the Group's future utilisation of tax loss carry-forwards in the legal entities holding the loss carry-forwards. The tax income that arises on first-time reporting of new or already existing saved deficits as deferred tax assets has no impact on the Group's liquidity. The Group has total loss carry-forwards amounting to SEK 880 M (615). Loss carry-forwards for which no deferred tax asset is recognized in the Consolidated Balance Sheet amount to SEK 388 M (306). In the Swedish operations, the potential for tax equalisation only applies to the Group companies Catella Fondförvaltning and EETI. Furthermore, the Swedish parent companies' organisation has grown in recent years, implying increased costs and increased potential for tax deductions in the future. This means that the utilisation of existing loss carry-forwards will take place over a longer period. The loss carry-forwards reported in the Consolidated Balance Sheet relate to a forecast period of ten years.

Tax relating to components in other comprehensive income amounts to SEK 3.6 M (4.1) for the financial year 2018. The accumulated tax effect in other comprehensive income amounts to SEK 9.2 M (5.6).

NOTE 16 EARNINGS PER SHARE

(a) Before dilution

Earnings per share before dilution is computed by dividing the profit attributable to the Parent Company's shareholders by a weighted average number of outstanding ordinary shares in the period.

	2018	2017
Profi/loss from continued operations, mkr	210	337
Profi/loss from divestment group held for sale, mkr	-238	-53
Profi/loss from total operations, mkr	**-28**	**284**
Profit/loss attributable to Parent Company shareholders and on which earnings per share before dilution is		
Profi/loss from continued operations, mkr	127	245
Profi/loss from divestment group held for sale, mkr	-238	-53
Profi/loss from total operations, mkr	**-112**	**192**
Weighted average number of ordinary shares	83.351.403	81.848.572
Earnings per share from continued operations, kr	1,52	2,99
Earnings per share from divestment group held for sale, kr	-2,86	-0,64
Earnings per share from total operations, kr	-1,34	2,35

(b) After dilution

For the computation of earnings per share after dilution, the weighted average number of ordinary shares outstanding is adjusted for the dilution effect of all potential ordinary shares. The Parent Company has issued warrants that could result in ordinary shares. For warrants, a calculation is performed of the number of shares that could have been purchased at fair value (calculated as the average market price of the Parent Company's shares for the year) for an amount corresponding to the exercise price of the subscription rights linked to the outstanding warrants. The total number of shares computed as described below is compared with the number of shares that would have been issued under the assumption that the warrants were exercised.

The dilution effect in 2018 was 6.4% (8.3).

	2018	2017
Profi/loss from continued operations, mkr	210	337
Profi/loss from divestment group held for sale, mkr	-238	-53
Profi/loss from total operations, mkr	**-28**	**284**
Profit/loss attributable to Parent Company shareholders and on which earnings per share after dilution is calculated		
Profi/loss from continued operations, mkr	127	245
Profi/loss from divestment group held for sale, mkr	-238	-53
Profi/loss from total operations, mkr	**-112**	**192**
Weighted average number of ordinary shares	83.351.403	81.848.572
Adjustments for:		
assumed conversion of share warrants	5.312.280	6.800.000
Weighted average number of ordinary shares for computation of earnings per share after dilution	88.663.683	88.648.572
Earnings per share from continued operations, kr	1,43	2,76
Earnings per share from divestment group held for sale, kr	-2,69	-0,60
Earnings per share from total operations, kr	-1,26	2,17

NOTE 17 DIVIDEND

The Board of Directors will propose a dividend to shareholders of SEK 1.20 per share to the AGM on 27 May 2019.

In spring 2019, warrant holders have chosen to redeem their warrants against 2,166,667 new class B shares in Catella AB. This will increase the number of shares in Catella AB from 84,115,238 at year end to 86,281,905 on the settlement date 29 May 2019, and total dividend will amount to SEK 103,538,286. The payment date is 4 June 2019. The proposed dividend has not been recognised as a liability in these financial statements.

A dividend of SEK 1.00 per share was paid for the financial year 2017.

NOTE 18 INTANGIBLE ASSETS

SEK M	Goodwill	Trademark	Contractual customer relations	Software licenses and IT systems	Total
As of 1 January 2017					
Net carrying amount	**292**	**50**	**28**	**42**	**412**
Financial year 2017					
Acquired during the year				40	40
Cost in acquired companies	2		4		6
Disposals					0
Reclassification from tangible assets				1	1
Depreciation and amortisation			-9	-10	-18
Items affecting comparability - Impairment of intangible assets	-20			-33	-53
Exchange rate differences	2		0	0	3
Closing balance	**276**	**50**	**24**	**40**	**390**
As of 31 December 2017					
Cost	296	50	39	98	483
Accumulated depreciation			-15	-25	-40
Accumulated impairment	-20			-33	-53
Net carrying amount	**276**	**50**	**24**	**40**	**390**
Financial year 2018					
Acquired during the year			15	14	29
Cost in acquired companies	170		74		245
Disposals				0	0
Reclassification to operating expenses				-1	-1
Depreciation and amortisation			-11	-9	-20
Exchange rate differences	2		1	1	3
Closing balance	**448**	**50**	**104**	**44**	**646**
At 31 December 2018					
Cost	468	50	130	112	761
Accumulated depreciation			-26	-36	-62
Accumulated impairment	-20			-33	-53
Net carrying amount	**448**	**50**	**104**	**44**	**646**

Reported goodwill at year-end 2018 relates to the acquisition of the Catella Brand AB Group in 2010 (SEK 231 M), the acquisition of IPM Informed Portfolio Management AB (IPM) in 2014 (SEK 39 M), the acquisition of Catella Asset Management AS (CAM AS) in 2016 (SEK 8 M), the acquisition of Catella Asia Ltd in 2017 (SEK 2 M) and the acquisition of APAM Ltd in 2018 (SEK 168 M). The Catella trademark was valued at SEK 50 M on the acquisition of the Catella Brand AB Group. The carrying amount of contractual customer relationships as of 31 December 2018 of SEK 104 M relates to the acquisitions of CAM AS (SEK 1 M), Catella Asia Ltd (SEK 4 M) and APAM Ltd (SEK 74 M) and Catella Residential Investment Management GmbH's take-over of management of the European Student Housing Fund (SEK 15 M) and Catella Residential Fund (SEK 15 M) and of Catella Investment Management Benelux BV's fund platform in the Netherlands (SEK 10 M). The closing carrying amount of software licenses and IT systems was SEK 44 M, of which SEK 8 M was acquisition related assets attributable to IPM and CAM AS. All intangible assets were externally acquired.

Impairment tests of goodwill and other assets with indefinite useful lives

In business combinations, goodwill and other surplus values are allocated to the cash-generating units that are expected to receive future economic benefits, for example in the form of synergies, as a result of the acquired operations. When separate cash-generating units cannot be identified, goodwill and other surplus values are allocated to the lowest level at which the operation is controlled and monitored internally.

Assets with indefinite useful lives are tested annually for impairment. Catella's principle is to conduct impairment tests on assets with indefinite lives in the fourth quarter each year, based on their carrying amounts on 30 September. Catella's assets with indefinite useful lives consist of goodwill and brands, The impairment test for these assets has been carried out by operating segment, Corporate Finance, Equity, Hedge and Fixed Income Funds and Property Investment Management, which is consistent with the level at which goodwill and other acquisition-related intangible assets are monitored internally, and in reporting to management and the Board of Directors. No impairment test has been carried out for the Banking business area in 2018 as all goodwill attributable to the business area, and other intangible assets attributable to the same business area, were written down by SEK 20 M and SEK 33 M respectively to SEK 0 M in 2017. From 30 September 2018, the Banking business area has been reported as a disposal group held for sale. Central management and shareholder-related expenses have been allocated to the relevant operating segment on the basis of its estimated share of resources utilised. For assets measured at fair value, no impairment test is conducted since these items are measured separately on each reporting date at market prices according to established principles. Catella's brand is reported under Other because it constitutes a shared asset for the Group. Impairment testing of Catella's brand is based on an established method for valuing brands "Relief-from-Royalty," and has been verified by an external valuer. The valuation indicates that the value in use of the brand exceeds book value significantly.

If an impairment test demonstrates that book value exceeds the recoverable amount, impairment is conducted at an amount that corresponds to the difference between book value and recoverable amount. The recoverable amount is the higher of net realisable value and value in use.

The value in use is the present value of estimated future cash flows. Cash flows were measured based on the financial plans prepared in each segment of operation, based on the business plan for the coming financial year that was adopted by Group Management and approved by the Board of Directors. As a rule, these financial plans cover a projection period of five years and include organic sales growth, the operating margin trend, as well as the change in operating capital employed. Cash flows beyond the stated projection period have been extrapolated using an assessed growth rate of 2% for all operating segments, which corresponds to the ECB's long-term inflation target within the Eurozone and the Swedish Central Bank's long-term inflation target for Sweden.

The measurement of value in use is based on several assumptions judgements in addition to the growth rate beyond the projection period. The most significant relate to the organic growth rate, the progress of the operating margin, the change in operating capital employed and the relevant discount rate (WACC, weighted average cost of capital), which is used to discount future cash flows.

The above described impairment test indicated that there was no need for impairment.

The discount rate (WACC) after tax per operating segment is stated below:

	WACC, %	
	2018	2017
Corporate Finance	12,0	12,0
Equity Hedge and Fixed Income Funds	12,0	12,0
Banking	-	12,0
Property Investment Management	12,0	12,0
Other	12,0	12,0

The calculation of WACC is based on external market data regarding the risk free interest rate and studies on market risk premiums for various European countries. A Beta factor of 1.5 was used for 2018 and 2017. The calculated WACC for 2018 was 11.7%, although an estimated WACC of 12% remains. Catella has opted to apply the same WACC for all generating units, as this has been judged to present a reasonable picture of the risk in the various generating units.

A summary of the distribution of goodwill and brands by business area follows:

	2018		2017	
SEK M	Goodwill	Trademark *	Goodwill	Trademark *
Corporate Finance	62	-	62	-
Equity Hedge and Fixed Income Funds	157	-	156	-
Banking	-	-	-	-
Property Investment Management	227	-	56	-
Other	2	50	2	50
	448	**50**	**276**	**50**

* Catella registered trademark

The sensitivity analysis of the computation of value in use coincident with impairment testing has been conducted in the form of a general reduction of 5.0 percentage point in the projection period of organic growth and operating margin, and a general increase in the weighted average cost of capital (WACC) of 2.0 percentage points. The sensitivity analysis indicated no impairment.

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

SEK M	Furniture, fittings and equipment
As of 1 January 2017	
Net carrying amount	**26**
Financial year 2017	
Acquired during the year	12
Depreciation and amortisation	-1
Exchange rate differences	-10
Closing balance	**1**
As of 31 December 2017	
Cost	91
Accumulated depreciation	-64
Net carrying amount	**27**
Financial year 2018	
Acquired during the year	17
Reclassification to Assets in divestment group held for sale	-4
Depreciation and amortisation	-12
Exchange rate differences	1
Closing balance	**29**
At 31 December 2018	
Cost	104
Accumulated depreciation	-75
Net carrying amount	**29**

NOTE 20 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in subsidiaries

Specification of the Group's subsidiaries is provided below. All subsidiaries are consolidated in the Group. The stated participating interests correspond to the share of equity and votes. Participating interests in addition to the participation which corresponds to the Group's holdings is for non-controlling interests. Holdings are ordinary shares. None of the Group's subsidiaries have issued preference shares.

As of 31 December 2018, Catella owns 53.2 % of IPM Informed Portfolio Management BV (IPM BV), a holding company that in turn owns 75.4% of IPM Informed Portfolio Management AB (IPM AB). There is also a direct 20.5% holding in IPM AB. The total ownership stake in IPM AB was 60.6% as of 31 December 2018.

In March 2018, Catella signed a share purchasing agreement regarding 75% of the shares in APAM Ltd for a price corresponding to GBP 18 M on a debt and cash free basis. The transaction was completed in December 2018 following approval by the Luxembourg supervisory authority. For more information, see Note 37 Acquisitions and divestments of operations.

Significant limitations

Several Group companies conduct operations subject to authorisation and regulation by the relevant financial supervisory authority of their country of domicile. This has implications including special requirements on liquidity and capital reserves within each company. Dividends and repayment of loans or advances are only permitted to the extent this is within the standards set by regulatory structures.

Group companies

			31 Dec 2018		31 Dec 2017	
Company	Corp. ID no.	City	Participating interest, %	Total no. of share	Participating interest, %	Total no. of share
Catella Holding AB*	556064-2018	Stockholm	100	1.000	100	1.000
Catella Bank SA*	B 29962	Luxembourg	100	8.780.000	100	8.780.000
IPM Informed Portfolio Management AB*	556561-6041	Stockholm	61	2.253.561	51	2.253.561
IPM Informed Portfolio Management UK Ltd*	10365981	London	61	100	51	100
IPM Informed Portfolio Management USA Inc	35-2630034	New York	61	1.000	-	-
European Equity Trance Income Ltd*	44552	Guernsey	100	64	100	64
Catella Kapital & Pension AB*	556886-9019	Stockholm	100	500	100	500
Catella Asia Ltd	2502446	Hong Kong	100	10.000	60	10.000
Catella Brand AB*	556690-0188	Stockholm	100	1.000	100	1.000
Catella Property Fund Management AB*	556660-8369	Stockholm	100	10.000	100	10.000
Catella Property Asset Management AB	559104-6551	Stockholm	100	16.667	100	16.667
Catella Real Estate AG*	HRB 169051	Munich	95	2.500.000	95	2.500.000
Catella Asset Management GmbH	HRB 237791	Munich	55	25.000	55	25.000
Catella Residential Investment Management Gmbh	HRB 220094	Berlin	100	25.000	100	25.000
APAM Ltd	7671308	London	75	11.000	-	-
Catella Corporate Finance AB	556724-4917	Stockholm	100	1.000	100	1.000
Catella Property Oy	669987	Helsinki	100	10.000	100	10.000
Catella Asset Management Oy	2214836-4	Helsinki	100	10.000	100	10.000
Pegasos Real Estate GP Oy	22911649	Helsinki	100	2.500	-	-
Catella Property Norway AS	986032851	Oslo	100	100	100	100
Catella Asset Management AS*	917354049	Oslo	51	100	51	100
Elementum Asset Management AS*	912800423	Oslo	51	1	51	1
Ambolt Advisors S.á.r.l.**	156205	Luxembourg	-	-	51	1
Catella Investment Management Benelux B.V.	56049773	Maastricht	100	10.000	100	10.000
Catella Property GmbH	HRB 106179	Dusseldorf	100	-	100	-
Catella Property Valuation GmbH	HRB 106180	Dusseldorf	100	-	100	-
Living Circle GmbH	HRB 106183	Dusseldorf	100	100.000	100	100.000
Catella Property Residential GmbH	HRB 142101	Dusseldorf	100	-	100	-
Catella Project Management GmbH	HRB 76149	Dusseldorf	100	25.000	100	25.000
Catella Corporate Finance SIA	40003814194	Riga	60	2.850	60	2.850
Catella Corporate Finance Vilnius	300609933	Vilnius	60	100	60	100
OÜ Catella Corporate Finance Tallin	11503508	Tallin	60	1	60	1
Catella Property Benelux SA	BE 0467094788	Brussels	100	300.000	100	300.000
Catella Property Belgium SA	BE 0479980150	Brussels	100	533.023	100	533.023
Catella Property Denmark A/S	17981595	Copenhagen	60	555.556	60	555.556
Catella Investment Management A/S	34226628	Copenhagen	60	500.000	60	500.000
Catella Mezzanine AG	1303013556-9	Zürich	45	100.000	45	100.000
Catella France SAS	B 412670374	Paris	100	2.500	100	2.500
Catella Valuation Advisors SAS	B 435339098	Paris	67	4.127	67	4.127
Catella Property Consultants SAS	B 435339114	Paris	100	4.000	100	4.000
Catella Residential Partners SAS	B 442133922	Paris	66	4.000	66	4.000
Catella Logistic Europe SAS	B838433811	Paris	65	50.000	-	-
Catella Asset Management SAS	B 798456810	Paris	50	200.000	50	200.000
Catella Property Spain S.A.	A 85333342	Madrid	70	60.102	70	60.102
Catella Asset Management Iberia S.L.	B87290813	Madrid	65	3.000	65	3.000
CCF Holding AB	559078-3238	Stockholm	60	10.000	60	10.000
Catella Corporate Finance Stockholm AB	559054-4234	Stockholm	60	10.000	60	10.000
CCF Holding Gbg AB	559089-0710	Göteborg	60	10.000	60	10.000
Catella Corporate Finance Göteborg AB	559084-9104	Göteborg	60	10.000	60	10.000
CCF Malmö Intressenter AB	556740-5963	Malmö	60	1.000	60	1.000
Catella Corporate Finance Malmö AB	556740-5666	Malmö	60	1.000	60	1.000
Aveca AB	556646-6313	Stockholm	100	5.000	100	5.000
Aveca Geshäftsführungs GmbH	HRB 106722	Dusseldorf	100	-	100	-
Catella Fondförvaltning AB*	556533-6210	Stockholm	100	50.000	100	50.000

* Group companies included in Catella's consolidated financial situation, see also Note 41 Consolidated financial situation and capital adequacy.

** Group companies discontinued or merged in 2018.

Summary financial information regarding subsidiaries, with significant non-controlling interests

As of 31 December 2018, the total ownership of non-controlling holdings was SEK 205 M (214), of which SEK 172 M (184) relates to subsidiaries IPM Informed Portfolio Management AB, CCF Holding AB, Catella Asset management SAS and Catella Property Denmark A/S.

Results of operations relating to non-controlling interests amounted to SEK 119 M (134) for the financial year 2018. Of this amount, SEK 84 M (92) was reported as profit for the year attributable to non-controlling holdings and SEK 35 M (42) as personnel expenses and tax in the Income Statement. According to the Groups accounting principles, profit shares attributable to shareholders active in subsidiaries are reported as a personnel expense in the consolidated Income Statement. Of profit attributable to non-controlling interests totalling SEK 119 M (134), SEK 106 M (116) attributable to the companies indicated below.

Summary financial information for each subsidiary with non-controlling interests, and that is material to the Group, follows. Information is for amounts before intragroup eliminations.

	IPM Informed Portfolio Management AB (participating interest 61 %)		CCF Holding AB (participating interest 60 %)		Catella Asset Management SAS (participating interest 50 %)		Catella Property Denmark A/S (participating interest 60 %)	
Summarised balance sheet	2018	2017	2018	2017	2018	2017	2018	2017
Non-current assets	143	145	9	9	9	2	14	6
Current assets	370	326	61	55	56	38	14	41
Total assets	**513**	**471**	**71**	**65**	**64**	**40**	**29**	**46**
Non-current liabilities	-2	-3	-	-				
Current liabilities	-168	-178	-42	-38	-21	-16	-12	-19
Total liabilities	**-170**	**-181**	**-42**	**-38**	**-21**	**-16**	**-12**	**-19**
Net assets	**343**	**290**	**28**	**27**	**43**	**24**	**17**	**27**
Net assets allocated to non-controlling interest	135	143	11	11	21	12	7	11
Summarised income statement and comprehensive income								
Income	558	452	90	107	90	63	44	62
Net profit for the year	215	183	21	25	17	10	16	26
Total comprehensive income for the year	215	183	21	25	17	10	16	27
Total comprehensive income allocated to non-controlling interest	83	91	8	10	9	5	6	11
Dividend paid to non-controlling interest	62	69	10	4	-	-	11	9
Summarised cash flow								
Cash flow from operating activities	127	174	4	37	-1	10	1	33
Cash flow from investing activities	-30	-31	-	-	-8	-2	0	-
Cash flow from financing activities	-158	-140	-19	-10	-	-	-28	-23
Decrease/increase in cash and cash equivalents	**-62**	**3**	**-15**	**27**	**-8**	**7**	**-27**	**9**

Investments in associated companies reported in accordance with the equity method

Catella has investments in property development projects in Germany through associated companies Nordic Seeding GmbH and Grand Central Beteiligungs GmbH. The projects are operated by Catella's German subsidiary Catella Project Management GmbH. Through Nordic Seeding GmbH and Grand Central Beteiligungs GmbH, Catella intends to invest in the early phase of projects, where the concept and framework are determined with the aim of subsequently divesting projects and realizing any gains before construction begins and the projects are completed. The investments include the risk that Nordic Seeding GmbH or Grand Central Beteiligungs GmbH are forced to choose between continuing to invest in late stages of projects, run the projects to completion or leaving the project and losing the invested capital. The aforementioned risks apply to all property development projects that Catella invests in. At year end, Nordic Seeding GmbH and Grand Central Beteiligungs GmbH had investments in a project in Frankfurt and a project in Düsseldorf. Catella's overall net investment in both companies amounted to SEK 70 M (63) and the remaining investment undertaking to SEK 19 M as of 31 December 2018.

Catella has also made investments totalling SEK 66 M in associated company Kaktus 1 TopCo ApS which has acquired land with building rights for student housing in Copenhagen. Catella's total investment undertaking amounted to some SEK 137 M, which means that the remaining investment undertaking totalled some SEK 71 M as of the reporting date.

SEK M	2018	2017
As of 1 January	45	51
Investments	246	17
Sales	-	-
Share in profits, see Note 7	-	-
Share in profits, see Note 13	-18	-20
Dividends paid	-103	-1
Repaid capital contributions	-54	-4
Exchange rate differences	0	1
Closing book value	**116**	**45**

In 2018, dividends from associated companies totalled SEK 103 M (0).

The assets, liabilities, income and profit/loss of associated companies, all of which are unlisted, are stated below, as well as the Group's participating interest in associated companies' equity including goodwill.

	Associated companies					Group		
	Country of registration	Assets, SEK M	Liabilities, SEK M	Income, SEK M	Profit/loss SEK M	Share of equity,%	Share of vote,%	Participating interest, SEK M
Nordic Seeding GmbH	Germany	343	303	324	282	45	49	14
Grand Central Beteiligungs GmbH	Germany	1.315	955	2	-25	45	49	20
Catella Kaktus Co-Investment ApS	Denmark	10	0	0	0	50	49	82
Cholet Logistique SAS	France	57	57	0	0	65	49	0
Moussely Logistique SAS	France	51	51	0	0	65	49	0
								116

NOTE 21 DERIVATIVE INSTRUMENTS

	2018		2017	
SEK M	Assets	Liabilities	Assets	Liabilities
Currency forwards	9	0	14	5
	9	**0**	**14**	**5**
Less: long-term portion	–	–	–	–
Short-term portion	**9**	**0**	**14**	**5**

Derivative instruments as of 31 December 2018 relate exclusively to remaining operations while derivative instruments as of 31 December 2017 relate to Catella Group's total operations.

The subsidiary IPM regularly enters currency forward contracts and currency swaps for hedging purposes. Catella AB has entered currency hedging with derivative instruments to reduce the exchange rate risk (translation risk) of Catella's net exposure in EUR. Normally, these derivative instruments have a term of less than three months. Only derivatives in net investment hedges use hedge accounting, all other derivatives are financial, non-accounting, hedges.

NOTE 22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income as of 31 December 2018 relate exclusively to remaining operations. Financial assets at fair value through other comprehensive income as of 31 December 2017 relate to the Catella Group's total operations and are entirely attributable to Catella Bank's holding of Series C Visa Inc. preference shares, and a smaller shareholding in Swift. In 2018, Catella Bank was reclassified as a disposal group held for sale, see also note 40.

SEK M	2018	2017
Unlisted securities:		
Shares in USA	-	59
equities in Europe	-	0
	0	**59**

SEK M	2018	2017
As of 1 January	59	45
Gains and losses net, entered in other comprehensive	-	13
Reclassification to disposal group held for sale	-59	-
Exchange rate differences	-	2
As of 31 December	**0**	**59**
Less: long-term portion	-	-59
Short-term portion	**0**	**0**

SEK M	2018	2017
USD	-	59
EUR	-	0
	0	**59**

NOTE 23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the following:

SEK M	2018	2017
Loan portfolios	213	278
Fund investments	120	127
Listed shares and bonds	56	55
Unlisted shares	62	14
Other	1	0
	451	**474**

SEK M	2018	2017
As of 1 January	474	414
Acquisition *	82	49
Avyttringar**	-144	-16
Acquisition	20	-
Amortisation	-7	-14
Fair value gains/losses on financial assets at fair value through profit or loss ***	6	20
Capitalised interest income	12	13
Reclassification to disposal group held for sale	-3	-
Exchange rate differences	12	8
As of 31 December	**451**	**474**
Less: long-term portion	-337	-379
Short-term portion	**114**	**95**

* Relates to the acquisition of shares in funds managed by IPM, shares in unlisted companies Pamica and Climate Arena Holding and listed bonds.
** Includes divestments of loan portfolios Minotaure and Ludgate, bonds and shares in funds and divestment of shares in Nordic Light Fund.
*** Changes in fair value of financial assets measured at fair value through profit or loss are reported under Other financial items (Note 14). See also Note 3 for valuation and position in the fair value hierarchy.

Loan portfolios

The loan portfolios comprise securitised European loans with primary exposure in housing. The performance of the loan portfolios is closely monitored and re-measurements are continuously performed. Forecasts are conducted by the French investment advisor Cartesia S.A.S. The book value in Catella's Consolidated Accounts is determined based on projected discounted cash flows. The portfolios were discounted using discount rates of 6.0% and 11.0% as of 31 December 2018, giving a weighted average discount rate of 8.3% (8.7%) for the total loan portfolios. The weighted average duration for the portfolio amounted to 3.7 years (4.2) as of 31 December 2018.

Cash flows mainly comprise interest payments, but also repayments with a projected period up to and including 2027. The expected cash flows for the period amounted to SEK 284 M (269), which have been discounted and recognised at SEK 213 M (278, of which SEK 81 M was received in relation to divestments of the loan portfolios Ludgate and Minotaure in March 2018).

In 2018, there were minor changes to the underlying parameters for the remaining loan portfolios Lusitano 3 and 5, and Pastor 2 and 4. The credit performance of Lusitano 3 and 5, improved slightly in 2018, which implied a positive value adjustment totalling SEK 5 M. For the loan portfolio Pastor 4, certain credit variables are expected to deteriorate, which implied a negative value adjustment of SEK 3 M. Overall, these changes resulted in a positive value adjustment of SEK 2 M (19) in 2018.

In February 2018, the Ludgate and Minotaure loan portfolios were divested at a total of SEK 85 M. The transaction had a limited impact on the 2018 figures due to the positive value adjustment of SEK 19 M recognised as of 31 December 2017. In previous years, Catella divested the Shield, Memphis and Semper loan portfolios through subsidiaries. These divestments mean that Catella's original investment has been repaid with a good margin.

Summary of Catella's loan portfolios as of 31 December 2018*

SEK M Loan portfolio	Country	Forecast undiscounted cash flow	Share of undiscounted cash flow,%	Forecast discounted cash flow, %	Share of discounted cash flow,%	Discount rate, %	Duration, years
Pastor 2	Spain	51,4	18,1%	49,2	23,5%	6,0%	0,7
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4	Spain	30,2	10,7%	14,2	6,8%	11,0%	7,3
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 3	Portugal	78,4	27,6%	65,8	31,5%	6,0%	3,1
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	123,7	43,6%	79,8	38,2%	11,0%	4,4
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Total cash flow ***		**283,7**	**100,0%**	**209,0**	**100,0%**	**8.3%**	**3,7**
Accrued interest				3,5			
Carrying amount				**212,5**			

* The forecast was produced by investment advisor Cartesia S.A.S.
** These investments were assigned a value of SEK 0.
*** The discount rate recognised in the line "Total cash flow" is the weighted average interest of the total discounted cash flow.

Summary of Catella's loan portfolios as of 31 December 2017*

SEK M Loan portfolio	Country	Forecast undiscounted cash flow *	Share of undiscounted cash flow,%	Forecast discounted cash flow, %	Share of discounted cash flow,%	Discount rate, %	Duration, years
Pastor 2	Spain	49,4	18,4%	44,6	0,2	5,9%	1,7
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4	Spain	28,7	10,7%	14,7	0,1	10,9%	6,5
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 3	Portugal	80,8	30,1%	66,5	0,3	5,9%	3,5
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	109,7	40,8%	67,8	0,4	10,9%	4,9
Minotaure	France	-	-	33,6	-	-	-
Ludgate	UK	-	-	47,5	-	-	-
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Total cash flow ***		**268,6**	**100,0%**	**274,7**	**1,0**	**8,7%**	**4,2**
Accrued interest				3,2			
Carrying amount				**277,9**			

* The forecast was produced by investment advisor Cartesia S.A.S.
** These investments were assigned a value of SEK 0.
*** The discount rate recognised in the line "Total cash flow" is the weighted average interest of the total discounted cash flow.

Actual and forecast cash flows of loan portfolios*

SEK M		Spain				Portugal		Italy	Netherlands		Germany		France	UK			
Loan portfolio		Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Memphis **	Shield **	Gems	Semper **	Minotaure **	Ludgate **	Outcome	Forecast	Diff
Outcome																	
Full year	2009	4,6	-	-	-	0,4	0,8	-	0,9	1,7	0,2	1,6	2,2	0,0	12,4	7,7	4,7
Full year	2010	7,8	-	-	-	2,7	0,0	-	3,3	6,1	0,7	5,8	8,8	0,5	35,6	35,7	-0,1
Full year	2011	9,8	-	-	-	11,1	0,0	0,6	3,3	4,4	0,9	5,7	6,9	0,4	43,1	28,4	14,7
Full year	2012	4,5	-	-	-	10,2	0,0	0,5	0,8	-	0,7	5,2	3,7	0,1	25,8	30,1	-4,3
Full year	2013	0,2	-	-	-	2,7	0,0	0,4	-	-	0,4	1,2	-	0,2	5,0	7,5	-2,5
Full year	2014	0,3	-	-	-	6,7	0,0	0,4	-	-	0,4	-	-	13,1	20,9	12,8	8,1
Full year	2015	0,1	-	-	-	3,7	0,0	0,5	-	-	0,3	-	-	16,9	21,5	23,2	-1,6
Q1	2016	-	-	-	-	1,7	-	0,1	-	-	46,7	-	-	3,9	52,4	51,3	1,1
Q2	2016	0,1	-	-	-	2,0	-	0,1	-	-	-	-	-	4,0	6,2	5,4	0,9
Q3	2016	-	-	-	-	0,9	-	0,1	-	-	-	-	-	3,4	4,5	5,0	-0,5
Q4	2016	-	-	-	-	3,7	-	0,1	-	-	-	-	-	3,4	7,2	5,2	2,1
Q1	2017	-	-	-	-	1,5	-	-	-	-	-	-	-	2,6	4,1	5,0	-0,9
Q2	2017	-	-	-	-	1,9	-	-	-	-	-	-	-	3,5	5,5	5,6	-0,1
Q3	2017	-	-	-	-	1,8	-	-	-	-	-	-	-	4,6	6,4	5,0	1,4
Q4	2017	0,0	-	-	-	3,8	-	-	-	-	-	-	-	2,7	6,5	4,8	1,7
Q1	2018	0,0	-	-	-	3,1	-	-	-	-	-	-	-	-	3,1	2,6	0,5
Q2	2018	0,0	-	-	-	2,4	-	-	-	-	-	-	-	-	2,4	2,7	-0,3
Q3	2018	0,0	-	-	-	2,1	-	-	-	-	-	-	-	-	2,2	2,2	-0,1
Q4	2018	-	-	-	-	3,6	-	-	-	-	-	-	-	-	3,6	2,3	1,3
Total		**27,2**	**0,0**	**0,0**	**0,0**	**66,0**	**0,8**	**2,9**	**8,4**	**12,2**	**50,4**	**19,4**	**21,7**	**59,3**	**268,3**	**242,3**	**26,0**
																Forecast	
Forecast																Year	Acc.
FY	2019	51,4				10,3	-									61,7	61,7
FY	2020			-		15,1	-									15,1	76,9
FY	2021			-		17,2	39,0									56,2	133,1
FY	2022			-		17,9	30,6									48,5	181,5
FY	2023			-		2,5	30,9									33,3	214,9
FY	2024			-		15,3	2,3									17,6	232,5
FY	2025			-			1,9									1,9	234,4
FY	2026			30,2			1,5									31,8	266,1
FY	2027						17,6									17,6	283,7
Total		**51,4**	**0,0**	**30,2**	**0,0**	**78,4**	**123,7**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**		**283,7**	

* The forecast was produced by investment advisor Cartesia S.A.S.

** Shield was sold during Q4 2011, Memphis was sold in Q2 2012 and Semper in Q2 2013. Gems was repurchased by the issuer in Q1 2016. Ludgate and Minotaure were divested in Q1 2018.

Method and assumptions for cash flow projections and discount rates

The cash flow for each loan portfolio is presented in the table on page 107 and the discount rates are presented by portfolio on page 106.

Cash flow projections

The portfolio is measured according to the fair-value method, as defined in IFRS. In the absence of a functioning and sufficiently liquid market for essentially all investments, as well as for comparable subordinated investments, the measurement is performed by using the 'mark-to-model' approach. This approach is based on forecasting cash flow until maturity for each investment on the basis of market-based credit assumptions. The forecast cash flows have been produced by external investment advisor Cartesia. The credit assumptions produced by Cartesia are based on historical performance of the individual investments and a broad selection of comparable transactions. The projected cash flows are based on assumptions relating to the potential deterioration of credit variables. These do not fully cover the effect of a scenario, with low probability and high potential negative impact, such as the dissolution of the Eurozone, where one of the countries in which EETI has its underlying investments, leaves the European monetary union or similar scenarios. Cartesia believes that this credit assumption is reasonable and equivalent to that applied by other market operators. The projected cash flows were prepared by Cartesia using proprietary models. These models have been tested and improved over the years and have not shown any significant discrepancy from models used by other market operators. Adjustments to cash flows impact the value and are recognised in a sensitivity analysis on page 108 and on Catella's website.

Method for discount rates

The discount rates applied are set internally, and are based on a rolling 24-month index of non-investment grade European corporate bonds as underlying assets (iTraxx). The discount rates per portfolio were also determined relative to other assets in the absence of market prices for the assets held by EETI. Each quarter, the Board of EETI evaluates forecast cash flows and assumptions in combination with market pricing of other assets, in order to make potential adjustments to discount rates in addition to index variations. Adjustments of the discount rates impact the value and are recognised in a sensitivity analysis on page 108 and on Catella's website.

Sensitivity analysis for Catella's loan portfolios

The recognized effects below should be viewed as an indication of an isolated change in the stated variable. If more factors differ simultaneously, the impact on earnings may change.

Time call and Clean-up call

The description below relates to the large payments at the end of each portfolio's projected cash flow, which is presented in the table on page 106 and on Catella's website.

Time call

A time call is an option held by the issuer entitling the issuer to re-purchase the sub-portfolio at a specific time and at any time thereafter. Time call only affects the Lusitano 3 and 5 sub-portfolios. In the projected cash flows for the sub-portfolio Lusitano 5, it is assumed that the issuer will not exercise its time call.

Clean-up call

A clean-up call is an option held by the issuer entitling the issuer to re-purchase the sub-portfolio when the outstanding loans have been repaid and are less than 10% of the issued amount. Since administration of the portfolio is usually not profitable when it is less than 10% of the issued amount, such a design enables the issuer to avoid these extra costs. The design also means that the investor avoids ending up with small, long-term cash flows until the portfolio has been repaid. The clean-up call affects all sub-portfolios.

Other information

The valuation of the loan portfolios is available on Catella's website: www.catella.com.

Value adjustments per portfolio on adjustment of discount rate (SEK M)

	Spain		Portugal		
Discount rate per portfolio	Pastor 2	Pastor 4	Lusitano 3	Lusitano 5	Total
4,0%	49,9	22,7	69,6	104,5	244,2
6,0%	49,2	19,8	65,8	96,4	227,8
8,0%	48,5	17,3	62,3	89,3	213,2
9,0%	48,2	16,2	60,7	85,9	206,5
11,0%	47,5	14,2	57,7	79,8	194,1
13,0%	46,9	12,4	54,9	74,3	182,9
Discounted cash flow	**49,2**	**14,2**	**65,8**	**79,8**	**209,0**

Cash flow per portfolio in relation to discounted value

	Spain		Portugal		
Discount rate per portfolio	Pastor 2	Pastor 4	Lusitano 3	Lusitano 5	Total
4,0%	1,0x	1,3x	1,1x	1,2x	1,2x
6,0%	1,0x	1,5x	1,2x	1,3x	1,2x
8,0%	1,1x	1,8x	1,3x	1,4x	1,3x
9,0%	1,1x	1,9x	1,3x	1,4x	1,4x
11,0%	1,1x	2,1x	1,4x	1,5x	1,5x
13,0%	1,1x	2,4x	1,4x	1,7x	1,6x
Multiple	**1,0x**	**2,1x**	**1,2x**	**1,5x**	**1,4x**

Cash flow per portfolio in relation to discounted value (SEK M)

	Spain		Portugal			
Percentage change in cash flow	Pastor 2	Pastor 4	Lusitano 3	Lusitano 5	Total	Delta
170%	83,6	24,1	111,8	135,7	355,3	70%
165%	81,2	23,4	108,5	131,7	344,8	65%
160%	78,7	22,7	105,2	127,7	334,4	60%
155%	76,3	21,9	102,0	123,7	323,9	55%
150%	73,8	21,2	98,7	119,8	313,5	50%
145%	71,3	20,5	95,4	115,8	303,0	45%
140%	68,9	19,8	92,1	111,8	292,6	40%
135%	66,4	19,1	88,8	107,8	282,1	35%
130%	64,0	18,4	85,5	103,8	271,7	30%
125%	61,5	17,7	82,2	99,8	261,2	25%
120%	59,0	17,0	78,9	95,8	250,8	20%
115%	56,6	16,3	75,6	91,8	240,3	15%
110%	54,1	15,6	72,4	87,8	229,9	10%
105%	51,7	14,9	69,1	83,8	219,4	5%
100%	**49,2**	**14,2**	**65,8**	**79,8**	**209,0**	**0%**
95%	46,7	13,5	62,5	75,8	198,5	-5%
90%	44,3	12,7	59,2	71,9	188,1	-10%
85%	41,8	12,0	55,9	67,9	177,6	-15%
80%	39,4	11,3	52,6	63,9	167,2	-20%
75%	36,9	10,6	49,3	59,9	156,7	-25%
70%	34,4	9,9	46,0	55,9	146,3	-30%
65%	32,0	9,2	42,8	51,9	135,8	-35%
60%	29,5	8,5	39,5	47,9	125,4	-40%
55%	27,1	7,8	36,2	43,9	114,9	-45%
50%	24,6	7,1	32,9	39,9	104,5	-50%
45%	22,1	6,4	29,6	35,9	94,0	-55%
40%	19,7	5,7	26,3	31,9	83,6	-60%
35%	17,2	5,0	23,0	27,9	73,1	-65%
30%	14,8	4,2	19,7	24,0	62,7	-70%

Business-related investments

The business-related investments mainly consist of IPM's and Catella Real Estate's holdings of participations in funds managed in-house and APAM's co-investments with customers. Business-related investments also include holdings of listed and unlisted shares. The book value of the holdings, also market value, was SEK 190 M (131) as of 31 December 2018.

Other securities

Other securities comprise current investments in listed bonds with a book value and market value of SEK 48 M (48) as of 31 December 2018.

NOTE 24 ACCOUNTS RECEIVABLE

SEK M	2018	2017
Accounts receivable	328	390
Less: provision for doubtful debt	-3	-2
	325	**387**

The fair value of accounts receivable is as follows:

SEK M	2018	2017
Accounts receivable	325	387
	325	**387**

The age analysis of past due accounts receivable follows:

SEK M	2018	2017
Less than 1 month	103	19
1 to 2 months	4	2
2 to 3 months	5	3
3 to 6 months	2	4
More than 6 months	8	76
	122	**76**

Accounts receivable as of 31 December 2018 relate exclusively to remaining operations. Accounts receivable as of 31 December 2017 relate to the Catella Group's total operations.

Catella Group applies the 'simplified approach' to calculate expected credit losses. The method implies that anticipated losses over the receivable's full term have been applied.

To calculate expected credit losses, accounts receivable have been grouped according to credit risk and number of days overdue. Expected credit loss levels are based on the customers' payment and loss history for the equivalent period. Adjustments have been made to incorporate current and future macro-economic factors that may impact the customer's payment ability.

Based on this, the reserve for doubtful debts are as follows:

SEK M	2018	2017
As of 1 January	-2	-8
Adjustment for retroactive application of IFRS 9	-1	-
Adjusted opening balance at 1 January 2018	-3	-8
Provision for doubtful debt	0	-4
Recovered bad debt losses	0	0
Receivables written off during the year that are not recoverable	1	9
Changes reserv losses, according to IFRS 16	0	-
Exchange rate differences	0	0
As of 31 December	**-3**	**-2**

Provisions for, and reversal of, reserves for doubtful debt are included in the item "Other external expenses" in the Income Statement. The amounts recognised in the provision for depreciation are usually derecognised when the Group is not expected to be able to recover any further cash and cash equivalents.

The maximum exposure for credit risk on the reporting date is the carrying amount of each category of receivables as stated above.

For information on the credit quality of accounts receivable, see 'Credit rating of financial assets' in Note 3.

NOTE 25 LOAN RECEIVABLES

SEK M	2018	2017
Loan receivables	-	1.377
Less: provision for doubtful loan receivables	-	-12
	-	**1.365**
Less: long-term portion	-	-586
Short-term portion	**-**	**779**

Loan receivables as of 31 December 2018 relate exclusively to remaining operations. Loan receivables as of 31 December 2017 relate to Catella Group's total operations and is fully attributable to Catella Bank, which was reclassified as a disposal group held for sale in 2018, see also note 40.

The maturities of the Group's long-term loan receivables are as follows:

SEK M	2018	2017
Between 1 and 3 yrs.	-	22
Between 3 and 5 yrs.	-	94
More than 5 yrs.	-	423
Without maturity	-	47
	-	**586**

The fair value of loan receivables is as follows:

SEK M	2018	2017
Loan receivables	-	1.365
	-	**1.365**

Catella Bank also has granted but unutilised credit facilities to clients of SEK 2,760 M (2,668), see Note 35.

Changes in the reserve for doubtful loan receivables are as follows:

SEK M	2018	2017
As of 1 January	12	14
Provision for doubtful debt	-	3
Receivables written off during the year that are not recoverable	-	-3
Reversed unutilised amount	-	-2
Reclassification to disposal group held for sale	-12	-
Exchange rate differences	-	0
As of 31 December	**0**	**12**

The carrying amounts by currency of the Group's loan receivables are as follows:

SEK M	2018	2017
EUR	-	744
USD	-	43
SEK	-	474
GBP	-	62
CHF	-	41
NOK	-	1
DKK	-	0
Other currencies	-	0
	-	**1.365**

NOTE 26 OTHER NON-CURRENT RECEIVABLES

SEK M	2018	2017
As of 1 January	21	19
Additional receivables	0	2
Repaid receivables	0	0
Reclassification to disposal group held for sale	-15	-
Reclassification to current receivables	-	-1
Exchange-rate differences	0	1
As of 31 December	**6**	**21**

SEK M	2018	2017
Deferred cash payment from Visa Inc.	-	15
Rent guarantees	6	6
Other	-	0
	6	**21**

Other non-current receivables as of 31 December 2018 relate exclusively to remaining operations. Other non-current receivables as of 31 December 2017 relate to Catella Group's total operations. In 2018, Catella Bank was reclassified as a disposal group held for sale, see also note 40.

NOTE 27 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	2018	2017
Accrued management fees and card income	184	206
Accrued interest income	1	3
Other accrued income	38	6
Prepaid rental charges	11	9
Other prepaid expenses	24	32
	258	**255**

NOTE 28 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

SEK M	2018	2017
Cash and cash equivalents in operations held for sale	687	1.066
Operations held for sale:		
Cash and cash equivalents	-	2.111
Client deposit receivables attributable to the asset management and securities operations	-	56
Client deposit liabilities attributable to the asset management and securities operations	-	-56
Total cash and cash equivalents	**687**	**3.177**

Cash and cash equivalents as of 31 December 2018 relate exclusively to remaining operations. Cash and cash equivalents as of 31 December 2017 comprise Catella Group's total operations. Cash and cash equivalents comprise bank balances and include funds deposited in frozen accounts totalling SEK 38 M (205). See also Note 33.

Cash and cash equivalents in Catella Bank are not available for withdrawal by the rest of the Catella Group. See Note 40.

The Group has unutilised overdraft facilities of SEK 30 M (30). See Liquidity risk in Note 3.

NOTE 29 EQUITY

Catella AB has chosen to specify equity in accordance with the following components:

- Share capital
- Other contributed capital
- Reserves
- Retained earnings including net profit for the year

The item share capital includes the registered share capital of the Parent Company.

Other contributed capital includes the total of the transactions that Catella AB conducted with its shareholders. Transactions with shareholders are primarily share issues at a premium corresponding to the capital received (reduced by transaction costs) in excess of the nominal amount of the issue. Other contributed capital also includes premiums deposited for issued warrants. Furthermore, repurchases of warrants are recognised as a reduction in other contributed capital to the extent it consists of non-restricted equity, and the remainder against retained earnings.

In 2018, 2.266.666 warrants were utilized to subscribe for an equal number of newly issued shares at a price of SEK 9.40 per share. As a result of this, the Parent Company's registered share capital increased by SEK 5 M to SEK 168 M and other capital contributions increased by SEK 17 M to SEK 270 M.

Reserves comprise the revenue and expenses that, according to certain standards, are to be recognized in other comprehensive income. In Catella's case, reserves comprise translation differences relating to the translation of foreign subsidiaries in accordance with IAS 21 and of fair value changes of financial assets valued at fair value via other comprehensive income.

The item "Retained earnings including net profit for the year" corresponds to the total accumulated gains and losses generated in the Group. Retained earnings may also be impacted by the value change of defined benefit pension plans and by transactions with non-controlling interests. The additional acquisition of shares in IPM B.V in February 2018 reduced Catella Group's Equity by SEK 207.4 M, of which SEK 178.7 M, attributable to parent company shareholders, reduced reserves and SEK 28.7 M reduced non-controlling interests. In addition, profit brought forward is also reduced by dividends paid to shareholders of the Parent Company. For the financial year 2018, the Board of Directors is proposing a dividend of SEK 1.20 per share. During spring 2019, warrant holders opted to exercise their right to subscribe for 2,166,667 new class B shares in Catella AB. The number of shares in Catella AB will thereby increase from 84,115,238 at year end to 86,281,905 on the record date of 29 May 2019. Total dividend will amount to SEK 103.5 M. For the financial year 2017, the Board of Directors set the dividend at SEK 1.00 per share, totalling SEK 84.1 M, which was paid in June 2018.

See also Note 53 Equity of Parent Company.

NOTE 30 BORROWINGS AND LOAN LIABILITIES

SEK M	2018	2017
Bank loans for financing operations	0	122
Bond issue	748	494
Deposits from companies	-	2.173
Deposits from private clients	-	611
	749	**3.400**
Less: long-term portion	-749	-494
Short-term portion	**0**	**2.906**

Borrowings and loan liabilities as of 31 December 2018 relate to Catella's remaining operations. Borrowings and loan liabilities as of 31 December 2017 relate to Catella Group's total operations and are substantially attributable to the subsidiary Catella Bank, which was reclassified as a disposal group held for sale in 2018, see also Note 40. Bond loans relate to Catella AB.

Maturity dates for the Group's borrowings and loan liabilities are as follows:

SEK M	2018	2017
Less than 3 months	-	2.386
Between 3 and 12 months	-	173
Between 1 and 3 yrs.	0	0
Between 3 and 5 yrs.	748	494
More than 5 yrs.	–	–
Without maturity	-	347
	749	**3.400**

The fair value of borrowing and loan liabilities are as follows:

SEK M	2018	2017
Borrowing from credit institutions	0	122
Bond issue	748	494
Deposits from companies	-	2.173
Deposits from private clients	-	611
	749	**3.400**

The bond loan is listed on NASDAQ Stockholm and accrues floating-rate 3-month Stibor plus 400 b.p. Trading of the bond is limited. Catella consequently assesses the fair value of the bond to equal book value.

For information about average loan interest, see the table interest-bearing liabilities and assets for the Group by currency under the heading Interest rate risk in Note 3.

NOTE 31 PROVISIONS

SEK M	Defined benefit pension plans	Legal disputes	Earnout acquired company	Other	Total
As of 1 January 2017	3	0	0	1	3
Additional provisions		2			2
Value changes recognised in other comprehensive income	-1				-1
Utilised during the year					0
Reversed unutilised amount					0
Exchange rate differences	0			0	0
As of 31 December 2017	**2**	**2**	**0**	**1**	**4**
Additional provisions			43	10	53
Value changes recognised in other comprehensive income					0
Utilised during the year					0
Reversed unutilised amount		-2		-1	-3
Reclassification to disposal group held for sale	-2				-2
Exchange rate differences					0
At 31 December 2018	**0**	**0**	**43**	**10**	**53**

The majority of the provision relates to the purchase consideration of the remaining 25% of the shares in APAM Ltd, see also Note 37 Acquisitions and divestments of operations.

Catella Bank has defined benefit pension plans for managers at the bank in Luxembourg. These pension plans are based on the employees' pensionable benefits and length of service. In 2018, Catella Bank was reclassified as a disposal group held for sale, see also note 40.

NOTE 32 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2018	2017
Holiday pay liability	35	33
Accrued personnel costs	52	68
Accrued audit expenses	6	5
Accrued legal expenses	1	4
Accrued bonus	322	334
Accrued interest expenses	5	3
Accrued rental charges	5	6
Accrued commission expenses	101	107
Other accrued expenses	25	30
	552	**590**

NOTE 33 PLEDGED ASSETS

SEK M	2018	2017
Cash and cash equivalents	205	205
Other pledged assets	49	48
	255	**253**
Of which pledged assets related to divestment groups held for sale:		
Cash and cash equivalents	167	
Other pledged assets	49	
	217	

Cash and cash equivalents include pledged cash funds. These funds are used as collateral in the Asset Management operating segment for ongoing transactions. Cash and cash equivalents also include cash funds in accordance with minimum retention requirements of Catella Bank's card operations, funds that are to be made available at all times for regulatory reasons as well as frozen funds for other purposes. See also Note 28.

NOTE 34 CONTINGENT LIABILITIES

SEK M	2018	2017
Client funds managed on behalf of clients	91	56
Other contingent liabilities	6	6
	97	**63**
Of which contingent liabilities related to divestment groups held for sale:		
Client funds managed on behalf of clients	91	
Other contingent liabilities	5	
	96	

Client funds relate to assets belonging to customers and managed by Catella Bank branch office. These assets are deposited in separate bank accounts by the branch office under a third-party name. Other contingent liabilities mainly relate to guarantees which were primarily provided for rental contracts with landlords.

Other legal proceedings

Companies in the Group are involved in a small number of disputes or legal proceedings and tax cases that have arisen in daily operations. Risks associated with such events are covered by contractual guarantees, insurance or the requisite reserves. Any liability for damages or other costs associated with such legal proceedings are not deemed to materially affect the Group's business activities or financial position.

NOTE 35 COMMITMENTS

SEK M	2018	2017
Unutilised credit facilities, granted by Catella Bank	2.760	2.668
Investment commitments	113	21
Other commitments	3	7
	2.876	**2.697**
Of which commitments related to divestment groups held for sale:		
Unutilised credit facilities, granted by Catella Bank	2.760	
Investment commitments	-	
Other commitments	3	
	2.763	

Unutilised credit facilities relate to the credit commitments issued by Catella Bank to its clients. Customers can utilise these facilities under certain circumstances, depending on what collateral they can provide. After transferring assets and liabilities of the bank's total operative business in the first quarter of 2019, no credit commitments remain.

Investment commitments mainly relate to associated companies Nordic Seeding GmbH, Grand Central Beteiligungs GmbH and Kaktus 1 TopCo ApS and the non-listed holding in Pamica 2 AB.

The Group leases a number of office premises on the basis of non-cancellable operating leases. The lease terms vary between one and ten years and most lease arrangements can be extended on market terms on expiry.

Total future minimum lease payments for non-cancellable operating leases are as follows:

SEK M	2018	2017
Within 1 yr.	80	74
Between 1 and 5 yrs.	170	169
More than 5 yrs.	23	1
	274	**244**

Leasing costs recognised in profit and loss during the year amounted to SEK 71 M (65).

NOTE 36 CASH FLOW

Interest paid and received for Catella Group in the financial year amounted to the following:

SEK M	2018	2017
Interest received	8	54
Interest paid	-23	-21
Net interest received	**-15**	**33**

Reconciliation of liabilities derived from financing operations in cash flow:

Mkr	Opening balance at 1 January 2018	Cash flows	Loan arrangement expenses	Closing balance at 30 December 2018
Bond issue 2017	494	252	2	748

NOTE 37 ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

Acquisitions in 2018

On 13 December 2018, following approval from the Luxembourg financial supervisory authority, CSSF, Catella acquired 75% of the shares in APAM Ltd. The UK is a key strategic market for Catella, and the acquisition strengthens Catella's pan-European platform in the Property Investment Management business area.

APAM Ltd is an independent property, investment and asset management advisor, operating on the UK market. At the time of the acquisition, APAM had assets under management of GBP 1.4 Bn and 41 employees. The company's two founders and CEO, Simon Cooke and William Powell, will remain as shareholders and remain active in the company for a minimum of five years. Catella and the two minority owners of APAM have entered into a call and put option agreement under which Catella is being granted a call option to acquire the shares of the minority owners and the minority owners are being granted a put option to sell their shares to Catella during the autumn of 2023 at a price to be calculated through a pre-set formula depending on future profit development. The acquisition analysis is based on the acquisition of all the shares in APAM. The valuation of the unregulated purchase consideration as of the acquisition date and as of 31 December 2018 is based on a company value assuming completed acquisition and an annual estimated growth rate of 2%, discounted at a discount rate of 12%.

The acquired operations, which form part of Catella's Asset Management, was consolidated as a subsidiary from 13 December 2018. As of this date, fair value of acquired net assets in APAM totalled SEK 114 M. In the period 13-31 December 2018, APAM has contributed income of SEK 3 M and profit after tax of SEK 3 M. Assuming full consolidation of APAM as of 1 January 2018, Group income would have amounted to SEK 2,270 M, while profit/loss after tax for the period and comprehensive income for the period would have been SEK 218 M and SEK 49 M respectively. These amounts have been calculated on the basis of the Group's accounting principles and adjusted profit/loss in APAM. Profit/loss includes additional amortization which would have been affected if fair value adjustments of intangible assets had been made as of 1 January 2018, alongside the associated tax consequences.

The present value of the total purchase consideration for 100% of the shares in APAM amounts to SEK 285 M, of which SEK 242 M was financed using proprietary cash funds in the first and fourth quarter 2018. In addition, Catella incurred acquisition-related expenses of SEK 5 M which were charged to operating profit in 2018.

Goodwill of SEK 170 M arising from the acquisition relates to operational expansion as a result of an increased presence on the UK market, and to human capital. No portion of reported goodwill is expected to be tax deductible. Fair value of identifiable intangible assets of SEK 74 M (SEK 61 M after latent tax) is attributable to current customer contact portfolio.

SEK M	2018
Acquisition-related intangible assets	74
Financial assets at fair value through profit or loss	20
Other receivables	16
Cash and cash equivalents	26
Deferred tax liabilities	-14
Other liabilities	-8
Fair value of net assets	**114**
Non-controlling interests	0
Goodwill	170
Fair value, net assets	**285**
Unsettled purchase price	-43
Cash-settled purchase consideration	**242**
Cash and cash equivalents in acquired subsidiary	-26
Acquisition expenses	5
Change in the Group's cash and cash equivalents on acquisition	**220**

This valuation is preliminary while awaiting the final valuation of these assets, which is expected to take place within 12 months of the acquisition date.

In 2018, Catella also acquired 65% of the shares in newly established Catella Logistic Europe SAS. Furthermore, Catella carried out an additional acquisition of some 13% of the shares in IPM BV. The transaction was based on a company value of IPM AB (Systematic Funds) of some SEK 2 Bn, and the purchase consideration amounted to SEK 207.4 M which was recognised as equity in 2018. Catella's indirect and direct ownership in IPM AB totalled 60.6% after the transaction. None of these acquisitions gave rise to goodwill or other acquisition-related intangible assets.

Acquisitions in 2017

On 24 November 2017, following approval from the Luxembourg financial supervisory authority, CSSF, Catella acquired 60% of the shares in Catella Asia Limited (Catella Asia) in a targeted new issue. The acquisition provided Catella with a presence in Hong Kong and a platform for accessing the Chinese and other Asian markets.

Catella Asia has entered a strategic collaboration with China Merchant Securities International relating to the distribution of Catella's products and services in Asia. Catella Asia has two employees, also partners in the company, based in Hong Kong.

The acquired operations, which are included under "Other", were consolidated as a subsidiary from 30 November 2017. As of this date, fair value of acquired net assets in Catella Asia totalled SEK 8 M. Assuming full consolidation of Catella Asia as of 1 January 2017, Group income would have amounted to SEK 2,477 M, while profit/loss after tax for the period and comprehensive income for the period would have been SEK 281 M and SEK 321 M respectively. These amounts have been calculated on the basis of the Group's accounting principles and adjusted profit/loss in Catella Asia. Profit/loss includes additional amortization which would have been affected if fair value adjustments of intangible assets had been made as of 1 January 2017, alongside the associated tax consequences.

The total purchase consideration for 60% of the shares in Catella Asia amounts to SEK 10 M and was financed using proprietary cash funds in the fourth quarter 2017. In addition, Catella had incurred acquisition-related expenses of SEK 2 M which were charged to operating profit in 2017.

Goodwill of just under SEK 2 M arising from the acquisition relates to operational expansion as a result of access to the Asian market, and human capital. No portion of reported goodwill is expected to be tax deductible.

Fair value of identifiable intangible assets of SEK 4 M (SEK 3.5 M after latent tax) is attributable to distribution channels enabled by the agreement with China Merchant Securities International and its main owners China Merchant Group.

SEK M	2017
Acquisition-related intangible assets	4
Cash and cash equivalents	8
Deferred tax liabilities	-1
Other liabilities	-3
Fair value of net assets	**8**
Non-controlling interests	0
Goodwill	2
Fair value, net assets	**10**
Unsettled purchase price	0
Cash-settled purchase consideration	**10**
Cash and cash equivalents in acquired subsidiary	-8
Acquisition expenses	2
Change in the Group's cash and cash equivalents on acquisition	**4**

In 2017, Catella also acquired all the shares in Dutch property advisor Panta Rhei Advisory B.V., name changed to Catella Investment Management Benelux BV. and Catella Property Asset Management AB, as well as 55% of the shares in Catella Asset Management GmbH. None of these acquisitions gave rise to goodwill or other acquisition-related intangible assets.

Furthermore, the subsidiary Catella Trust GmbH was divested to 2IP Institutional Investment Partners Group GmbH in the fourth quarter 2017. The subsidiary, which formed part of the Asset Management operating segment, generated a modest loss in 2017. Profit from the sale totalled SEK 3.6 M and has been reported in the Consolidated Income Statement under Other financial income, see also Note 14.

NOTE 38 SUBSEQUENT EVENTS

Changes in Catella AB's (publ) Group Management

On the 18 March 2019, Catella announced that Johan Nordenfalk, Chief Operating Officer (COO), is resigning from his position and from Catella's Group Management.

NOTE 39 RELATED PARTY TRANSACTIONS

Related party transactions

Related party transactions where there is a significant influence encompass Catella Board members and Group Management, including family members, and companies in which these individuals have Board assignments or hold positions as senior managers and/or have significant shareholdings. For senior executives' ownership of Catella and subsidiaries, see Note 11.

There are also some key individuals active in subsidiaries in the Corporate Finance operation, which in some cases are shareholders of these subsidiaries. Special conditions apply to such partnerships. In accordance with the Group's accounting policies, non-controlling interests attributable to these shareholdings are reported as a personnel cost.

Related party transactions 2018

Catella holds investments in the associated companies Nordic Seeding GmbH and Grand Central Beteiligungs GmbH where the other owners are the Claesson & Anderzén Group and the management of Catella Project Management GmbH. In 2018, Catella invested SEK 165 M in Grand Central Beteiligungs GmbH at the same time as Nordic Seeding GmbH repaid SEK 54 M in deposited capital and paid dividends of SEK 103 M to Catella. Catella's total net investment in both companies totalled SEK 70 M as of 31 December 2018, and the remaining investment commitment amounts to SEK 19 M.

Catella's German subsidiary Catella Project Management GmbH manages the property development projects under Nordic Seeding GmbH and Grand Central Beteiligungs GmbH. In 2018, Catella Project Management GmbH invoiced Nordic Seeding GmbH and Grand Central Beteiligungs GmbH a total of SEK 66 M for services provided under applicable agreements. Of this amount, SEK 24 M relates to commission in connection with the transfer of 85% of the shares in the property development project Living Central Beteiligungs GmbH from Nordic See-ding GmbH to Grand Central Beteiligungs GmbH. The remaining SEK 42 M mainly relates to project development costs according to applicable agreements. No part of this income was eliminated in Catella's Consolidated Income Statement as the associated companies fall outside Catella's associated enterprises.

Furthermore, Catella invested SEK 66 M in associated company Kaktus 1 TopCo ApS in 2018, which has acquired land with building rights for student housing in Copenhagen. Catella's remaining investment commitment amounts to some SEK 71 M.

Catella's Danish subsidiary Catella Investment Management A/S manages the property development project in associated company Kaktus 1 TopCo ApS. During 2018, Catella Investment Management A/S invoiced Kaktus 1 TopCo ApS SEK 29 M for services provided according to applicable agreements and realized profit before tax of SEK 13 M. No part of income was eliminated in Catella's Consolidated Income Statement as the associated company falls outside Catella's associated enterprises.

On 18 March 2019, Catella announced that Johan Nordenfalk, Chief Operating Officer (COO), will be resigning his position and leaving Catella's Group management. Accordingly, as of this date Catella acquired Johan's 200,000 outstanding warrants for a purchase consideration of SEK 3.6 M.

2017

In 2017, Catella completed additional investments totalling SEK 16 M in associated company Nordic Seeding GmbH where the other owners are the Claesson & Anderzén Group and the management of Catella Project Management GmbH. In October 2017, a capital contribution of SEK 4 M received by Nordic Seeding GmbH was repaid to Catella. As of 31 December 2017, Catella had invested a net of SEK 63 M of a total commitment of SEK 89 M in Nordic Seeding GmbH.

Catella's German subsidiary Catella Project Management GmbH operates property development projects in associated company Nordic Seeding GmbH. In 2017, Catella Project Management GmbH invoiced Nordic Seeding GmbH a total of SEK 44 M for services provided under agreement. No part of income was eliminated in Catella's Consolidated Income Statement as the associated company falls outside Catella's associated enterprises.

NOTE 40 DISPOSAL GROUP HELD FOR SALE

In the first half of 2018, Catella started a strategic review of all service areas in Banking. The review was completed in December 2018 after Catella entered into an agreement to divest the Wealth Management operations in Luxembourg to VP Bank and 51% of the Wealth Management operations in Sweden to Söderberg & Partners and an agreement relating to the divestment of the card issuing operations in Luxembourg to Advanzia Bank S.A. All three transactions were completed in the first quarter of 2019.

Accordingly, the Banking business area has been reported as a *disposal group held for sale* according to IFRS 5 Non-current assets Held for Sale and Discontinued Operations from 30 September 2018. This means that in the Consolidated Income Statement, Banking's net profit (after tax) is reported on a separate line under Net profit from disposal group held for sale. Comparative figures for previous years have been reported in a corresponding manner in the Consolidated Income Statement. In the Consolidated Financial Statement, from 30 September 2018, Banking's assets and liabilities are reported separately from other assets and liabilities on separate lines under Assets in divestment group held for sale and Liabilities in divestment group held for sale. However, comparative figures from earlier years relating to Banking's assets and liabilities have not been reclassified in this way.

The following tables present the Income Statement, assets and liabilities and cash flows in summary for discontinued operations (disposal group held for sale).

Net profit for the year is charged with liquidation costs of SEK 109 M (53) after tax while income of SEK 380 M from agreed assets transfers, judged to be payable to Catella, has not been included. Income of SEK 254 M will be recognised in revenue in 2019 and income of SEK 126 M is expected to be recognised towards the end of 2019 or in early 2020.

SEK M	2018	2017
Total income	340	475
Total expenses	-633	-525
Profit/loss before tax	-294	-50
Tax	55	-3
Net profit/loss for the year from divestment group held for sale	**-238**	**-53**

Of which wind down expenses		
Personnel costs	-122	-
Other expenses	-43	-
Impairment of goodwill and other intangible assets	-	-53
Tax	56	-
	-109	**-53**

Assets	2018	2017
Loan receivables	1.036	1.365
Cash and cash equivalents	2.547	2.111
Other assets	664	300
Assets in divestment group held for sale	**4.247**	**3.775**

Liabilities		
Borrowings and loan liabilities	3.397	2.906
Other liabilities	343	462
Liabilities in disposal group held for sale	**3.741**	**3.367**

Cash flows		
Cash flow from operating activities	174	17
Cash flow from investing activities	0	-16
Cash flow from financing activities	170	0
Cash flow for the year from divestment group held for sale	**344**	**1**

NOTE 41 CAPITAL ADEQUACY AND CONSOLIDATED FINANCIAL SITUATION

Catella AB and the subsidiaries that conduct operations under the supervision of Swedish or foreign supervisory authorities comprise a financial corporate Group, known as a consolidated financial situation. The consolidated financial situation is under the supervision of the Luxembourg supervisory authority, CSSF. Catella Bank S.A. is the reporting entity and responsible institute.

The Group companies currently included in/excluded from the consolidated financial situation are indicated in Note 20 Investments in subsidiaries and associated companies. Discussions are underway with CSSF regarding divestment of the bank's operations, reporting and other matters applicable to the consolidated financial situation.

The consolidated financial situation is obliged to adhere to the European Parliament's regulation (EU) 575/32013 (CRR).

According to the Swedish Annual Accounts Act for Credit Institutions and Firms Act, ÅRKL, (1995:1559), consolidated accounts must be prepared for a consolidated financial situation. Catella applies this requirement through the information provided in this Note on a consolidated financial situation's accounts according to ÅRKL. When preparing these accounts, the accounting policies indicated in Note 2 have been applied, in compliance with the Swedish Annual Accounts Act. Otherwise, please refer to Catella's Consolidated Accounts and Notes 1-40 and Note 43 of these Annual Accounts for further information, comments and analysis. For this reason, no complete annual accounts with supplementary disclosures have been prepared for the consolidated financial situation.

The following tables present extracts from the accounts of the consolidated financial situation.

Summary Income Statement

SEK M	2018 Jan–Dec	2017 Jan–Dec
Net sales	1.271	1.232
Other operating income	25	13
Total income	**1.296**	**1.245**
Direct assigment costs and commission	-386	-333
Income excl. direct assignment costs and commission	**910**	**912**
Operating expenses	-629	-585
Operating profit/loss	**281**	**327**
Financial items—net	-49	407
Profit/loss before tax	**232**	**734**
Tax	-73	-69
Net profit for the year from continuing operations	**159**	**665**
Operations held for sale:		
Net profit/loss for the year from divestment group held for	-238	-53
Net profit for the year	**-79**	**612**
Profit/loss attributable to:		
Shareholders of the Parent Company	**-163**	**520**
Non-controlling interests	**84**	**92**
	-79	**612**
Average no. of employees	339	343

Summary financial position

SEK M	2018 31 Dec	2017 31 Dec
Non-current assets	1.245	1.921
Current assets	1.145	4.264
Assets in divestment group held for sale	4.247	-
Total assets	**6.637**	**6.185**
Equity	1.661	2011
Liabilities	1.235	4.174
Liabilities in disposal group held for sale	3.741	-
Total equity and liabilities	**6.637**	**6.185**

Capital adequacy

The company Catella AB is a parent financial holding company in the Catella Group and accordingly publishes disclosures on capital adequacy for the consolidated financial situation.

SEK M	2018 31 Dec	2017 31 Dec
Common Equity Tier 1 capital	896	1.111
Additional Tier 1 capital	0	0
Tier 2 capital	0	0
Own funds	**896**	**1.111**
Total risk exposure amount	**4.920**	**5.708**
Capital adequacy and buffers		
Own funds requirements Pillar 1	**394**	**457**
of which own funds requirements for credit risk	216	259
of which own funds requirements for market risk	21	71
of which own funds requirements for operational risk	156	126
of which own funds requirements for credit valuation	0	0
Own funds requirements Pillar 2	148	184
Institution-specific buffer requirements	175	200
Internal buffer	49	57
Total own funds and buffer requirements	**766**	**898**
Capital surplus after own funds and buffer requirements	130	212
Capital surplus after regulatory required own funds and buffer	180	269

Capital ratios, % of total risk exposure amount	2018 31 Dec	2017 31 Dec
Common Equity Tier 1 capital ratio	18,2	19,5
Tier 1 capital ratio	18,2	19,5
Total capital ratio	18,2	19,5
Own funds and buffers, % of total risk exposure amount		
Own funds requirements Pillar 1	8,0	8,0
Own funds requirements Pillar 2	3,0	3,2
Institution-specific buffer requirements	3,6	3,5
of which requirement for capital conservation buffer	2,5	2,5
of which requirement for countercyclical capital buffer	1,1	1
Internal buffer	1,0	1,0
Total own funds and buffer requirements	**15,6**	**15,7**
Capital surplus after own funds and buffer requirements	2,6	3,7
Capital surplus after regulatory required own funds and buffer requirements	3,6	4,7

Catella AB's consolidated financial situation satisfies the minimum capital base requirements.

Own funds, SEK M	2018 31 Dec	2017 31 Dec
Common Equity Tier 1 capital		
Share capital and share premium reserve	404	399
Retained earnings and other reserves	1.258	1612
Less:		
Intangible assets	-285	-298
Price adjustments	-24	-31
Deferred tax assets	-121	-68
Qualifying holdings outside the financial sector	-185	-51
Positive results not yet verified by the Annual General Meeting	-	-329
Other deductions	-150	-123
Total Common Equity Tier 1 capital	**896**	**1.111**
Additional Tier 1 capital	-	-
Tier 2 capital	-	-
Own funds	**896**	**1.111**

SEK M	2018 31 Dec		2017 31 Dec	
Specification of risk-weighted exposure amounts and own funds requirement Pillar 1	**Risk exp. amount**	**Own funds requirements Pillar 1**	**Risk exp. amount**	**Own funds requirements Pillar 1**
Credit risk according to the Standardised Approach				
Exposures to institutions	446	36	584	47
Exposures to corporates	630	50	850	68
Retail exposures	13	1	3	0
Exposures secured by mortgages on immovable property	125	10	244	20
Exposures in default	191	15	295	24
Items associated with particular high risk	180	14	169	13
Exposures in the form of covered bonds	4	0	3	0
Exposures in the form of collective investment undertakings (CIU)	1	0	15	1
Equity exposures	483	39	340	27
Other items	628	50	741	59
	2.701	**216**	**3.242**	**259**
Market risk				
Interest risk	0	0	0	0
Foreign exchange risk	268	21	893	71
	268	**21**	**893**	**71**
Operational risk according to the Basic Indicator Approach	**1.948**	**156**	**1.570**	**126**
Credit valuation adjustment risk	**4**	**0**	**3**	**0**
Total	**4.920**	**394**	**5.708**	**457**

CSSF's instructions stipulate that a report on the evaluation of current and future risks, as well as the capital and liquidity situation, ICLAAP, should be presented to the authority at least once yearly. On 1 April 2019, the Board of Catella adopted the updated ICLAAP for the consolidated financial situation, which has been submitted to CSSF.

NOTE 42 APPLICATION OF KEY PERFORMANCE INDICATORS NOT DEFINED BY IFRS, AND TERMS AND EXCHANGE RATES

The Consolidated Accounts of Catella are prepared in accordance with IFRS. See Note 2 for more information regarding accounting principles. IFRS defines only a limited number of performance measures. From the second quarter 2016, Catella applies the European Securities and Markets Authority's (ESMA) new guidelines for alternative performance measures. In summary, an alternative performance measure is a financial measure of historical or future profit progress, financial position or cash flow not defined by or specified in IFRS. In order to assist corporate management and other stakeholders in their analysis of Group progress, Catella presents certain performance measures not defined under IFRS. Corporate management considers that this information facilitates the analysis of the Group's performance. This additional information is complementary to the information provided by IFRS and does not replace performance measures defined in IFRS. Catella's definitions of measures not defined under IFRS may differ from other companies' definitions. All of Catella's definitions are presented below. The calculation of all performance measures corresponds to items in the Income Statement and Balance Sheet.

Definitions

Non-IFRS performance measures	Description	Reason for using the measure
Equity per share	Equity at the end of the period divided by the number of shares at the end of the period.	Provides investors with a view of equity as represented by a single share.
Equity per share attributable to parent company shareholders	Equity attributable to parent company shareholders divided by the number of shares at the end of the period.	Provides investors with a view of equity attributable to parent company shareholders as represented by a single share.
Earnings per share attributable to parent company shareholders before dilution.	Profit for the year attributable to parent company shareholders divided by the average number of shares in the year	Provides investors with a view of profit attributable to parent company shareholders before dilution as represented by a single share.
Earnings per share attributable to parent company shareholders after dilution	Profit for the year attributable to parent company shareholders divided by the average number of shares considering outstanding warrants (excluding warrants held in treasury) and any newly issued shares in the year.	Provides investors with a view of profit attributable to parent company shareholders after dilution as represented by a single share.
Return on equity*	Total profit in the period for the most recent four quarters divided by average equity attributable to parent company shareholders in the most recent five quarters.	The company considers that the performance measure provides investors with a better understanding of return on equity attributable to parent company shareholders.
Operating margin	Operating profit excluding amortization of acquisition-related intangible assets divided by total income for the period.	Provides investors with a view of the company's profitability.
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	Earnings Before Interest, Taxes, Depreciation and Amortization	Provides investors with a view of the company's profitability.
Equity/Asset ratio	Equity divided by total assets.	The performance indicator is used because Catella considers it relevant to investors and other stakeholders wanting to evaluate Catella's financial stability and long-term viability.
Interest coverage ratio	Profit before tax plus reversals of interest expenses and adjustments to changes in fair value of financial assets, divided by interest expenses.	Provides investors with a view of the company's ability to cover its interest expenses.
Capital employed	Non-interest bearing fixed and current assets less non-interest bearing non-current and current liabilities.	The performance indicator illustrates the company's capital employed.
Net debt/Net cash	Net of interest-bearing provisions and liabilities less interest- bearing financial assets including cash and cash equivalents and investments in loan portfolios. If the amount is negative, it is designated as net cash.	The performance indicator illustrates the company's ability to repay interest-bearing liabilities using interest-bearing assets including cash and cash equivalents.
Cash flow per share	Cash flow for the year divided by the number of shares at the end of the period.	Provides investors with a view of cash flow as represented by one share.
Dividend per share	Dividend divided by the number of shares at the end of the period.	Provides investors with a view of the company's dividend over time.
Dividend per share	Dividend divided by the number of shares at the end of the period.	Provides investors with a view of the Company's dividend over time.
Dividend yield, %	Dividend per share divided by the share price at the end of the period.	Provides investors with a view of dividend for the year in relation to the share price.
Profit margin	Profit for the period divided by total income for the period.	The measure illustrates profitability regardless of the rate of corporation tax.
Price/Earnings (P/E)	Market capitalization for all shares at the end of the period divided by profit for the year.	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market.
Price/Book (P/B)	Market capitalisation of all shares at the end of the period divided by equity.	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market.

Non-IFRS performance measures	Description	Reason for using the measure
EV/EBITDA	Enterprise Value divided by EBITDA	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market.
Number of employees at the end of the period	Number of employees at the end of the period expressed as full-time positions.	Provides investors with a view of the number of employees in the company over time.
Average number of employees	Average number of employees at the end of the four quarters of the financial year.	Provides investors with a view of the average number of employees in the company in the period.
Property transaction volumes in the period	Property transaction volumes in the period constitutes the value of underlying properties at the transaction dates.	An element of Catella's income in Corporate Finance is agreed with customers on the basis of the underlying property value of the relevant assignments. Provides investors with a view of what drives an element of Catella's income.
Assets under management at year end	Assets under management constitutes the value of Catella's customers deposited/invested capital.	An element of Catella's income in Asset Management and Banking is agreed with customers on the basis of the value of the underlying invested capital. Provides investors with a view of what drives an element of Catella's income.

* See below for basis of calculation

Calculation of return on equity for Catella Group's total operations (incl. Catella Bank's operations)

GROUP	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun
Net profit/loss for the period, SEK M *	-133	-13	13	22	67	59	33	33	37	35	182	17	123	37	48
Equity, SEK M *	1.442	1.579	1.588	1.626	1.729	1.628	1.577	1.597	1.563	1.534	1.484	1.333	1.319	1.232	1.177
Return on equity, %	-7	5	10	11	12	10	9	19	19	26	27				

CORPORATE FINANCE	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun
Net profit/loss for the period, SEK M *	12	1	7	-5	29	15	0	-1	11	11	36	-8	32	13	16
Equity, SEK M *	35	44	42	115	120	90	78	177	254	237	222	206	213	184	171
Return on equity, %	21	40	52	34	30	15	11	26	22	33	37				

ASSET MANAGEMENT AND BANKING	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun
Net profit/loss for the period, SEK M *	-137	6	42	34	30	51	49	39	43	27	158	24	68	12	18
Equity, SEK M *	1.389	1.093	1.097	1.023	931	967	941	898	918	855	789	649	620	686	660
Return on equity, %	-5	11	16	17	18	20	18	33	33	39	39				

** Attributable to shareholders of the Parent Company.*

Calculation of return on equity for remaining operations (excl. Catella Bank's operations)

GROUP	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun
Net profit/loss for the period, SEK M *	9	25	50	42	114	60	37	34	32	33	44	32	116	46	59
Equity, SEK M *	940	1.142	1.119	1.132	1.236	1.105	1.050	1.092	1.063	1.029	1.038	1.048	1.024	949	894
	11	20	24	23	22	15	13	14	14	22	24				

CORPORATE FINANCE	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun
Net profit/loss for the period, SEK M *	12	1	7	-5	29	15	0	-1	11	11	36	-8	32	13	16
Equity, SEK M *	35	44	42	115	120	90	78	177	254	237	222	206	213	184	171
	21	40	52	34	30	15	11	26	22	33	37				

ASSET MANAGEMENT	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun
Net profit/loss for the period, SEK M *	12	41	79	55	79	52	49	37	37	15	14	40	59	21	25
Equity, SEK M *	887	656	627	530	438	445	414	393	418	349	343	364	325	403	377
	30	47	54	53	51	43	36	28	30	36	37				

** Attributable to shareholders of the Parent Company.*

Terms

Borrowing
Loans from credit institutions.

Debt
Loans from non-credit institutions

WACC
Weighted Average Cost of Capital.

EV
Enterprise Value

Exchange rates
The average exchange rates of the Group's currencies in relation to the SEK on the reporting date were as follows:

Exchange rates 2018

Currency	Average rate	Closing day rate
CHF	8,883	9,099
DKK	1,376	1,376
EUR	10,257	10,275
HKD	1,109	1,146
GBP	11,593	11,348
NOK	1,069	1,025
USD	8,692	8,971

Exchange rates 2017

Currency	Average rate	Closing day rate
CHF	8,669	8,428
DKK	1,295	1,323
EUR	9,633	9,850
GBP	1,096	1,053
NOK	10,990	11,105

Parent Company Income Statement

SEK M	Note	2018 Jan–Dec	2017 Jan–Dec
Net sales		31,2	11,1
Other operating income		1,2	0,0
		32,5	**11,2**
Other external expenses	44	-49,4	-26,8
Personnel costs	45	-38,4	-36,2
Depreciation and amortisation		-0,1	0,0
Other operating expenses		0,0	0,0
Operating profit/loss		**-55,5**	**-51,9**
Profit/loss from participations in group companies	46	0,0	190,0
Interest income and similar profit/loss items	47	7,5	0,0
Interest expenses and similar profit/loss items	48	-25,1	-18,6
Financial items		-17,6	171,4
Profit/loss before tax		**-73,1**	**119,5**
Appropriations	49	236,2	0,0
Tax on profit/loss for the year	50	-19,8	0,9
Net profit for the year		**143,4**	**120,4**

Parent Company Statement of Comprehensive Income

SEK M	Note	2018 Jan–Dec	2017 Jan–Dec
Net profit for the year		143,4	120,4
Other comprehensive income			
Other comprehensive income for the year, net of tax		0,0	0,0
Total comprehensive income for the year		**143,4**	**120,4**

Parent Company Cash Flow Statement

SEK M	Note	2018 Jan–Dec	2017 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		-73,1	119,5
Adjustments for non-cash items:			
Depreciation and amortisation		0,1	0,0
Dividend from subsidiaries	46	-	-190,0
Financial items		2,0	0,8
Cash flow from operating activities before changes in working capital		**-71,1**	**-69,6**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		-69,0	-54,0
Increase (+) / decrease (–) in operating liabilities		3,0	1,6
Cash flow from operating activities		**-137,1**	**-122,1**
Cash flow from investing activities			
Investment in tangible assets		-0,2	-
Investments in subsidiaries	51	-398,5	-
Cash flow from investing activities		**-398,7**	**0,0**
Cash flow from financing activities			
New share issue	53	21,3	-
Borrowings	54	252,5	493,2
Repayment of loans		-	-202,0
Group contribution received		-	39,0
Dividend from subsidiaries		100,0	90,0
Dividend		-84,1	-65,5
Cash flow from financing activities		**289,6**	**354,7**
Cash flow for the year		**-246,1**	**232,6**
Cash and cash equivalents at beginning of year		263,9	31,3
Exchange rate differences in cash and cash equivalents		-	-
Cash and cash equivalents at end of year		**17,8**	**263,9**

Parent Company Balance Sheet

SEK M	Note	2018 31 Dec	2017 31 Dec
Assets			
Non-current assets			
Tangible assets		0,2	0,0
Participations in Group companies	51	1.052,6	654,1
Deferred tax assets	52	-	19,8
		1.052,8	**673,9**
Current assets			
Receivables from group companies		350,4	146,8
Tax assets		0,0	0,0
Other current receivables		2,4	1,4
Prepaid expenses and accrued income		3,2	2,5
Cash and cash equivalents		17,8	263,9
		373,8	**414,7**
Total assets		**1.426,5**	**1.088,6**
EQUITY AND LIABILITIES			
Equity	53		
Restricted equity			
Share capital		168,2	163,7
Statutory reserve		249,9	249,9
		418,1	**413,6**
Non-restricted equity			
Share premium reserve		56,7	40,0
Retained earnings		36,3	0,0
Net profit for the year		143,4	120,4
		236,5	**160,4**
Total equity		**654,6**	**574,0**
Liabilities			
Long-term loan liabilities	54	748,4	494,0
		748,4	**494,0**
Current liabilities			
Accounts payable		7,2	3,8
Liabilities to group companies		1,5	0,5
Tax liabilities		0,1	-
Other current liabilities		0,5	0,4
Accrued expenses and deferred income	55	14,3	15,9
		23,6	**20,6**
Total liabilities		**772,0**	**514,6**
Total equity and liabilities		**1.426,5**	**1.088,6**

Parent Company Statement of Changes in Equity

SEK M	Note 53	Restricted equity: Share capital	Restricted equity: Statutory reserve	Non-restricted equity: Share premium reserve	Non-restricted equity: Retained earnings	Net profit for the year	Total equity
Equity 1 January 2017		163,7	249,9	50,9	69,5	-15,0	519,0
Appropriation of profits				-10,9	-4,0	15,0	0,0
Dividend					-65,5		-65,5
Total comprehensive income for the year, January - December 2017							
Net profit for the year						120,4	120,4
Other comprehensive income, net of tax						0,0	0,0
Total comprehensive income for the year						**120,4**	**120,4**
New share issue							0,0
Equity 31 December 2017		**163,7**	**249,9**	**40,0**	**0,0**	**120,4**	**574,0**
Appropriation of profits					120,4	-120,4	0,0
Dividend					-84,1		-84,1
Total comprehensive income for the year, January - December 2018							
Net profit for the year						143,4	143,4
Other comprehensive income, net of tax						0,0	0,0
Total comprehensive income for the year						**143,4**	**143,4**
New share issue		4,5		16,8			21,3
Equity 31 December 2018		**168,2**	**249,9**	**56,7**	**36,3**	**143,4**	**654,6**

Parent Company Notes

NOTE 43 PARENT COMPANY ACCOUNTING POLICIES

The Parent Company's financial statements were prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 Accounting for legal entities. Accordingly, the Parent Company applies the same accounting policies as the Group wherever applicable, except for the cases stated below.

The Parent Company utilises the terms Balance Sheet and Cash Flow Statement for the statements that the Group names Statement of Financial Position and Statement of Cash Flows respectively. The Parent Company's Income Statement and Balance Sheet have been prepared in accordance with the presentation format stipulated in the Swedish Annual Accounts Act, while the Statement of Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash flows respectively.

Participations in group companies

The Parent Company recognises all of its holdings in Group companies at cost less deductions for any accumulated impairment.

Group contributions

Group contributions received as well as paid are recognised as an appropriation in the Income Statement.

Shareholder contribution

Shareholder contributions paid are recognised as an increase in the participations in group companies' item in the Balance Sheet. An impairment test on these participations is conducted subsequently.

Anticipated dividend

Anticipated dividend is reported in the Income Statement as profit from shares in Group companies and receivables on Group companies in the Balance Sheet in cases where the company has decided on the size of the value transfer and is entitled to decide autonomously on the size of the dividend.

Lease arrangements

The Parent Company reports all lease arrangements as operating leases.

Financial instruments

Considering the relationship between accounting and taxation, financial assets or liabilities are not reported at fair value. Financial non-current assets are recognised at cost less potential impairment and financial current assets are recognised according to the principle of lower of cost or market. Financial liabilities are recognised at cost.

In addition, the Parent Company applies the exemption in RFR 2 for not applying the rules of IAS 39 for financial guarantees relating to guarantee agreements in favour of subsidiaries and associated companies. In these cases, the rules of IAS 37 are applied, which imply that financial guarantee agreement should be reported as a provision in the Balance Sheet when Catella has a legal or informal commitment resulting from a previous event, and it is likely that an outflow of resources will be necessary to settle this commitment. In addition, a reliable measurement of the value of the commitment must be possible.

NOTE 44 OTHER EXTERNAL COSTS

Remuneration of auditors

SEK M	2018	2017
PwC		
Audit assignment *	2,2	0,8
Audit activities other than audit assignment	-	-
Tax advisory	0,3	-
Other services	1,5	2,3
Total	**3,9**	**3,1**

Total cost is to the Parent Company Auditor PricewaterhouseCoopers AB.

* Audit assignment means fees for the statutory audit, i.e. work necessary to present the Audit Report, and audit-related advisory services rendered coincident with the audit assignment.
** Other services include fees for review of regulatory reporting (the Long Form Report) to CSSF in Luxembourg for Catella's consolidated financial situation.

Operating leases including rent

SEK M	2018	2017
Expense for the year for operating lease arrangements including rent amount to	2,6	2,6

Future lease payments for non-cancellable operating leases with remaining durations exceeding one year are allocated as follows:		
Due for payment within one year	2,6	2,8
Due for payment after more than one year but less than five years	2,0	3,2
Due for payment after more than five years	-	-
Total	**4,6**	**6,0**

NOTE 45 PERSONNEL

Salaries, other compensation and social security expenses

	2018		2017	
SEK M	Salaries and other compensation (of which bonus)	Social security contributions (of which pension costs)	Salaries and other compensation (of which bonus)	Social security contributions (of which pension costs)
Board of Directors	2,4	0,4	2,3	0,2
	(0,0)	(0,0)	(0,0)	(0,0)
Chief Executive Officer	2,6	1,8	4,3	2,3
	(0,3)	(0,9)	(2,0)	(0,9)
Other employees, Sweden	16,0	8,2	16,1	7,8
	(5,6)	(3,1)	(6,8)	(2,7)
Total	**21,0**	**10,3**	**22,7**	**10,2**
	(5,9)	**(4,0)**	**(8,9)**	**(3,6)**

There were no pension commitments for the Chief Executive Officer or senior managers. For more information about compensation of the Board and Chief Executive Officer, see Note 11.

Average number of full-time employees

	2018		2017	
SEK M	Total	of which women	Total	of which women
CEO and senior managers	2	-	2	-
Other employees	11	2	7	3
Total	**13**	**2**	**9**	**3**

NOTE 46 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

SEK M	2018	2017
Dividend	-	90
Anticipated dividends	-	100
Total	**0,0**	**190,0**

NOTE 47 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2018	2017
Interest	0,0	0,0
Capital gain on derivatives	6,9	-
Exchange rate gains	0,6	0,0
Total	**7,5**	**0,0**

SEK 0.0 M (0.0) of interest income and similar profit/loss items are intra-group.

NOTE 48 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2018	2017
Interest	-23,1	-15,3
Loan arrangement expenses	-2,0	-3,3
Exchange rate losses	0,0	-0,1
Total	**-25,1**	**-18,6**

SEK 0.2 M (0.5) of interest expenses and similar profit/loss are intra-group.

NOTE 49 APPROPRIATIONS

SEK M	2018	2017
Group contribution received	236,2	-
Total	**236,2**	**0,0**

NOTE 50 TAX ON NET PROFIT/LOSS FOR THE YEAR

SEK M	2018	2017
Deferred tax expense/ income relating to tax losses carryforwards	-19,8	0,9
Deferred tax expense/ income relating to timing differences	-	-
Total	**-19,8**	**0,9**

Tax loss carry-forwards for the year, before group contribution received, totalled SEK 70.7 M (72.7). Group contributions received totalled SEK 236.2 M (0) in 2018, whereby the majority of the Parent company's loss carry-forwards have been utilized. The deferred tax asset of SEK 19.8 M recognised in the company's Balance Sheet as of 31 December 2017 has been reversed and recognised as tax on net profit/loss for the year. The Parent Company's remaining loss carry-forwards as of 31 December 2018 amounted to SEK 2.8 M (169.4), see also Note 52.

NOTE 51 PARTICIPATIONS IN GROUP COMPANIES

				Carrying amount, SEK M	
Company	Share of equity,%	Share of vote,%	No. of participations	2018	2017
Catella Holding AB	100%	100%	1.000	1.052,6	654,1
Total				**1.052,6**	**654,1**

Subsidiary corporate identity numbers and registered offices:

Company	Corp. ID no.	City
Catella Holding AB	556064-2018	Stockholm

Participations in Group companies	2018	2017
Opening book value	654,1	519,1
Shareholders' contribution paid	398,5	135,0
Closing book value	**1.052,6**	**654,1**

NOTE 52 DEFERRED TAX ASSETS

Deferred tax assets relate primarily to the valuation of the company's taxdeductible losses expected to be offset against surpluses in future taxation. See also Note 50.

Company	2018	2017
Opening book value	19,8	18,9
Deficit utilised in the year	-19,8	-
Value change from revised assessment of tax loss carryforwards	-	0,9
Value change from additional timing differences	-	-
Closing book value	**0,0**	**19,8**

NOTE 53 EQUITY

As of 31 December 2018, share capital amounted to SEK 168.2 M (163.7) divided between 84,115,238 (81,848,572) shares. The quotient value per share is 2. The share capital is divided between two share classes with different voting rights: 2,530,555 Class A-shares with five votes per share, and 81,584,683 Class B-shares with one vote per share. There are no other differences between the share classes.

In 2018, 2.266.666 warrants were utilized to subscribe for an equal number of newly issued shares at a price of SEK 9.40 per share.

The Articles of Association include the right for holders of Class A shares to convert these shares to the same number of Class B shares. No Class A shares were converted to Class B shares in 2018.

There were no outstanding convertible debentures that could dilute share capital as of 31 December 2018.

As of 31 December 2018, the parent company had a total of 4,666,667 (7,000,000) warrants outstanding, as described in more detail in Note 12.

The Board is not authorised to re-purchase or issue shares. No treasury shares were held by the company itself or its subsidiaries.

Shareholders with more than 10% of the votes

The principal shareholder on 31 December 2018 was the Claesson & Anderzén Group (with related parties) with 49.2% (49.8) of the capital and 48.5% (49.1) of the votes, followed by Swedbank Robur with 6.0% (6.1) of the capital and 6.2% (6.3) of the votes. The third largest shareholder was Strawberry Capital AS with 4.3% (4.4) of the capital and 4.5% (4.6) of votes.

Dividend

The Board of Directors is proposing that a dividend of SEK 1.20 per Class A and B share is paid to shareholders for the financial year 2018. A dividend of SEK 1.00 per Class A and B share was paid to shareholders for the financial year 2017.

Restricted reserves

Restricted reserves may not be reduced through dividends.

Statutory reserve

The purpose of the statutory reserve is to save a portion of net profit that is not utilised to cover losses brought forward. Amounts contributed to the share premium reserve prior to 1 January 2006 were transferred to, and are included in, the statutory reserve. Share premium reserves arising after 1 January 2006 are recognised as non-restricted equity in the Parent Company.

Non-restricted equity

The following reserves, combined with net profit for the year, comprise non-restricted equity, meaning the amount available as dividends to shareholders.

Share premium reserve

When shares are issued at a premium, meaning that the share price payable exceeds the quotient value of the share, an amount corresponding to the amount in excess of the quotient value must be transferred to the share premium reserve. Amounts transferred to the share premium reserve from 1 January 2006 have been included in non-restricted equity.

Retained earnings

Retained earnings comprise profit carried forward from the preceding year and profit after dividends paid for the year.

NOTE 54 LOAN LIABILITIES

SEK M	2018	2017
Bond issue	748,4	494,0
	748,4	**494,0**
Less: long-term portion	-748,4	-494,0
Short-term portion	**0,0**	**0,0**

In June 2018, Catella issued a new unsecured bond of SEK 250 M with a framework amount of SEK 750 M, at a price of 102.5% of the nominal amount. Catella has previously issued bonds totalling SEK 500 M and the total framework has now been utilized.

The bond is listed on NASDAQ Stockholm and accrues floating-rate 3-month Stibor plus 400 b.p.

Funding is conditional on the satisfaction of covenants based on financial position. These covenants were satisfied in the year and as of 31 December 2018.

NOTE 55 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2018	2017
Holiday pay liability	1,5	1,3
Accrued salaries	6,7	8,7
Social security expenses	2,7	3,3
Accrued interest expenses	1,2	0,8
Accrued audit fees	0,3	0,3
Accrued directors' fees	0,8	0,6
Other items	1,2	0,9
Total	**14,3**	**15,9**

NOTE 56 PLEDGED ASSETS AND CONTINGENT LIABILITIES

As of 31 December 2018, there were no pledged assets or contingent liabilities.

NOTE 57 RELATED PARTY TRANSACTIONS

The Parent Company has a close relationship with its subsidiaries. Transactions between the Parent Company and subsidiaries are priced on commercial terms. In 2018, several transactions took place between the Parent Company and subsidiaries. Catella AB (publ) has rendered a number of intragroup services to most subsidiaries, at market price. In addition, the Parent Company received dividend and Group contributions from the subsidiary Catella Holding AB. Group contributions were also received from the subsidiaries Catella Fondförvaltning AB and Catella Property Fund Management AB.

For benefits for senior managers, see the information presented for the Group in Note 11 of the Consolidated Accounts and Note 45.

For pledged assets and contingent liabilities in favour of subsidiaries, see Note 56.

NOTE 58 FINANCIAL RISK MANAGEMENT

The Parent Company applies IAS 39 financial instruments: Recognition and Measurement, with the exceptions stated in Note 43. Catella AB (publ) is a holding company for the Group, where Group Management and other central Group functions are gathered. The Parent Company's assets largely comprise shares in subsidiaries and receivables from Group subsidiaries. In May 2018, the Parent company commenced currency hedging with derivative instruments. The purpose of the EUR 60 M hedging is to reduce the exchange rate risk in Catella's net exposure in EUR. Catella AB has no other investments in financial instruments. The Parent Company has also arranged SEK-denominated loan finance at variable interest to finance its own business operations. In view of this, the legal entity Catella AB (publ) primarily has exposure to interest risk, liquidity risk and market risk in relation to closure of derivative instruments, while its exposure to other financial risks, such as credit risk and currency risk etc. is limited.

Interest risk

Interest risk is the risk that the Parent Company's net profit/loss is affected as a result of variations in general interest rate levels. The Parent Company analyses and continuously monitors its exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that within a defined period, Catella AB (publ) is unable to re-finance its existing assets, or is unable to satisfy increased needs for liquidity. Liquidity risk also includes the risk that the Parent Company is compelled to borrow at unfavourable interest, or must sell assets at a loss to be able to fulfil its payment obligations. The Parent Company continuously analyses and monitors its liquidity risk exposure. When required, the Parent Company may utilize subsidiaries' surplus liquidity via internal loans. Intra-group loans have no predetermined maturity date.

Market risk

Market risk includes the risk of loss or reducing future income due to fluctuations in interest rates, exchange rates and share prices, including price risk relating to the sale of assets or closure of positions. To reduce the market risk, the parent company divests its investments in derivatives quarterly.

Currency risk

There were no receivables or liabilities in foreign currency as of 31 December 2018.

For more information on financial risks for the Group, which are also indirectly applicable to the Parent Company, see Note 3.

Credit risk

Credit risk related to receivables from subsidiaries were considered and assessed as not material. Cash and cash equivalents are invested in well-established banks with high credit rating, and impairment tests for these are not judged to be required.

NOTE 59 SUBSEQUENT EVENTS

Changes in Catella AB's (publ) Group Management

On the 18 March 2019, Catella announced that Johan Nordenfalk, Chief Operating Officer (COO), will resign from his position and from Catella's Group Management.

NOTE 60 PROPOSED APPROPRIATION OF PROFIT

The following non-restricted reserves and earnings in the Parent Company are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	56.742.720
Retained earnings	36.322.337
Net profit for the year	143.384.912
	236.449.969

The Board of Directors and Chief Executive Officer propose that funds are allocated as follows:

SEK	
dividend paid to shareholders, 1,00 per share, in total	100.938.286
carried forward (of which 39 969 392 allocated to share premium reserve)	135.511.683
	236.449.969

Proposed payment of dividends on 4 June 2019.

During spring 2019, warrant holders have opted to exchange their warrants for 2,166,667 new class B shares in Catella AB and 200,000 warrants were bought back due to changes in Catella AB's Group Management. In addition, 166,666 warrants held in treasury expired without being exercised. The number of shares in Catella AB will thereby increase from 84,115,238 at year end to 86,281,905 on the record date of 29 May 2019 and total dividend will amount to 103,538,286 SEK.

The Board of Directors and Chief Executive Officer declare that these Annual Accounts have been prepared in accordance with generally accepted accounting policies in Sweden and that the Consolidated Accounts have been prepared in accordance with the international accounting standards IFRS as endorsed by the EU. The Annual Accounts and the Consolidated Accounts give a true and fair view of the Parent Company's and the Group's financial position and results of operations. The Board of Director's Report for the Parent Company and the Group provide a fair overview of the performance of the Parent Company's and the Group's operations, financial position and results of operations, and describe the material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Parent Company's and the Group's income statements and Balance sheets will be subject to adoption at the Annual General Meeting on 27 May 2019.

As stated above, the Annual Accounts and the Consolidated Accounts were approved for issue by the Board and Chief Executive Officer

Stockholm, Sweden, 24 April 2019.

Johan Claesson Chairman of the Board

Johan Damne, Board member

Joachim Gahm Board member

Anna Ramel, Board member

Jan Roxendal, Board member

Knut Pedersen Chief Executive Officer

Our Audit Report was presented on 24 April 2019
PricewaterhouseCoopers AB

Daniel Algotsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Catella AB, corporate identity number 556079-1419.

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Catella AB for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 54-109 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 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 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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 audit committee 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 my (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.

OUR AUDIT APPROACH

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our Catella audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Our audit includes

- For the most significant reporting units in Sweden, the Baltics, Denmark, Finland, France, Luxembourg and Germany including the parent company and consolidation, we have audited the financial closings, reviewed the interim report as of 30 September and validated key controls for financial reporting on the basis of Catella's framework; and
- For other units, we have performed analytical procedures in connection with audit of the consolidated accounts and where required the statutory audits. In most cases, the statutory audit has been completed before the audit report for the Group has been signed.

In addition to the information outlined above, the Auditor in Charge and member of the Group Audit team visited the entities and operations in Germany, England and Luxembourg with the aim of gaining a better understanding of operations, as well as routines and controls in order to evaluate compliance with Catella's framework for internal control and to review the financial reporting on the basis of the Group's accounting principles.

As Catella pursues broad-based operations in several countries, we have tailored our audit of Catella accordingly. We focused especially on areas where the Managing Director and Board of Directors have made subjective judgments, such as key accounting estimates made on the basis of assumptions and forecasts regarding future events, which in nature are of an uncertain. This mainly relates to valuation of assets and contingent liabilities in Catella Bank, valuation of securitised loan portfolios. These areas, as well as salaries and other personnel-related costs are described in more detail below in the 'Key audit matters' section.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

Key audit matter

Valuation of assets and liabilities in discontinued operations (Catella Bank)

We refer to the Board of Directors' Report and notes: 4 Critical estimates and judgments and 40 Discontinued operations

A large proportion of the Group's total assets and liabilities relate to discontinued operations Banking. Catella Bank comprises a significant share of Banking. As of 31 December 2018, assets in Banking correspond to 61% of the Group's total assets and 77% of the Group's total liabilities.

As outlined in Note 40, the discontinued operations Banking reported an operating loss relating to provisions for winding down.

Given the significant share of Group operations that Catella Bank comprises and its effect on financial reporting, the valuation of assets and contingent liabilities in Catella Bank constitutes a Key audit matter in the audit.

How our audit addressed the Key audit matter

Our audit focused on auditing Catella Bank's financial reporting. In addition, we have monitored the progress and the strategic review of Catella Bank in purpose to evaluate its impact on reported assets and liabilities. As part of this audit, we have conducted the following procedures:

- A substantive audit approach to ascertain the financial reporting.
- The audit team has held meetings with the parties responsible for Catella Bank's financial reporting where key assumptions and judgments have been discussed, mainly relating to binding commitments towards personnel and suppliers.
- Evaluating the effects of the strategic review on other reported intangible assets and potential contingent liabilites.

The valuation of assets and liabilities in operations undergoing restructuring is based on estimates and is naturally associated with inherent uncertainties. Future measures, decisions and outcomes could potentially lead to additional need for impairment and provisions. Our audit has not resulted in reporting any significant observations to the Audit Committee.

Valuation of securitized loan portfolios

We refer to Notes 3 Financial risk management, 4 Critical estimates and judgments, 23 Financial assets at fair value through profit or loss

As of 31 December 2018, the value of Catella's securitized loan portfolios amounts to SEK 213 M. The holdings in securitized loan portfolios constitute a significant part of the Catella Group's Balance Sheet.

Catella's securitized loan portfolios are financial assets recognized at fair value including value changes through profit or loss.

The assets are classified as current assets to the extent that relates to the coming 12-month forecast cash flows, while the remaining portion of loan portfolios are reported as non-current assets. In accordance with IFRS 7, the assets are classified at level III, i.e. specific measurement techniques are applied where several key input data are not based on observable market information and the valuation is therefore considered as a Key audit matter in the audit.

The valuation of Catella's loan portfolios is based on a large number of parameters including estimated future discounted cash flows. The valuation model for the portfolios is complex. The market for these loan portfolios, subordinated securities with collateral in the form of assets, is by its nature illiquid. Accordingly, a high proportion of Catella's investments are illiquid. As a result, Catella's valuation model includes a number of parameters that comprise of non- observable market data, which lead to significant uncertainty. Changes in the assessments that underlie the chosen parameters could result in changes to the fair value of Catella's loan portfolios in the consolidated Income Statement and Statement of Financial Position, and such changes could be significant. It is not possible to quantify the probability in the event that assumptions made prove inaccurate and would thereby imply an inaccurate valuation of the portfolio.

Regarding the discount rates, Catella determines the discount rates for the securitized loan portfolios internally, proceeding from a rolling 24-month index based on underlying assets comprising noninvestment grade European corporate bonds (iTraxx). The discount rates per portfolio have also been determined relative to other assets in the absence of market prices of the assets that EETI holds. Each quarter, the Board of EETI evaluates forecast cash flows and assumptions in combination with market pricing of other assets, in order to make potential adjustments to discount rates in addition to index variations.

The accounting of loan portfolios is based on management's assessment of future cash flows and selected discount rates. Management has appointed an external advisor, Cartesia, to prepare forecasts of future cash flows for the portfolios. Fair value measurement for this type of portfolio is based on assumptions regarding future development, as there is no active market for trading in these instruments. These assessments include a significant element of subjectivity.

We have in our audit of Catella's loan portfolios used PwC's valuation specialists. Our audit has also ensured that the model used complies with IFRS.

We have carried out sample tests on selected portfolios and obtained explanations and supporting data for the parameters and input data used for forecasted future cash flows. Our audit has focused on key parameters of greatest significance and materiality for valuation and value growth. Furthermore, wherever possible, we have compared the outcome with current and similar portfolio transactions on the market and, for certain market data, ensured that the input data used in the models corresponds to official data and macroeconomic statistics in the relevant countries. We have also audited, compared and evaluated historical data and forecasts to assess the forecast accuracy relating to the portfolios.

Furthermore, we have examined and evaluated management's assumptions regarding the used discount rate. As Catella has chosen to determine discount rates proceeding from a rolling 24-month index based on underlying assets comprising noninvestment grade European corporate bonds (iTraxx), we have examined the correlation with variation against this official index. We have evaluated the information presented in Catella's Annual Report to ensure that external parties receive complete information regarding how valuations have been performed.

The valuation of securitized loan portfolios is associated with uncertainty by definition. On the basis of our audit, there are no significant indications that the assumptions used are not within a reasonable interval.

Salary and other personell-related expenses

We refer to the following Notes: 10 Personnel, 11 Compensation of the Board of Directors and senior managers, 12 Share based incentives and 32 Accrued expenses and deferred income

One of the most significant cost items in Catella's consolidated Income Statement relates to salary, which totalled SEK 960 M in 2018. The associated expenses comprise of salary and other remuneration including bonuses, as well as directly attributable tax payments and social security expenses.

The risk relates mainly to the completeness and accuracy in accrued variable remunerations as well as the accuracy of calculation, correct accruals and correct valuation. Furthermore, remuneration in Catella AB and the subsidiaries that carry out operations under Swedish or foreign supervisory authorities are subject to regulation. This means that rules and regulations limit payment of maximum variable remuneration, and how such variable remuneration is distributed over time. This is also judged to increase the complexity and inherent risk of error in pay roll management.

Our audit focused on the processes and routines in place for accurately calculating, verifying and reconciling salary and other remuneration to be paid. In the audit, we have validated, on a sample basis, the Groups internal self-evaluation regarding the payroll process.

Furthermore, we have reconciled significant accrued expenses and/or provisions relating to variable remunerations against management's calculations as well as sample testing against agreements. We have also audited personnel expenses through analytical measures of changes to costs recognized in the Income Statement, accrued expenses and provisions on the basis of our knowledge.

For Catella's companies operating under supervision, we have examined compliance with remuneration policies and that these are in line with the applicable regulatory frameworks.

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 1-27, 33-38 and 50-53. 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.

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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

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 Catella AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

PricewaterhouseCoopers AB was appointed auditor of Catella AB by the general meeting of the shareholders on the 28 May 2018 and has been the company's auditor since the 25 May 2011.

Stockholm 24 April 2019
PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant

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