CATELLA

ANNUAL REPORT 2017

THIS IS CATELLA	This is Catella	4
	The year in brief	8
	Comments from the Chairman and the CEO	11
	Catella's markets	15
BUSINESS AREAS	Income	22
	Corporate Finance	24
	Property Investment Management	30
	Equity, Hedge and Fixed Income Funds	36
	Banking	42
	Sustainability and employees	48
	Auditor's examination of the Statutory Sustainability Report	53
	Sponsorship	54
	The Catella share and ownership	56
CORPORATE GOVERNANCE	Corporate governance statement	59
	Board of Directors and Auditors	64
	Group Management	66
	Auditor's opinion on the Corporate Governance Statement	67
	Financial review	68
FINANCIAL STATEMENTS	Contents	71
	Board of Directors' report	72
	Consolidated financial statements	77
	Parent company financial statements	118
	Audit report	124

CALENDAR

The interim report for January-March will be published 9 May 2018

The Annual General Meeting of shareholders in Catella AB will be held 28 May 2018 in Stockholm, Sweden

The interim report for January-June 2018 will be published 24 August 2018

The interim report for January-September 2018 will be published 15 November 2018

The year-end report for January-December 2018 will be published 22 February 2019

CATELLA

DELIVERING BEYOND THE EXPECTED

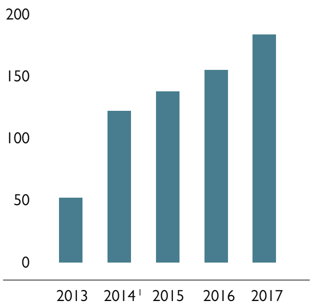
A leading finance group in property, funds and banking

Catella is a leading specialist in property advisory services, property investments, fund management and banking services, with operations in 12 European countries. Our vision is to be the leading European partner to investors in property and finance.

The Catella Group generates annual sales of about SEK 2.5 billion, has assets under management of about SEK 180 billion and is listed on Nasdaq Stockholm in the Mid Cap segment.

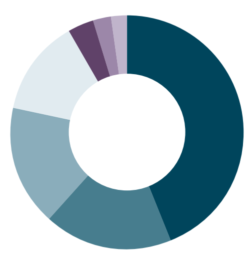
The business has a wide geographical spread and an extensive product palette of actively managed funds and customised services. The company's broad offering to a wide array of client groups contributes to sustainable exposure to the finance and property markets.

ASSETS UNDER MANAGEMENT
SEK Bn



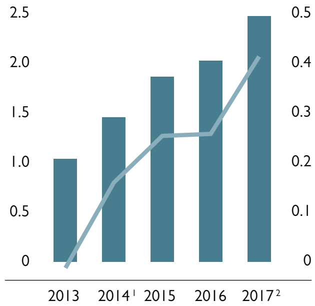
[1)] *Systematic Funds (IPM) included as a subsidiary as of Q3 2014.*

INCOME PER COUNTRY
%



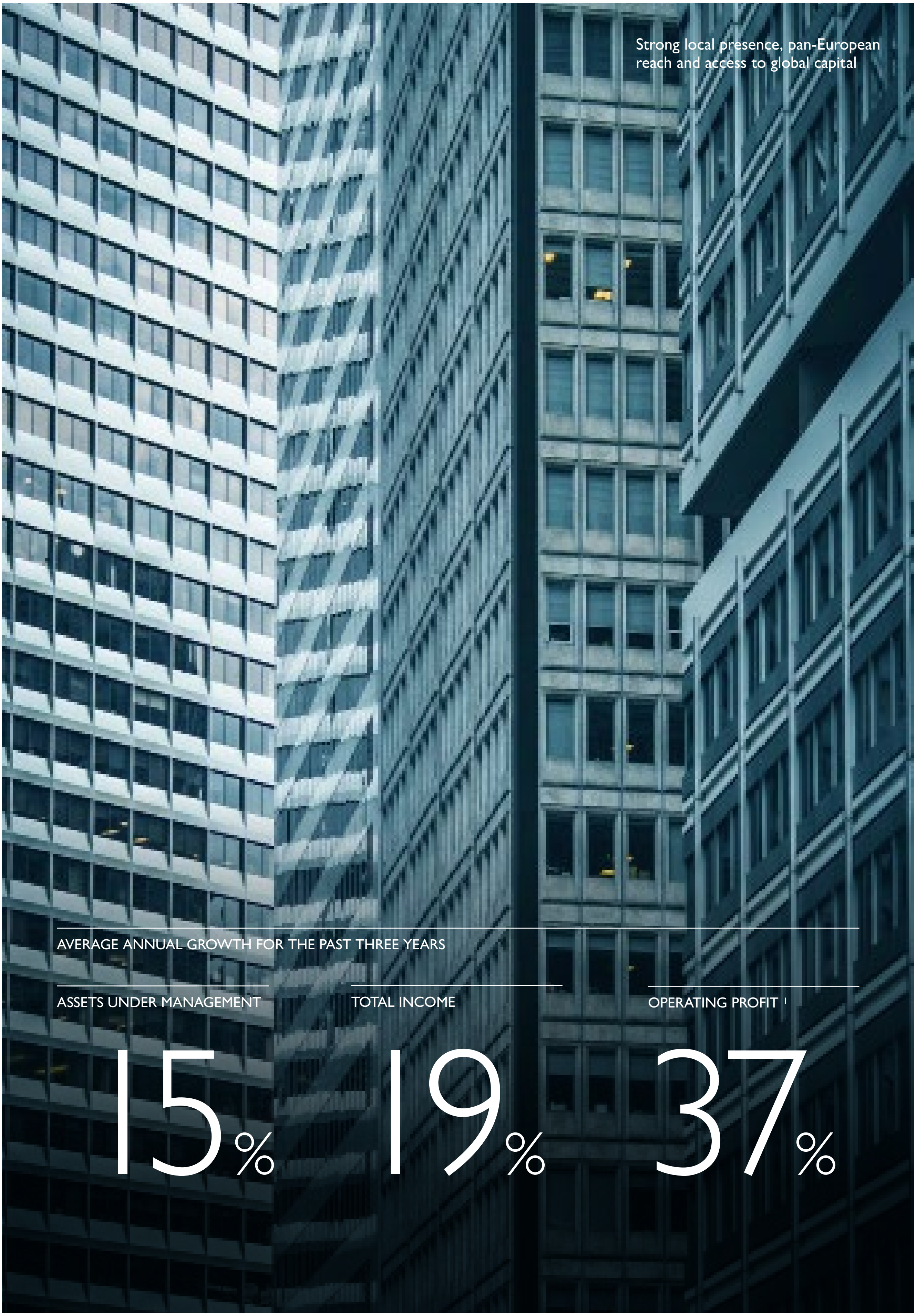
- Sweden 44
- Germany 18
- Luxembourg 16
- France 13
- Finland 4
- Denmark 3
- Other 2

TOTAL INCOME AND OPERATING PROFIT
SEK Bn



- Total income
- Operating profit before acquisition-related items

[1)] *SSystematic Funds is included as a subsidiary as of Q3 2014.*
[2)] *Before items affecting comparability*



[1] Before items affecting comparability

Four business areas in close collaboration

CORPORATE FINANCE

Corporate Finance is a leading provider of corporate finance advisory services in the European property sector. The business area offers transaction advisory services and capital market-related services in Denmark, Finland, France, Spain, Sweden, Germany and the Baltics.

The business area has comprehensive experience and expertise in property acquisitions and sales. The offerings include financing solutions, strategic analysis and acquisition services such as modelling, valuation, advisory services and decision input. Corporate Finance collaborates with the other business areas.

PROPERTY INVESTMENT MANAGEMENT

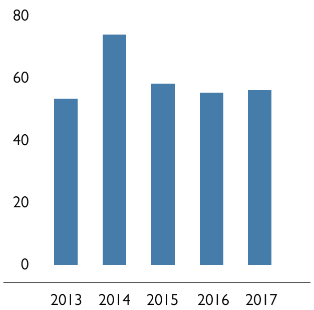
Catella is a specialist in property investment management and offers institutional and other professional investors attractive, risk-adjusted yield through property asset management and our own property funds. Operations are run in nine markets and offer deep local knowledge of local property markets combined with European reach.

Catella manages all phases of the value creation process in property investment, from identification of projects and acquisitions to financing, strategic management and, finally, sale. An extensive palette of investment opportunities can be offered through collaboration among the four business areas. For example, the German funds business uses Catella's local property teams across Europe to efficiently manage its European property portfolios.

DRIVERS IN THE PROPERTY MARKETS

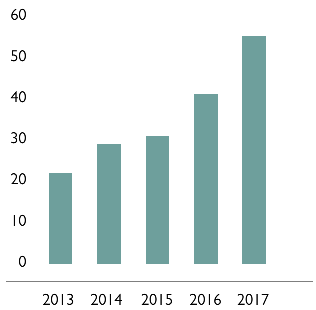
Interest in the European property market is huge and growing, and the drivers of continued allocation of capital to the property sector are many and strong. Low financing costs tend to increase the allocation of capital to the property sector. The rise in urbanisation is expected to continue, which is leading to extensive business opportunities in the property sector. Catella is benefiting from the increasing allocation of capital to long-term savings in property funds that invest in real estate in Europe.

TRANSACTION VOLUMES
SEK Bn

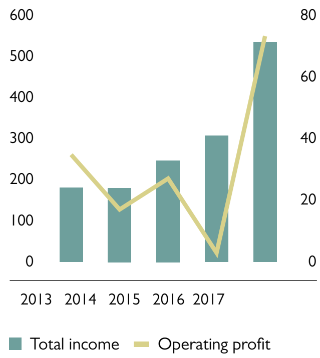


TOTAL INCOME AND OPERATING PROFIT
SEK M

ASSETS UNDER MANAGEMENT
SEK Bn



TOTAL INCOME AND OPERATING PROFIT
SEK M



EQUITY, HEDGE AND FIXED INCOME FUNDS

Catella is one of the leading independent fund managers in the Nordics, offering actively managed Mutual Funds with a Nordic investment focus. Products designed to generate positive returns regardless of market conditions are a strong element of the offering.

Catella also offers Systematic Funds to institutional investors, which have high risk-adjusted return and low correlation to other asset classes. The funds invest globally in liquid securities in the currency, fixed income and equity markets and have a scalable business model with large-volume capacity.

BANKING

Catella offers financial services and tailored solutions to high net worth clients in Europe, as well as customised card and payment solutions to international banks, online merchants and fintech companies.

Catella Bank also assists other Catella business areas with financing solutions. The Wealth Management service segment offers clients the opportunity to invest in property products, in collaboration with Catella Corporate Finance.

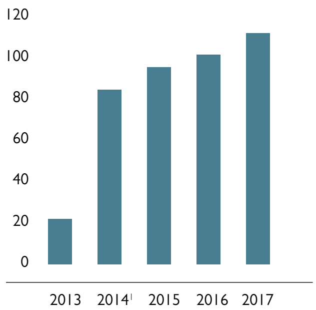
MARKET DRIVERS

The investment funds market is expanding in pace with savings growth. Trends such as ageing populations and the declining capacity of national governments to provide post-retirement income are driving this growth.

MARKET DRIVERS

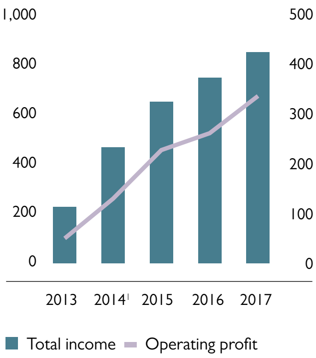
Increasingly, private banking clients want to invest in tailored savings products. Private banking services offered by major banks have limited capacity to meet this demand because developments in that segment are moving towards further standardisation of services. In response, demanding clients are more often seeking out smaller and more individualised firms, such as Catella Bank.

ASSETS UNDER MANAGEMENT
SEK Bn

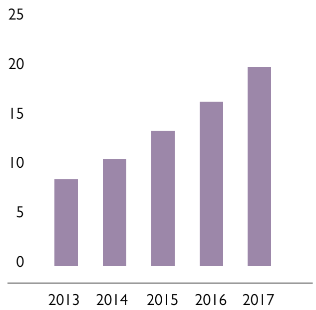


[1] *Systematic Funds (IPM) included as a subsidiary as of Q3 2014.*

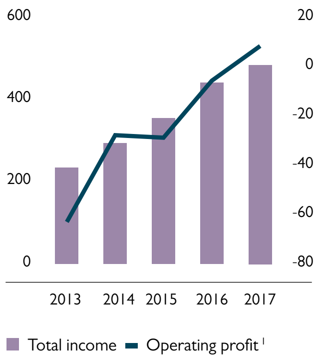
TOTAL INCOME AND OPERATING PROFIT
SEK M



ASSETS UNDER MANAGEMENT
SEK Bn



TOTAL INCOME AND OPERATING PROFIT
SEK M



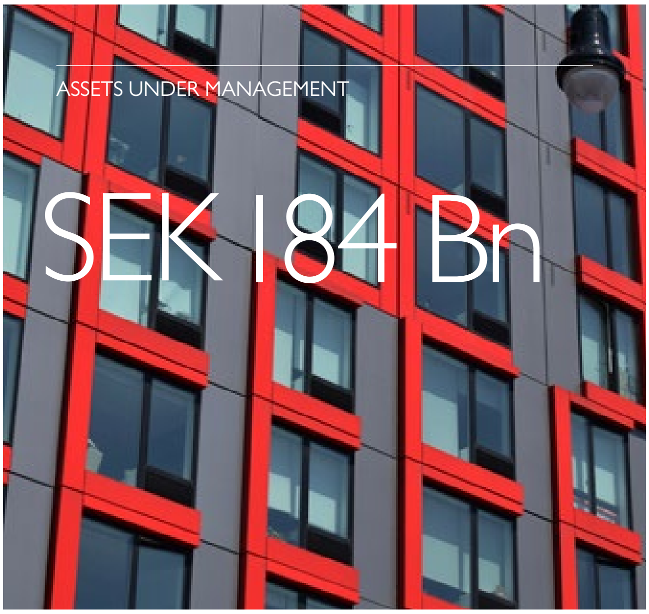
[1] *Before items affecting comparability*

THE YEAR IN BRIEF

Invested in sustained growth

SUSTAINED GROWTH

Catella secures continued control over Systematic Funds (IPM) through equity acquisition of an additional 10 percent.



ASSETS UNDER MANAGEMENT

SEK 184 Bn

STABLE EARNINGS BASE

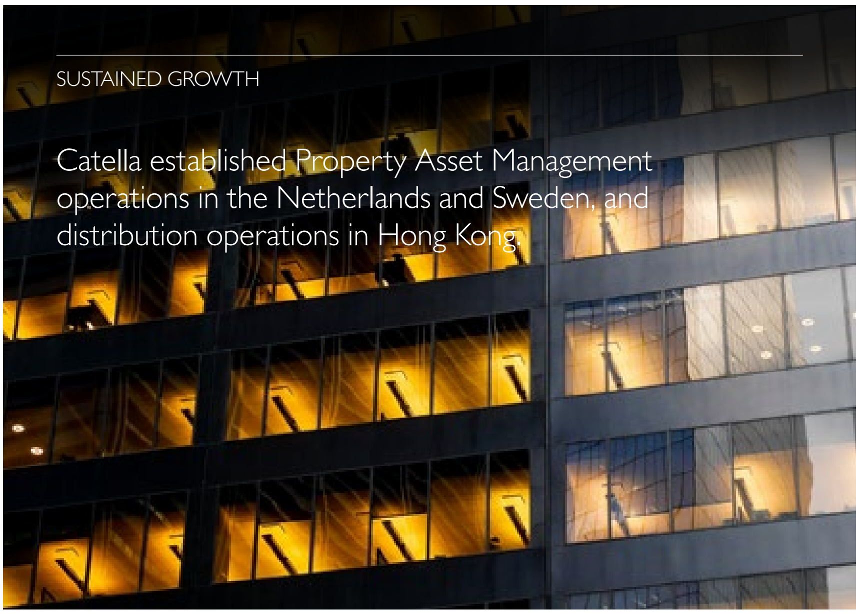
Catella increased assets under management by SEK 28.7 billion during the year, corresponding to 18 p ercent, building a stable base for future earnings

CONSOLIDATED KEY FIGURES

	2017	2016	Change, %
Assets under management, SEK Bn	184.3	155.7	18
Total income, SEK M	2,477	2,027	22
Operating profit, SEK M [1]	414	258	60
Profit after tax, SEK M [2]	245	122	102
Earnings per share, SEK [2]	2.99	1.49	101

[1] *Before items affecting comparability.*

[2] *Attributable to owners of the Parent Company. Adjusted for items affecting comparability in 2017 amounting to SEK 53 million and the sale of shares in VISA Europe in 2016 amounting to SEK 150 million.*



SUSTAINED GROWTH

Catella established Property Asset Management operations in the Netherlands and Sweden, and distribution operations in Hong Kong.

International distribution

Our established presence in London for distribution of Catella's products to international investors was augmented in 2017 when operations were established in Hong Kong to widen distribution of Catella's products, primarily in the property segment.

ENHANCED PRODUCT MIX

Assets under management increased during the year and we have strengthened our position as an active manager while enhancing the product mix and earnings by increasing the share of inflow to the more profitable hedge products within the Equity, Hedge and Fixed Income Funds business area.

STABLE EARNINGS

Fixed revenues/fixed costs during the year in Equity, Hedge and Fixed Income Funds

SEK 282 M

OPERATING PROFIT BY BUSINESS AREA

CORPORATE FINANCE

SEK 71 M

2016: SEK 58 M

PROPERTY INVESTMENT MANAGEMENT

SEK 73 M

2016: SEK 3 M

EQUITY, HEDGE AND FIXED INCOME FUNDS

SEK 337 M

2016: SEK 258 M

BANKING

SEK 8 M[1]

2016: SEK -6 M

1) Before items affecting comparability

BROADER EARNINGS BASE

More operations than ever contributed during the year to Catella's income and earnings.

The goal is to generate value for clients and shareholders

Catella will continue to position the company as a product and service provider that continuously creates attractive investment products for investors with varied risk profiles. Catella is increasingly finding its long-term structure, which is aimed at being the preferred choice for individuals and businesses seeking high-quality investment options.

Once again, Catella has successfully delivered on its strategy of generating and leveraging the synergies within and between the business areas while developing our business model towards products that create more value.

A prerequisite for satisfied clients

The goal is to generate value for our clients, which is always a prerequisite for satisfied clients and long-term relationships. To succeed, all Catella operations must deliver value to their clients. This applies especially to operations wherein clients have entrusted Catella to manage their assets. This is one of our primary objectives and thus far we feel that we are delivering on that in most operations.

The Equity, Hedge and Fixed Income Funds business area is meant to offer attractive risk-adjusted return in the majority of asset classes. Generating value for clients is not only a matter of delivering high return - we must deliver good risk-adjusted return. In other words, facilitating the growth of clients' assets in a tougher market climate. Catella focuses on products that are uncorrelated to the market. This means that our products can rise in value even if the market dips, which occurs primarily in our hedge products, of which Systematic Macro and Catella Hedgefond are the most important.

We increased assets under management by 37 percent in Property Investment Management during the year. In the space of five years, AUM has nearly trebled to SEK 55 billion. Through our new office in Hong Kong and the partnership with China Merchant Securities, we are building a strong platform in Asia for distribution of our products, primarily in the property sector.

In early 2018, Catella entered into a conditional share purchase agreement to acquire a majority interest in the British real estate asset and investment manager APAM. This reinforces Catella's position in Europe with a platform in the United Kingdom that will be an outstanding complement to our other European operations in the property sector. The breadth of the organisation will increase our attractiveness in Asia because the United Kingdom is a priority market, particularly for Chinese investors. Capital is becoming more mobile, the need for allocation in various assets, currencies and geographies is rising and presence in each market increasingly important.

Growth in AUM for the past five years

We have improved the stability of earnings by increasing our assets under management, now at approximately SEK 200 billion, five times in the last five years, including APAM. Catella now has greater economies of scale because Group operations are increasingly beginning to see a return on the investments in the organisation of recent years. Our goal is to deliver stable returns not only to our clients, but also and, at least equally importantly, to Catella's shareholders. We feel we are well on the way. In my view, Catella is a better and more stable company than ever, and I would like to conclude by thanking all employees for your outstanding efforts over the past year.

Stockholm, April 2018

Johan Claesson
Chairman

The best year ever for Catella

We have made substantial investments in the past three years in existing and new operations to become even more attractive to local and international clients while delivering high annual growth.

We are seeing the results of our investments in higher assets under management, higher income and higher earnings. 2017 was the best year ever for Catella, a year in which we strongly increased AUM, showing that we are an attractive alternative asset manager while defending Catella's position as a leading provider of advisory services. This is evidence that our clients appreciate the products and services that we provide.

Corporate Finance

Catella enjoys a strong local position in all of its markets and we are working to enhance the product mix, increase collaboration between countries and the business areas to capitalise on the brand and attract additional national and, especially, international capital to this segment of our business as well. We have seen the benefits of collaboration between Property Asset Management and Wealth Management during the year, where Corporate Finance played a key role in creating new business and generating new assets under management in Property Asset Management and Wealth Management. This collaboration is providing an opportunity to create unique and attractive investments for our clients and we will be further increasing our focus in this area going forward. We leverage our expertise to create products and services that add value, which engenders the trust of investors and facilitates further growth in the business area.

While maintaining our strong market position in qualified advisory services in connection with property transactions, we are also aiming to continue positioning Catella in the Nordics further towards capital market-related services. The combination promotes more stable earnings because it makes us less dependent upon the market for traditional property transactions.

We are a qualified provider of advisory services in property transactions with strong local roots in Continental Europe. Our position is good in France and Spain, but we have identified a need for staff reinforcements and changes to the product mix in Germany to achieve the desired market position. This change process has been ongoing for some time and we now have a stronger position in Germany than we have had for a long time, which we expect to deliver results in the near term.

Property Investment Management

We are seeing the results of our investments in recent years within Property Investment Management, with a strong increase in AUM and earnings. We established new operations in the business area in 2017 in France, Sweden and Benelux. The breadth of our offering in terms of products and geographies is making us more relevant to international investors. Assets under management have a long investment horizon, which mitigates sensitivity to market fluctuations and provides for more stable earnings in the future.

We have successfully taken advantage of the synergies between service segments, where Property Funds is using the local expertise within Property Asset Management for investments in its funds. Collaboration between these two service segments is creating a more complete product for our clients and providing leverage in our operations.

Project Management, which is part of Property Asset Management, generates and develops property projects. Our ambition is to create structures in this area as well wherein we offer our clients a more opportunistic product with exposure to these types of projects. Project Management is running several projects, some of which are at an advanced stage of completion and are expected to contribute to income and profit in 2018.

In spring 2018, Catella demonstrated its ambition to strengthen its UK presence by entering into a conditional share purchase agreement to acquire a majority interest in APAM Ltd. APAM is a real estate asset and investment manager that works exclusively in the British market, with assets under management of approximately SEK 14 billion. The acquisition is strategically important to further widen the offering to international investors, primarily from Asia but also the rest of the world. In addition, APAM provides access to investors who are relevant to Catella's operations in the rest of Europe.

Equity, Hedge and Fixed Income Funds

Assets under management increased in the funds business during the year and we have strengthened our position as an alternative and active manager. Our management is of extremely high quality, where several of our products have low correlation to the benchmark, while most of our products have generated good returns. The product mix and earnings were both improved through an increased share of inflow to our more profitable hedge products. The increase in AUM provides a stable base with higher fixed revenues and opportunities for higher variable revenues.

Catella has an attractive and diversified product portfolio that spans various asset classes and is well-suited to various market climates. To an increasing extent, we will be focusing on product development in both Catella service segments to meet the needs of our clients.

In parallel, we are continuing our structured efforts to increase the distribution reach of existing products by strengthening relationships with our resellers and further developing direct distribution to institutional clients. We will also be extending the geographical reach and applying for the appropriate authorisations in new and existing markets to provide more clients with the opportunity to invest in our products. Our ventures in London and Asia will play a key role in future efforts.

Banking

The trend was positive in 2016 and 2017 for assets under management within Wealth Management. The growth is a function of our focus on originating relevant investment products in collaboration with other Catella operations in the property sector, but also in other alternative investment segments, such as products with exposure to private equity. Our resource allocation towards sales has produced results and we will continue to evaluate proactive opportunities to reach out to new clients.

As previously mentioned, the collaboration with Corporate Finance has been successful, where Wealth Management has raised capital in connection with property projects. We are continuing to see keen interest in Catella's own products from Wealth Management clients. Property-related products are an important part of our offering and the ambition is to capitalise on real estate expertise within Catella to generate value for our clients.

Clearer positioning of Catella as an active, alternative asset manager and advisor entails a need to review operations that do not have synergies with other parts of the organisation. We have therefore initiated a strategic review of our card acquiring operations within Catella Bank. Consequently, the client portfolio will be reduced and strategic alternatives studied in relation to the remaining client portfolio.

International distribution

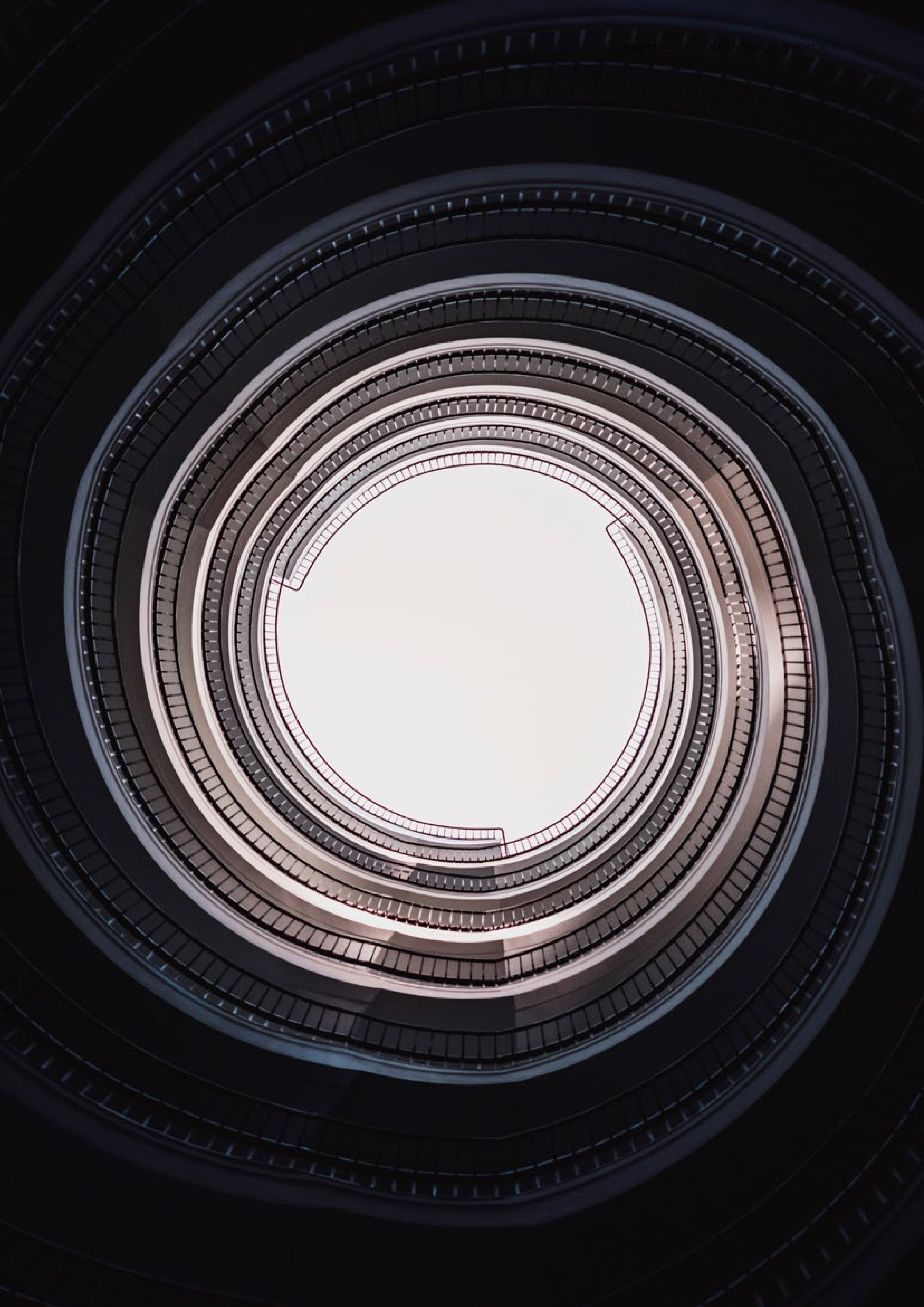
Catella entered into a strategic partnership during the year with China Merchant Securities International for distribution of products and services to the Chinese and other Asian markets. China Merchant Securities and their principal owner China Merchant Group provide a highly credible gateway to this market. Based on the partnership and higher capital inflow from the Asian markets to Europe, Catella established a presence in Hong Kong.

With offices in both London and Hong Kong combined with our pan-European platform, Catella can increase the distribution of European property products to Asian and international capital, which strengthens our position in the market.

We have taken several initiatives within Catella in recent years that have generated profitable growth. We see further good opportunities to grow and create value for our clients and shareholders. Catella will deliver optimal products and services to our clients, which will over time build the brand and increase profitability while we enhance our attractiveness and our capacity to attract and retain the best people in the industry. Above all, our growth is a function of talented employees working in a distinct structure with clear priorities. In addition, the corporate culture at Catella encourages collaboration within and between the business areas, which is a prerequisite for success and job satisfaction. I am proud of the journey we are now taking within Catella and look forward to a very exciting 2018.

Stockholm, April 2018

Knut Pedersen
President and Chief Executive Officer



CATELLA'S MARKETS

The trends are in favour of property, funds and finance

Urbanisation, savings growth and digitalisation are positive drivers in Catella's markets. Firms active in the property market are benefiting as global capital is increasingly allocated to investments in Europe. Increased pension savings are driving performance in the funds market, while regulations and digitalisation are improving transparency and thus conditions for firms that deliver successful management. Financial services are being standardised in the banking market, which is creating opportunities for niche firms to compete with customised offerings.

The property market

The drivers of persistently increasing allocation of capital to the property sector are strong and interest in the European property market is particularly intense.

Economic conditions

The repo rate is a central monetary policy mechanism used to stimulate consumption and investments. When the rate is low, allocation of capital, including to the property sector, tends to rise. Low costs of financing combined with stable direct yield are making real estate an attractive alternative for investors.

The European economy demonstrated good resilience against global political uncertainty in 2017. The steady economic growth was driven by private consumption, supported by the continued drop in unemployment. In addition to the uncertainty about the outcome of the Brexit negotiations and valuation of the euro, internal market risks included that of changed conditions for financing if interest levels were to rise faster or more steeply than expected.

However, the drivers of continued allocation of capital to the property sector are strong. The Investment Intentions Survey 2018[1] shows that more than half of global investors plan to increase their exposure to real estate in the next two years and that interest in the European property market is particularly high.

Urbanisation

When the rate of urbanisation increases in a country, the concentration of the population in urban areas rises, which leads to new construction as well as higher rents, higher purchasing prices and higher land prices in these areas. More than half the world's population lives in cities. Within about 20 years, that proportion is expected to rise above 70 percent.[2]

Urbanisation is having major impact on the property market, where swiftly rising demand in metropolitan regions is confronting slow growth in supply. There are business opportunities for firms in the sector in all phases of the value-creation process in real estate - from analysis and design and planning to transaction, acquisition, financing, management and, finally, sale.

Savings growth

The funds and investment markets are growing in pace with increasing allocation of capital to long-term savings. The inflow of savings capital is being invested in property funds, for example, which in turn invest in property in Europe. This is generating demand for advisory services in relation to transactions and strategic property management and development.

Allocation of global capital to Europe

Investment volumes in the European property sector have risen relatively stably since 2009 and there is keen interest among investors in North America. Asian investors are also increasingly allocating capital to Europe. The answers to the INREV Investment Intentions Survey 2018 indicate a sustained positive attitude towards the property market, but also show that the challenge lies in finding suitable assets in which to invest.

Many large investors, such as property funds, are seeking partnership with local experts who can support them in multiple European countries. This is creating demand for qualified advisory services with deep knowledge of local conditions in each market.

High transaction volumes

After a downturn in 2016, the European commercial property market once again showed growth in 2017. Transaction volumes rose by 4 percent to approximately EUR 293 billion, the third-highest annual figure ever recorded in industry trend reports from Real Capital Analytics (RCA).

As in previous years, the office market is still attracting the most capital, with a volume of almost EUR 120 billion in the past year. The steepest increase, however, was recorded in the industrial property market, where transaction volumes rose by 36 percent compared to the preceding year, to EUR 42 billion in 2017. Investments in retail properties, however, declined by 16 percent to a level of about EUR 52 billion.

Germany, the UK and France combined generated 58 percent of total property transaction volume in Europe in 2017. Investments rose by 35 percent in Spain, 14 percent in the Netherlands and 52 percent in Finland, primarily due to high activity from cross-border market players. In contrast, transaction volumes dripped by 36 percent in Sweden compared to the year before.

New services are creating added value

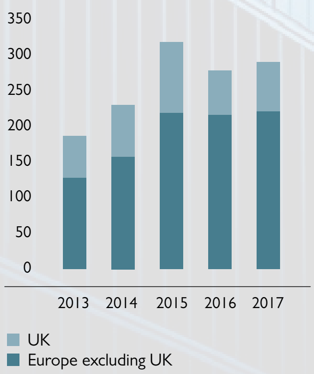
The capital inflow to Europe from investors elsewhere in the world is increasing and a large portion of property investments are brokered by transaction advisory service providers. A large number of local and global firms that primarily offer transaction advice only are active in the market. Strong development in the European property market has piqued the interest of global service providers, which has created price pressure on transaction advice as a stand-alone service. There is, however, high demand for other advisory services in both rising and falling market conditions. Demand for various types of services varies from country to country in Europe. Investors are becoming increasingly sophisticated, which is stimulating demand for value-creating services and individualised solutions to manage all stages of a property investment - from analysis and acquisition to development and sale. For firms with specialist expertise in the field, these types of capital market-related services can generate higher margins than stand-along transaction advice.

1) Sources: INREV, ANREV and PREA.
2) United Nations, Department of Economic and Social Affairs.

ASSETS UNDER MANAGEMENT, PROPERTY FUNDS IN EUROPE
EUR Bn

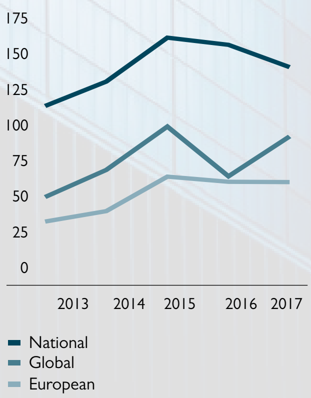
Source: INREV

PROPERTY TRANSACTION VOLUMES IN EUROPE
EUR Bn



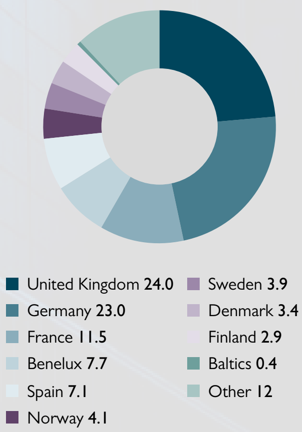
Source: RCA – Real Capital Analytics.

EUROPEAN PROPERTY INVESTMENTS BY SOURCE OF CAPITAL
EUR Bn



Source: RCA – Real Capital Analytics.

PROPERTY TRANSACTION VOLUMES IN EUROPE BY COUNTRY
%



Source: RCA – Real Capital Analytics.

The investment funds market

The investment funds market is expanding in pace with savings growth. Trends such as ageing populations and the declining capacity of national governments to provide post-retirement income through publicly financed pension systems are driving this growth.

The investment funds market in Sweden
At year-end 2017, total fund assets in Sweden amounted to a record-high SEK 3,948 billion. New fund savings increased substantially year-on-year and totalled SEK 119 billion for the full year of 2017, the third-highest net inflow in a single year since statistics began to be compiled in 1994, according to the Swedish Investment Fund Association.

The largest net savings, each worth SEK 39 billion, were made in investment savings accounts and Swedish premium pension savings, followed by SEK 28 billion in endowment plans and SEK 21 billion in nominee-registered fund savings. Net corporate savings amounted to SEK 20 billion in 2017. There was keen interest among Swedish households in saving in equity funds. Net inflows also continued for mixed funds during most months of 2017, while businesses primarily chose bond funds for their savings.

Swedish fund savings have gone from strength to strength ever since the widespread breakthrough of "public savings programmes" in the 1980s. Allocations to our pensions have become increasingly important in the current investment funds market. Since 2000, all working people in Sweden save in funds via the Swedish Pensions Agency and people can also choose to invest large portions of their occupational pension contributions in funds.

Although the Swedish funds market is still dominated by four large banks, this dominance has waned considerably over the last 15 years. This is due to the success of many independent fund managers as well as the digital advances that make it easier for new market entrants that do not have their own physical distribution networks. Competition from foreign fund companies is also increasing and many of the funds now offered in the Swedish market are registered abroad. Fund management charges in the Swedish market have fallen in recent years. The annual charges of Swedish-registered funds are now on par with the rest of Europe.

The market for advisory services and fund distribution is undergoing profound changes, in part due to new EU regulations (MiFID II) entering into force in 2018. Greater 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. This transparency makes it easier for savers to evaluate fund management. It also means that funds that generate good risk-adjusted return and that charge competitive fees will benefit over time.

In addition, digitalisation is presenting opportunities to widen direct distribution to the consumer market via established digital platforms as well as proprietary channels.

The global hedge fund market
Demand for funds of various types is influenced by global economic fluctuations as well as savers' risk appetites and expectations for the future economy. World equity markets delivered stable development in 2017, but 2018 began with turbulence due to worry about rising inflation that could lead to faster than anticipated interest rate hikes.

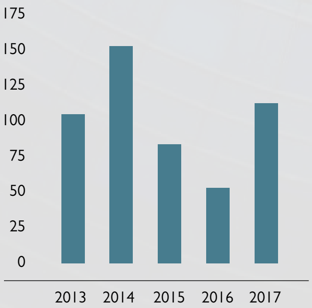
Managers of hedge funds offer various strategies to generate positive return regardless of market developments. Unlike traditional funds, hedge funds aim to achieve stable risk-adjusted return in market upturns as well as downturns. To perform well in competition with large global hedge fund managers, it is important to demonstrate low correlation to the financial markets. Many institutional investors with a long-term perspective, such as life insurance companies and pension funds, seek alternative investments, for example, that make it possible to spread risk in a portfolio of more traditional assets like stocks and bonds.

After a year of net outflows from the hedge funds in 2016, the trend reversed in 2017. Globally, net inflow was almost USD 50 billion. This, combined with positive return, brought the value of the global hedge fund market to approximately USD 3,550 billion by the end of the year (November 2017).[3]

Multi-strategy funds recorded the highest net inflow during the year, at USD 24 billion. Trend-following strategies (CTA funds) were popular among investors and showed net inflows of nearly USD 23 billion, while macro strategy funds gained an injection of USD 17 billion during the year. In contrast, lower interest was noted for hedge funds with equity strategies, as manifest in a net outflow of about USD 33 billion from this type of funds. In spite of the outflow, the aggregate value of equity strategy funds rose by 8.6 percent to USD 894 billion since the end of 2016, due to a steep rise in value during 2017.

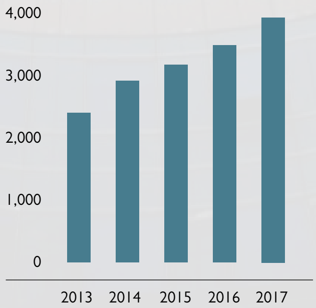
[3] *2018 Preqin Global Hedge Fund Report.*

NET SAVINGS IN FUNDS, SWEDEN
SEK Bn



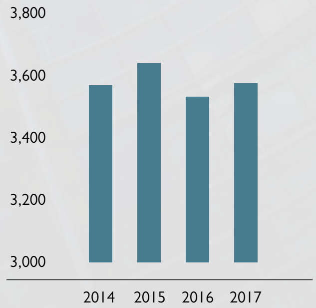
Source: Swedish Investment Fund Association

FUND ASSET GROWTH, SWEDEN
SEK Bn



Source: Swedish Investment Fund Association

GLOBAL AUM IN HEDGE FUNDS
USD Bn



Source: Preqin Global Hedge Fund Report 2018

The banking market

There are several changes under way in the banking sector, driven by technological advances as well as increased regulation imposing stricter capital requirements and new EU legislation related to advisory services and commissions.

Private banking and lending

The larger, established banks are widening their operations and standardising the product offering to achieve economies of scale. At the same time, many new financial services firms have entered the market. Niche banks, which primarily target the upper segment within wealth management (private banking), see opportunities to compete with the major banks by creating attractive offerings for clients seeking to invest in tailored products. Demanding investors are more often seeking out smaller, more individualised firms.

Existing services are changing, while new technology and new distribution methods are facilitating the development of new services. Physical bank branch offices have become less important to clients as regards assistance with ordinary banking matters. Nowadays, these services are preferably performed digitally via computers, mobile phones and tablets.

Digitalisation is also paving the way for the continued establishment of new banks and fintech firms, which are using new technology to make financial services more efficient. As a result, competition in the banking market is increasing. With smart solutions, even small firms can meet the various needs of their clients as a full-service bank while offering customised services.

Smaller niche firms can also take market shares in lending by, for example, moving into segments where the major banks have been more restrictive, such as consumer loans, credit cards and property loans at higher risk/margin. Interest rates have been at historical lows for a long time and all segments of the lending market have grown as a result. Equity requirements have increased, which limits the growth rate for niche banks, but digitalisation is fuelling the migration in the market. By taking advantage of new technology in the right way, small firms can compete with the big banks.

Card issuing and card acquiring

The card and payment solutions market involves numerous firms and is becoming increasingly complex in pace with rapid technological progress and stricter regulations with high security requirements.

E-commerce is growing and new types of digital payments made over the internet or mobile phone are expected to make up an increasing share of global non-cash transaction volumes. The dominant card companies like VISA and MasterCard are being joined in the market by other international firms like PayPal and Klarna, as well as national payment services like Swish.

Businesses and consumers alike are demanding smart services for greater convenience and flexible support for various types of consumption patterns. At the same time, rigorous demands are imposed for system security and reliable protection from fraud.

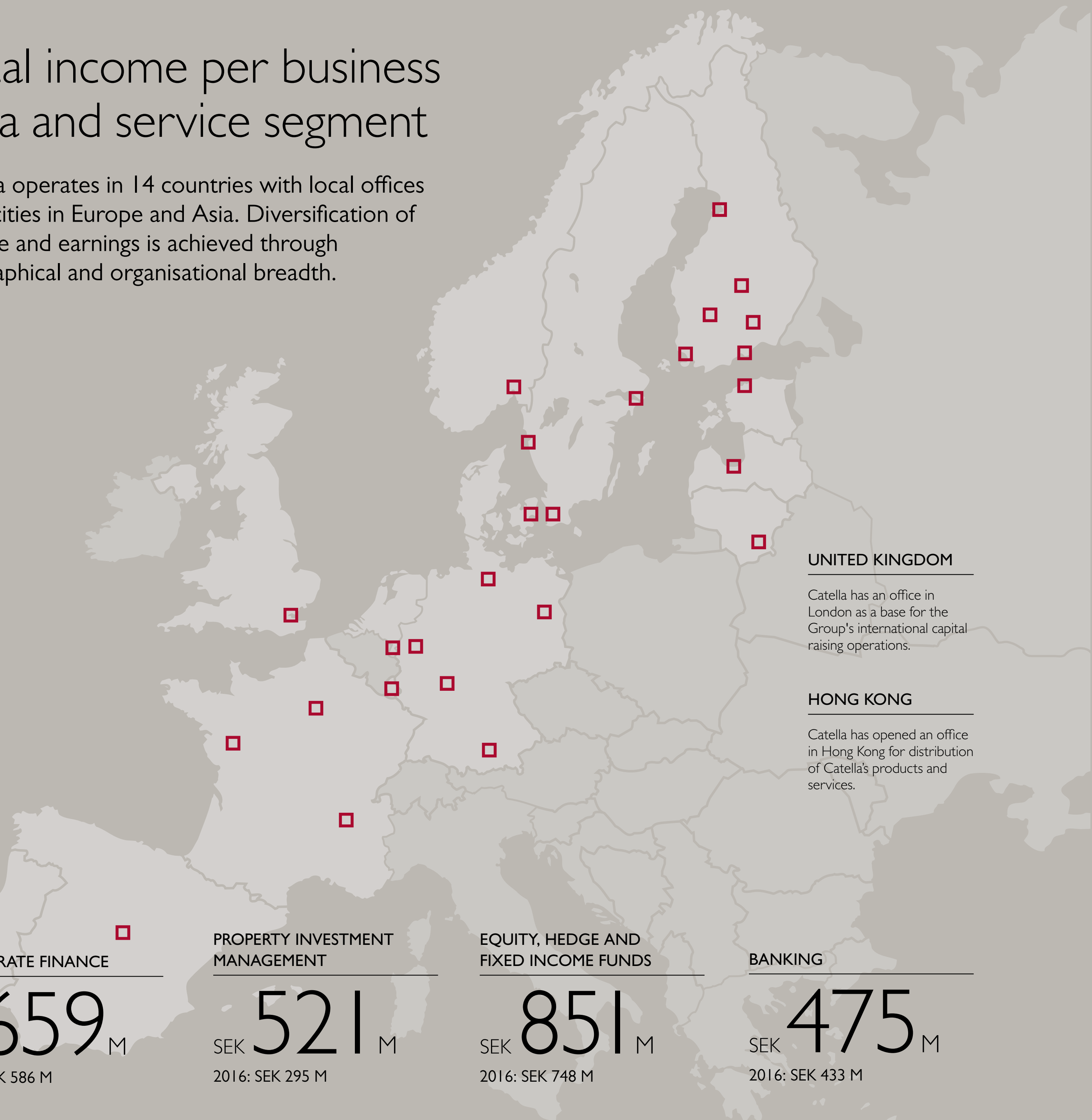
For traditional payment services providers, the ongoing market changes entail both challenges and opportunities. Banks with many years of experience with card issuing and acquiring services linked to electronic payments can strengthen their offerings by cooperating with other firms, such as fintech firms and niched application developers.

Globally, average annual growth of 10.9 percent has been forecast for non-cash transactions by 2020.[4] This is in line with the historical trend. The most recent available statistics show that global non-cash transaction volumes increased by 11.2 percent during the full year of 2015 to reach the record level of 433 billion transactions. Debit and credit cards accounted for the majority of the transactions and are still the dominant form of digital payment.

[4] *World Payments Report 2017, Capgemeni and BNP Paribas*

Total income per business area and service segment

Catella operates in 14 countries with local offices in 25 cities in Europe and Asia. Diversification of income and earnings is achieved through geographical and organisational breadth.



UNITED KINGDOM

Catella has an office in London as a base for the Group's international capital raising operations.

HONG KONG

Catella has opened an office in Hong Kong for distribution of Catella's products and services.

CORPORATE FINANCE

SEK 659 M

2016: SEK 586 M

NORDICS

TOTAL INCOME

SEK 312 M

2016: SEK 299 M

OFFICES

– Baltics
– Denmark
– Finland
– Sweden

CONTINENTAL EUROPE

TOTAL INCOME

SEK 346 M

2016: SEK 286 M

OFFICES

– France
– Germany
– Spain
– United Kingdom

PROPERTY INVESTMENT MANAGEMENT

SEK 521 M

2016: SEK 295 M

PROPERTY FUNDS

TOTAL INCOME

SEK 369 M

2016: SEK 212 M

OFFICES

– Luxembourg
– Germany

PROPERTY ASSET MANAGEMENT

TOTAL INCOME

SEK 164 M

2016: SEK 95 M

OFFICES

– Baltics
– Finland
– Spain
– Benelux
– France
– Sweden
– Denmark
– Norway
– Germany

EQUITY, HEDGE AND FIXED INCOME FUNDS

SEK 851 M

2016: SEK 748 M

MUTUAL FUNDS

TOTAL INCOME

SEK 396 m

2016: SEK 315 M

OFFICE

Sweden

SYSTEMATIC FUNDS

TOTAL INCOME

SEK 455 M

2016: SEK 433 M

OFFICE

– Sweden

BANKING

SEK 475 M

2016: SEK 433 M

WEALTH MANAGEMENT

TOTAL INCOME

SEK 177 M

2016: SEK 157 M

OFFICES

– Luxembourg
– Sweden

CARDS AND PAYMENT SOLUTIONS

TOTAL INCOME

SEK 304 M

2016: SEK 283 M

OFFICE

– Luxembourg

Business areas

The organisational structure was designed to achieve direct synergies through greater collaboration within and between the business areas. Creating 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 outstanding offerings for local and international investors.

ORGANISATIONAL STRUCTURE

CORPORATE FINANCE	ASSET MANAGEMENT AND BANKING		
BUSINESS AREAS			
Corporate Finance	Property Investment Management	Equity, Hedge and Fixed Income Funds	Banking
SERVICE SEGMENTS/MARKETS			
Nordics	Property Funds	Mutual Funds	Wealth Management
Continental Europe	Property Asset Management	Systematic Funds	Cards and Payment Solutions

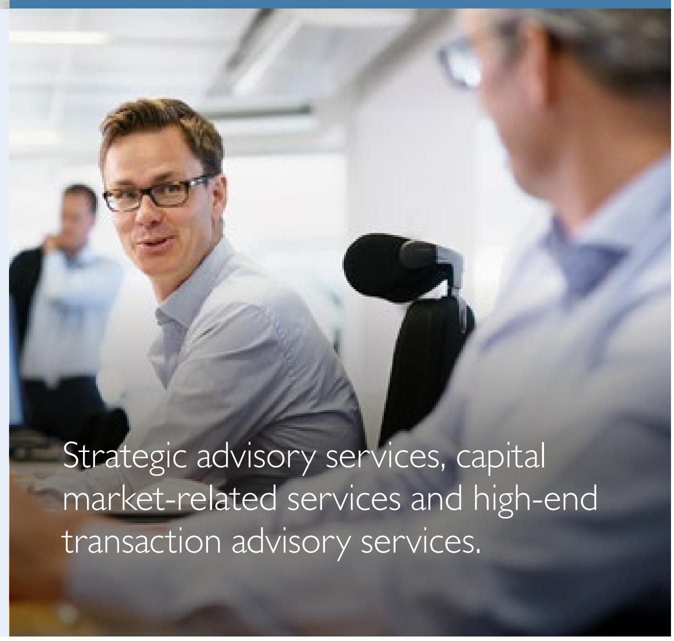
The Group is operationally segmented into the four business areas: Corporate Finance, Property Investment Management, Equity, Hedge and Fixed Income Funds and Banking. As before, Catella reports the two operating segments of Corporate Finance and Asset Management and Banking. The Asset Management and Banking segment includes the business areas of Property Investment Management, Equity, Hedge and Fixed Income Funds and Banking

Corporate Finance

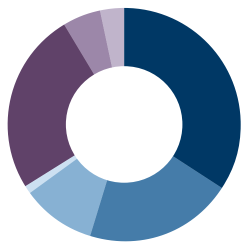
Catella is a leading provider of corporate finance advisory services in the European property sector. We offer real estate companies, financial institutions, property funds and other property owners strategic advisory services, capital market-related services and high-end transaction advisory services.

Property knowledge combined with investment banking expertise.

Deep knowledge of local property markets combined with international reach.



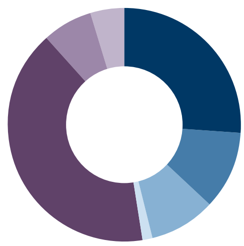
TRANSACTION VOLUMES PER COUNTRY
%



- Sweden **35**
- Denmark **21**
- Finland **10**
- Baltics **1**
- France **25**
- Germany **5**
- Spain **3**

- Nordics **66**
- Continental Europe **34**

TOTAL INCOME PER COUNTRY
%



- Sweden **26**
- Finland **11**
- Denmark **9**
- Baltics **1**
- France **41**
- Germany **7**
- Spain **5**

- Nordics **48**
- Continental Europe **52**

TOTAL INCOME

SEK 659 M

TRANSACTION VOLUME

SEK 56 Bn

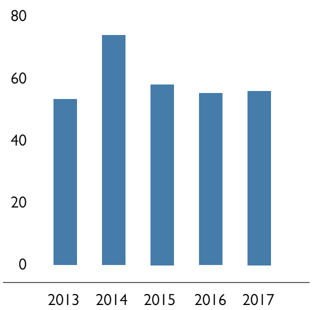
NUMBER OF OFFICES

23

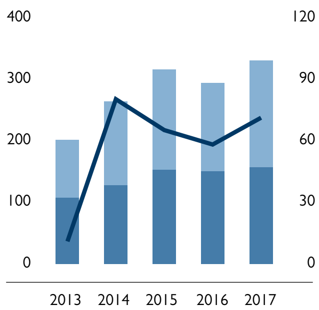
NUMBER OF COUNTRIES

10

CATELLA'S TRANSACTION VOLUMES
SEK Bn



TOTAL INCOME AND OPERATING PROFIT
SEK M



- Continental Europe
- Nordics
- Operating profit

EARNINGS REVIEW

SEK M	**2017**	**2016**
Nordics [1]	312	299
Continental Europe [1]	346	286
Total income	**659**	**586**
Assignment costs and commissions	-74	-64
Operating expenses	-514	-463
Operating profit	**71**	**58**

[1] *Includes internal revenue between business areas.*

KEY FIGURES

	2017	**2016**
Operating margin, %	11	10
Property transaction volumes for the period, SEK Bn	56.2	55.5
Of which Nordics	37.3	30.0
Of which Continental Europe	18.9	25.5
Number of employees at the end of the period	210	203

Catella is a leading real estate corporate finance advisor, specialised in large and complex transactions. The high-quality services combine investment banking expertise with deep local property market knowledge and access to global capital.

Catella provides real estate companies, financial institutions, property funds and other property owners with strategic advisory services; capital market-related services and high-end transaction advisory services. The main objective is to create value and profitability for our clients by offering customised financial solutions attuned to the ever-changing market.

The business is operated through 23 local teams in 10 countries. With strong local presence and European reach, Catella is in prime position to consistently meet the diverse needs of our clients.

Performance in 2017

Overall, 2017 saw another busy year with high levels of activity and a continued increase of cross-border transactions. To mitigate Brexit uncertainty, global investors turned their attention to other solid European investment markets.

Catella's complex and more profitable advisory services expanded, thus growing income. The Nordics and France led this development. Corporate Finance continued to successfully raise capital and create products in collaboration with other business areas, capturing synergies within the Catella Group.

In the Nordics, Catella further developed its strategy to support increased pan-Nordic demand. During the year, major Nordic investors increasingly pursued a pan-Nordic strategy – a trend that Catella, as a fully integrated high-end real estate adviser, was well positioned to meet.

Catella enhanced and strengthened its business in Finland, Sweden and Denmark, successfully closing a number of complex transactions.

In Continental Europe, Catella continued its focus on more sophisticated advisory services and a more integrated offering.

Catella's biggest market, France, had a very good year with a 32 percent growth compared to the previous year. The Corporate Finance business in France continued gaining market share as a leading advisory services provider – especially in the residential property sector, where customised services for residential developers are a growing sector.

Catella – the link between Property and Finance

The important German market maintained its ambitious strategy of positioning Catella and stepped up recruitment of skilled professionals. In Spain, the business delivered healthy growth and aims to become a major player in the coming years.

Catella's presence in the key financial centres of London and Hong Kong was further strengthened in 2017, securing continued access to global capital.

Total income for the year amounted to SEK 659 million (586), with operating profit of SEK 71 million (58).

FOCUS IN 2018

The Nordic strategy will maintain focus on increasing Catella's presence in Norway and ensuring full coverage and a leading position in the Nordic market. Catella will also increase its focus on equity and loan advisory services. The operations in Continental Europe will stay focused on increasing collaboration within and between the business areas to strengthen Catella's position. Supporting the development of Catella's Property Asset Management business is a common goal. Through the office in Hong Kong, Catella has built a platform in Asia aimed at strengthening relationships with important investors in Asia and attracting more capital to Europe. This will benefit Corporate Finance and the other business areas.


NASDAQ FIRST NORTH
WELCOMES
TRE KRONOR
PROPERTY INVESTMENT
TRE KRONOR
PROPERTY INVESTMENT
Nasdaq
ERDEM x H&M

CASE #1

CATELLA ESTABLISHES TRE KRONOR PROPERTY INVESTMENT

The launch of Tre Kronor Property Investment AB in 2017 illustrates Catella's successful collaboration across business areas. The company and its financing were structured by Catella Corporate Finance Sweden and equity was raised by Catella Bank in Luxembourg and Sweden. In addition, Catella's Property Asset Management business in Sweden is managing the properties.

Tre Kronor Property Investment focuses on properties with a high proportion of grocery and community services. The initial portfolio consists of 72 retail (grocery) properties located in 68 municipalities in southern Sweden. The lettable floor area is 78,987 m2.

"It is the first publicly listed company on Nasdaq Stockholm with a clear focus on grocery and community services. Tre Kronor gives investors a unique opportunity to access a segment previously only available to major institutional investors. During the equity issue, there was high interest from retail investors but also from institutional investors in the real estate and grocery sectors," says Martin Malhotra, project manager for the transaction at Catella.

Catella Corporate Finance (Sweden) acted as financial advisor and arranger in acquiring the retail properties in southern Sweden and, in collaboration with Catella Bank, carried out the capital raising of SEK 355.5 million and arranged the debt financing. In total, more than two hundred clients of Catella and its distribution partners initially subscribed for shares in the now Nasdaq-listed property company.

ABOUT TRE KRONOR PROPERTY INVESTMENT AB (PUBL)

Region	Nordics
Number of properties	72
Lettable area	79,000 m^2
Market value of properties	SEK 905 million at 31 December 2017
Occupancy	95 percent
Listing on Nasdaq Stockholm First North	10 November 2017

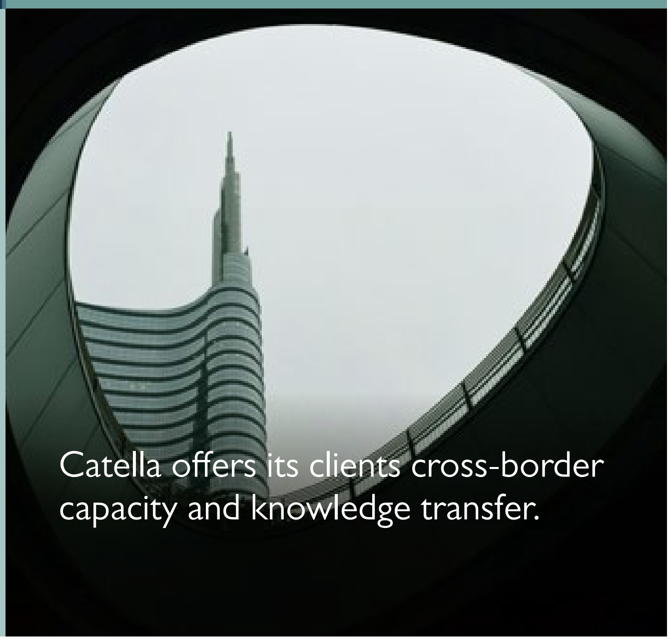
Property Investment Management

Catella is a leading specialist in property investment management in Europe. We offer institutional and other professional investors attractive, risk-adjusted return via regulated property funds, asset management and project management in early-phase development projects.

Operations are run by local teams in Europe who together offer Catella's clients deep knowledge of the local property markets combined with European reach.

Catella creates value in all phases of the process, from project generation and acquisition to financing, strategic management and, finally, sale.

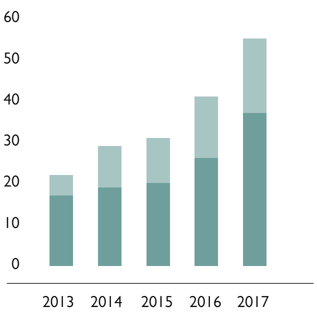
Catella has the capacity to initiate investment projects across all of Europe.



Catella offers its clients cross-border capacity and knowledge transfer.

ASSETS UNDER MANAGEMENT IN THE BUSINESS AREA

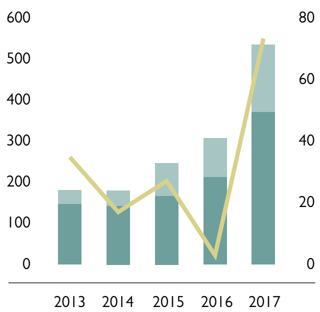
SEK Bn



Property Asset Management
Property Funds

TOTAL INCOME AND OPERATING PROFIT

SEK M



Property Asset Management[1]
Property Funds[1]
Operating profit

TOTAL INCOME

SEK 521 M

ASSETS UNDER MANAGEMENT

SEK 55 Bn

GROWTH IN AUM

37 %

NUMBER OF COUNTRIES

12

EARNINGS REVIEW

SEK M	2017	2016
Property Funds[1]	369	212
Property Investment Management[1]	164	95
Total income	**521**	**295**
Assignment costs and commissions	-146	-85
Operating expenses	-302	-207
Operating profit	**73**	**3**

[1] *Includes internal revenue between business areas. Internal revenues have been eliminated within the service segment compared to the 2017 year-end report.*

KEY FIGURES

	2017	2016
Operating margin, %	14	1
AUM at the end of the period, SEK Bn	55.0	40.3
Net inflow (+) and outflow (-) during the period, SEK Bn	13.7	4.9
Of which Property Funds	36.9	25.6
Net inflow (+) and outflow (-) during the period, SEK Bn	8.7	3.2
Of which Property Asset Management	18.0	14.7
Net inflow (+) and outflow (-) during the period, SEK Bn	5.1	1.7
Number of employees at the end of the period	132	105

Pan-European specialist in property investment management

Catella is a leading specialist in property investment management in Europe, which offers institutional and other professional investors attractive, risk-adjusted return via two service segments: Property Funds and Property Asset Management.

Property Funds offers specialised funds with a variety of investment strategies as to risk and yield levels, property type and locations. Through 17 open-ended and special funds, investors gain access to fund management and effective allocation in a variety of European markets, combined with high-level specialists expertise and deep local knowledge.

Through the Property Asset Management service segment, Catella offers asset management to property funds, other institutions, family offices and high net worth individuals.

Project Management, which is reported within the Property Asset Management service segment, offers investment opportunities in early-phase development projects, where Catella identifies land and property development opportunities, arranges project financing, is involved in co-financing and executes sale when building permission is obtained.

In summary, Catella creates value in all phases of the process - from identification and acquisition of projects to financing, strategic management and, ultimately, sale. Operations are run by local teams across Europe who together offer Catella's clients comprehensive knowledge of local property markets combined with European reach.

Performance in 2017

The European property investment market continued to show strength. Transaction volumes were high in almost all European countries compared to historical levels. Low interest rates and low returns in fixed income products continued to support investment allocation to real estate investments.

In 2017, Catella Property Investment Management increased assets under management by 37 percent to SEK 55.0 billion (40.3) and total income rose by 76 percent to SEK 521 million (295). Operating profit, which in 2016 was charged with the costs of establishing new offices, increased to SEK 73 million in 2017 (3). Overall, the business saw a year of strong growth.

Property Funds, which includes the regulated German commercial and residential real estate funds, provided the largest contributions to growth in AUM and profitability. The capital flows to Property Funds were strong, totalling SEK 8.7 billion. The fund that delivered the strongest growth, Catella Wohnen Europa, addresses German investors, while its property investments are made across all of Europe.

Catella started new operations in Property Asset Management in 2017 in Benelux, Sweden and Germany. The French operation had a successful year with most property acquisitions.

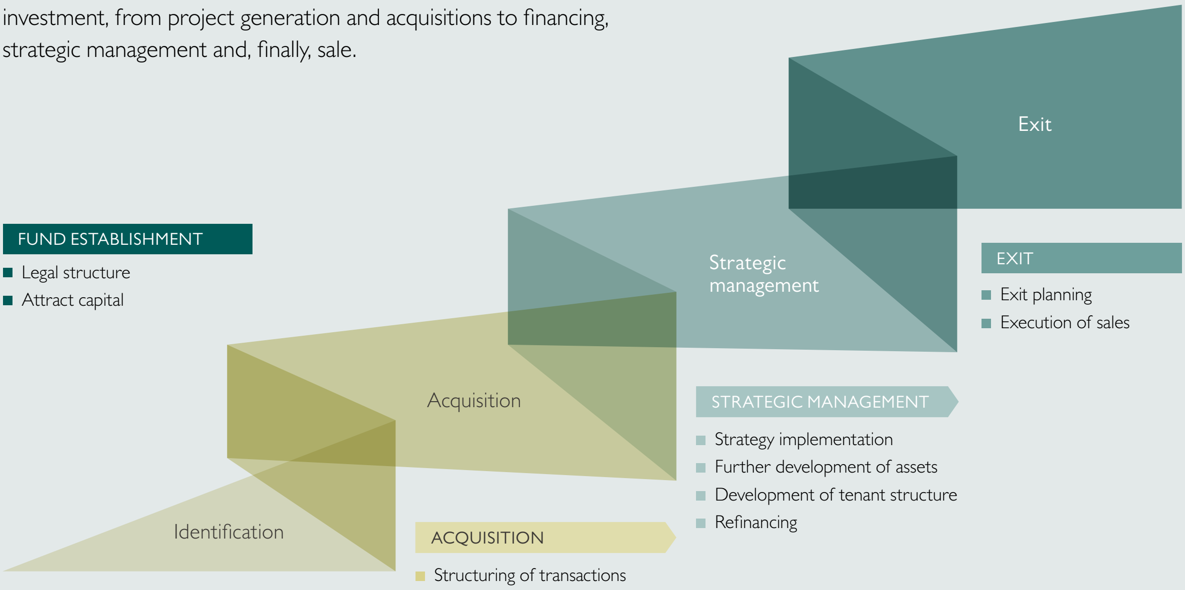
Project Management's business is to generate and run property development projects, with six presently ongoing in Germany The first phase of the Grand Central project, located in Düsseldorf was completed in 2017.

Having expanded to a total of twelve European countries, Catella has the capacity to offer investors strong local property market knowledge with European reach. As part of Catella's expansion, an office was opened in Hong Kong in order to distribute Catella's products, primarily in the property sector, to Asian investors.

Collaboration with the other business areas continued. The launch of the new Nasdaq-listed property company Tre Kronor AB (see page 29) is a prime example.

THE CATELLA VALUE-CREATING BUSINESS MODEL

Catella manages all phases of the value creation process in property investment, from project generation and acquisitions to financing, strategic management and, finally, sale.



FUND ESTABLISHMENT
- Legal structure
- Attract capital

IDENTIFICATION
- Identification of business opportunities
- Capital raising

ACQUISITION
- Structuring of transactions
- Analysis and business planning
- Due diligence
- Financing

STRATEGIC MANAGEMENT
- Strategy implementation
- Further development of assets
- Development of tenant structure
- Refinancing

EXIT
- Exit planning
- Execution of sales

FOCUS IN 2018

The European property market is expected to remain active, with continued capital inflows to real estate. The key challenge for many investors is to find investments that meet required return levels. Catella intends to take advantage of growth opportunities through potential acquisitions and establishing new offices. The strong growth in assets under management within Property Funds will require active origination of investment opportunities and Catella will therefore continue to actively develop its offering to meet investor demands. Property Asset Management will focus on strengthening and scaling up its existing operations and starting the cooperation with APAM Ltd. APAM is a real estate asset and investment manager that works exclusively in the British market, with which Catella has entered into a conditional agreement to acquire a majority interest. Within Project Management, Catella sees increased demand for services from investors seeking to invest in development projects in the logistics segment.

CASE #2

RAPID GROWTH FOR CATELLA WOHNEN EUROPA

The pan-European residential real estate investment fund Catella Wohnen Europa has grown to EUR 590 million in assets under management in two years. Investments are focused on modern, affordable apartments that generate stable cash flow, as well as development and refurbishment projects. At present, the fund owns 3,000 residential units in five European countries.

Several trends in Europe explain investors' increasing allocations to the residential real estate segment, such as urbanisation, demographic trends and changing consumer preferences. To an increasing extent, consumers now prefer to rent their apartments rather than own them.

"Residential property was a growing investment theme last year. Catella Wohnen Europa has a pan-European focus, enabling it to offer investors a high degree of diversification," explains Benjamin Rüther, Deputy Fund Manager at Catella.

"The capital is coming primarily from German institutional investors and the fund invests in selected European core markets such as Germany, France, the Netherlands and the Nordics, as well as markets with an economic or political upside, such as Spain or Poland." As needed, the fund takes advantage of Catella's extensive European asset management platform.

In order to minimise risks, the fund follows classic diversification strategies with regard to both products (niches such as serviced apartments or young professionals) and countries/regions. In addition, the fund applies Nassim Taleb's concepts of fragility, anti-fragility and robustness to further reduce "tail risk."

ABOUT CATELLA WOHNEN EUROPA

Type of fund	Investment fund for institutional and international investors
Target volume	EUR 750,000 million – 1 billion
Minimum investment	EUR 500,000
Management fee	0.6 percent
Target interest rate	3–4 percent (BVI method)

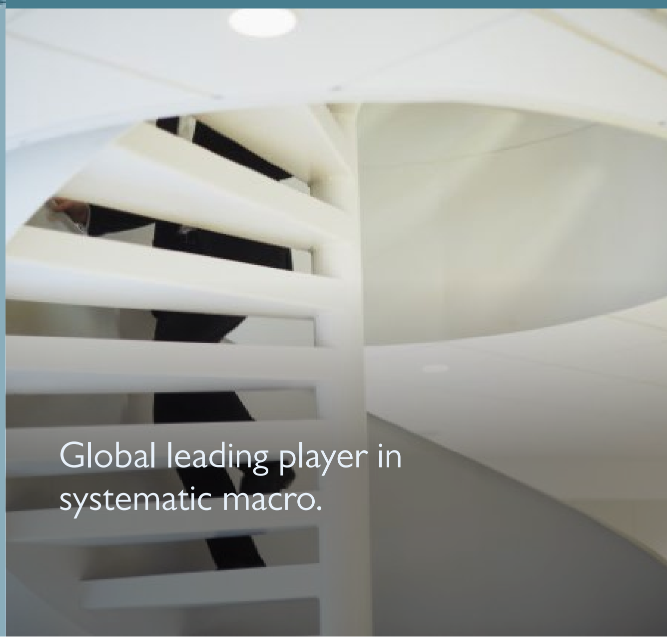
Equity, Hedge and Fixed Income Funds

As a leading independent fund manager in the Nordics, Catella offers actively managed Mutual Funds with a Nordic investment focus to private and institutional investors. Catella also offers Systematic Funds with low correlation to other asset classes and high risk-adjusted return to institutional investors.

Catella offers attractive, long-term alternatives to private and institutional investors, regardless of market conditions and aligned with the investor's needs.

Stable and strong growth of assets under management.

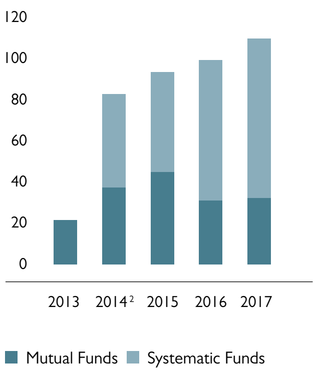
Actively managed Mutual Funds with a Nordic investment focus.



Global leading player in systematic macro.

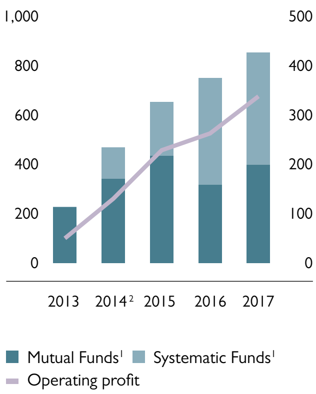
ASSETS UNDER MANAGEMENT IN THE BUSINESS AREA

SEK Bn



TOTAL INCOME AND OPERATING PROFIT

SEK M



TOTAL INCOME

SEK 851 M

ASSETS UNDER MANAGEMENT

SEK 109 Bn

GROWTH IN TOTAL INCOME

25 %

GROWTH IN ASSETS UNDER MANAGEMENT

11 %

EARNINGS REVIEW

SEK M	2017	2016
Mutual Funds[1]	396	315
Systematic Funds[1]	455	433
Total income	**851**	**748**
Assignment costs and commissions	-151	-182
Operating expenses	-363	-308
Operating profit	**337**	**258**

[1] Includes internal revenue between business areas.
[2] Systematic Funds (IPM) included as a subsidiary as of Q3 2014.

KEY FIGURES

	2017	2016
Operating margin, %	40	35
AUM at the end of the period, SEK Bn	109.3	98.9
Net inflow (+) and outflow (-) during the period, SEK Bn	8.9	-2.5
Of which Mutual Funds	32.0	30.8
Net inflow (+) and outflow (-) during the period, SEK Bn	0.0	-14.4
Of which Systematic Funds	77.3	68.1
Net inflow (+) and outflow (-) during the period, SEK Bn	8.9	11.9
Number of employees at the end of the period	89	78

Catella is a leading independent fund manager in the Nordics, offering actively managed Mutual Funds with a Nordic investment focus to private and institutional investors. Catella also offers Systematic Funds with low correlation to other asset classes and high risk-adjusted return (Systematic Funds) to institutional investors.

Actively managed Mutual Funds with a Nordic investment focus

Within Mutual Funds, Catella offers actively managed equity, fixed income and hedge funds with focus on Nordic assets. At present, Catella manages ten funds with various 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. Products designed to generate positive returns regardless of market conditions are a strong element of the offering.

Global provider in systematic funds

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 statistical models, where "big data" from all over the world are compiled and form the basis of strategies with historically profitable outcomes. The funds invest globally in liquid securities in the currency, fixed income and equity markets and have a scalable business model with large-volume capacity.

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.

Performance in 2017

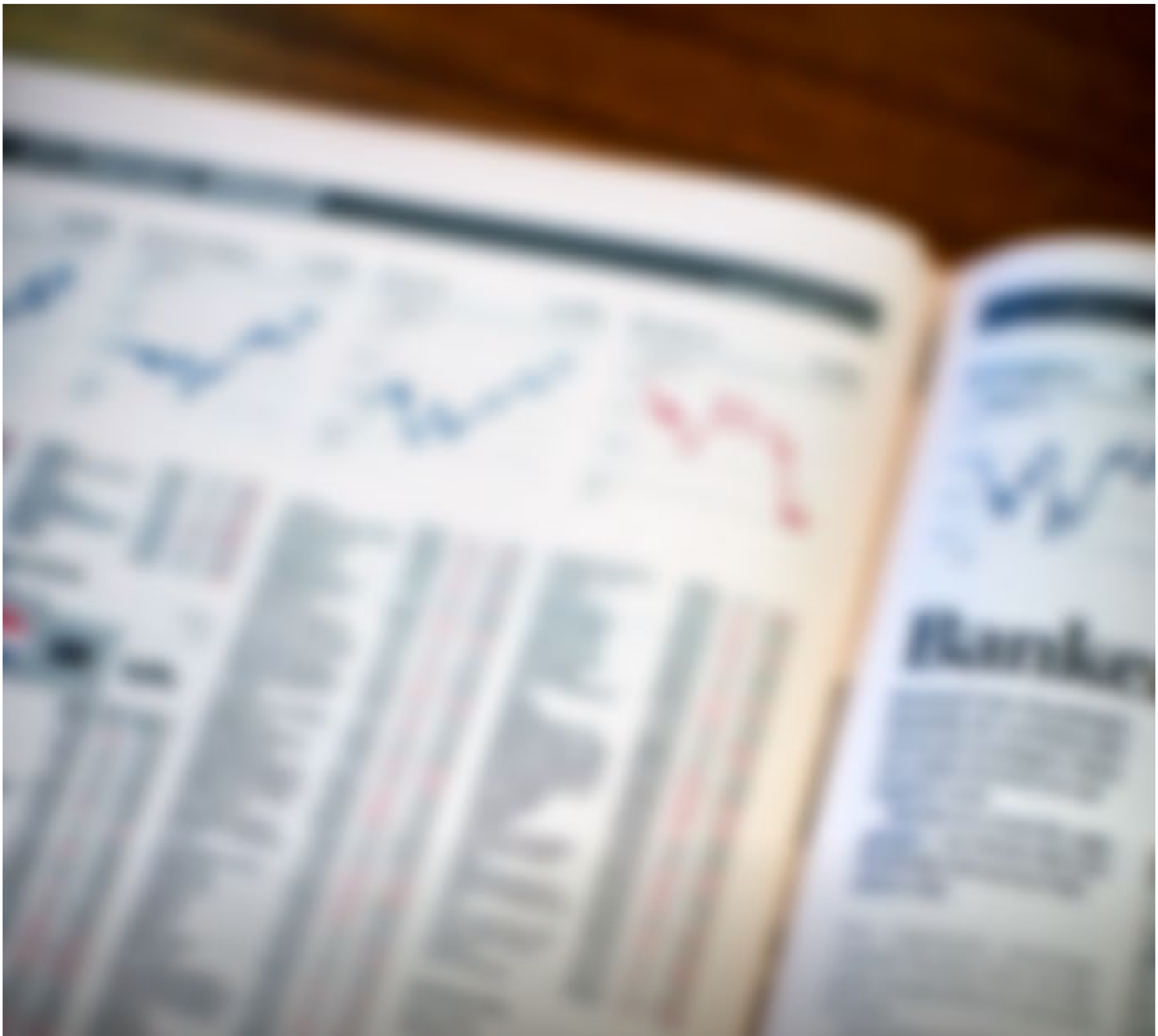
The year was characterised by stable and secure management in a relatively quiet equity and fixed income market. Catella's funds delivered good management results. In particular, hedge funds and fixed income funds recorded strong performance.

Total assets under management increased by SEK 10.4 billion during the year. Positive growth in value combined with strong inflows contributed to performance, and total AUM at the end of the year amounted to SEK 109.3 billion (98.9). Total income rose by 14 percent to SEK 851 million (748), while operating profit increased by 30 percent to SEK 337 million (258). Organisational development was stable and

Strong and stable growth in assets under management

the number of employees increased during the year by 11 people, primarily via selective recruitments in Systematic Funds.
Assets under management in the Mutual Funds service segment rose during the year by 4 percent or SEK 1.2 billion. Return in the funds improved in both absolute numbers and in relation to their respective benchmarks. All fixed income products outperformed their benchmarks and Catella Hedge delivered good return at very low risk.

The Systematic Funds service segment had a strong net inflow during the year and AUM increased by 14 percent or SEK 9.2 billion. Return in Systematic Macro was positive and the fund is still performing well compared to its competitors. Systematic Macro accounted for the entire increase in AUM and for the majority of income for the full year. High investor demand persisted, as the alternative return patterns of the product contribute to higher risk-adjusted return in client portfolios.



FOCUS IN 2018

Catella is maintaining its focus on strengthening relationships with existing clients and resellers, while expanding direct sales in Mutual Funds to institutional clients in Sweden and abroad.

The somewhat more unsettled equity and fixed income market in early 2018 may trigger higher interest in Mutual Funds as well as absolute return alternatives like Systematic Macro. All of these offer returns that are less dependent upon the general equity markets and bond trends.

The new EU directive MiFID 2 entered into force on 3 January 2018. The legislation increases transparency in sales to customers and is aimed at creating more equitable terms in the financial markets. Catella and the entire industry prepared during the autumn of 2017 ahead of the new regulations and client reactions were limited during the initial months of 2018. A large share of Catella's sales in the business area are made directly to institutions and are not affected by these changes to the same extent.

Digital platforms for direct sales of funds are becoming more common, as is the use of internet banking solutions. Catella is therefore focusing on enhancing visibility and augmenting our personalised service by creating clarity and security in the digital environment as well. The investment podcasts and monthly newsletters offered by Mutual Funds in these channels are examples of this.

The development towards an increasing element of digital distribution strategies is making it more important than ever for Catella to offer well-positioned and distinctive products. The business area is also continuing to develop more niched funds that can constitute interesting alternatives and add to the existing product palette.

CASE #3

CATELLA'S FIXED INCOME FUNDS DELIVERED GOOD PERFORMANCE

The return profile of Catella's fixed income funds differs from the classic market portfolio. The investments are spread across various sectors and industries, but invest a higher share in blue-chip securities and a considerably lower share in real estate and banks than other funds.

The fixed income funds performed very well in 2017 and delivered good return at low risk. The main mission of these funds is to manage risk - to assess future developments and make decisions in an uncertain situation.

"This is more advanced than many people acknowledge and it is important to respect the mission. Our job is to minimise the risk of poorer performance, but always deliver a positive result. Heading into 2017, we believed in good growth, low risk of recession and a quiet central bank, all of which turned out to be true. Last year was unusual because growth was stronger than expected, while inflation and price increases were lower than expected - a good environment in which to own assets in the form of equities and credits, especially high yield," says Thomas Elofsson, portfolio manager with Catella's Fund Management.

The three fixed income funds all delivered positive performance in 2017 and have different levels of risk:

- Catella Avkastningsfond is aimed at generating predictable and stable return at low risk. The target return after management charges for 2018 is +1 percent.
- Catella Nordic Corporate Bond Flex is an alternative fixed income fund aimed at delivering competitive risk-adjusted return. Target return after management charges for 2018: +3-5 percent.
- Catella Credit Opportunity is an actively managed special fund aimed at generating positive return regardless of market performance. Target return after management charges for 2018: +4-6 percent.

ABOUT FIXED INCOME FUNDS

Fund managers	Thomas Elofsson and Stefan Wigstrand
Fund assets	SEK 9,418 million
Returns in the past year	Catella Avkastningsfond 0.99%, Credit Opportunity 6.51% and Catella Corporate Bond Flex RC 4.79%
Total risk, 24 months	Catella Avkastningsfond 1.55%, Credit Opportunity 2.71% and Catella Corporate Bond Flex RC 2.88%

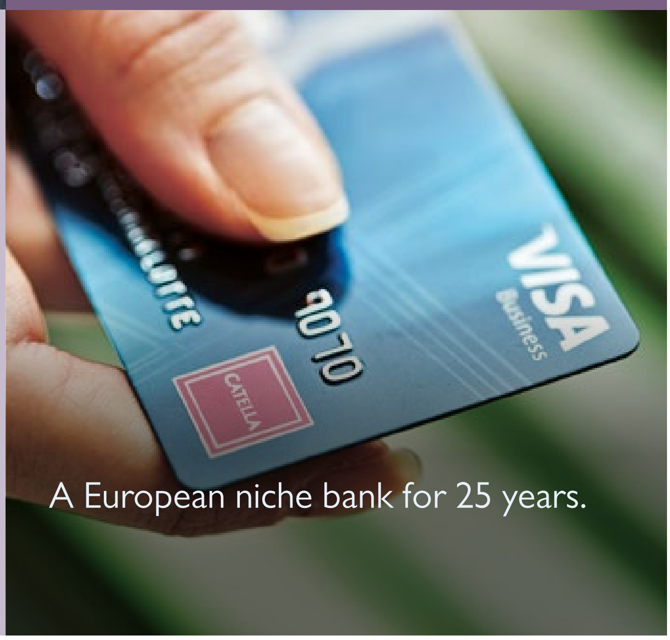
Banking

Catella Bank is an international niche bank that offers financial services and tailored solutions. The bank also provides customised card and payment solutions to international banks and online merchants.

A wide selection of financial services in the areas of asset management and investment advisory services.

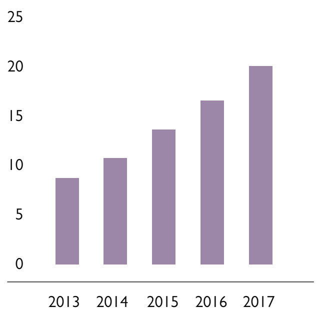
Generates added value by working closely with clients and meeting their specific needs.

Exclusive investment opportunities in property and non-listed companies.



A European niche bank for 25 years.

ASSETS UNDER MANAGEMENT IN THE BUSINESS AREA
SEK Bn



TOTAL INCOME AND OPERATING PROFIT
SEK M

TOTAL INCOME
SEK 475 M

ASSETS UNDER MANAGEMENT
SEK 20 Bn

GROWTH IN ASSETS UNDER MANAGEMENT
21 %

CARD AND PAYMENT VOLUMES
SEK 18 Bn

EARNINGS REVIEW

SEK M	2017	2016
Cards and Payment Solutions[1]	304	283
Wealth Management[1]	177	157
Total income	**475**	**433**
Assignment costs and commissions	-122	-110
Operating expenses	-344	-329
Operating profit before items affecting comparability	**8**	**-6**
Items affecting comparability	-53	0
Operating loss	**-45**	**-28**

KEY FIGURES

	2017	2016
Operating margin, %[2]	2	-1
Card and payment volumes, SEK Bn	17.9	11.8
AUM at the end of the period, SEK Bn	20.0	16.5
Net inflow (+) and outflow (-) during the period, SEK Bn	1.8	2.4
Number of employees at the end of the period	180	176

[1] *Includes internal revenue between business areas. Revenues have been adjusted compared to the 2017 year-end report.*

[2] *Before items affecting comparability*

Catella Bank is an international niche bank that offers financial services and tailored solutions to high net worth individuals in Europe, as well as customised card and payment solutions to international banks and online merchants.

We generate added value for clients and shareholders by working closely with clients and meeting their specific needs. The bank is domiciled in Luxembourg and has a branch office in Sweden.

Tailored solutions for high net worth individuals

Within the Wealth Management service segment, Catella Bank offers high net worth individuals in Europe a wide selection of financial services and tailored solutions in investment advisory services and asset management.

Catella Bank's range of products and services include exclusive opportunities to invest in property and non-listed companies, management of Nordic equities, bonds and hedge funds, deposits and lending and wealth planning. Catella Bank has the expertise and networks required to assist its clients regardless of where in Europe they live. The bank has its own sales and management organisation and an international network of advisers.

Specialised card and payment solutions

Within the Cards and Payment Solutions service segment, Catella offers card and payment solutions to international banks and online merchants seeking specific niche solutions.

Catella offers payment services worldwide along with ultra modern fraud deterrence systems and other tailored services. As a card issuer, Catella Bank works with numerous partners in Europe, where cards are offered both with clients' own logos and as neutral cards. Catella has issuing licenses from both VISA and MasterCard with customisable solutions for all types of consumption patterns.

Performance in 2017

Positive growth continued in the Wealth Management service segment as a result of sharper focus on property-related products, new strategic partnerships and continued recruitment of key individuals to strengthen the business.

Favourable development in a consolidated market

The effort to develop exclusive investment opportunities on behalf of clients was successful, especially in the property segment, where Catella Bank worked with Catella Corporate Finance to offer several unique property-related products. One example was the new property company Tre Kronor (see pages 28-29), where Catella Bank was responsible for raising capital and arranging debt financing. Another example was the successful IPO of the property company Logistea, where Catella Bank led the capital raising to finance the acquisition of DSV's logistics property in Landskrona.

Assets under management in Wealth Management increased by 21 percent, or SEK 3.5 billion, during the year, to SEK 20.0 billion total (16.5) at year end. Income in Wealth Management rose to SEK 177 million (157) during the year as a result of increased AUM and higher variable revenues from capital raising.

The Cards and Payment Solutions service segment recorded good growth and higher card volumes during the year. In total, volume rose for the full year of 2017 to 17.9 million (11.8), while income increased by 7 percent to SEK 304 million (283).

Income rose for the entire Banking business area in 2017 to SEK 475 million (433) and operating profit before items affecting comparability improved to SEK 8 million (-6).

FOCUS IN 2018

Catella Bank is still recruiting skills with the overall goal of increasing assets under management and continuing to offer customised and specialised services as an alternative to the standardised services offered by larger firms.

The bank will be strategically building Wealth Management in 2018 by means of partnerships and staff recruitment. Tailored property products will be a key component of the offering, provided in collaboration with Catella's operations in Corporate Finance and Property Investment Management.

Catella's strategy to be an active, alternative asset manager and advisor has entailed a need to review operations that do not offer synergies with other parts of the organisation. Accordingly, a strategic review of the card acquiring business within Catella Bank has commenced. The client portfolio is being reduced and strategic alternatives are being studied in relation to the remaining client portfolio. The Card and Payment Solutions service segment will focus on establishing collaboration with new strategic partners in order to increase card volumes in 2018.


WELCOME
BALTIC HORIZON
AIF LISTED
ON NASDAQ STOCKHOLM
BALTIC
HORIZON
Nasdaq

CASE #4

CATELLA ACTS AS ADVISER AND FINANCING PARTNER IN SUCCESSFUL OFFERING OF UNITS IN BALTIC HORIZON

Catella acted as the financial adviser and capital raising partner in connection with the public offering of units in the Baltic Horizon Fund in November 2017. The majority of the issue of approximately EUR 17 million was raised by Catella Bank. Baltic Horizon's fund units are traded on Nasdaq Stockholm and Nasdaq Tallinn.

"The thorough groundwork we did in previous offerings paved the way for a successful capital raising with many new investors," says Dennis Nygren, Head of Wealth Management at Catella.

Baltic Horizon Fund is an evergreen real estate fund oriented towards centrally located commercial properties in the Baltic capitals.

"We have seen how increasing numbers of institutional investors have become interested in Baltic Horizon. We also saw sustained interest from property investors who see the attractive pricing of commercial properties in the capital cities of the Baltic countries," says Martin Malhotra, Project Manager at Catella Corporate Finance.

Since the fund's inception in 2016, Catella has raised a total of more than EUR 60 million and brought more than 4,000 investors to Baltic Horizon Fund.

ABOUT BALTIC HORIZON FUND

Type	Evergreen real estate fund
Region	Baltics
Manager	Northern Horizon Capital
Investment strategy	Focus on centrally located commercial properties in the Baltic capital cities
Trading venues	Nasdaq Tallinn and Nasdaq Stockholm

Sustainability and employees

Catella is presenting its first sustainability report for the 2017 financial year. 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 2017, as specified in Note 20. The sustainability report has been prepared in compliance with chapters 6 and 7 of the Swedish Annual Accounts Act.

As this is Catella AB's first sustainability report, there have been no material changes in the application of reporting principles or the scope of the report.

Catella has identified three material topics for the Group's sustainability programme in 2017:

- 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 the 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. Active human resources management, wherein Catella offers an attractive workplace to skilled employees, is critical to the success of the Catella Group and thus a key sustainability topic for the company.

CATELLA'S BUSINESS

Catella is a financial adviser and asset manager with profound knowledge in the areas of property, fixed income and equities. Catella enjoys a leading position in the property sector and has strong local presence in 14 countries. Business is conducted within the operating segments of Corporate Finance and Asset Management and Banking. Within Asset Management and Banking, operations are divided into three business areas. In the *Equity, Hedge and Fixed Income Funds business area,* Catella offers a large number of fund options with varying strategies and management methods. Business is conducted in two service segments: Mutual Funds, which offers equity, hedge and fixed income funds with a Nordic investment focus to private and institutional investors, and Systematic Funds, which manages systematic macro and equity strategies for institutional investors.

Operations in the *Banking* business area are conducted within the framework of Catella Bank S.A., which is a niche bank domiciled in Luxembourg. Business is conducted in two service segments: Wealth Management, which offers a wide selection of financial services and tailored solutions to high net worth individuals in Europe, and Card and Payment Solutions, which offers card and payment solutions to international banks, online merchants and fintech companies that require specialised solutions.

Within *Property Investment Management* , business is conducted in two service segments: Property Funds and Property Asset Management. Specialised real estate funds are offered within the Property Funds service segment with a variety of investment strategies as to risk and yield levels, property type and locations. Catella offers investors a complete asset management solution in the Property Asset Management service segment. Value is created in all phases of property investment, from project generation and acquisition to financing, strategic management and, finally, sale. Strong local roots provide Catella access to interesting business opportunities in each market.

RESPONSIBLE INVESTMENT IN CATELLA'S FUND OPERATIONS

Catella manages funds with a variety of management styles and risk profiles. Catella offers most types of funds and investment strategies: hedge funds, equity funds, fixed income funds, mixed funds and property funds. Sustainability is a natural aspect of the investment and management process within Catella's equity and property funds.

Sustainable and responsible investment is a prerequisite for achieving our objective: to generate good, long-term returns for our clients. We accomplish this 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 foundation of the sustainability programme. Catella Real Estate AG (Property Funds) has drawn up internal guidelines for responsible investment. We believe greater focus on sustainability is contributing to the value performance of the funds by illuminating 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, particularly in the minds of clients, 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 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 actions as an owner is to safeguard the common interests of unitholders in ownership matters and contribute to long-term and sound development of portfolio companies and the financial market. Catella is working to bring about greater general transparency and reporting in ESG (Environment, Social, Governance).

Once the property is under management, and during the investment process, existing and potential tenants are analysed to ensure that they 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 regulations 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 processes and has trained its staff in order to detect any irregularities in the day-to-day course of business.

In support of the above, Catella has implemented a corporate whistleblowing function that gives all employees a means to anonymously report serious wrongdoing that conflicts 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. Several subsidiaries of the 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 CEO 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.

> Active human resources management is a key sustainability topic for Catella

EMPLOYEES

Catella believes in giving clear mandates to committed individuals who believe in personal accountability. One of the keys to Catella's success is being the best in every local market. Accordingly, our 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.

More than 600 employees in 14 countries

At year-end, Catella had 626 employees (579), of whom 210 (203) in the Corporate Finance operating segment, 401 (359) in the Asset Management and Banking operating segment and 15 (17) in other functions.

Collaboration for increased synergies

Group management initiated the internal development project OneCatella in 2014. The objective is to maintain a pan-European perspective on investments and business opportunities through increased knowledge transfer and collaboration between countries and business areas. Expanded collaboration among employees both within and between business areas has resulted in new client projects and products.

Investing in young talent

In pace with the changes in the finance and property industry, it is becoming ever more important to attract employees with the right skills and values. Aimed at motivating and rewarding our younger talents across Europe, Catella offers an annual Young Professional 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 OneCatella.

Catella also offers several internship programmes for young talents across Europe. We provide university students and young talents 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 14 countries and does business in an international market, diversity and equal opportunity are firmly established principles. The important thing is not where our employees come from, but that their background and experience are relevant to the challenges faced by our clients.

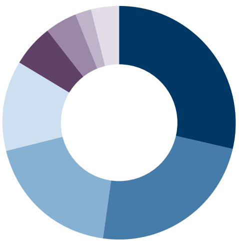
Highly qualified and motivated employees are the key to Catella's success

Catella's diversity and equal opportunity policy and Code of Conduct are key instruments to ensure that everyone within the Group conducts themselves in accordance with our 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.

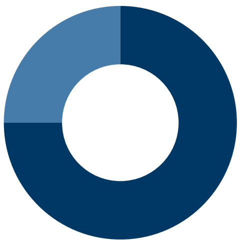
We are convinced that diversity and equal opportunity create value for everyone.

EMPLOYEES PER COUNTRY
%



- Sweden **29**
- Luxembourg **23**
- Germany **19**
- France **12**
- Finland **6**
- Spain **5**
- Denmark **2**
- Other **4**

LEVEL OF EDUCATION
%



- University education **75**
- Other education **325**

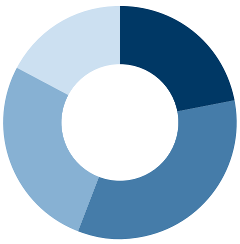
EMPLOYEES
626

COUNTRIES
14

UNIVERSITY EDUCATED
75 %

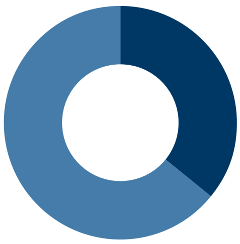
WOMEN
36 %

AGE DISTRIBUTION
%



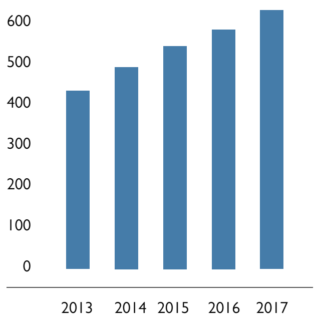
- <30 **22**
- 31–40 **34**
- 41-50 **27**
- >50 **17**

GENDER DISTRIBUTION
%



- Women **36**
- Men **64**

NUMBER OF EMPLOYEES



EMPLOYEE KEY FIGURES

	2017	**2016**
Number of employees at the end of the year	626	579
Average number of employees	628	588
Employee turnover, %	18	2
Percentage women, %	36	37
University educated, %	75	70

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 bold employees who see the opportunities in being part of OneCatella.

Work environment

We strive to attain an open and inspiring corporate culture. Our shared success is the result of our performance as individuals and teamwork.

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

We seek 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 insulting must be detected by the organisation or reported via the corporate whistleblowing function.

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 ideally positioned to find the best individuals in each market.

Compensation system that incentivises business

We believe 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 share price performance of the Catella share.

ENVIRONMENTAL IMPACT

Catella has limited direct impact on the environment, but we strive to minimise the environmental impact of our business, such as the use of natural resources, emissions, raw materials and waste. Direct environmental impact comes mainly from energy consumption in our 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

Conflicts of interest arise within Catella's operations, which is not peculiar or unusual, but it does require employees to be trained, as well as processes and procedures to manage such conflicts. Catella has provided training and implemented policies and procedures that employees are obliged to follow if conflicts of interest arise.

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.

Stockholm, 25 April 2018

Johan Claesson
Chairman of the Board

Johan Damne
Director

Joachim Gahm
Director

Anna Ramel
Director

Jan Roxendal
Director

Knut Pedersen
President and 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 for the year 2017 on pages 48-53 and that it has been prepared in accordance with the Annual Accounts Act.

Scope and Orientation of the Examination
Our examination of the corporate governance statement 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 statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with the 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.

Conclusion
A statutory sustainability report has been prepared.

Stockholm, 25 April 2018
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant

Sponsorship

Catella gives talents what they need to succeed

Catella has been a proud and long-term sponsor of Swedish tennis for 30 years - an ongoing and committed investment that has over the years contributed to the progress of world-class players like Robin Söderling and Joachim "Pim Pim" Johansson.

Since 2012, Catella has been also been 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.

Although the majority of participants are Swedish players with sponsorships, Good to Great accepts young players 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 committed partnership also gives Catella new business opportunities, builds relationships and strengthens the brand. Tennis is an extremely popular sport in Sweden and Catella's clients appreciate the networks created through the initiative.

Focused initiatives generate opportunities

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. Sponsorship is carried out in the same spirit and takes place on two levels:

- The ongoing Team Catella initiative, where the following promising tennis players from Good to Great are on the current team: Rebecca Peterson, Caijsa Hennemann, Karl Friberg and Jonas Eriksson Ziverts.
- Sponsorship of Good to Great's new Catella Arena, which gives players optimal conditions for reaching the global peak. Young people age 12 and up are coached here by 15 full-time instructors. Alongside 14 tennis courts, Catella Arena includes facilities for physical conditioning and sports injury treatment, as well as the all-important nutritional and academic programmes.

Exceptionally talented young players still sometimes step directly to the world elite, but today's players usually make their break-throughs 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 United States where players can continue to develop as tennis players and academically.

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. The Claesson & Anderzén Group is the largest shareholder.

The Catella share

Catella's market capitalisation at 31 Dec. 2017 was SEK 1,621 million (1,875). Catella's share price (Class B) fell in 2017 from SEK 23.00 to SEK 19.80, a downturn of 14 percent. This can be compared to the Stockholm All-share index, which rose by 6 percent.

The price of Catella's Class B share varied during 2017 between SEK 17.80 and SEK 24.70 and the average daily turnover was SEK 2,183 thousand, corresponding to 103,512 shares. Total turnover in 2017 amounted to SEK 548 million, corresponding to about 26 million shares.

Share capital

Share capital at 31 December 2017 was SEK 164 million (164) divided among 81,848,572 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 79,318,017 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 2017.

Dividends

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.

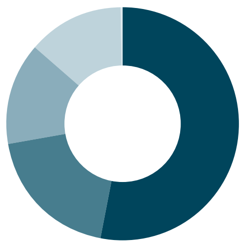
Given the growth opportunities within existing and new operations that are expected to generate long-term shareholder value, the Board of Directors is proposing a dividend to shareholders of SEK 1.00 per A and B share for the 2017 financial year. A divided of SEK 0.80 per A and B share was distributed to shareholders for the 2016 financial year.

Shareholders

Catella had 7,135 (6,350) registered shareholders at the end of 2017. The largest individual shareholders at 31 December 2017 were the Claesson & Anderzén Group, with a holding of 49.8 percent (49.8) of equity and 49.1 percent (49.1) of voting rights, followed by Swedbank Robur fonder, with a holding of 6.1 percent (0.0) of equity and 6.3 percent (0.0) of voting rights.

The ten largest shareholders represented 73.8 percent (77.3) of equity and 73.2 percent 76.5) of voting rights at 31 December 2017. Foreign ownership amounted to 19.4 percent (14.8) of equity and 19.6 percent (14.9) of voting rights.

OWNER DISTRIBUTION OF EQUITY
AT 31 DECEMBER 2017
%



SHAREHOLDERS
AT 31 DECEMBER 2017

Shareholders	Class A	Class B	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,087,437	39,694,718	40,782,155	49.8	49.1
Swedbank Robur fonder	197,937	4,814,000	5,011,937	6.1	6.3
Strawberry Capital	143,334	3,486,000	3,629,334	4.4	4.6
Catella Bank[1]	294,776	2,495,916	2,790,692	3.4	4.3
Avanza Pension	8,441	2,075,562	2,084,003	2.5	2.3
Nordnet Pension	9,671	1,833,096	1,842,767	2.3	2.0
Thomas Andersson Borstam (privately and via companies)		1,330,000	1,330,000	1.6	1.4
Nordea Investment Funds		1,014,043	1,014,043	1.2	1.1
Mp Pensjon Pk		989,412	989,412	1.2	1.1
Swedbank Försäkring	75	915,356	915,431	1.1	1.0
Other	788,884	20,669,914	21,458,798	26.2	26.8
Total	**2,530,555**	**79,318,017**	**81,848,572**	**100.0**	**100.0**

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

Outstanding warrant programme

At 31 December 2017, the Group had 7,000,000 (7,000,0000) outstanding warrants that confer the right to subscribe for 7,000,000 new Class B shares in Catella AB (publ). Of the total number of outstanding warrants, 200,000 (200,000) are held in treasury by Aveca AB, a subsidiary of the Group. Catella did not buy back warrants in 2017.

If issued warrants are exercised, exercise will have a dilutive effect on the ownership structure at each point. Outstanding warrants at 31 December 2017 entail a dilutive effect of 7.9 percent of equity and 7.1 percent of voting rights. All warrants, apart from those held in treasury, are held by senior management personnel and other key individuals within the Catella Group. The warrants were obtained on market terms based on valuation in accordance with a generally accepted valuation model (Black & Scholes). The Group has no legal or constructive obligation to repurchase or settle the warrants in cash. According to the terms and conditions of the warrants, however, Catella has the right to repurchase warrants from holders who are no longer employed by the Group.

For further information, see Note 12.

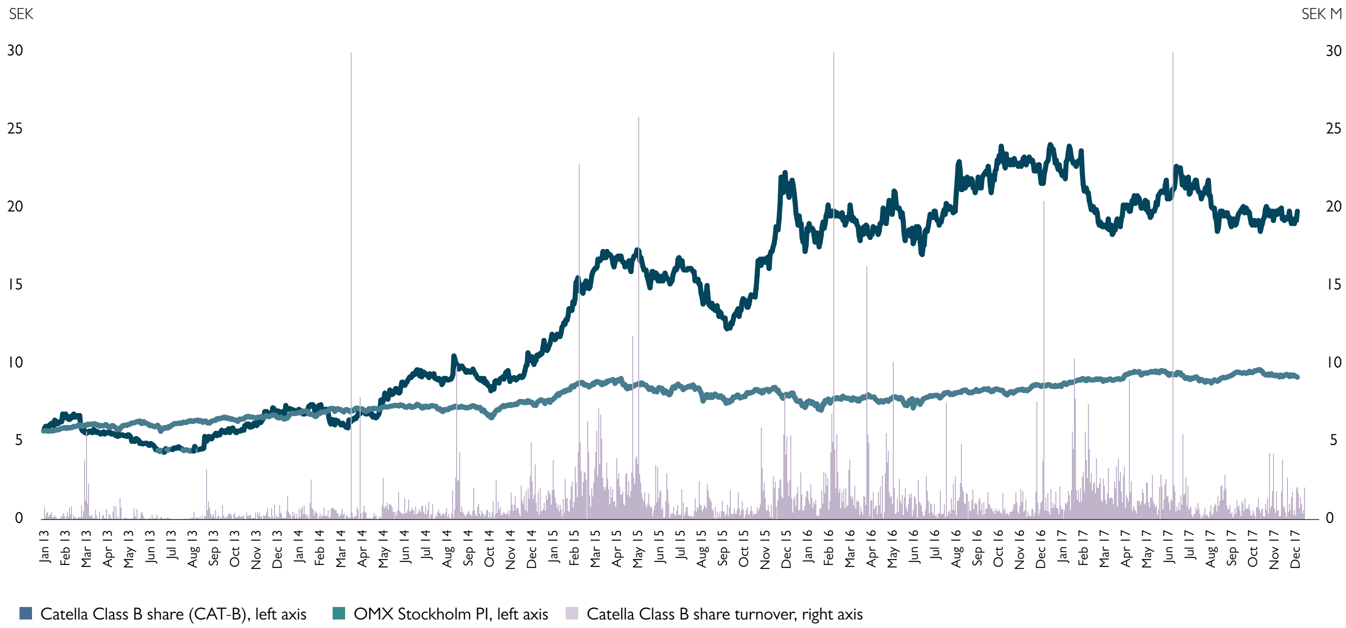
DISTRIBUTION OF SHARES
AT 31 DECEMBER 2017

Shareholding	Number of shareholders	Number of Class A shares	Number of Class B shares	Equity, %	Votes, %
1 – 500	5,087	230,243	482,258	0.87	1.78
501 – 1,000	770	131,502	478,933	0.75	1.24
1,001 – 5,000	891	258,355	1,881,927	2.61	3.45
5,001 – 10,000	143	79,755	1,029,147	1.35	1.55
10,001 – 15,000	46	16,976	572,165	0.72	0.71
15,001 – 20,000	27	6,100	485,050	0.60	0.56
20,001 –	171	1,807,624	74,388,537	93.09	90.71
Total	**7,135**	**2,530,555**	**79,318,017**	**100.00**	**100.00**

DISTRIBUTION OF WARRANTS
BY EXERCISE YEAR AT 31 DECEMBER 2017

Issue 2014 (Exercise price SEK 9.40 per share)	Share of total outstanding warrants, %	Total number of outstanding warrants	Of which held in treasury
2018	33	2,333,333	66,667
2019	33	2,333,333	66,666
2,020	33	2,333,334	66,667
Total 2017	**100**	**7,000,000**	**200,000**

FIVE-YEAR OVERVIEW OF THE CATELLA CLASS B SHARE



SHARE OWNERSHIP AFTER FULL DILUTION

AT 31 DECEMBER 2017

Shareholders	Class A	Class B	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,087,437	39,694,718	40,782,155	45.9	45.6
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)]	294,776	2,495,916	2,790,692	3.1	4.0
Avanza Pension	8,441	2,075,562	2,084,003	2.3	2.1
Nordnet Pension	9,671	1,833,096	1,842,767	2.1	1.9
Thomas Andersson Borstam (privately and via companies)		1,330,000	1,330,000	1.5	1.3
Nordea Investment Funds		1,014,043	1,014,043	1.1	1.0
Mp Pensjon Pk		989,412	989,412	1.1	1.0
Swedbank Försäkring	75	915,356	915,431	1.0	0.9
Other	788,884	20,669,914	21,458,798	24.2	24.9
Total	**2,530,555**	**79,318,017**	**81,848,572**	**92.1**	**92.9**
Warrant holders	**Class A**	**Class B**	**Total**	**Equity, %**	**Votes, %**
Knut Pedersen, CEO		5,000,000	5,000,000	5.6	5.1
Johan Nordenfalk, COO		300,000	300,000	0.3	0.3
Marcus Holmstrand, CFO		300,000	300,000	0.3	0.3
Treasury		200,000	200,000	0.2	0.2
Other		1,200,000	1,200,000	1.4	1.2
Total		**7,000,000**	**7,000,000**	**7.9**	**7.1**
Total number of shares and warrants	**2,530,555**	**86,318,017**	**88,848,572**	**100.0**	**100.0**

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

FIVE-YEAR SHARE DATA

	2017	2016	2015	2014	2013
Class B share price					
Average price, SEK	20.65	22.82	15.69	8.61	5.52
Closing price for the year, SEK	19.80	22.90	21.50	10.60	6.95
High/Low, SEK	24.70 – 17.80	24.50 – 16.70	22.90 – 10.50	11.70 – 5.80	7.25 – 4.21
Earnings per share, SEK	2.35	3.32	2.97	2.66	-0.26
Cash flow per share, SEK	4.42	-2.54	5.03	6.35	1.87
Equity per share, SEK	23.73	21.13	16.14	14.24	11.40
Dividend per share, SEK	1.00[1)]	0.80	0.60	0.20	–
Dividend yield, %	5.05	3.49	2.79	1.89	–
Market cap at year-end, SEK M	1,621	1,875	1,755	868	568
P/E	5.70	5.26	6.45	3.82	neg.
P/B	0.83	1.08	1.22	0.69	0.61
EV/EBITDA	0.44	2.19	2.40	neg.	neg.
Net liquidity(+) / net debt(–)	1,428	1,271	1,098	920	549
Average weighted number of shares after dilution	88,648,572	88,775,608	92,171,461	81,698,572	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	79,318,017	79,318,017	79,198,017	79,168,017	79,168,017
Total number of shares	**81,848,572**	**81,848,572**	**81,728,572**	**81,698,572**	**81,698,572**
Newly issued shares	0	120,000	30,000	–	–
Existing warrants	7,000,000	17,074,000	36,847,000	35,900,000	36,100,000
Newly issued(+) / expired(–) warrants(net)	0	-10,074,000	-19,773,000	947,000	-200,000
Total number of shares and warrants	**88,848,572**	**88,848,572**	**98,802,572**	**118,545,572**	**117,598,572**

1) Board of Directors' proposal.

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.

Governance and control

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, and the internal audit, compliance and risk management functions. This responsibility proceeds from the Companies Act, the Articles of Association, the 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

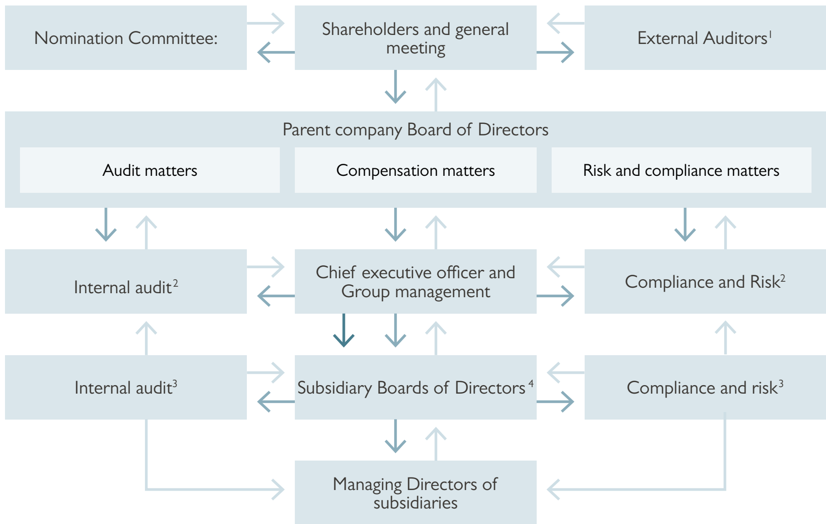
At the top of the corporate governance structure, shareholders exert their influence to guide the main direction of the company.

The largest individual shareholders at 31 December 2017 were the Claesson & Anderzén Group, with a holding of 49.8 percent (49.8) of equity and 49.1 percent (49.1) of voting rights, followed by Swedbank Robur fonder, with a holding of 6.1 percent (0.0) of equity and 6.3 percent (0.0) of voting rights. See "The Catella share and ownership" section for further information.

Annual General Meeting

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.

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.

The AGM was held 29 May 2017 in Stockholm. The Board of Directors, Auditor and owners representing 62.7 percent of total voting interest. Resolutions at the AGM included:

To dispose of retained earnings and net profit for the year so that SEK 0.80 per share (0.60) is distributed to shareholders and the remainder carried forward.

To pay Directors' fees of SEK 2,120,000 in total (1,870,000), including SEK 550,000 (550,000) to the Chairman and SEK 330,000 (330,000) each to other Directors. It was further resolved to pay a fee to the Chairman of the Audit Committee of SEK 80,000 and to the other two committee members of SEK 50,000 each, as well as a fee to the Chairman of the Compensation Committee of SEK 40,000 and to the other committee member of SEK 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.

To appoint PricewaterhouseCoopers AB as the company's Auditor and Patrik Adolfson as Auditor in charge for a term beginning at the close of the 2017 AGM and ending at the close of the 2018 AGM.

To endorse the Nomination Committee's proposed nomination principles for the 2018 AGM.

To approve the Board of Directors' proposed guidelines for compensation to senior management personnel.

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 2018 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 AS. 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 held 29 May 2017 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 2017, which includes the establishment of the Audit and Compensation Committees. The Board decided that the Audit Committee will be composed of Jan Roxendal, serving as Chairman, Johan Claesson and Anna Ramel. The Board decided that the Compensation Committee will be composed of Johan Claesson, serving as 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

ATTENDANCE AND COMPENSATION TO THE BOARD OF DIRECTORS

	Elected	Independent of company/owners	Attendance at Board meetings	Attendance at Audit Committee meetings	Attendance at Compensation Committee meetings	Fees 2017/2018, SEK K[1]
Johan Claesson, Chairman	2008	No/No	12/12	4/4	2/2	580
Jan Roxendal[2]	2011	Yes/Yes	12/12	4/4	2/2	482
Johan Damne[2]	2014	No/No	12/12	2/4	1/2	330
Joachim Gahm[2]	2014	Yes/Yes	12/12	2/4	1/2	434
Anna Ramel	2014	Yes/Yes	12/12	4/4	1/2	456

[1] *See Note 11 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.*

THE WORK OF THE BOARD OF DIRECTORS AND KEY DECISIONS IN 2017

QUARTER 1

- Year-end report 2016.
- 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 2017.
- Review of risk reporting and decision on risk plan for 2017.
- Review of compliance and decision on compliance plan for 2017.
- Evaluation of the CEO

QUARTER 2

- Annual Report 2016.
- Interim report Q1 2017.
- Review and decision on external audit plan for 2017.
- Review of risk and compliance, Q1 2017.
- 2017 AGM.
- Adoption of the Board charter, instruction to the CEO and reporting instruction.
- Appointment of audit and Compensation Committees
- Adoption of updated and new policies and guidelines for the Catella Group in 2017.
- Decision to issue convertible bond of SEK 500 million.
- Strategic reviews of the Equity, Hedge and Fixed Income Funds and Property Investment Management business areas.

QUARTER 3

- Interim report Q2 2017.
- Review of risk and compliance, Q2 2017.
- Review and decision on updated risk policy.
- Adoption of charters for the audit and Compensation Committees.

QUARTER 4

- Interim report Q3 2017.
- Review of risk and compliance, Q3 2017.
- Strategic review of Banking business area.
- Review of Auditor's report, Q3 2017.
- Adoption of updated and new policy documents.
- Decision on budget for 2018.
- Decision to acquire additional 10 percent of IPM.

Chairman of the Board, the business to be addressed at every meeting 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 2017

The Board held 12 meetings (9) in 2017, of which 3 (1) 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. The company's chief operating officer recorded the minutes at all Board meetings in 2017. 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 4 (2) meeting in 2017. Catella's statutory Auditors were present at all meetings.

The work of the Audit Committee in 2017:

- Internal and external Auditor's reports for Q3 2017
- Risk report for Q1 2017
- Risk report for Q2 2017
- Risk report for Q3 2017
- Compliance report Q1 2017
- Compliance report Q2 2017
- Compliance report Q3 2017
- Review of Audit Committee charter
- Examination and review of ICLAAP
- Examination of Long Form Report
- Updating and proposals on new policy documents
- Risk policy

Compensation committee

The Compensation Committee will deal 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 (0) meetings in 2017.

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 the employee's fixed salary. Upon termination of an employment contract by the company, pay during the period of notice and severance pay combined shall not exceed twelve 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.

Share-related incentive programme

At 31 December 2016, Catella had a total of 7,000,000 outstanding warrants divided among three series with exercise dates in 2018, 2019 and 2020. Upon exercise of the warrants, the subscription price per share is SEK 9.40. 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."

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 2017 AGM elected the auditing firm of PricewaterhouseCoopers AB (PwC), with authorised public accountant Patrik Adolfson serving as Auditor in charge. The company's external Auditors were present at four meetings of the Audit Committee, including one meeting attended by the entire Board of Directors. In addition to the audit, PwC has performed other assignments for Catella, including in relation to matters concerning various acquisitions in 2017.

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 2017 financial year are specified in Note 8.

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 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.

Performance review

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 functions. In respect of the consolidated financial situation, the Board of Directors of Catella B 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.

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 2017.

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 2017.

Board of Directors and Auditors

Johan Claesson

Chairman

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, Alufab PLC Ltd, K3Business Technology Group PLC and Leeds Group PLC.

Background: Owner and executive Chairman of Claesson & Anderzén AB.

Education: MBA

Shareholding (December 2017): 1,087,437 Class A shares and 39,694,718 Class B shares.

Warrants (December 2017): None

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; directorships and CEO assignments in other companies in the Claesson & Anderzén group. Director of Parnas Park Holding AB, S Fanfar AB and Glasbtn 2 AB.

Background: CEO of Claesson & Anderzén AB.

Education: MBA

Shareholding (December 2017): 150,000 Class B shares.

Warrants (December 2017): 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. Director of Kungsleden AB, Stiftelsen Josephinahemmet and S&A Sverige AB.

Background: Former President of Öhman Investment AB.

Education: MBA

Shareholding (December 2017): None

Warrants (December 2017): 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 (December 2017): None

Warrants (December 2017): 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 Swedish Export Credit Agency. Chairman, CEO and owner of Roxtra AB. Vice Chairman of the Second Swedish National Pension Fund. Director of Magnolia Bostad AB.
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 (December 2017): 109,554 Class B shares.

Warrants (December 2017): None

Ownership: Private.

Independent of the company and management: Yes

Independent of major shareholders in the company: Yes

AUDITOR

Patrik Adolfson

Auditor

Born 1973.

PricewaterhouseCoopers AB (PwC) has been Catella's auditing firm since 2011. The Auditor in charge is Patrik Adolfson, authorised public accountant and member of FAR.

Other audit assignments: AcadeMedia AB, Attendo AB, Pandox AB and Securitas AB

Shareholding (December 2017): None

Warrants (December 2017): None

Ownership: –

Group Management

Knut Pedersen

President and Chief Executive Officer

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 Kapitalanlage-gesellschaft. 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 (December 2017): None

Warrants (December 2017): 5,000,000.

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, Université Panthéon-Assas, Paris.

Shareholding (December 2017): 120,000 Class B shares.

Warrants (December 2017): 300,000.

Ownership: Private.

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 (December 2017): 4,000 Class B shares.

Warrants (December 2017): 300,000.

Ownership: Private.

Stockholm, 25 April 2018

Johan Claesson
Chairman of the Board

Johan Damne
Director

Joachim Gahm
Director

Anna Ramel
Director

Jan Roxendal
Director

Knut Pedersen
President and 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 2017 financial year on pages 59-67 and for its preparation in accordance with the Annual Accounts Act.

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

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

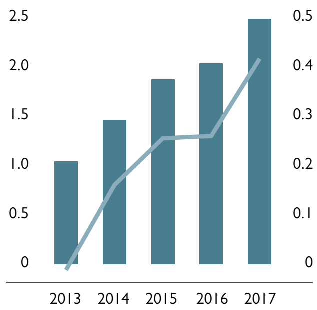
Stockholm, 25 April 2018
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant

Financial review

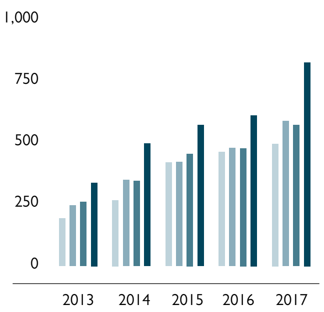
GROUP

TOTAL INCOME AND OPERATING PROFIT
SEK M



Total income
Operating profit[3]

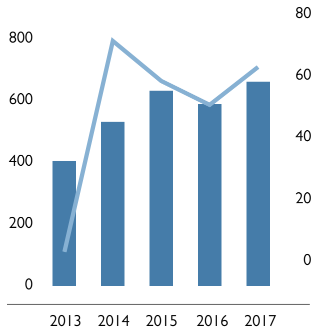
TOTAL INCOME PER QUARTER
SEK M



Q1 Q2 Q3 Q4

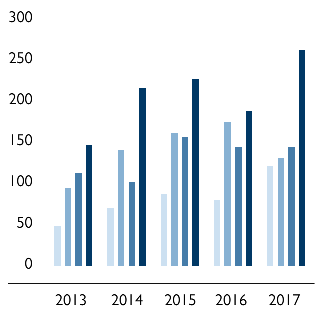
CORPORATE FINANCE

TOTAL INCOME AND OPERATING PROFIT
SEK M



Total income
Operating profit

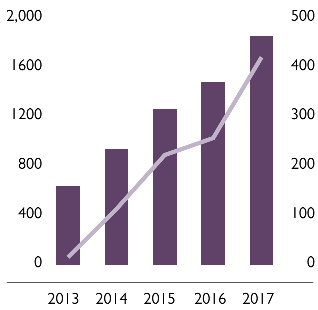
TOTAL INCOME PER QUARTER
SEK M



Q1 Q2 Q3 Q4

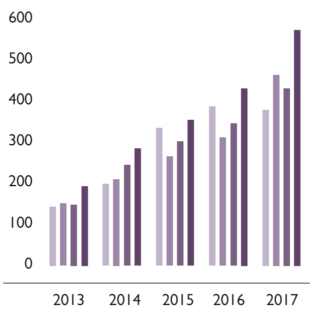
ASSET MANAGEMENT AND BANKING

TOTAL INCOME AND OPERATING PROFIT
SEK M



Total income
Operating profit[3]

TOTAL INCOME PER QUARTER
SEK M



Q1 Q2 Q3 Q4

CONSOLIDATED KEY FIGURES

	Corporate Finance		Asset Management/Banking		Other		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating margin, %	11	10	20	17	–	–	15	13
Adjusted operating margin, % [3]	–	–	23	17	–	–	17	13
Profit margin, %	7	9	14	23	–	–	11	18
Adjusted profit margin, % [3]	–	–	17	23	–	–	14	18
Return on equity, %[1]	46	51	31	74	–	–	20	44
Adjusted return on equity, %[1]	–	–	40	74	–	–	25	44
Equity/assets ratio, %	32	59	22	22	–	–	30	31
Equity, SEK M [1]	120	254	931	859	678	451	1,729	1,563
Number of employees at the end of the period	210	203	401	359	15	17	626	579
Earnings per share, SEK[1]	–	–	–	–	–	–	2	3
Adjusted earnings per share, SEK [4]	–	–	–	–	–	–	3	3
Equity per share, SEK [1]	–	–	–	–	–	–	21	19
AUM at the end of the period, SEK Bn	–	–	184	156	–	–	184	156
Net inflow (+) and outflow (-) during the period, SEK Bn	–	–	24	5	–	–	24	5
Card and payment volumes for the period, SEK Bn	–	–	18	12	–	–	18	12
Property transaction volumes for the period, SEK Bn	56	56	–	–	–	–	56	56

[1] Attributable to owners of the Parent.

[2] Asset Management and Banking had non-recurring income of SEK 221 million Q2 2016 consequent upon the acquisition of Visa Europe by Visa Inc.

[3] Adjusted for items affecting comparability in 2017 amounting to SEK 53 million arising from impairment of goodwill and other intangible assets attributable to Catella Bank.

[4] Attributable to owners of the Parent and adjusted for items affecting comparability.

INCOME STATEMENT BY OPERATING SEGMENT

	Corporate Finance		Asset Management/Banking		Other		Group	
SEK M	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	656	575	1,829	1,461	-24	-29	2,461	2,007
Other operating expenses	3	11	15	11	-2	-2	16	20
Total income	**659**	**586**	**1,844**	**1,473**	**-26**	**-31**	**2,477**	**2,027**
Direct assignment costs and commissions	-74	-64	-417	-374	12	21	-479	-417
Personnel costs	-372	-322	-629	-532	-29	-24	-1,030	-878
Other expenses	-142	-141	-380	-312	-32	-20	-554	-473
Total expenses	**-588**	**-527**	**-1,426**	**-1,217**	**-49**	**-24**	**-2,063**	**-1,769**
Operating profit/-loss before acquisition-related items and items affecting comparability	**71**	**58**	**419**	**255**	**-75**	**-55**	**414**	**258**
Items affecting comparability	–	–	-53	–	–	–	-53	–
Operating profit/-loss	**71**	**58**	**365**	**255**	**-75**	**-55**	**361**	**258**
Financial items, net	0	2	7	215	27	22	34	239
Profit before tax	**70**	**60**	**372**	**469**	**-47**	**-32**	**395**	**497**
Tax	-27	-10	-111	-132	27	1	-111	-141
Net profit for the year	**43**	**50**	**262**	**337**	**-20**	**-31**	**284**	**357**
Profit/loss attributable to owners of the Parent	**43**	**50**	**169**	**253**	**-20**	**-31**	**192**	**272**

FINANCIAL POSITION BY OPERATING SEGMENT

ASSETS	Corporate Finance		Asset Management/Banking		Other		Group	
Non-current assets	2017	2016	2017	2016	2017	2016	2017	2016
Intangible assets	63	62	271	300	56	50	390	412
Financial assets at fair value through profit or loss	0	0	114	91	265	246	379	337
Non-current loan receivables	–	–	586	756	–	–	586	756
Other non-current assets	19	16	123	153	109	69	251	238
	83	**79**	**1,093**	**1,300**	**431**	**365**	**1,606**	**1,744**
Current assets								
Accounts receivable	142	125	245	144	0	–	387	268
Current loan receivables	–	–	779	577	–	–	779	577
Cash and cash equivalents	255	237	2,625	2,408	298	105	3,177	2,750
Other current assets	31	37	365	242	51	33	446	313
	428	**399**	**4,013**	**3,370**	**349**	**138**	**4,790**	**3,907**
Total assets	**511**	**478**	**5,106**	**4,670**	**779**	**503**	**6,396**	**5,651**
EQUITY AND LIABILITIES								
Equity attributable to owners of the Parent	120	254	931	859	678	451	1,729	1,563
Non-controlling interests	45	27	169	139	0	0	214	167
Total equity	**165**	**281**	**1,100**	**998**	**678**	**451**	**1,943**	**1,730**
Liabilities								
Non-current liabilities								
Non-current loan liabilities	–	–	–	–	494	–	494	–
Other non-current liabilities	3	1	31	25	8	11	43	37
	3	**1**	**31**	**25**	**502**	**11**	**537**	**37**
Current liabilities								
Borrowing	–	–	122	260	–	–	122	260
Current loan liabilities	–	0	2,784	2,606	–	200	2,784	2,806
Other current liabilities	343	195	1,068	780	-400	-158	1,011	817
	343	**196**	**3,974**	**3,646**	**-400**	**42**	**3,917**	**3,884**
Total liabilities	**346**	**197**	**4,006**	**3,672**	**102**	**53**	**4,453**	**3,921**
Total equity and liabilities	**511**	**478**	**5,106**	**4,670**	**779**	**434**	**6,396**	**5,651**

CASH FLOW BY OPERATING SEGMENT

	Corporate Finance		Asset Management/Banking		Other		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Profit before tax	70	60	372	469	-47	-32	395	497
Adjustment for non-cash items	55	35	80	-190	-19	-32	116	-188
Adjustment for cash items	-87	-69	-162	-485	35	107	-214	-447
Cash flow from operating activities	**39**	**26**	**289**	**-206**	**-31**	**43**	**297**	**-137**
Cash flow from tangible and intangible non-current assets	-5	-2	-47	-49	–	0	-52	-52
Acquisition of subsidiaries, net of cash and cash equivalents	–	0	-1	-14	-4	-43	-5	-57
Cash flow from other financial assets	0	13	-20	96	2	55	-18	164
Cash flow from investing activities	**-5**	**11**	**-67**	**33**	**-2**	**11**	**-74**	**55**
Net borrowings, amortisation of loans	**0**	**0**	**–**	**–**	**291**	**–**	**291**	**0**
Repurchase of share warrants, new share issue, dividends, contributions from and payments to non-controlling interests	**-20**	**-26**	**-67**	**-30**	**-65**	**-70**	**-153**	**-126**
Cash flow from financing activities	**-20**	**-26**	**-67**	**-30**	**226**	**-70**	**139**	**-126**
Cash flow for the year	**14**	**11**	**155**	**-203**	**192**	**-16**	**362**	**-208**


2
1

Catella Annual Report 2017

Board of Directors' Report	72
Consolidated Income Statement	77
Consolidated Statement of Comprehensive Income	77
Consolidated Statement of Financial Position	78
Consolidated Statement of Cash Flows	79
Consolidated Statement of Changes in Equity	80
Notes on the Consolidated Accounts	81
Parent Company Income Statement	118
Parent Company Statement of Comprehensive Income	118
Parent Company Cash Flow Statement	118
Parent Company Balance Sheet	118
Parent Company Statement of Changes in Equity	119
Parent Company Notes	120
Audit Report	124
Report on the annual accounts and consolidated accounts	124
Report on other legal and regulatory requirements	127

Notes on the Consolidated Accounts:

Note 1	Company information	81
Note 2	Significant accounting policies	81
Note 3	Financial risk management	86
Note 4	Critical estimates and judgments	92
Note 5	Information per segment	92
Note 6	Income statement	95
Note 7	Other operating income	96
Note 8	Other external costs	96
Note 9	Depreciation, amortization and impariment of tangible and intangible assets	96
Note 10	Personnel	96
Note 11	Compensations of the Board of Directors and senior managers	97
Note 12	Share-based incentives	98
Note 13	Other operating expenses	99
Note 14	Financial items	99
Note 15	Taxes	99
Note 16	Earnings per share	100
Note 17	Dividend	100
Note 18	Intangible assets	100
Note 19	Property, plant and equipment	101
Note 20	Investments in subsidiaries and associated companies	101
Note 21	Derivative instruments	105
Note 22	Financial assets held for sale	105
Note 23	Financial assets at fair value through profit or loss	105
Note 24	Accounts receivable	109
Note 25	Loan receivables	110
Note 26	Other non-current receivables	110
Note 27	Prepaid expenses and accrued income	110
Note 28	Cash and cash equivalents and overdraft facilities	110
Note 29	Equity	110
Note 30	Borrowings and loan liabilties	111
Note 31	Pension provisions etc.	111
Note 32	Accrued expenses and deferred income	111
Note 33	Pledged assets	111
Note 34	Contingent liabilities	111
Note 35	Commitments	112
Note 36	Cash flow	112
Note 37	Acquisitions and divestments of operations	112
Note 38	Subsequent events	113
Note 39	Related party transactions	113
Note 40	Capital adequacy and consolidated financial situation	113
Note 41	Application of key performance indicators not defined by IFRS, and terms and exchange rates	116
Note 42	Parent company accounting policies	120
Note 43	Other external costs	120
Note 44	Personnel	120
Note 45	Profit/loss from participations in group companies	120
Note 46	Interest income and similar profit/loss items	121
Note 47	Interest expenses and similar profit/loss items	121
Note 48	Appropriations	121
Note 49	Tax on net profit/loss for the year	121
Note 50	Participations in group companies	121
Note 51	Deferred tax assets	121
Note 52	Equity	121
Note 53	Loan liabilities	122
Note 54	Accrued expenses and deferred income	122
Note 55	Pledged assets and contingent liabilities	122
Note 56	Related party transactions	122
Note 57	Financial risk management	122
Note 58	Subsequent events	122
Note 59	Proposed appropriation of profit	122

Board of Directors' Report

The Board of Directors and the Chief Executive Officer of Catella AB (publ), Corporate identity number 556079–1419, hereby present the Annual Accounts and Consolidated Accounts for the financial year 2017. 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 financial advisor and asset manager with in-depth knowledge of property, fixed income and equities. The Group ("Catella") is a leader in the property sector with a strong local presence in Europe, and employs 626 (579) professionals in 13 countries. Operations are conducted in the Corporate Finance and Asset Management and Banking 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 and Banking, 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. The operations of the ***Banking*** business area are conducted from within Catella Bank S.A., a niche bank with its registered office in Luxembourg. Operations are conducted in two service segments; Wealth Management, which provides a broad selection of financial services and tailored solutions for high net worth clients in Europe, and Card and Payment solutions, which offers card issuing and card acquiring solutions to international banks, e-commerce operators and fin-tech companies in need of specialized solutions. Catella deals with all phases of value creation in property through its ***Property Investment Management*** business area, analysis to acquisition to financing through financing, strategic management, and finally, exit. Investments are carried out on assignment by financial institutions, pension funds, property funds and other property owners. Catella also creates value in proprietary 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 and the Netherlands.

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 49.8% (49.8) of the share capital and 49.1% (49.1) of the votes, followed by Swedbank Robur) with a holding of 6.1% (0.0) of the capital and 6.3% (0.0) of the votes. Strawberry Capital AS was Catella's third largest shareholder, with 4.4% (0.0) of the share capital and 4.6% (0.0) of the votes. Catella's ten largest shareholders jointly controlled 73.8% (77.3) of the share capital and 73.2% (76.5) of the votes as of 31 December 2017. 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	2017	2016	2015	2014	2013
Net sales	2,461	2,007	1,853	1,445	1,020
Operating profit/loss before acquisition-related items and items affecting	414	258	254	160	-12
Items affecting comparability	-53	0	0	0	0
Operating profit/loss	361	258	254	160	-12
Financial items—net	34	239	53	88	5
Profit/loss before tax	395	497	306	248	-7
Net profit for the year	**284**	**357**	**272**	**227**	**-21**
Average no. of employees	**629**	**588**	**526**	**480**	**458**

SEK M	2017	2016	2015	2014	2013
Equity	1,943	1,730	1,436	1,252	932
Total assets	6,396	5,651	5,011	4,356	3,483
Equity/Asset ratio %	30	31	29	29	27

SEK M	2017	2016	2015	2014	2013
Cash flow from operating activities	297	-137	549	497	138
Cash flow from investing activities	-74	55	-50	41	28
Cash flow from financing activities	139	-126	-88	-20	-12
Cash flow for the year	**362**	**-208**	**411**	**519**	**153**

The Group's net sales totalled SEK 2,461 M (2,007), up 23% year on year. The increase is mainly attributable to the Property Investment Management business area, and Equity, Hedge and Fixed Income Funds, although other business areas also increased net sales.

Operating profit before items affecting comparability was SEK 414 M (258), and The Group's operating profit was SEK 361 M (258). The Property Investment Management business area generated the strongest profit gains, although Equity, Hedge and Fixed Income Funds also significantly improved profit year on year. The Banking business area reported a loss in line with last year, and a strategic review of the Bank's card acquiring operations has been initiated. As a result, goodwill was impaired by SEK 20 M, and other intangible assets by SEK 33 M, as of 31 December 2017. Impairment totalling SEK 53 M is reported under items affecting comparability in the Consolidated Income Statement.

The Group's net financial income and expense was SEK 34 M (239). The comparable period for 2016 included non-recurring income from the Visa transaction of SEK 224 M. Net financial income and expense includes interest income of SEK 23 M (24), mainly attributable to the loan portfolios, and interest expenses of SEK 17 M (11), mainly related to Catella's bond loans. Increased interest expenses are mainly due to increased borrowing in the parent company in June. Net financial income and expense also includes a cost of SEK 2 M relating to early redemption of the bond loan 2012/2017. The valuation of long-term securities holdings and short-term investments at fair value resulted in a value adjustment of SEK 20 M (-6), of which SEK 19 M relates to the loan portfolios. Realised profit/loss on terminated currency contracts aimed at limiting exchange rate exposure totalled SEK 5 M. Sales of subsidiaries and other long-term securities holdings generated profit of SEK 5 M (241).

The Group's profit/loss before tax was SEK 395 M (497, excluding Visa: 274). The Group's profit/loss before tax, adjusted for items affecting comparability, was SEK 449 M (497, excluding Visa: 274).

The tax expense for the year was SEK 111 M (141), corresponding to effective tax of 28% (28).

The net profit/loss for the year after tax was SEK 284 M (357, excluding Visa: 207), corresponding to earnings per share of SEK 2.35 (3.32, excluding Visa: 1.48). During 2017, consolidated equity increased by SEK 213 M, amounting to SEK 1,943 M as of 31 December 2017. In addition to net profit/loss for the year of SEK 284 M, and positive translation differences of SEK 31 M, equity was affected by fair value changes in financial assets held for sale totalling SEK 9 M. Furthermore, equity was affected by dividends to parent company shareholders of SEK 65 M, and dividends and other transactions with non-controlling interest totalling SEK 46 M. The equity/assets ratio as of 31 December 2017 was 30% (31).

In 2017, total assets increased by SEK 745 M, amounting to SEK 6,396 M as of 31 December 2017. Cash and cash equivalents was the Balance Sheet item to increase the most, by SEK 428 M, partly as a result of the sharp increase in income for the year, and partly due to the unutilized portion of the increased Parent Company borrowing.

Consolidated cash flow from operating activities before changes in working capital amounted to SEK 426 M (184).

Consolidated cash flow from operating activities was SEK 297 M (-137), of which changes in working capital comprised SEK -129 M (-321). Of the changes in working capital, SEK -4 M was attributable to banking operations and SEK -125 M to other operations.

Cash flow from investing activities was SEK -74 M (55), of which SEK -37 M related to IPM's investments in funds managed in-house, SEK -12 M related to net additional investments in associated company Nordic Seeding GmbH and SEK -10 M related to investments in Pamica AB. Catella also invested SEK 40 M in intangible fixed assets such as new fund management systems and systems for the banking operations. Furthermore, holdings in funds managed in-house totalling SEK 13 M were divested, and terminated currency forwards generated SEK 5 M. Cash flow from loan portfolios totalled SEK 23 M.

Cash flow from financing activities was SEK 139 M (-126), of which SEK 291 M related to the net amount of borrowing raised and amortized, SEK -155 M related to dividends to parent company shareholders and non-controlling interests, and SEK 2 M comprised capital contributions from non-controlling interests.

Cash flow for the year amounted to SEK 362 M (-208), of which cash flow from the banking operation was SEK 1 M (-62) and cash flow from other operations was SEK 361 M (-146).

Performance of operating segments—two-year summary

	Corporate Finance		Asset Management and Banking	
SEK M	**2017**	**2016**	**2017**	**2016**
Total income	659	586	1,844	1,473
Direct assigment costs and commission	-74	-64	-417	-374
Income excl. direct assignment costs & commission	585	522	1,427	1,098
Operating expenses	-514	-463	-1,008	-843
Operating profit/loss before acquisition-related items and items affecting	**71**	**58**	**419**	**255**
Items affecting comparability	-	-	-53	-
Operating profit/loss	71	58	365	255
Financial items—net	0	2	7	215
Profit/loss before tax	70	60	372	470
Tax	-27	-10	-111	-132
Net profit for the year	**43**	**50**	**262**	**338**

SEK M	**2017**	**2016**	**2017**	**2016**
Equity	165	281	1,100	998
Total assets	511	478	5,106	4,619
Equity/Asset ratio %	32	59	22	22

Corporate Finance reported net sales of SEK 656 M (575) and total income was SEK 659 M (586), operating profit was SEK 71 M (58), an increase of 21% year on year. The profit improvement is partly due to an increased share of capital markets related services, particularly in the Nordics.

Asset Management and Banking reported net sales of SEK 1,829 M (1,461) and total income was SEK 1,844 M (1,473), All business areas contributed to the sales increase. Operating profit before items affecting comparability was SEK 419 M (255) and operating profit was SEK 365 M (255). The focus on creating a European platform in Property Investment Management made a significant contribution to income and operating profit in 2017. The Mutual Funds service area, which increased assets under management with successful fund management, also provided a large proportion of the sales increase and profit gains. AS mentioned above, Catella has initiated a strategic review of Catella Bank's card acquiring operations which has elicited impairment of goodwill and other intangible assets attributable to the bank totalling SEK 53 M. Profit/loss before tax was SEK 372 M (470, excluding Visa: 246).

IMPAIRMENT TESTING

During the year, Catella conducted impairment tests on assets with indefinite useful lives based on carrying amounts as of 30 September 2017. Catella's assets with indefinite useful lives consist of goodwill and brands, with a reported value of SEK 276 M (292) and SEK 50 M (50). Impairment tests proceed on the basis of estimated future cash flows based on budgets and forecasts approved by management and the Board of Directors. The impairment tests indicated a need for goodwill impairment of SEK 20 M attributable to Catella Bank. In addition, other intangible assets attributable to Catella Bank were impaired by SEK 33 M, mainly relating to IT systems that were judged to need replacing or with limited useful lives. Impairment totalling SEK 53 M was reported as items affecting comparability in the Consolidated Income Statement.

INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2017, the Group made investments totalling SEK 128 M (194). Of this amount, SEK 44 M (46) were investments in intangible assets and SEK 12 M (10) were investments in property, plant and equipment. Additional investments and new investments in subsidiaries were SEK 8 M (34), of which SEK 0 (18) relates to acquisitions of shares from non-controlling holdings. Furthermore, SEK 16 M (25) was invested in associated company Nordic Seeding GmbH. Additionally, SEK 37 M (76) was invested in funds managed by IPM, and SEK 10 M (3) was invested in other operational holdings that are not associated companies. Depreciation, amortisation and impairment in the financial year was SEK 81 M (18).

FINANCING

In September 2012, Catella AB (publ) issued a five-year unsecured bond loan of SEK 200 M maturing in September 2017. In June 2017, Catella issued a new five-year unsecured bond loan of SEK 500 M with a framework amount of SEK 750 M, with the aim of refinancing the existing bond loan (including buy-back), raising additional liquidity for Catella's ongoing operations and to continue expansion and enable future acquisitions. In July 2017, Catella exercised the right to early redemption of the bond loan maturing in September 2017. The bond was redeemed at an amount corresponding to 101% of the nominal amount plus accrued unpaid interest.

The new bond was listed on NASDAQ Stockholm on 9 August 2017 and carries floating rate interest of 3-month Stibor plus 400 b.p. The existing bond loan carries floating rate interest of three-month Stibor plus 500 b.p.

Funding is also conditional on the satisfaction of covenants based on financial position and liquidity. The covenants were satisfied for the full year and as of 31 December 2017.

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 2017.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

AGM 2017

The Annual General Meeting (AGM) on 29 May 2017 approved a dividend of SEK 0.80 (0.60) per share for the financial year 2016. The AGM also resolved to re-elect all Board members.

New unsecured bond loan

In June 2017 Catella issued a new five-year unsecured bond loan of SEK 500 M, with a framework amount of SEK 750 M. The bond was listed on NASDAQ Stockholm on 9 September 2017.

Early redemption of existing bond loan

In July 2017, Catella exercised its right to early redemption of the SEK 200 M bond loan maturing in September 2017. The bond was redeemed at an amount corresponding to 101% of the nominal amount plus accrued unpaid interest.

Catella establishes operations in the Netherlands

In October 2017, following approval from the Luxembourg financial supervisory authority, CSSF, Catella acquired the shares in Dutch property advisor Panta Rhei Advisory B.V., name changed to Catella Investment Management Benelux BV.

The acquisitions consolidated Catella's position in Property Investment Management on the European property market and increases the number of European countries where Catella has a local presence from 12 to 13.

Catella establishes Property Asset Management in Sweden

In October 2017, following approval from the Luxembourg financial supervisory authority, CSSF, Catella established Property Asset Management operations in Sweden in connection with the Tre Kronor assignment.

Catella will be responsible for the management of Tre Kronor's property holding comprising 72 retail properties, located in 68 municipalities in southern Sweden.

Catella establishes subsidiary in Hong Kong

In November 2017, following approval from the Luxembourg financial supervisory authority, CSSF, Catella acquired 60% of the shares in Catella Asia Ltd, for the distribution of products and services to the Chinese and other Asian markets, see also Note 37.

Catella ensures continued control over IPM through share acquisition

In order to ensure continued control over IPM Informed Portfolio Management AB ("IPM AB") Catella entered into an agreement with a number of existing shareholders in parent company IPM Informed Portfolio Management BV. ("IPM B.V.") relating to the acquisition of shares in IPM BV. The agreement was conditional on factors including authorisation by the AGM in Catella AB (publ) and approval from supervisory authorities.

Nomination Committee for the AGM 2018

In accordance with the May 2017 AGM's resolution on the principles governing the Nomination Committee, a Nomination Committee was appointed for Catella AB ahead of the AGM on 28 May 2018. The Nomination Committee consists of Thomas Andersson Borstam, appointed by TAB Holding AB and through personal holdings, and Chairman of the Nomination Committee, Johan Claesson, appointed by CA Plusinvest AB and Chairman of Catella AB and Kenneth Andersen, appointed by Strawberry Capital AS.

SIGNIFICANT EVENTS AFTER YEAR-END

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

Share acquisition in IPM BV completed

As of 5 February 2018, Catella completed an additional acquisition of some 13% of the shares in IPM BV. The transaction was based on a company value of IPM AB of some SEK 2 Bn, and the purchase consideration amounted to SEK 198.5 M. The additional purchase consideration will correspond to 50% of the transferred shares' stake in IPM AB's net profit for the financial year 2017. Catella's indirect and direct ownership in IPM AB totalled 60.6% after the transaction.

Catella completes strategic review of card acquiring operations in the Banking business area

Catella has decided to initiate a strategic review of its card acquiring operations. On the basis of this review, the customer portfolio will be reduced and strategic alternatives evaluated for the remaining customer portfolio. Income in the card acquiring operations is expected to decrease by some SEK 70 M annually from the end of the first quarter 2018. As a result of the strategic review, impairment of goodwill totalling SEK 20 M and impairment of other intangible assets totalling SEK 33 M was effected as of 31 December 2017 in the Banking business area.

Catella accepts bid for parts of the loan portfolio

In February, Catella accepted a conditional offer on its Ludgate and Minotaure loan portfolios totalling SEK 81 M. On the basis of the bid, which has been accepted, Catella posted a positive value adjustment of SEK 19 M as of 31 December 2017.

Conditional share purchase agreement in APAM Ltd

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. The acquisition relates to 75% of the shares at a price corresponding to GBP 18 M. A non-refundable down payment of the purchase price of GBP 2.7 M was made at signing. The acquisition is expected to be completed in the second half of 2018 following approval by CSSF.

Currency hedging

Catella intends to enter an agreement with a credit institution regarding currency hedging in May. The hedging is intended to reduce the exchange rate risk of Catella's net exposure in EUR. Catella intends to apply hedge accounting in accordance with IFRS 9 from the date currency hedging of net exposure commences.

EMPLOYEES

The number of employees at the end of the period, expressed as full-time equivalents, was 626 (579), of which 210 (203) were employed in the Corporate Finance operating segment, 401 (359) in the Asset Management and Banking operating segment and 15 (17) in other functions.

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 and Banking 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 Group's asset management and banking operations are conducted within the Asset Management and Banking operating segment, which 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 operation, and the credit card and acquisition operation are conducted within the auspices of the subsidiary Catella Bank S.A., is exposed to risks including credit and counterparty risk, as well as changes to regulatory structures relating to its 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, which mainly comprise financing and liquidity risk, interest rate risk, currency risk and credit/counterparty risk, 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.

The preparation of financial statements requires the Board 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 and Banking operating segment, as follows:

Use of financial instruments

In Asset Management and Banking, active trading is conducted in all types of security 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.

Derivative instruments

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 IAS 39 Financial Instruments.

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/transactions using real-time systems that require 24-hour availability. For traditional insurable risks such as fire, theft, liability, etc., the Group judges that it has satisfactory protection through its existing insurance cover.

Parts of the Group's operations require permits and are subject to regulation by the financial supervisory authority of each country. Existing regulatory frameworks and the progress of regulatory frameworks is complex generally, and specifically for Catella's banking operations. Such regulations place high and growing demands on licensable operations, routines and processes as well as liquidity and capital reserves. Observance of these regulatory frameworks is a pre-condition for conducting licensable operations. Catella works continuously to ensure compliance with existing regulatory frameworks and prepares for compliance with future regulatory changes. In instances of subsidiaries being unable to satisfy the standards set by regulatory structures, this may have a negative impact on the Group's results of operations and the value of the Group's assets.

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 assessment 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 regulations, 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. Continued investments in infrastructure and improvements to routines and processes were made in the banking operations during the year, focusing on ensuring stability to enable future growth. The extensive work was also intended to increase efficiency and improve margins in the existing operations.

FUTURE PROGRESS

Corporate Finance

This business area is putting a great emphasis on increasing the share of value-adding and capital markets-related services, and thus improve profitability. In the Nordics, where these efforts have make the most progress, the margin improvement was clear in 2017. Catella has strong market positions in Sweden, Denmark and Finland, and work on continuing to advance its market position, with a greater focus on value-added and capital markets-related services is continuing. In addition, operations are being integrated 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 continental Europe, the French operation has a very strong market position in transaction advice. 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 and Banking

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 very important to achieve the growth targets in Mutual Funds, with a focus on high quality of service and presence. A greater share of resources continued to be allocated to sales in 2017. In tandem with this, Catella's ambition is to improve its presence with institutional clients, and to increase the share of foreign clients in this segment. 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. Catella's focus remains on distribution, including through an increased presence in London.

The focus in the Banking business area is on increasing client presence with better and more effective service, and resources are being allocated to distribution, direct though Wealth Management and through an increased number of partners in card issuing services. Continued initiatives are also being conducted jointly with Catella's operations in Corporate Finance and Property Investment Management to produce tailored products for clients within Wealth Management, which has proven successful and popular in recent years. Catella's card acquisition services are currently undergoing a strategic review where the client portfolio is being reduced and strategic alternatives evaluated for the remainder of the portfolio.

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 2017, Catella established Property Asset Management in the Netherlands and Sweden. The creation of a pan-European platform in Property Asset Management intended to serve international capital, is expected to be extended in 2018 by establishing a presence in the UK through a conditional share purchase agreement regarding APAM Ltd. The UK is an important and large European market for investments and capital raisings alike, and Catella's presence here is of strategic significance. The ambition for the business area is to selectively launch niche funds and investment structures to address the needs of international investors. To better exploit the synergies between operations, collaboration within the business area and Catella's other business areas is increasing.

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 59-67.

RESEARCH AND DEVELOPMENT

Catella is active in Corporate Finance and Asset Management and Banking, 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 48-53.

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 2017, the Parent Company recognised income of SEK 11.2 M (9.2) and operating profit/loss for the year of SEK -51.9 M (-51.0). The Parent Company's fixed and variable salary costs increased at the same time as costs of external consultants decreased compared to the previous year. The comparable period in 2016 includes costs associated with the change of listing totalling SEK 9.1 M.

The Parent Company's net financial income and expenses was SEK 171.4 M (-3.0) and includes dividends of SEK 190.0 M (0.0) from subsidiary Catella Holding AB and interest and other costs associated with bond loans of SEK 18.0 M (9.9). Profit/loss for the year was SEK 45.4 M (-15.0).

The Parent Company had total loss carry-forwards of SEK 168 M (96). The company's Balance Sheet includes a deferred tax asset of SEK 19.8 M (18.9), mainly attributable to these loss carry-forwards. The amount is based on an assessment of the company's future utilisation of tax loss carry-forwards.

Cash and cash equivalents amounted to SEK 263.9 M (31.3) and total assets to SEK 1,088.6 M (740.1) on the reporting date. In June 2017, Catella AB issued a new five-year unsecured bond loan of SEK 500 M. The existing bond loan of SEK 200 M was repurchased in July 2017 at 101% of the nominal amount. The Parent Company Balance Sheet as of 31 December 2017 reports the new bond loan as a long-term liability. The Parent Company's increase in cash and cash equivalents is the result of the unutilized portion of the increased borrowing.

At the end of the period, there were 10 (9) 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	39,969,392
Retained earnings	0
Net profit for the year	120,437,575
	160,406,967

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	81,848,572
carried forward (of which 39 969 392 allocated to share premium	78,558,395
	160,406,967

Proposed payment of dividends on 4 June 2018.

In spring 2018, all warrant holders have opted to exercise their warrants to subscribe for 2,266,666 class B shares in Catella AB and 66,667 warrants held in treasury expired without exercise. Accordingly, the number of shares in Catella AB will increase from 81,848,572 at year end to 84,115,238 at the record date 30 May 2018.

Board of Directors' statement on proposed dividend

The Parent Company's and Group's results of operations and financial position are good, as reported in the most recent Income Statement and Balance Sheet. 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 2017, the Group's equity/assets ratio is 30%. For the consolidated financial situation, the equity/assets ratio on the same date is 33%. The proposed dividend affects the equity/assets ratio only marginally. 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 standards that the operation's (the company and Group respectively) nature, scope and risks set 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, 2018

The Board of Directors of Catella AB (publ) proposes that the AGM 2018 approves the following guidelines for the compensation of 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.' The members of Group Management as of 30 April 2018 are Knut Pedersen (CEO), Marcus Holmstrand (CFO) and Johan Nordenfalk (COO). The guidelines apply to agreements entered after AGM resolutions and for amendments to existing agreements after this time.

The guidelines are to be subject to an annual review.

The company's commitments regarding variable salary to Group Management in 2017 could cost the company a maximum of SEK 9 M, assuming maximum outcome. 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. Overall compensation should be on commercial terms and competitive, and in proportion to responsibility and authority. Variable remuneration is based on profit in relation to individually defined qualitative and quantitative targets and must not exceed 24 months' salary. Upon termination of employment by the company, as an aggregate total, dismissal pay and severance pay may not exceed 24 months' salary. Pension benefits should be defined contribution. The Board is entitled to depart from these guidelines in individual cases in special circumstances.

Consolidated Income Statement

SEK M	Note	2017 Jan–Dec	2016 Jan–Dec
Net sales	6	2,461	2,007
Other operating income	7	16	20
		2,477	**2,027**
Direct assigment costs and commission		-479	-417
Other external expenses	8	-496	-441
Personnel costs	10, 11, 12	-1,030	-878
Depreciation and amortisation	9	-28	-18
Other operating expenses	13	-29	-14
Operating profit/loss before acquisition-related items and items affecting comparability		**414**	**258**
Items affecting comparability	9, 18	-53	0
Operating profit/loss		**361**	**258**
Interest income	14	23	24
Interest expenses	14	-17	-11
Other financial income	14	41	260
Other financial expenses	14	-12	-34
Financial items—net		34	239
Profit/loss before tax		**395**	**497**
Tax	15	-111	-141
Net profit for the year		**284**	**357**
Profit/loss attributable to:			
Shareholders of the Parent Company		192	272
Non-controlling interests	20	92	85
		284	**357**
Earnings per share attributable to Parent Company shareholders, SEK	16		
- before dilution		2.35	3.32
- after dilution		2.17	3.06
Number of shares at end of year		81,848,572	81,848,572
Average weighted number of shares before and after dilution		88,648,572	88,775,608

Consolidated Statement of Comprehensive Income

SEK M	2017 Jan–Dec	2016 Jan–Dec
Net profit for the year	284	357
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 available for sale	9	3
Exchange-rate differences	31	36
Other comprehensive income for the year, net of tax	**40**	**39**
Total comprehensive income for the year	**325**	**395**
Total comprehensive income attributable to:		
Shareholders of the Parent Company	231	310
Non-controlling interests	93	86
	325	**395**

Consolidated Statement of Financial Position

SEK M	Note	2017 31 Dec	2016 31 Dec
Assets			
Non-current assets			
Intangible assets	18	390	412
Tangible assets	19	27	26
Investments in associated companies	20	45	51
Financial assets available for sale	22	59	45
Financial assets at fair value through profit or loss	23	379	337
Long-term loan receivables	25	586	756
Deferred tax assets	15	99	97
Other non-current receivables	26	21	19
		1,606	**1,743**
Current assets			
Accounts receivable	24	387	268
Current loan receivables	25	779	577
Tax assets		4	16
Other receivables		78	24
Prepaid expenses and accrued income	27	255	182
Derivatives	21	14	11
Financial assets at fair value through profit or loss	23	95	77
Client funds		0	3
Cash and cash equivalents	28	3,177	2,750
		4,790	**3,907**
Total assets		**6,396**	**5,651**
EQUITY AND LIABILITIES			
Equity	29		
Share capital		164	164
Other contributed capital		253	253
Reserves		-77	-107
Retained earnings incl. net profit/loss for the year		1,389	1,253
Equity attributable to shareholders of the Parent Company		**1,729**	**1,563**
Non-controlling interests	20	214	167
Total equity		**1,943**	**1,730**
Liabilities			
Non-current liabilities			
Borrowings	30	0	0
Long-term loan liabilities	30	494	0
Deferred tax liabilities	15	38	34
Other provisions	31	4	3
		537	**37**
Current liabilities			
Borrowings	30	122	260
Current liabilities	30	2,784	2,806
Derivatives	21	5	7
Accounts payable		244	207
Liabilities to associated companies		2	1
Tax liabilities		116	79
Other liabilities		52	51
Accrued expenses and deferred income	32	590	469
Client funds		0	3
		3,917	**3,884**
Total liabilities		**4,453**	**3,921**
Total equity and liabilities		**6,396**	**5,651**

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

Consolidated Statement of Cash Flows

SEK M		2017 Jan–Dec	2016 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		395	497
Adjustments for non-cash items:			
Other financial items		-28	-227
Depreciation and amortisation	9	28	18
Items affecting comparability - Impairment of intangible assets		53	-
Impairment current receivables	13	6	12
Interest income from loan portfolios	14	-22	-22
Acquisition expenses		2	1
Profit/loss from participations in associated companies	7	20	1
Capital gain on tangible assets		0	-
Capital gain on intangible assets	7	0	-6
Personnel costs not affecting cash flow	10	55	35
Paid income tax		-86	-126
Cash flow from operating activities before changes in working capital		**426**	**184**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		-234	-533
Increase (+)/decrease (–) of operating liabilities		106	212
Cash flow from operating activities		**297**	**-137**
Cash flow from investing activities			
Investment in tangible assets	19	-12	-10
Investment in intangible assets	18	-40	-42
Acquisition of subsidiaries, net of cash and cash equivalents acquired	37	-5	-57
Sale of subsidiaries, net of cash disposed	37	0	0
Acquisition of associated companies	20	-12	-25
Investment in financial assets		-50	-110
Sales of financial assets		21	227
Cash flow from loan portfolios		23	71
Dividends from investments		1	0
Cash flow from investing activities		**-74**	**55**
Cash flow from financing activities			
Re-purchase of share warrants		-	-22
New share issue		-	1
Borrowings	36	493	0
Repayment of loans	36	-202	0
Dividend		-65	-49
Transactions with non-controlling interests		-87	-56
Cash flow from financing activities		**139**	**-126**
Cash flow for the year		**362**	**-208**
Cash and cash equivalents at beginning of year		2,750	2,854
Exchange rate differences in cash and cash equivalents		66	104
Cash and cash equivalents at end of year	28	**3,177**	**2,750**

SEK 2,111 M (2,052) 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 Equity

SEK M	Equity attributable to shareholders of the Parent Company						
	Share capital	Other contributed capital *	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests **	Total equity
Opening balance as of 1 January 2017	**163**	**253**	**-107**	**1,253**	**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			30	9	39	1	40
Total comprehensive income for the year			**30**	**201**	**231**	**93**	**325**
Transactions with shareholders							
Transactions with non-controlling interests						-46	-46
Warrants issued							
Re-purchase of warrants issued							
New share issue							
Dividend				-65	-65		-65
Closing balance as of 31 December 2017	**164**	**253**	**-77**	**1,389**	**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 has a total of 7,000,000 outstanding warrants, of which 200,000 held in treasury. There were no transactions involving warrants in 2017. In the Consolidated Accounts, the repurchase of warrants is reported under other contributed capital to the extent it consists of non-restricted equity, and the remainder against retained earnings.

SEK M	Equity attributable to shareholders of the Parent Company						
	Share capital	Other contributed capital *	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests **	Total equity
Opening balance as of 1 January 2016	**163**	**250**	**-142**	**1,048**	**1,319**	**117**	**1,436**
Total comprehensive income for the year, January - December 2016							
Net profit for the year				272	272	85	357
Other comprehensive income, net of tax			35	3	38	1	39
Total comprehensive income for the year			**35**	**274**	**310**	**86**	**395**
Transactions with shareholders							
Transactions with non-controlling interests				-9	-9	-37	-46
Warrants issued		3			3		3
Re-purchase of warrants issued				-12	-12		-12
New share issue	0			1	1		1
Dividend				-49	-49		-49
Closing balance as of 31 December 2016	**163**	**253**	**-107**	**1,253**	**1,563**	**167**	**1,730**

* 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. In 2016, the Swedish Corporate Finance operations were restructured from a trading partnership by means of a business transfer at market value to a limited company controlled by Catella, in which the employees own 40% of the shares.

In 2016, a total of 1,440,000 warrants were repurchased at market value from employees at a total purchase price of SEK 11.9 M. 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. Furthermore, in 2016 9,954,000 warrants expired without being utilized, all of which were held in treasury. In addition, 120,000 warrants were exercised to subscribe for the same number of new shares at a price of SEK 11 per share, and 300,000 warrants held in treasury were sold to a key member of staff for a purchase price of SEK 3.1 M. As of 31 December 2016, the parent company had a total of 7,000,000 warrants outstanding, of which 200,000 in treasury.

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 and Banking. 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 2017 were approved for publication by the Board of Directors and the Chief Executive Officer on 30 April 2018 and will be presented for adoption by the Annual General Meeting on 28 May 2018.

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, Recommendation 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 held for sale and financial assets and liabilities (including derivative instruments) 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. 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.

From 2017, acquisition related items are no longer reported separately, as management does not judge the information to be essential. Instead, these items are reported as depreciation and amortization in the Consolidated Income Statement. Accordingly, the item Profit before acquisition-related items used in the Annual Report 2016 has been removed from the accounts.

Introduction and effects of new and revised IFRS relating to 2017

No new standards were introduced in 2017 that had any material impact on the consolidated financial statements.

New standards and interpretations not yet adopted by the Group

A number of new standards and interpretations come into effect for financial years beginning after 1 January 2016 and have not been applied in the preparation of these financial statements. None of these are expected to have any material impact on the consolidated financial statements with the exception of the following:

IFRS 9 "Financial Instruments" deals with the classification, measurement and recognition of financial assets and liabilities and introduces new regulations for hedge accounting. The complete version of IFRS 9 was issued in July 2014. It 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, although it has been simplified in some respects. There are three measurement categories for financial assets, amortised cost, fair value recognised in Other Comprehensive Income and fair value recognised through profit or loss. The presentation of an instrument depends on the company's business model and the characteristics of the instrument. Investments in equity instruments are recognised at fair value through profit or loss but there is also an option to recognise the instrument at fair value in Other Comprehensive Income on first-time recognition. In such cases, no reclassification to the Income Statement will occur when the instrument is sold. IFRS 9 also introduces a new model for calculating credit loss provisions arising from expected credit losses. 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. The standard will apply from financial years beginning 1 January 2018. Early adoption is permitted.

The Group has evaluated the effects of the introduction of the standard and judges that the new presentation of financial assets would not have an impact on the reporting of financial assets in the 2018 financial report. The new impairment model for the calculation of credit loss reserves will impact the Group, mainly in Catella Bank. The reserve is expected to correspond to anticipated losses over the useful life of receivables. In connection with the transition to the new regulatory framework, increased reserves of SEK 2.5 M were posted to retained earnings on 1 January 2018.

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 requirements mean that information relating to nature of income, date of settlement, uncertainty associated with revenue recognition and cash flow attributable to the company's customer contracts must be presented.

Revenue as defined by IFRS 15 is reported when the customer gains control over the sold good or service and is able to utilise and obtains benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the associated SIC and IFRIC. IFRS 15 is effective from 1 January 2018. Early adoption is permitted.

The Group has evaluated the effects of the introduction of the new standard and judges that the standard will not have a material effect on financial reporting in addition to increased disclosure requirements. No adjustments of opening balances of comparable figures will be made.

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. The Group has not yet evaluated the effects of introducing the standard. The Group does not intend to apply early adoption of the standard and has not yet evaluated the effects of the introduction of the standard. The Group 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 costs 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 purchase 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, on an acquisition-by-acquisition basis, measured at either fair value or at the proportionate share of the net assets of the acquired business held without a controlling influence. All acquisition-related transaction costs are expensed. These costs are recognised in the Group under the item "other external expenses" in profit or loss.

Intragroup 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 sold 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 the 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 taken into consideration as an indication that the transferred asset requires impairment. Shares of profits of associated companies are recognised in the Consolidated Income Statement under "Net 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 defined four business areas, which 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. IFRS 8 permits that two or more operating segments may be merged to one, providing that they have similar accounting characteristics, and are also similar in terms of the character of products and services, the character of production process, customer categories, distribution, and the extent to which operations, where applicable, are affected by various regulatory structures and risks.

Based on this, Catella has defined the Corporate Finance (consisting of the Corporate Finance operating segment) and Asset Management and Banking (consisting of the combined Property Investment Management, Equity, Hedge and Fixed Income Funds, and Banking operating segments), as the Group's reportable 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 same accounting policies as applied for the Group.

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 securities in foreign currencies that have been classified as financial assets available for sale have been allocated among translation differences, due to the change in the original cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised through profit or loss.

Translation differences for non-monetary financial assets and liabilities, such as shares measured at fair value through profit or loss, are recognised through profit or loss as a portion of fair value gains/losses. Translation differences for non-monetary financial assets such as equities classified as financial assets available for sale are entered in the fair value reserve through 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 closing day rates.

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 recover- able 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 annually to identify any impairment and is recognised at cost less accumulated impairment losses. Impairment of goodwill 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 five years and corresponds to an annual amortisation rate of 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: A deferred tax liability is 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 asset'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 categories: financial assets at fair value through profit or loss, loan receivables, accounts receivable, financial assets available for sale and financial assets held to maturity. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets when they are first recognised.

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

Financial assets measured at fair value through profit or loss are financial assets held for trading or financial assets that have been identified as an item measured at fair value on initial recognition (fair value option).

Financial assets held for trading: A financial asset is classified in this category if it was primarily acquired with the aim of being sold in the near future. Those financial assets that are measured at fair value through profit or loss and that are held for trading are the Group's bond and fund portfolios, business-related shareholdings, and the derivatives that have not been identified as hedges in accordance with IAS 39 financial instruments. Assets in this category are normally classified as current assets. However, most of the holdings in the Nordic Light Fund, and other fund holdings, will be sold after 12 months, which is why this holding has been classified as non-current.

Items measured at fair value (fair value option): A financial asset that on initial recognition has been identified as an item measured at fair value is classified in this category. The loan portfolios are classified in this category since this corresponds to the original recognition and Catella's monitoring of these assets. 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.

(b) Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives, that have determined or determinable payments and that are not listed on an active market. 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.

(c) Financial assets held for sale

Financial assets held for sale are assets that are not derivatives and where the assets have been identified as available for sale or have not been classified in any of the other categories. 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.

(d) Assets held to maturity

Financial assets held to maturity are financial assets that are not derivatives, that have determined or determinable payments and determined maturity periods and that Group Management intends and is able to hold until maturity. If the Group were to sell more than an insignificant amount in the category of financial assets held to maturity, the whole category would have to be reclassified (termed tainting) to the category of financial assets available for sale. Financial assets held to maturity are included in non-current assets except for the cases in which the maturity date is less than 12 months from the end of the reporting period, when they are classified as current assets. At present, Catella does not hold any assets 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 available for sale and financial assets measured at fair value through profit or loss are recognised at fair value after the acquisition date. Loan receivables, accounts receivable and assets held to maturity 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. After the acquisition date, assets held to maturity are measured at amortised cost by applying the effective interest method. Dividend income from securities in the category of financial assets measured at fair value through profit or loss are recognised through profit or loss as a portion of other financial items when the Group's right to receive payments has been determined. Translation differences from monetary securities are recognised through profit or loss, while translation differences from non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as financial assets available for sale are recognised in other comprehensive income. When securities classified as financial assets available for sale are sold or impaired, the accumulated adjustments of fair value are transferred from equity to the income statement as gains and losses from financial instruments.

Interest on available-for-sale securities calculated in accordance with the effective interest method is recognised through profit or loss as a portion of interest income. Dividends from available-for-sale equity instruments are recognised through profit or loss as a portion of other financial items when the Group's right to receive payments has been determined.

Impairment of financial assets

The company evaluates whether there is objective evidence that a financial asset or Group of assets is impaired at each reporting date. Objective evidence may be firstly, observable circumstances that have occurred and that have a negative impact on the possibility of recovering the cost, or secondly a significant or protracted decrease in the fair value of an investment in a financial investment classified as an available-for-sale financial asset.

The impairment of receivables is measured on the basis of historical experience of bad debt loss on similar receivables. Accounts receivable subject to impairment are recognised at the present value of expected future cash flows although 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 in accordance with IAS 39 financial instruments takes place for the hedging transactions executed by Catella, except for hedging of a net investment in a foreign operation (hedging of net investment).

Hedging of net investment

The share of gains or losses from a hedging instrument that is deemed 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 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 eliminated from the Income Statement and 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 any reserves for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other short-term investments in securities, etc. 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 of less 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) Compensation on termination

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 payment

On a few occasions, the Group has issued warrants that senior managers and other key employees of the Group received as part payment for the acquisition of subsidiaries. Warrants outstanding as of the reporting date were issued in 2014 within the framework of an incentive program for the CEO and senior managers. These warrants were settled on 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 provision 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 the 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 intragroup sales. The Group recognises revenue when its amount can be reliably measured, it is probable that future financial benefits will flow to the company and specific criteria have been satisfied for each of the Group's operations as 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, 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 such items as Catella Bank's credit card and acquisition 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 and acquiring 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. When the value of a receivable in the category of loan receivables and accounts receivable decreases, the Group decreases the carrying amount to the recoverable amount, which comprises the estimated future cash flow discounted by the original effective interest for the instrument, and continues to dissolve the discount effect as interest income. Interest income on impaired loan receivables and accounts receivable is recognised at the original effective interest rate.

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. For 2017, items affecting comparability were SEK 53 M, of which SEK 20 M relate to impairment of goodwill and SEK 33 M to impairment of other intangible assets, both attributable to Catella Bank.

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

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, which is why the risk management of significant subsidiaries is described below.

With regard to Asset Management and Banking operations, these subsidiaries include a dedicated risk management function that is independent from business operations, with the relevant managers reporting to each subsidiary's 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 and Banking 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 regulations and customer agreements. This function is independent of the business activities of each subsidiary and its managers report to the Managing Director and directly to the Board of the subsidiary. Group Management is represented in the subsidiary Boards and reports on to the Parent Company's Board.

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 and banking are conducted in the Group's Asset Management and Banking operating segment. 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 the credit issuance 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 funds. 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 278 M (252) at year-end. Fund investments, described in more detail in Note 23, are mainly exposed to market price risk on the value of the funds and the holdings in them. Fund investments had a book value, also market value, of SEK 127 M (102) at year-end.

Liquidity risk

Liquidity risk is the risk that within a defined period of time the Group is unable to refinance its existing assets or is unable to meet more stringent liquidity requirements. Liquidity risk also includes the risk that the Group could be forced to borrow at unfavourable interest rates or sell assets at a loss to be able to fulfil its payment obligations.

As of 31 December 2017, the short-term liquidity reserve (cash and cash equivalents, short-term investments and committed but unutilised credit facilities) amounted to 135% (143) of consolidated annual sales and 98% (93) of consolidated borrowing and loan liabilities. Adjusted for Catella Bank, the short- term liquidity reserve was 60% (51) of annual sales and 242% (404) of borrowing and loan liabilities. As of 31 December 2017, the average time to maturity for short-term borrowing was 17 days (10).

In the Group's investments in loan portfolios, the primary financial obligations 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 few of the 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 at the end of 2017 and 2016.

Liquidity report as of 31 December 2017-2016

31 December 2017	< 3 months	4 to 12 months	Betwee n 1 and 3 yrs.	Betwee n 3 and 5 yrs.	> 5 yr.	Withou t maturit y	Total
Borrowings	-122		0				-122
Loan liabilities	-2,264	-173			-494	-347	-3,278
Derivatives	-5						-5
Accounts payable and	-299						-299
Total outflows *	**-2,690**	**-173**	**0**	**0**	**-494**	**-347**	**-3,704**
Accounts receivable and other receivables	420	45					465
Loan receivables	592	187	22	94	423	47	1,365
Derivatives	12	2					14
Financial assets at fair value through profit or loss **	83	8	158	80	20		350
Total inflows *	**1,107**	**242**	**181**	**174**	**443**	**47**	**2,193**
Net cash flow, total	**-1,583**	**69**	**180**	**174**	**-51**	**-300**	**-1,511**

31 December 2016	< 3 months	4 to 12 months	Betwee n 1 and 3 yrs.	Betwee n 3 and 5 yrs.	> 5 yr.	Withou t maturit y	Total
Borrowings	-260		0				-260
Loan liabilities	-2,315	-200				-292	-2,806
Derivatives	-7						-7
Accounts payable and	-259						-259
Total outflows *	**-2,841**	**-200**	**0**	**0**	**0**	**-292**	**-3,333**
Accounts receivable and other receivables	289	3					292
Loan receivables	552	25	219	517	4	15	1,332
Derivatives	11						11
Financial assets at fair value through profit or loss **	5	15	80	90	63		252
Total inflows *	**856**	**43**	**299**	**607**	**67**	**15**	**1,887**
Net cash flow, total	**-1,985**	**-157**	**298**	**607**	**67**	**-277**	**-1,446**

Net cash flows reported above totalled SEK -1,511 M at the end of 2017 (2016: SEK -1,446 M), to be compared to consolidated cash and cash equivalents of SEK 3,177 M (2016: SEK 2,750 M) on the same date.

* The amounts indicated for 2017 relate to undiscounted contracted cash flow while the amounts indicated for 2016 relate to discounted contracted cash flow. A majority of the Group's contracted cash flows have short maturities of less than

12 months, implying that any discrepancies between discounted and undiscounted cash flow is not of material significance. In the event where a period has been indicated, this relates to EETI's loan portfolios, see also Note 23.

For outflows, estimated interest payments are approximately SEK 19 M in 2018. For inflows, estimated interest income including interest on loan portfolios is approximately SEK 46 M in 2018.

** The majority is 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 2017, the Parent Company issued a new five-year unsecured bond loan of SEK 500 M, with a framework amount of SEK 750 M. In this connection, the Parent Company exercised its option to early redemption of the existing bond loan maturing in September 2017.

Catella Bank continuously monitors its liquidity in accordance with the rules governing the Bank's operations and continuously monitors compliance with internal and external regulatory or legal standards.

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 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. 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. The 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 a reference 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 and Banking

Consistent with the above, trading in financial instruments is exclusively client based, which is why the market price risk is regarded as limited. Catella Bank is indirectly exposed to market price risk on the value of security submitted for client loans and other commitments.

Interest rate 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 mainly raised loan financing in SEK at variable interest for its own operational financing. Detailed information on these liabilities is provided in Note 30. The Parent Company analyses and continuously monitors its exposure to interest rate risk.

Interest rate risk is a particular focus within Catella Bank. However, the Bank's interest rate risk exposure is limited because there are usually matching fixed income investments subject to similar terms as interest commitments, alternatively with an interest margin favouring Catella Bank. Catella Bank continuously analyses and 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 2017, the Group had a net cash position of SEK 1,428 M (1,271). The Group's net cash position excluding Catella Bank—the rest of the Group does not have access to Catella Bank's cash and cash equivalents—was SEK 854 M (753). The Group's interest coverage ratio excluding Catella Bank, a measure of the ability to pay interest expenses, was 25.1 (25.8) as of 31 December 2017.

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

Amount, SEK M	2017 31 Dec	2016 31 Dec
EUR liabilities	-761	-977
USD liabilities	-723	-544
SEK liabilities	-1,590	-1,273
GBP liabilities	-153	-142
CHF liabilities	-88	-69
NOK liabilities	-12	-14
DKK liabilities	-26	-15
HKD liabilities	0	-
Liabilities in other currencies	-54	-41
Total interest-bearing liabilities	**-3,406**	**-3,074**
Term (days)	17	10
Average interest expense for the year,%	0.6	0.5
Interest +0.5%	1.1	1.0
Net effect on profit or loss of 0.5% increase, SEK M	-17	-15
Interest -0.5%	0.1	0.0
Net effect on profit or loss of 0.5% decrease, SEK M	17	15

Amount, SEK M	2017 31 Dec	2016 31 Dec
EUR assets	2,173	1,936
USD assets	700	550
SEK assets	1,513	1,484
GBP assets	220	200
CHF assets	85	69
NOK assets	15	22
DKK assets	67	42
HKD assets	8	-
Assets in other currencies	54	43
Total interest-bearing assets	**4,834**	**4,345**
Term (days)	44	47
Average interest income for the year,%	1.5	1.4
Interest +0.5%	2.0	1.9
Net effect on profit or loss of 0.5% increase, SEK M	24	22
Interest -0.5%	1.0	0.9
Net effect on profit or loss of 0.5% decrease, SEK M	-24	-22

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.

Catella Bank conducts card operations, in which holders of debit and credit cards execute transactions in different currencies that are settled in the Bank's clearing system.

This settlement is daily in foreign currencies. To reduce currency risk in currencies other than Catella Bank's functional currency (EUR) the accumulated positions are sold daily.

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 1,400 M (923) as of 31 December 2017. 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's foreign net assets upon translation to SEK. Catella does not hedge such foreign net investment in subsidiaries.

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 the SEK. Changes to net liquidity/net debt and in capital employed resulting from exchange rate fluctuations are reported in other comprehensive income, and consequently do not affect profit for the year. In 2017, the translation difference amounted to SEK 31 M (36). Given a change in foreign exchange rates as of year-end of +/–10%, the translation difference would increase/decrease by SEK 140 M (92).

Capital employed and financing by currency, 2017–2016

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	-110	61	1	0	6	-16	3	0	-55	570	515	509	520
Net liquidity (+)/Net debt (–)	1,412	-23	67	-3	4	41	8	0	1,504	-76	1,428	1,579	1,278
Non-controlling interests	-29		0	0	-9	-10	0	0	-49	-165	-214	-219	-209
Net exposure	**1,272**	**38**	**67**	**-3**	**0**	**15**	**11**	**0**	**1,400**	**328**	**1,729**	**1,869**	**1,589**
Net debt/equity ratio	-1.1	0.6	-1.0	-1.0	-0.4	-1.6	-0.7	-1.0	-1.0	0.2	-0.7	-0.8	-0.7

31 December 2016	EUR	USD	GBP	CHF	NOK	DKK	HKD	Other currencies	Total foreign currencies	SEK	Total, group	Total, group +10%	Total, group –10%
Capital employed	-149	46	1	0	4	-4	-	0	-102	561	459	449	469
Net liquidity (+)/Net debt (–)	959	6	58	0	8	27	-	2	1,060	211	1,271	1,377	1,165
Non-controlling interests	-16			0	-10	-9	-		-34	-132	-167	-170	-163
Net exposure	**795**	**52**	**59**	**0**	**2**	**14**	**-**	**2**	**923**	**639**	**1,563**	**1,655**	**1,471**
Net debt/equity ratio	-1.2	-0.1	-1.0	-0.2	-0.7	-1.2	-	-1.0	-1.1	-0.3	-0.7	-0.8	-0.7

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 intragroup 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 incoming payment flows. 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 are approved in accordance with the authorisation order in place in the Group, specified further for Asset Management and Banking below. 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 client losses and bad debt, which were 0.30% (0.54) of Group net sales in 2017.

Credit risk—Asset Management and Banking

Credit risk is Catella Bank's greatest risk exposure. Credit risk is the risk exposure to lending and overdrafts offered to clients, credit card receivables, card payment services and other commitments to Catella Bank's counterparties.

- Loans and overdraft facilities are structured as secured loans, secured against collateral in cash and cash equivalents, listed securities, mortgages and/or guarantees. The bank's credit policy governs credit decisions and the terms and governance applying to the management process. All loans are subject to approval by the bank's Credit Committee, which consists of members of the bank's management. Larger loans or loans subject to special terms should be approved by the Board of Directors' Credit Committee. Group Management is represented on Catella Bank's Board of Directors, which accordingly, actively participates in making these decisions. At all times, credits must be secured against adequate security and the market value of assets pledged, which is monitored on an ongoing basis.
- Credit card receivables arise when the bank issues credit cards to customers of banking institutions located within and outside Luxembourg. Catella Bank is party to agreements with several international banks where Catella Bank offers credit card services to these institutions' major private high net worth clients. Credit risk can arise in relation to these receivables, but is covered by guarantees and undertakings from the banking institutions using the card services and the cardholders themselves.
- Card payment services relate to the bank's card acquiring operations. In the card acquiring operations, international retailers can use Catella Bank for clearing through the VISA/MasterCard payment platform, often through Payment Service Providers (PSP), who intermediate payment services for e-commerce operators. In this process, the bank handles the payment flow between card issuing banks, cardholders and retailers. Coincident with insolvencies, bad debts can arise in the card acquiring operations if the card acquiring retailer fails to fulfil its undertaking to deliver goods or services for which payment has been received or to cover refunds for returned items according to trading guarantees. To reduce credit risk for card acquiring customers, Catella Bank retains a portion of the turnover in the card system as security from these businesses, or obtains a guarantee from the PSP relating to the clients' outstanding payment obligations. For more information on frozen funds, see Note 33.

In order to secure payment transfers, manage liquidity positions and conduct securities trading, Catella Bank has investments with a number of financial counterparties. These credit institutions and banks have high credit ratings with nominal limits determined by the bank's Board of Directors, within the confines of the applicable regulatory framework.

The Bank provides mortgages against commercial properties. The loan-to-value ratio is conservative and the bank focuses on Catella's main markets in the Nordic countries.

Catella Bank branch office issues credit against collateral coincident with its clients' purchases of equities and fund units. The credit risk associated with lending against collateral in equities and fund units is regarded as very limited because Catella Bank branch office applies the same prudent leveraging rules as the Bank. Credit decisions are made by the Bank. The CEO has the overall responsibility for Catella Bank branch office's credit risk exposure. Credit risk represents Catella Bank branch office's most significant risk exposure. Despite this, no credit losses have been reported by the branch office in 2017.

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 2017, 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 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 the debtors' advance payment of mortgages used as collateral for certain investments could adversely affect the income earned 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 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 default of mortgages used as collateral for certain investments could adversely affect the revenue accrued by Catella on these investments.

Credit rating of financial assets

The following table states the credit ratings of the financial assets of the Group.

Credit ratings of financial assets

31 December 2017	Accounts receivable	Loan receivables	Derivatives	Assets available for sale	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA					28	475	503
AA+			10		10	339	359
AA						30	30
AA-	1					843	843
A+	1		4	59		320	384
A	46					116	163
A-	1				10	568	579
BBB+	1					1	2
BBB	1				0	24	25
BBB-	0					75	75
BB+							0
BB							0
B+							0
B	0					6	7
	51	**0**	**14**	**59**	**48**	**2,797**	**2,970**
Counterparties without external credit ratings							
Company	262	1,112		0	20	31	1,426
Funds	59				124		183
Financial companies	2				3	349	354
Public administration	1						1
Private individuals	12	530					542
	336	**1,643**	**0**	**0**	**147**	**380**	**2,506**
Total	**387**	**1,643**	**14**	**59**	**196**	**3,177**	**5,476**

31 December 2016	Accounts receivable	Loan receivables	Derivatives	Assets available for sale	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA	0				28	445	473
AA+	0		8		10	315	332
AA	1					112	112
AA-	0					514	514
A+	0		3	45		408	456
A	50					288	339
A-	1				10	30	41
BBB+	7					198	205
BBB	1						1
BBB-	0					12	12
BB+						6	6
BB-	0				0		1
B+							0
B							0
	61	**0**	**11**	**45**	**48**	**2,327**	**2,492**
Counterparties without external credit ratings							
Company	156	1,011		0	12	28	1,207
Funds	29				102		131
Financial companies	1					395	396
Public administration	9						9
Private individuals	12	573					585
	207	**1,584**	**0**	**0**	**114**	**423**	**2,329**
Total	**268**	**1,584**	**11**	**45**	**163**	**2,750**	**4,821**

* 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	
	2017	**2016**	**2017**	**2016**
Sweden	1,805	1,786	169	158
Luxembourg	1,685	1,498	1,167	977
Germany	328	175	128	118
France	303	252	102	75
Portugal	189	131	9	3
Spain	166	124	10	9
Monaco	149	123	618	542
Switzerland	136	126	470	480
Other countries	716	605	582	541
Total	**5,476**	**4,821**	**3,256**	**2,904**

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 is also appropriate. 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 cash and equity. As of 31 December 2016, the Group excluding Catella Bank, whose cash and cash equivalents are not available to the Group, had a net cash position. As of 31 December 2017, net cash in relation to Group equity was 0.4 (0.4).

Part of the Group's operations conduct licensable operations, regulated by the financial supervisory authorities of the relevant countries of fiscal domicile. Existing regulations and the rapid development of the regulatory framework are generally complex, and particularly for Catella's banking operations. These regulations set stringent, and in the future, still more stringent standards on licensable operations, as well as on liquidity and capital reserves. Compliance with these regulatory structures is a pre-requisite for licensable operations. Catella works continuously to ensure compliance with current regulatory structures, and prepares for compliance with forthcoming 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. For Catella's consolidated financial situation, the tier 1 capital ratio and the total capital ratio was 3.7% (2.2) 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 2017.

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 that use 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, fund holdings and Catella Bank's holding of preference shares in Visa Inc.

Valuation techniques that use 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, which was measured based on forecast discounted cash flows, see also Note 23. This category also includes units in the Nordic Light Fund, where the assets also comprise securitized loan port- folios, for further information see Note 23, and unlisted equity holdings.

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 2017

31 December 2017	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
Assets				
Derivatives		14		14
Financial assets available for sale		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**

The Group's assets and liabilities at fair value as of 31 December 2016

31 December 2016	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
Assets				
Derivatives		11		11
Financial assets available for sale		45		45
Financial assets at fair value through profit or loss	57	87	270	414
Total assets	**57**	**143**	**270**	**470**
Derivatives		7		7
Total liabilities	**0**	**7**	**0**	**7**

Changes in instruments in the category of valuation techniques using non-observable market data in 2017 and 2016:

	2017	2016
	Assets at fair value through profit or loss	Assets at fair value through profit or loss
As of 1 January	270	320
Investments	11	4
Disposals	-3	-26
Amortisation	-14	-61
Gains and losses recognised through profit or loss	36	20
Exchange rate differences	8	13
As of 31 December	**309**	**270**

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.

Critical estimates and assumptions for accounting purposes

The Group makes estimates and assumptions of 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 276 M (292) 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 test conducted in 2016 resulted in impairment of goodwill of SEK 20 M attributable to Catella Bank. In addition, other intangible assets attributable to Catella Bank were subject to impairment of SEK 33 M. For more information, see Note 18.

Measurement of accounts receivable, loan receivables, reserves for losses on bad debt and loan receivable losses and other commitments to counterparties

Accounts receivable and loan receivables total SEK 1,752 M (1,601) and thus jointly constitute a significant item in the Statement of Financial Position. Accounts receivable and loan receivables are recognised at net amortised cost after provisions for losses on accounts receivable. Provisions for accounts receivable losses of SEK -2 M (-8) and loan receivable losses of SEK -12 M (-14) are subject to critical estimates and judgements. There is more information on credit risk in accounts receivable and loan receivables in Notes 3, 24 and 25. In addition, there are undertakings for unutilised, granted loan credits of SEK 2,668 M (2,366) that are described in Note 35 and credit risk for card acquisition customers and counterparty risk in card and payment systems. If the assumptions, which are based on historical statistics and individual judgements, were to differ from final outcomes, the provisions for these risks could prove insufficient and additional costs could thus arise in upcoming periods.

Measurement of securitised loan portfolios

At 31 December 2017, the value of Catella's loan portfolios was SEK 278 M (252). 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 likelihood of whether the assumptions could be erroneous and thereby lead to erroneous valuation of the portfolio. For further information and a sensitivity analysis, refer to Notes 3 and 23.

Measurement of Nordic Light Fund

Nordic Light Fund is a fund product managed by Catella Bank which contains securitised loan portfolios. As of 31 December 2017, the value of Catella's units in Nordic Light Fund totalled SEK 17 M (14). The valuation of the loan portfolio is based on a large number of parameters including estimated future cash flows for the loan portfolios in line with the description above of securitised loan portfolios. Changes in the assessment underlying the chosen parameters could result in a change of the fair value of the fund units.

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. The 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.

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 several 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

Catella has initiated a strategic review of its card acquiring activities in Catella Bank. On this basis, the client portfolio will be reduced and strategic alternatives investigated for the remainder of the client portfolio. Income in the card acquiring operations is expected to decrease by some SEK 70 M annually from the end of the first quarter 2018. The strategic review resulted in impairment of goodwill of SEK 20 M and impairment of other intangible assets of SEK 33 M as of 31 December 2017. The valuation of Catella Bank's assets and liabilities as of year end represent Catella's best estimate at the time of publication of this Annual Report. The actual outcome of the review may result in a need for further impairment of assets and a provision may be required for future measures and restructuring. The operations in Catella Bank are subject to a number of rules and regulatory requirements, both from the supervisory authority in Luxemburg, CSSF, and from licensors such as Visa and MasterCard where compliance is reviewed as part of ongoing operations. Catella judges that no material effects influencing the valuation of Catella Bank are imminent as a result of the completed or ongoing reviews.

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, SEK 69 M (67) was recognised as deferred tax assets based on a judgement of the Group's future utilisation of loss carry-forwards. The Group's overall loss carry-forwards amount to approximately SEK 615 M (645), which essentially, are attributable to operations in Sweden and have unlimited life. 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 and Banking operating 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 and Banking 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 and Banking. 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 re-invoicing 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, the Nordic countries and Continental Europe. Within 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 and Banking

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. Through the Banking business area, Catella also offers contemporary investment advice and asset management, as well as niche card and payment solutions for private banks and e-commerce companies, as well as serving as a card issuer and card acquirer. Through the Property Investment Management business area, Catella provides property funds mainly for institutional owners. Catella also offers asset management in the property sector, mainly for international investors and funds, as well as services in property-related development projects.

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

Income Statement by operating segment

	Corporate Finance		Asset Management and Banking		Other		Eliminations		Group	
SEK M	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	656	575	1,829	1,461	16	11	-40	-40	2,461	2,007
Other operating income	3	11	15	11	0	0	-2	-2	16	20
	659	**586**	**1,844**	**1,473**	**16**	**12**	**-42**	**-42**	**2,477**	**2,027**
Direct assigment costs and commission	-74	-64	-417	-374	-	-	12	21	-479	-417
Other external expenses	-137	-129	-346	-289	-35	-36	21	14	-496	-441
Personnel costs	-372	-322	-629	-532	-36	-30	7	6	-1,030	-878
Depreciation and amortisation	-4	-4	-24	-13	0	0	0	-	-28	-18
Other operating expenses	-2	-7	-9	-9	-20	0	2	2	-29	-14
Operating profit/loss before acquisition-related	**71**	**58**	**419**	**255**	**-75**	**-55**	**0**	**0**	**414**	**258**
Items affecting comparability	-	-	-53	-	-	-	-	-	-53	-
Operating profit/loss	**71**	**58**	**365**	**255**	**-75**	**-55**	**0**	**0**	**361**	**258**
Interest income	1	1	1	0	25	22	-3	0	23	24
Interest expenses	-3	0	-2	-1	-16	-10	3	0	-17	-11
Other financial income	2	2	12	235	27	24			41	260
Other financial expenses	0	-1	-4	-19	-8	-13			-12	-34
Financial items—net	0	2	7	215	27	22	0	0	34	239
Profit/loss before tax	**70**	**60**	**372**	**469**	**-47**	**-32**	**0**	**0**	**395**	**497**
Tax	-27	-10	-111	-132	27	1			-111	-141
Net profit for the year	**43**	**50**	**262**	**337**	**-20**	**-31**	**0**	**0**	**284**	**357**

Financial position by operating segment

	Corporate Finance		Asset Management and Banking		Other		Eliminations		Group	
SEK M	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Assets										
Non-current assets										
Intangible assets	63	62	271	300	56	50	0		390	412
Tangible assets	11	11	16	14	1	1	0		27	26
Investments in group companies	0	0	0	0	695	813	-695	-813	0	0
Investments in associated companies	0		0	51	44	1	0		45	51
Financial assets available for sale	0		59	45	0		0		59	45
Financial assets at fair value through profit or loss	0	0	114	91	265	246	0		379	337
Long-term loan receivables	0		586	756	0		0		586	756
Deferred tax assets	0	1	31	28	68	68	0		99	97
Non-current receivables from group companies	4		0	0	0		-4	0		
Other non-current receivables	5	5	16	15	0	0	0		21	19
	83	**79**	**1,093**	**1,300**	**1,129**	**1,178**	**-699**	**-813**	**1,606**	**1,744**
Current assets										
Accounts receivable	142	125	245	144	0				387	268
Receivables from group companies	2	7	8	2	311	51	-320	-61	0	0
Current loan receivables	0		779	577	0				779	577
Tax assets	1	12	3	4	0	0			4	16
Other receivables	8	6	65	13	5	8			78	27
Prepaid expenses and accrued income	20	12	227	164	9	6			255	182
Derivatives	0		14	11	0				14	11
Financial assets at fair value through profit or loss	0		48	48	46	29			95	77
Cash and cash equivalents	255	237	2,625	2,408	298	105			3,177	2,750
	428	**399**	**4,013**	**3,370**	**668**	**199**	**-320**	**-61**	**4,790**	**3,907**
Total assets	**511**	**478**	**5,106**	**4,670**	**1,798**	**1,377**	**-1,018**	**-874**	**6,396**	**5,651**
EQUITY AND LIABILITIES										
Equity attributable to shareholders of the Parent Company	120	254	931	859	1,372	1,263	-695	-813	1,729	1,563
Non-controlling interests	45	27	169	139	0	0			214	167
Total equity	**165**	**281**	**1,100**	**998**	**1,372**	**1,263**	**-695**	**-813**	**1,943**	**1,730**
Liabilities										
Non-current liabilities										
Borrowings	0	0			0				0	0
Long-term loan liabilities	0				494				494	0
Non-current liabilities to group companies	0	0	4		0		-4	0	0	0
Deferred tax liabilities			26	23	12	11			38	34
Other provisions	3	1	2	3					4	3
	3	**1**	**31**	**25**	**506**	**11**	**-4**	**0**	**537**	**37**
Current liabilities										
Borrowings	0		122	260	0				122	260
Current liabilities	0	0	2,784	2,606	0	200			2,784	2,806
Derivatives	0		5	7	0				5	7
Accounts payable	39	30	198	170	7	7			244	207
Liabilities to group companies	111	3	325	198	-116	-140	-320	-61	0	0
Liabilities to associated companies	0		2	1	0		0		2	-
Current tax liabilities	29	20	88	51	0	8	0		116	79
Other liabilities	29	29	23	21	1	5	0		53	54
Accrued expenses and deferred income	136	114	427	332	27	24			590	469
	343	**196**	**3,974**	**3,646**	**-80**	**103**	**-320**	**-61**	**3,917**	**3,884**
Total liabilities	**346**	**197**	**4,006**	**3,672**	**425**	**114**	**-324**	**-61**	**4,453**	**3,921**
Total equity and liabilities	**511**	**478**	**5,106**	**4,670**	**1,798**	**1,377**	**-1,018**	**-944**	**6,396**	**5,651**

Cash flow by operating segment

SEK M	Corporate Finance 2017	Corporate Finance 2016	Asset Management and Banking 2017	Asset Management and Banking 2016	Other 2017	Other 2016	Group 2017	Group 2016
Profit/loss before tax	70	60	372	469	-47	-32	395	497
Other financial items	-2	-1	-8	-216	-19	-10	-28	-227
Depreciation and amortisation	4	4	24	13	0	0	28	18
Items affecting comparability - Impairment of intangible assets	-	-	53	-	-	-	53	-
Other items not affecting cash flow	53	31	10	12	0	-22	63	21
Paid income tax	-22	-34	-54	-90	-9	-1	-86	-126
Change in operating capital employed	-64	-35	-108	-395	44	109	-129	-321
Cash flow from operating activities	**39**	**26**	**289**	**-206**	**-31**	**43**	**297**	**-137**
Cash flow from tangible and intangible non-current assets	-5	-2	-47	-49		0	-52	-52
Acquisition of subsidiaries, net of cash and cash equivalents		0	-1	-14	-4	-43	-5	-57
Cash flow from other financial assets	0	13	-20	96	2	55	-18	164
Cash flow from investing activities	**-5**	**11**	**-67**	**33**	**-2**	**11**	**-74**	**55**
Net borrowings, amortisation of loans	0	0	-	-	291	-	291	0
Re-purchase of share warrants, new share issue, dividends, contributions from, and payments to, non-controlling interests	-20	-26	-67	-30	-65	-70	-153	-126
Cash flow from financing activities	**-20**	**-26**	**-67**	**-30**	**226**	**-70**	**139**	**-126**
Cash flow for the year	**14**	**11**	**155**	**-203**	**192**	**-16**	**362**	**-208**

Disclosures by geographical market

SEK M	Total sales to external customers * 2017	Total sales to external customers * 2016	Total assets 2017	Total assets 2016	Non-current assets ** 2017	Non-current assets ** 2016
Sweden	1,074	981	2,280	2,202	663	838
Luxembourg	98	79	1,683	1,534	66	88
Germany	463	272	498	309	121	127
France	331	244	302	269	68	64
Other countries	496	432	987	769	153	146
Non-current assets not specified by country **	-	–	646	567	537	479
Total	**2,461**	**2,007**	**6,396**	**5,651**	**1,606**	**1,744**

* 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 INCOME STATEMENT

Specification of net sales

SEK M	2017	2016
Fund and Asset Management income	1,378	1,048
Brokerage income, Corporate Finance	690	639
Income from card operations	300	280
Asset Management net financial income/expense (see	41	29
Other income	52	12
	2,461	**2,007**

Specification of net financial income/expense in Asset Management and Banking

SEK M	2017	2016
Interest income		
Interest income on bank balances	7	4
Interest income on loan receivables	37	28
Other interest income	2	3
Other financial income		
Coupon, treasury	0	0
Capital gains on bonds in treasury	0	0
	45	**35**

Interest expenses		
Interest expenses on deposits from credit institutions	-3	-4
Interest expenses on other deposits	-1	-1
Other interest expenses	0	0
Other financial expenses	-	
Capital loss on bonds in treasury	-	0
	-4	**-6**
Total net financial income/expense	**41**	**29**

Items affecting comparability

Items affecting comparability relate to non-recurring items attributable to Catella Bank and are a result of the strategic review underway of the Bank's card acquiring operations. For 2017, items affecting comparability amounted to SEK 53 M, of which SEK 20 M relate to impairment of goodwill and SEK 33 M to impairment of other intangible assets mainly related to IT system that are judged to be in need of replacement or have limited useful lives. These items are included under Items affecting comparability in the Income Statement. The following table shows these items under the relevant items in the Consolidated Income Statement.

SEK M	2017	2016
Net sales	2,461	2,007
Other operating income	16	20
	2,477	**2,027**
Direct assignment costs and commission	-479	-417
Other external expenses	-496	-441
Personnel costs	-1,030	-878
Depreciation, amortisation & impairment losses	-81	-18
Other operating expenses	-29	-14
Operating profit/loss	**361**	**258**
Interest income	23	24
Interest expenses	-17	-11
Other financial income	41	260
Other financial expenses	-12	-34
Financial items—net	34	239
Profit/loss before tax	**395**	**497**
Tax	-111	-141
Net profit for the year	**284**	**357**

NOTE 7 OTHER OPERATING INCOME

SEK M	2017	2016
Recharged costs for company analysis	8	-
Capital gain on operating property development project	-	6
Compensation for litigation according to court verdict	-	6
Share of profit from associated companies	-	-1
Other	8	8
	16	**20**

NOTE 8 OTHER EXTERNAL COSTS

Compensation of auditors

SEK M	2017	2016
PwC		
Audit assignment *	10	10
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*4*	-
Audit activities other than audit assignment **	0	0
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	-	-
Tax advisory **	0	0
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*0*	-
Other services	5	5
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*3*	-
	16	**16**
Other audit firms		
Audit assignment	1	1
Audit activities other than audit assignment	-	-
Tax advisory	-	-
Other services **	-	0
	1	**1**
Total remuneration to auditors	**16**	**16**

* 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 IMPARIMENT OF TANGIBLE AND INTANGIBLE ASSETS

SEK M	2017	2016
Depreciation of tangible assets, Note 19	10	9
Amortisation of non-acquisition-related intangible assets, Note 18	14	4
Amortisation of acquisition-related intangible assets, Note 18	5	4
	28	**18**
Items affecting comparability - Impairment of intangible assets, Note 18	53	-
	81	**18**

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 and Catella Asia Ltd. (previously also Catella Fondförvaltning AB).

NOTE 10 PERSONNEL

Employee benefits

SEK M	2017	2016
Salaries and other compensation	728	634
Social security expenses	158	136
Pension costs defined contribution pension plans	56	51
Pension costs defined benefit pension plans	0	0
	941	**821**

Salaries and other benefits

SEK M	2017	2016
Boards of Directors and Presidents *	149	119
Other employees *	579	515
	728	**634**
* of which bonus	143	113

Apart from the aforementioned compensation, which was an expense for Catella in 2017, 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 55 M (35).

Average no. of employees (full-time equivalents)

	2017		2016	
Average	**Total**	**women**	**Total**	**women**
Sweden—parent company	13	2	13	3
Sweden—subsidiaries	167	59	157	56
Luxembourg	147	50	148	52
Germany	121	45	109	41
France	75	37	69	35
Finland	36	12	36	13
Spain	29	10	27	8
Denmark	15	3	13	3
Baltics	12	4	13	5
Netherlands	8	4	0	0
Norway	4	1	3	1
UK	1	1	0	0
Total	**628**	**228**	**588**	**217**

As of 31 December 2017, the number of Board members and Presidents totalled 169 (177), of whom 19 (18) 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 2017:

These guidelines relate to remuneration and other employment terms for the individuals, who during the period the guidelines apply, are members of Catella's Group Management, collectively termed "senior managers" below. 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, and should not exceed basic salary. On termination of employment contract by the company, dismissal pay and severance pay should not exceed a total of 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 managers

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 29 May 2017, totalled SEK 550,000 (550,000) for the Chairman and SEK 330,000 (300,000) each for other Board members. In addition, remuneration of SEK 80,000 to the Chairman of the Audit Committee and SEK 50,000 each to two other Committee members, and SEK 40,000 to the Chairman of the Remuneration Committee and SEK 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 and 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.

Senior managers' variable compensation and other employment terms in 2017

The Chief Executive Officer and other senior managers are entitled to receive performance-based bonuses. The bonus entitlement and calculation basis for the bonus are determined and reviewed every year by the Board. Bonuses are paid at an amount of a maximum of 12 months' salary.

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 mutual period of notice of 12 months with no severance pay applies between the company and the Chief Executive Officer.

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 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).

Compensation and other benefits in 2016

Tkr	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension cost	Other compensation	Total
Chairman of the Board						
Johan Claesson	517					517
Other Board members						
Johan Damne	310					310
Joachim Gahm*	417					417
Anna Ramel*	417					417
Jan Roxendal*	417					417
Total compensation to board members	**2,078**	**-**	**-**	**-**	**-**	**2,078**
Chief Executive Officer						
Knut Pedersen	3,491	2,663	162	1,057		7,373
Övriga ledande befattningshavare**	3,602	2,435	19	892		6,948
Total compensation to CEO and other members of Group management	**7,093**	**5,098**	**181**	**1,949**	**-**	**14,321**

* 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 2017 and 2016 respectively*:

	Class A shares		Class B shares		Options	
No.	2017	2016	2017	2016	2017	2016
Board of Directors						
Johan Claesson, Chairman of the Board (direct and indirect shareholdings)	1,087,437	1,087,437	39,694,718	39,694,718	-	-
Johan Damne, Board member	-	-	150,000	150,000	-	-
Jochim Gahm, Board member	-	-	-	-	-	-
Anna Ramel, Board member	-	-	-	-	-	-
Jan Roxendal, Board member	-	-	109,554	109,554	-	-
Management						
Knut Pedersen, President and CEO	-	-	-	-	5,000,000	5,000,000
Johan Nordenfalk, Chief Operational Officer	-	-	120,000	120,000	300,000	300,000
Marcus Holmstrand, CFO	-	-	4,000	4,000	300,000	300,000
Total holdings	**1,087,437**	**1,087,437**	**40,078,272**	**40,078,272**	**5,600,000**	**5,600,000**

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

NOTE 12 SHARE-BASED INCENTIVES

As of 31 December 2017, the Group had 7,000,000 (7,000,000) outstanding warrants, conferring entitlement to subscribe for 7,000,000 new class B shares in Catella AB (publ). Of the total number of outstanding warrants, 200,000 (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 granted 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 repurchase or settle the warrants for cash. However, according to the terms and conditions of the warrants, Catella is entitled to re-purchase the warrants from the option-holder if he or she is no longer employed by the Group.

There were no transactions involving warrants in 2017. 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 terms take into account the value transfer taking place from the warrants holder to shareholders when the Company pays dividends.

Given an exercise of issued warrants, ownership structure would be affected by a dilution effect at each point. As of 31 December 2017, outstanding warrants imply a dilution effect of 7.9% (7.9) of the capital and 7.1% (7.1) of the votes.

In spring 2018, all warrants holders opted to exercise their right to subscribe for 2,266,666 new class B shares in Catella AB and 66,667 warrants held in treasury expired without being utilised.

Change in the number of outstanding warrants:

No.	2017	2016
Opening balance as of 1 January	7,000,000	17,074,000
Newly issued	-	-
Exercise of options to subscribe for new shares	-	-120,000
Expiry of unutilised warrants	-	-9,954,000
As of 31 December	**7,000,000**	**7,000,000**
of which held by Catella	**200,000**	**200,000**

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

Issued in 2014 (exercise price SEK 11.00 per share)

Year	Share of total outstanding share warrants, %	Total no. of outstanding share warrants	of which held by Catella
2018	33	2,333,333	66,667
2019	33	2,333,333	66,666
2020	33	2,333,334	66,667
Total	**100**	**7,000,000**	**200,000**

NOTE 13 OTHER OPERATING EXPENSES

SEK M	2017	2016
Impairment of accounts receivable	-4	-7
Recovered bad debt losses	0	1
Impairment of loan receivables	-3	-2
Recovered loan losses	2	0
Expenses for fraud on credit cards issued	-1	-4
Share of profit from associated companies	-20	-
Other operating expenses	-4	-2
	-29	**-14**

NOTE 14 FINANCIAL ITEMS

SEK M	2017	2016
Interest income		
Interest income on bank balances	0	0
Interest income on financial assets at fair value through profit or loss	22	22
Interest income on loan receivables	0	0
Other interest income	1	1
	23	**24**
Interest expenses		
Interest expenses to credit institutions	-2	-2
Interest expenses on bond loan	-15	-9
Other interest expenses	0	0
	-17	**-11**
Other financial income		
Capital gains on group companies	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	24	10
Capital gains on financial assets at fair value through profit or loss	6	17
Capital gains on financial assets available for sale *	–	224
Exchange rate gains	7	9
	41	**260**
Other financial expenses		
Fair value loss on financial assets at fair value through profit or loss	-4	-16
Capital losses on financial assets at fair value through profit or loss	0	-12
Issue and loan guarantee expenses	-3	-1
Exchange rate losses	-5	-5
	-12	**-34**

* Relates to non-recurring income in connection with Visa Inc.'s acquisition of Visa Europe.

NOTE 15 TAXES

SEK M	2017	2016
Current tax:		
Current tax on profit/loss for the year	-114	-121
Adjustments relating to previous years	-1	1
Total current tax	**-115**	**-119**
Deferred tax:		
Origination and reversal of temporary differences	4	-22
Total deferred tax	**4**	**-22**
Income tax	**-111**	**-141**

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	2017	2016
Profit/loss before tax	395	497
Income tax calculated at domestic tax rates applicable to profit in the respective countries	-94	-135
Tax effects of:		
Utilized loss carry forwards, previously not recognized	33	16
Tax losses for which no deferred tax asset was recognised	-28	-16
Effect from temporary differences with non-recognized deferred tax asset	-5	1
Non-taxable capital gains	1	-
Other non-deductible/non-taxable items	-11	-7
Wealth tax	-	-1
Share of profit from associated companies	-6	0
Adjustments relating to previous years	-1	1
Tax expense	**-111**	**-141**

Deferred tax assets and tax liabilities are allocated as follows:

SEK M	2017	2016
Deferred tax assets		
Estimated to be utilised after more than 12 months	86	85
estimated to be utilised within 12 months	13	11
Net recognised against deferred tax liabilities	0	0
	99	**97**
Deferred tax liabilities		
to be paid after 12 months	-35	-33
to be paid within 12 months	-3	-1
Net recognised against deferred tax assets	0	0
	-38	**-34**
Deferred tax assets/liabilities (net)	**61**	**63**

SEK M	31 Dec	31 Dec
Deferred tax assets		
Defined benefit pension plans	1	1
Future deductible expenses	30	29
Tax depreciation	0	0
Tax deficit	69	67
Net recognised	0	0
Total	**99**	**97**
Deferred tax liabilities		
Fair value gains	20	16
Intangible assets	14	15
Un-taxed reserves	3	3
Net recognised	0	0
Total	**38**	**34**

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 69 M (67) 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 615 M (645). Loss carry-forwards for which no deferred tax asset is recognized in the Consolidated Balance Sheet amount to

SEK 306 M (337). The loss carry-forwards mainly relate to operations in Sweden and have an indefinite useful life. Following the restructuring of the Corporate Finance operations in Stockholm and Gothenburg in 2016, the potential for tax equalisation is restricted to Group companies Catella Fondförvaltning and EETI from 2017. Furthermore, the Swedish parent companies' organizational resources expanded in 2017, generating increased costs and thus also potential deductions over the coming years. 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 4.1 M (1.4) for the financial year 2017. The accumulated tax effect in other comprehensive income amounts to SEK 5.6 M (1.5).

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.

SEK M	2017	2016
Profit/loss	284	357
Profit/loss attributable to the Parent Company shareholders	192	272
Profit/loss for calculation of earnings per share before dilution	**192**	**272**
Weighted average number of ordinary shares	**81,848,572**	**81,810,764**
Earnings per share, SEK	**2.35**	**3.32**

(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 2017 was 8.3% (8.5).

SEK M	2017	2016
Profit/loss	284	357
Profit/loss attributable to the Parent Company shareholders	192	272
Profit for calculation of earnings per share after dilution	**192**	**272**
Weighted average number of ordinary shares	81,848,572	81,810,764
Adjustments for:		
assumed conversion of share warrants	6,800,000	6,964,844
Weighted average number of ordinary shares for computation of earnings per share after dilution	**88,648,572**	**88,775,608**
Earnings per share, SEK	**2.17**	**3.06**

NOTE 17 DIVIDEND

The Board of Directors will propose a dividend to shareholders of SEK 1.00 per share, totalling SEK 81,848,572, to the AGM on 28 May 2018. In addition, the Group has 2,266,666 outstanding warrants (excluding 66,667 held in treasury), which may be exchanged for new class B shares in Catella AB in the period between the date of this Annual Report and the record date on 30 May 2018. The payment date is 4 June 2018. The proposed dividend has not been recognised as a liability in these financial statements. A dividend of SEK 0.80 per share was paid for the financial year 2016.

NOTE 18 INTANGIBLE ASSETS

SEK M	Goodwill	Trademark	Contractual customer relations	Software licenses and IT systems	Total
As of 1 January 2016					
Net carrying amount	**282**	**50**	**5**	**27**	**363**
Financial year 2016					
Acquired during the year			23	18	42
Cost in acquired companies	8		2	2	12
Depreciation and amortisation			-2	-6	-8
Exchange rate differences	3		0	1	4
Closing balance	**292**	**50**	**28**	**42**	**412**
As of 31 December 2016					
Cost	292	50	36	144	522
Accumulated depreciation			-8	-102	-109
Accumulated impairment					-
Net carrying amount	**292**	**50**	**28**	**42**	**412**
Financial year 2017					
Acquired during the year				40	40
Cost in acquired companies	2		4	0	6
Reclassification from tangible assets				1	1
Depreciation and amortisation			-9	-10	-18
Impairment losses	-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**

Reported goodwill at year-end 2017 relates to the acquisition of the Catella Brand AB Group in 2010 (SEK 228 M), the acquisition of IPM Informed Portfolio Management AB (IPM) in 2014 (SEK 38 M), the acquisition of Catella Asset Management AS (CAM AS) in 2016 (SEK 8 M) and the acquisition of Catella Asia Ltd in 2017 (SEK 2 M). The Catella trademark was valued at SEK 50 M on the acquisition of the Catella Brand AB Group. The carrying amount of contracted customer relationships as of 31 December 2016 of SEK 24 M relates to the acquisition of IPM (SEK 1 M), CAM AS (SEK 1 M) and Catella Asia Ltd (SEK 4 M) and Catella Real Estate AG's take-over of management of the European Student Housing Fund (SEK 18 M) in 2016. The closing carrying amount of software licenses and IT systems was SEK 40 M, of which SEK 10 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 comprise goodwill and trademarks and brands. The impairment test for these assets has been carried out by operating segment, Corporate Finance and Asset Management and Banking, 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. 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 flow, with the exception of the stated projection period, was extrapolated using an assessed growth rate of 2% for both 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 testing described above indicated an impairment need for goodwill of SEK 20 M attributable to the Banking business area. In addition, other intangible assets attributable to the same business area are also subject to impairment of SEK 33 M, mainly IT systems that are judged to be in need of replacement or have limited useful lives. Impairment totalling SEK 53 M has been reported as items affecting comparability in the Consolidated Income Statement for 2017.

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

	WACC, %	
	2017	2016
Corporate Finance	12.0	12.0
Equity Hedge and Fixed Income Funds	12.0	12.0
Banking	12.0	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 2017 and 2016. Calculated WACC for 2017 was 11.7% (2016: 11.4%), although an estimated WACC of 12% remains. Catella has opted to apply the same WACC for all cash-generating units, as this has been judged to present a reasonable picture of the risk in the various cash-generating units.

A summary of the allocation of goodwill and trademarks and brands by operating segment follows:

	2017		2016	
SEK M	Goodwill	Trademark *	Goodwill	Trademark *
Corporate Finance	62	-	61	-
Equity Hedge and Fixed Income Funds	156	-	156	-
Banking	-	-	20	-
Property Investment Management	56	-	55	-
Other	2	50	0	50
	276	**50**	**292**	**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 4.0 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 point. The sensitivity analysis indicated no impairment.

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

SEK M	Furniture, fittings and equipment	Total
As of 1 January 2016		
Net carrying amount	**24**	**24**
Financial year 2016		
Acquired during the year	10	10
Depreciation and amortisation	-9	-9
Exchange rate differences	1	1
Closing balance	**26**	**26**
As of 31 December 2016		
Cost	126	126
Accumulated depreciation	-101	-101
Net carrying amount	**26**	**26**
Financial year 2017		
Acquired during the year	12	12
Reclassification to intangible assets	-1	
Depreciation and amortisation	-10	-10
Exchange rate differences	1	1
Closing balance	**27**	**27**
As of 31 December 2017		
Cost	91	91
Accumulated depreciation	-64	-64
Net carrying amount	**27**	**27**

NOTE 20 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in subsidiaries

A list 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 2017, Catella owns 40.1% of IPM Informed Portfolio Management BV (IPM BV), a holding company that in turn owns 75% of IPM Informed Portfolio Management AB (IPM AB). There is also a direct 20.5% holding in IPM AB. As of 31 December 2017, the total ownership stake in IPM AB, which is consolidated as a subsidiary based on Catella's holding and the terms of a shareholder agreement regarding the subsidiary which expired in November 2017, amounts to 50.7%. However, before the agreement expired, Catella ensured that the company retained control over IPM AB through an agreement with a number of existing shareholders in IPM BV regarding the acquisition of shares in IPM BV. In the event that consolidation as a subsidiary would no longer have been the case, the company would have been consolidated as an associated company. Catella's ownership and share of capital is not affected by reporting. IPM BV has not been consolidated as full consolidation of non-controlling holdings is carried out by IPM AB.

On 5 February 2018, Catella carried out an additional acquisition of some 13% of the shares in IPM BV. The transaction was based on a company value in IPM AB of some SEK 2 Bn and the purchase consideration was SEK 198.5 M. The additional purchase consideration will be payable in the form of 50% of the transferred shares' proportion of IPM AB's net profit for the financial year 2017. The total purchase consideration is estimated to amount to SEK 207.6 M, which will be reported under equity in the first quarter of 2018. No new acquisition analysis will be prepared. Catella's indirect and direct holdings in IPM AB total 60.6% after the transaction.

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. APAM Ltd is an independent property, investment and asset management advisor on the UK market. The company manages assets of GBP 1.4 Bn and has 41 employees. The acquisition, which will be an important step in the creation of a pan-European platform in the Property Investment Management business area, is expected to be completed in the second half of 2018 following regulatory approval by CSSF.

Significant limitations

Several Group companies conduct operations subject to authorisation and regulated 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 2017		31 Dec 2016	
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
Modern Treuhand SA**	B 86166	Luxembourg	-	-	100	31,000
IPM Informed Portfolio Management AB*	556561-6041	Stockholm	51	2,253,561	51	2,253,561
IPM Informed Portfolio Management UK Ltd*	10365981	London	100	100	-	-
European Equity Trance Income Ltd*	44552	Guernsey	100	64	100	64
CCF Stockholm Partners AB**	556820-8689	Stockholm	-	-	100	10,000
Catella Corporate Finance Stockholm HB**	969751-9628	Stockholm	-	-	100	-
Catella Corporate Finance Göteborg HB**	969751-9602	Gothenburg	-	-	100	-
Catella Nordiska Fribrev HB**	969766-7914	Stockholm	-	-	100	-
Catella Kapital & Pension AB*	556886-9019	Stockholm	100	500	100	500
Catella Asia Ltd	2502446	Hong Kong	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	-	-
Catella Real Estate AG*	HRB 169051	Munich	95	2,500,000	95	2,500,000
Catella Trust GmbH***	HRB 193208	Munich	-	-	100	1
CT Komplementär GmbH***	HRB 228901	Munich	-	-	100	1
Catella Asset Management GmbH	HRB 237791	Munich	55	25,000	-	-
Catella Residential Investment Management Gmbh	HRB 220094	Berlin	100	25,000	100	25,000
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
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	51	1
Catella Investment Management Benelux B.V.	56049773	Maastricht	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 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	100	10,000	60	10,000
CCF Holding Gbg AB	559089-0710	Stockholm	60	10,000	60	10,000
Catella Corporate Finance Göteborg AB	559084-9104	Stockholm	100	10,000	60	10,000
CC Intressenter AB**	556740-5609	Stockholm	-	-	100	1,000
Catella Consumer AB**	556654-2261	Stockholm	-	-	100	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 Capital AB**	556243-6989	Stockholm	-	-	100	221,600
Catella Fondförvaltning AB*	556533-6210	Stockholm	100	50,000	100	50,000
Alletac Shared Services AB**	556543-2118	Stockholm	-	-	100	12,000

* Group companies included in Catella's consolidated financial situation, see also Note 40 Consolidated financial situation and capital adequacy.

** Group companies liquidated or merged in 2017.

*** Group companies divested in 2017.

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

Total ownership by non-controlling interests amounted to SEK 214 M (167) as of 31 December 2017, of which SEK 173 M (143) relates to the subsidiaries IPM Informed Portfolio Management AB, CCF Holding AB, CCF Holding Gbg AB and Catella Property Denmark A/S.

Results of operations relating to non-controlling interests amount to SEK 134 M (114) for the financial year 2017, of which SEK 119 M (104) relates to the companies below. The share of profits relating to part-owners, which are active in the subsidiaries, have been recognised as a personnel cost in the Income Statement in accordance with the Group's accounting policies.

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 51 %)		CCF Holding AB (participating interest 60 %)		CCF Holding Gbg AB (participating interest 60 %)		Catella Property Denmark A/S (participating interest 60 %)	
Summarised balance sheet	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Non-current assets	145	109	9	9	4	4	6	2
Current assets	326	282	55	21	29	1	41	38
Total assets	**471**	**391**	**65**	**30**	**33**	**5**	**46**	**40**
Non-current liabilities	-3	-3	-	-	-	-		-
Current liabilities	-178	-141	-38	-19	-15	-5	-19	-17
Total liabilities	**-181**	**-144**	**-38**	**-19**	**-15**	**-5**	**-19**	**-17**
Net assets	**290**	**247**	**27**	**11**	**18**	**0**	**27**	**24**
Net assets allocated to non-controlling interest	143	122	11	11	7	0	11	10
Summarised income statement and comprehensive income								
Income	452	433	107	29	41	0	62	49
Net profit for the year	183	171	25	10	17	0	26	23
Total comprehensive income for the year	183	171	25	10	17	0	27	24
Total comprehensive income allocated to non-controlling interest	91	84	10	4	7	0	11	9
Dividend paid to non-controlling interest	69	29	4	-	-	-	9	8
Summarised cash flow								
Cash flow from operating activities	174	161	37	2	21	0	33	29
Cash flow from investing activities	-31	-86	-	-1	0	0	-	-
Cash flow from financing activities	-140	-60	-10	1	1	0	-23	-20
Decrease/increase in cash and cash equivalents	**3**	**16**	**27**	**2**	**21**	**0**	**9**	**10**

Investments in associated companies reported in accordance with the equity method

Through associated company Nordic Seeding GmbH, Catella has investments in property development projects in Germany. The projects are operated by Catella's German subsidiary Catella Project Management GmbH. Nordic Seeding GmbH 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 is 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. At year end, Nordic Seeding GmbH had investments in a project in Dusseldorf and a project in Frankfurt. As of 31 December 2017, Catella's investments totalled SEK 63 M (51), of a total commitment of SEK 89 M, in Nordic Seeding GmbH.

SEK M	2017	2016
As of 1 January	51	27
Investments	17	25
Sales	-	-
Share in profits, see Note 7	-	-1
Share in profits, see Note 13	-20	-
Dividends paid	-1	-
Repaid capital contributions	-4	-
Exchange rate differences	1	1
Closing book value	**45**	**51**

No dividends from associated companies were received in 2017 (2016: SEK 0 M).

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	interest, %	interest, SEK M
Nordic Seeding GmbH	Germany	832	0	2	-38	45	44
Catella Kaktus Co-Investment ApS	Danmark	1	0	0	0	50	0
ANL Kiinteistöt OY	Finland	0	0	0	0	50	0
							45

NOTE 21 DERIVATIVE INSTRUMENTS

	2017		2016	
SEK M	Assets	Liabilities	Assets	Liabilities
Currency forwards	14	5	11	7
	14	**5**	**11**	**7**
Less: long-term portion	–	–	–	–
Short-term portion	**14**	**5**	**11**	**7**

Derivative instruments relate to the subsidiaries Catella Bank and IPM, which regularly enter currency forward contracts and currency swaps for hedging purposes. Normally, these derivative instruments have a term of less than three months. Hedging transactions are of a financial nature, and not recognised as hedges according to IAS 39, Financial Instruments.

NOTE 22 FINANCIAL ASSETS HELD FOR SALE

Financial assets held for sale are attributable to Catella Bank's holding of class C preference shares in Visa Inc. which were received 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 the legal disputes. The valuation of preference shares takes these legal disputes into consideration.

A minor shareholding in Swift is also classified as financial assets held for sale.

SEK M	2017	2016
Unlisted securities:		
Shares in USA	59	45
equities in Europe	0	0
	59	**45**

SEK M	2017	2016
As of 1 January	45	0
Gains and losses recognised through profit or loss	-	40
Gains and losses net, entered in other comprehensive	13	4
Exchange rate differences	2	0
As of 31 December	**59**	**45**
Less: long-term portion	-59	-45
Short-term portion	**0**	**0**

SEK M	2017	2016
USD	59	45
EUR	0	0
	59	**45**

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	2017	2016
Loan portfolios	278	252
Fund investments	127	102
Listed shares and bonds	55	57
Unlisted shares	14	3
Other	0	1
	474	**414**

SEK M	2017	2016
As of 1 January	414	388
Acquisition *	49	110
Avyttringar**	-16	-39
Amortisation	-14	-61
Fair value gains/losses on financial assets at fair value through profit or loss ***	20	-9
Capitalised interest income	13	12
Exchange rate differences	8	13
As of 31 December	**474**	**414**
Less: long-term portion	-379	-337
Short-term portion	**95**	**77**

* Mainly relates to the acquisition of shares in funds managed by IPM and, to a lesser extent, to shares in unlisted company Pamica AB.
** Includes divestments of shares in funds and in Nordic Light Fund.
*** Change in fair value of financial assets in the Income Statement is 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 the projected discounted cash flows. The portfolios were discounted at discount rates of 5.9% and 10.9% as of 31 December 2017, giving a weighted average discount rate of 8.7% (8.9) for the total loan portfolios. The weighted average duration for the portfolio amounted to 4.2 years (4.8) as of 31 December 2017.

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 269 M (374), which are discounted and recognised at SEK 197 M (252). Book value of SEK 81 M for the Ludgate and Minotaure loan portfolios which were divested in March 2018 is additional.

In 2017, the underlying parameters changed for loan portfolios Lusitano 3 and 5, Pastor 2 and 4, Minotaure and Ludgate. The credit performance of mainly Ludgate, but also Lusitano 5, improved in 2017, which implied a positive value adjustment totalling SEK 23 M. For loan portfolios Lusitano 3 and Pastor 2 and 4, certain credit variables are expected to deteriorate, however, which implied a negative value adjustment of SEK 4 M. Overall, these changes have resulted in a positive value adjustment of SEK 19 M (7) in 2017.

No loan portfolio was sold in 2017. In March 2018, the Ludgate and Minotaure loan portfolios were divested at book value of SEK 81 M. In previous years, via subsidiaries, Catella sold the Shield, Memphis and Semper loan portfolios. Through these sales, Catella has repaid its original investment with a good margin.

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	23.1%	5.9%	1.7
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4	Spain	28.7	10.7%	14.7	7.6%	10.9%	6.5
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 3	Portugal	80.8	30.1%	66.5	34.4%	5.9%	3.5
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	109.7	40.8%	67.8	35.0%	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**	**100.0%**	**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.
**** Ludgate and Minotaure were divested during the first quarter of 2018 and have therefor been valued at sale price 31 December 2017.

Summary of Catella's loan portfolios as of 31 December 2016*

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	48.3	12.9%	41.0	0.2	6.2%	2.7
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4	Spain	33.6	9.0%	15.2	0.1	11.2%	7.5
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 3	Portugal	87.1	23.3%	70.2	0.3	6.2%	3.8
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	102.0	27.3%	59.0	0.2	11.2%	5.6
Minotaure	France	46.6	12.5%	19.9	0.1	11.2%	8.0
Ludgate	UK	56.2	15.0%	43.1	0.2	11.2%	2.6
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Total cash flow * **		**373.7**	**100.0%**	**248.4**	**1.0**	**8,9%**	**4.8**
Accrued interest				3.3			
Carrying amount				**251.7**			

* 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*

		Spain				Portugal		Italy	Netherlands		Germany		France	UK			
SEK M 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																	
Q4	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
Q1	2010	3.4	-	-	-	-	-	-	0.8	1.6	0.2	1.5	1.9	0.3	9.5	6.3	3.3
Q2	2010	2.3	-	-	-	0.7	-	-	0.8	1.5	0.2	1.4	2.3	0.1	9.3	15.5	-6.2
Q3	2010	0.6	-	-	-	2.0	-	-	0.8	1.5	0.2	1.4	2.5	0.1	9.1	8.0	1.1
Q4	2010	1.5	-	-	-	-	-	-	0.8	1.5	0.2	1.4	2.1	0.1	7.7	5.9	1.7
Q1	2011	2.8	-	-	-	0.8	-	-	0.8	1.5	0.2	1.3	1.2	0.1	8.6	6.5	2.1
Q2	2011	3.4	-	-	-	4.7	-	0.2	0.8	1.4	0.2	1.4	1.9	0.1	14.3	7.1	7.1
Q3	2011	2.0	-	-	-	3.2	-	0.2	0.8	1.5	0.2	1.5	2.2	0.1	11.8	6.9	4.9
Q4	2011	1.5	-	-	-	2.5	-	0.2	0.9	-	0.3	1.5	1.6	0.1	8.5	7.8	0.6
Q1	2012	2.1	-	-	-	4.3	-	0.2	0.8	-	0.2	1.4	1.7	0.0	10.8	6.9	3.9
Q2	2012	1.5	-	-	-	3.4	-	0.1	-	-	0.2	1.3	1.2	0.0	7.8	8.7	-0.9
Q3	2012	0.8	-	-	-	2.5	-	0.1	-	-	0.1	1.3	0.9	0.0	5.7	7.7	-2.0
Q4	2012	0.1	-	-	-	-	-	0.1	-	-	0.1	1.2	-	0.0	1.5	6.8	-5.3
Q1	2013	0.1	-	-	-	-	-	0.1	-	-	0.1	1.2	-	0.1	1.5	1.5	0.0
Q2	2013	-	-	-	-	-	-	0.1	-	-	0.1	-	-	-	0.2	2.3	-2.1
Q3	2013	0.1	-	-	-	1.7	-	0.1	-	-	0.1	-	-	0.1	2.2	2.6	-0.4
Q4	2013	-	-	-	-	1.0	-	0.1	-	-	0.1	-	-	-	1.1	1.1	0.0
Q1	2014	-	-	-	-	1.6	-	0.1	-	-	0.1	-	-	0.0	1.9	1.0	0.8
Q2	2014	-	-	-	-	0.7	-	0.1	-	-	0.1	-	-	2.6	3.5	0.3	3.3
Q3	2014	-	-	-		2.2	-	0.1	-	-	0.1	-	-	5.2	7.7	5.9	1.8
Q4	2014	0.3	-	-	-	2.2	-	0.1	-	-	0.1	-	-	5.2	7.9	5.7	2.2
Q1	2015	0.0	-	-	-	1.1	-	0.1	-	-	0.1	-	-	4.3	5.6	5.8	-0.2
Q2	2015	0.0	-	-	-	1.0	-	0.1	-	-	0.1	-	-	4.5	5.7	5.9	-0.2
Q3	2015	0.0	-	-	-	0.7	-	0.1	-	-	0.1	-	-	5.1	6.0	6.1	-0.1
Q4	2015	-	-	-	-	1.0	-	0.1	-	-	0.1	-	-	3.1	4.3	5.4	-1.2
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
Total		**27.2**	**0.0**	**0.0**	**0.0**	**54.9**	**0.8**	**2.9**	**8.4**	**12.2**	**50.4**	**19.4**	**21.7**	**59.3**	**257.1**	**232.5**	**24.6**
																Forecast	
Forecast																Year	Acc.
FY	2018	0.0		-		10.1	-									10.2	10.2
FY	2019	49.3		-		11.9	-									61.2	71.3
FY	2020			-		16.7	5.6									22.3	93.6
FY	2021			-		21.6	53.3									74.9	168.5
FY	2022			-		2.8	26.5									29.2	197.7
FY	2023			-		2.4	2.3									4.8	202.5
FY	2024			28.7		15.2	2.0									46.0	248.5
FY	2025						1.6									1.6	250.1
FY	2026						1.3									1.3	251.5
FY	2027						17.1									17.1	268.6
Total		**49.4**	**0.0**	**28.7**	**0.0**	**80.8**	**109.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**		**268.6**	

* Forecast 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 on page 106 by portfolio.

Cash flow projections

The portfolio is measured according to the fair-value method, according to the definition 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. In the projected cash flows, an assumption is made of the potential weakening of the 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 of cash flows impact the value and are presented 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 the projected cash flows and its assumptions combined with market pricing of other assets to adjust discount rates over and above variation of the index where necessary. 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 107 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 each particular 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
3.9%	46.2	22.4	70.8	91.3	230.6
4.0%	46.1	22.3	70.7	90.9	230.0
5.9%	44.6	19.8	66.5	83.5	214.4
7.9%	43.2	17.5	62.6	76.6	200.0
8.9%	42.5	16.5	60.8	73.5	193.3
10.9%	41.2	14.7	57.5	67.8	181.0
12.9%	39.9	13.0	54.4	62.6	170.0
Discounted cash flow *	**44.6**	**14.7**	**66.5**	**67.8**	**193.6**

Cash flow per portfolio in relation to discounted value

	Spain		Portugal		
Discount rate per portfolio	Pastor 2	Pastor 4	Lusitano 3	Lusitano 5	Total
3.9%	1.1x	1.3x	1.1x	1.2x	1.2x
4.0%	1.1x	1.3x	1.1x	1.2x	1.2x
5.9%	1.1x	1.5x	1.2x	1.3x	1.3x
7.9%	1.1x	1.6x	1.3x	1.4x	1.3x
8.9%	1.2x	1.7x	1.3x	1.5x	1.4x
10.9%	1.2x	2.0x	1.4x	1.6x	1.5x
12.9%	1.2x	2.2x	1.5x	1.8x	1.6x
Multiple	**1.1x**	**2.0x**	**1.2x**	**1.6x**	**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%	75.9	24.9	113.1	115.2	329.1	70%
165%	73.7	24.2	109.7	111.8	319.4	65%
160%	71.4	23.4	106.4	108.4	309.7	60%
155%	69.2	22.7	103.1	105.0	300.0	55%
150%	67.0	22.0	99.8	101.6	290.3	50%
145%	64.7	21.2	96.4	98.2	280.7	45%
140%	62.5	20.5	93.1	94.9	271.0	40%
135%	60.3	19.8	89.8	91.5	261.3	35%
130%	58.0	19.0	86.5	88.1	251.6	30%
125%	55.8	18.3	83.1	84.7	242.0	25%
120%	53.6	17.6	79.8	81.3	232.3	20%
115%	51.3	16.8	76.5	77.9	222.6	15%
110%	49.1	16.1	73.2	74.5	212.9	10%
105%	46.9	15.4	69.8	71.1	203.2	5%
100%	**44.6**	**14.7**	**66.5**	**67.8**	**193.6**	**0%**
95%	42.4	13.9	63.2	64.4	183.9	-5%
90%	40.2	13.2	59.9	61.0	174.2	-10%
85%	37.9	12.5	56.5	57.6	164.5	-15%
80%	35.7	11.7	53.2	54.2	154.9	-20%
75%	33.5	11.0	49.9	50.8	145.2	-25%
70%	31.3	10.3	46.6	47.4	135.5	-30%
65%	29.0	9.5	43.2	44.0	125.8	-35%
60%	26.8	8.8	39.9	40.7	116.1	-40%
55%	24.6	8.1	36.6	37.3	106.5	-45%
50%	22.3	7.3	33.3	33.9	96.8	-50%
45%	20.1	6.6	29.9	30.5	87.1	-55%
40%	17.9	5.9	26.6	27.1	77.4	-60%
35%	15.6	5.1	23.3	23.7	67.7	-65%
30%	13.4	4.4	20.0	20.3	58.1	-70%

Nordic Light Fund

Catella holds units in a Luxembourg-based fund, Nordic Light Fund, which has invested in loan portfolios and is managed by Catella Bank. The loan portfolio comprises loans to SMEs, primarily located in Germany and Spain. The portfolio also includes a diversified pool of loans to SMEs in the Netherlands and Portugal, which has mortgage loans as the underlying collateral. This fund has been fully invested since year-end 2011, and is now repaying cash flows received and realized revenues from its investments to unit holders, through quarterly re-purchases of fund units. In 2017, the fund re-purchased fund units from Catella for a total value of SEK 2 M (25), generating a capital gain of SEK 1 M (16). Additionally, a positive value adjustment of SEK 3 M (-15) of remaining shares was effected. The book value of the holding, and market value as of 31 December 2017, was SEK 17 M (14).

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. Business-related investments also include holdings of listed and unlisted shares. The book value of the holdings, also market value, was SEK 131 M (100) as of 31 December 2017.

Other securities

Other securities comprise current investments in listed bonds with a book and market value of SEK 48 M (48) as of 31 December 2017.

NOTE 24 ACCOUNTS RECEIVABLE

SEK M	2017	2016
Accounts receivable	390	276
Less: provision for doubtful debt	-2	-8
	387	**268**

The fair value of accounts receivable is as follows:

SEK M	2017	2016
Accounts receivable	387	268
	387	**268**

The age analysis of past due accounts receivable follows:

SEK M	2017	2016
Less than 2 months	67	54
2 to 6 months	4	2
More than 6 months	4	14
	76	**70**

Changes in the reserve for doubtful debts are as follows:

SEK M	2017	2016
As of 1 January	-8	-32
Provision for doubtful debt	-4	-7
Recovered bad debt losses	0	1
Receivables written off during the year that are not recoverable	9	30
Exchange rate differences	0	0
As of 31 December	**-2**	**-8**

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 stated above.

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

NOTE 25 LOAN RECEIVABLES

SEK M	2017	2016
Loan receivables	1,377	1,346
Less: provision for doubtful loan receivables	-12	-14
	1,365	**1,332**
Less: long-term portion	-586	-756
Short-term portion	**779**	**577**

All loan receivables relate to Catella Bank.

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

SEK M	2017	2016
Between 1 and 3 yrs.	22	219
Between 3 and 5 yrs.	94	517
More than 5 yrs.	423	4
Without maturity	47	15
	586	**756**

The fair value of loan receivables is as follows:

SEK M	2017	2016
Loan receivables	1,365	1,332
	1,365	**1,332**

Catella Bank also has granted but un-utilized credit facilities to clients of SEK 2,668 M (2,366), see Note 35.

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

SEK M	2017	2016
As of 1 January	14	23
Provision for doubtful debt	3	2
Receivables written off during the year that are not recoverable	-3	-11
Reversed unutilised amount	-2	0
Exchange rate differences	0	0
As of 31 December	**12**	**14**

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

SEK M	2017	2016
EUR	744	676
USD	43	44
SEK	474	509
GBP	62	35
CHF	41	62
NOK	1	7
DKK	0	0
Other currencies	0	0
	1,365	**1,332**

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

NOTE 26 OTHER NON-CURRENT RECEIVABLES

SEK M	2017	2016
As of 1 January	19	5
Additional receivables	2	14
Repaid receivables	0	-1
Reclassification to current receivables	-1	-
Exchange-rate differences	1	0
As of 31 December	**21**	**19**

SEK M	2017	2016
Deferred cash payment from Visa Inc.	15	14
Rent guarantees	6	4
Lease receivable	0	0
Other	0	0
	21	**19**

NOTE 27 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	2017	2016
Accrued interest income	3	2
Accrued management fees and card income	206	144
Other accrued income	6	0
Prepaid rental charges	9	9
Other prepaid expenses	32	27
	255	**182**

NOTE 28 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

SEK M	2017	2016
Catella group excluding Catella Bank	1,066	698
Catella Bank	2,111	2,052
Client deposit receivables attributable to the asset management and securities operations	56	42
Client deposit liabilities attributable to the asset management and securities operations	-56	-42
Total cash and cash equivalents	**3,177**	**2,750**

Cash and cash equivalents comprise bank balances. Cash and cash equivalents in Catella Bank are not available for withdrawal by the rest of the Catella Group. Cash and cash equivalents include funds deposited in frozen accounts totalling SEK 205 M (188). See also Note 33. Client deposit receivables attributable to the asset management and securities operations were SEK 56 M (42), which were reported net of client deposit liabilities of SEK 56 M (42). 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. There were no changes to share capital in 2017.

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 2017, there were no changes in other contributed capital.

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 to a lesser extent fair value changes of financial assets held for sale.

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. In addition, profit brought forward is also reduced by dividends paid to shareholders of the Parent Company. For the financial year 2017, the Board of Directors is proposing a dividend of SEK 1.00 per share, totalling SEK 81.8 M, to be paid to shareholders in June 2018. In addition, the Group has 2,266,666 outstanding warrants (excluding 66,667 warrants held in treasury), which may be exchanged for new class B shares in Catella AB in the period between the date of this Annual Report and the record date of 30 May 2018. For the financial year 2016, the Board of Directors decided on a dividend of SEK 0.80 per share, totalling SEK 65.5 M, which was paid in June 2017.

See also Note 52 Equity of Parent Company.

NOTE 30 BORROWINGS AND LOAN LIABILTIES

SEK M	2017	2016
Bank loans for financing operations	122	260
Bond issue	494	200
Deposits from companies	2,173	1,811
Deposits from private clients	611	796
	3,400	**3,067**
Less: long-term portion	-494	0
Short-term portion	**2,906**	**3,066**

Bond loans relate to Catella AB while other borrowing and loan liabilities relate to Catella Bank.

Maturity dates for the Group's borrowings and loan liabilities are as follows:

SEK M	2017	2016
Less than 3 months	2,386	2,575
Between 3 and 12 months	173	200
Between 1 and 3 yrs.	0	0
Between 3 and 5 yrs.	494	–
More than 5 yrs.	–	–
Without maturity	347	292
	3,400	**3,067**

The fair value of borrowing and loan liabilities are as follows:

SEK M	2017	2016
Borrowing from credit institutions	122	260
Bond issue	494	200
Deposits from companies	2,173	1,811
Deposits from private clients	611	796
	3,400	**3,067**

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 PENSION PROVISIONS ETC.

The Group has defined benefit pension plans for managers of Catella Bank in Luxembourg. These pension plans are based on the employees' pensionable benefits and length of service. The defined benefit obligation amounts to SEK 6 M (6) as of 31 December 2017. The fair value of the associated assets under management amounts to SEK 4 M (3), and accordingly, the net provision recognized in the Balance Sheet as of 31 December amounts to SEK 2 M (3).

SEK M	Defined benefit pension plans	Legal disputes	Earnout acquired company	Other	Total
As of 1 January 2016	2	0	25	1	23
Additional provisions					
Value changes recognised in other comprehensive income	0				0
Utilised during the year			-25		-25
Reversed unutilised amount					0
Exchange rate differences	0			0	0
As of 31 December 2016	**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**

Defined benefit pension plans are estimated to mature after more than 5 years and other provisions are estimated to mature in 1–3 years.

NOTE 32 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2017	2016
Holiday pay liability	33	25
Accrued personnel costs	68	56
Accrued audit expenses	5	3
Accrued legal expenses	4	16
Accrued bonus	334	267
Accrued interest expenses	3	0
Accrued rental charges	6	7
Accrued commission expenses	107	73
Other accrued expenses	30	21
	590	**469**

NOTE 33 PLEDGED ASSETS

SEK M	2017	2016
Cash and cash equivalents	205	188
Other pledged assets	48	53
	253	**241**

Cash and cash equivalents include pledged cash funds. These funds are used as collateral in the Asset Management and Banking 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	2017	2016
Client funds managed on behalf of clients	56	42
Other contingent liabilities	6	20
	63	**62**

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 is not deemed to materially affect the Group's business activities or financial position.

NOTE 35 COMMITMENTS

SEK M	2017	2016
Unutilised credit facilities, granted by Catella Bank	2,668	2,366
Investment commitments	21	48
Other commitments	7	7
	2,697	**2,420**

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.

Investment commitments mainly relate to associated company Nordic Seeding GmbH.

The Group leases a number of office premises on the basis of non-cancellable operating leases. The lease terms vary between three 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	2017	2016
Within 1 yr.	74	59
Between 1 and 5 yrs.	169	118
More than 5 yrs.	1	4
	244	**180**

Leasing costs recognised in profit and loss during the year amounted to SEK 65 M (66).

NOTE 36 CASH FLOW

Interest paid and received for the Catella Group in the financial year amounted to the following:

SEK M	2017	2016
Interest received	54	46
Interest paid	-21	-17
Net interest received	**33**	**30**

Reconciliation of liabilities derived from financing operations in cash flow:

Mkr	Ingående balans, 1 jan 2017	Kassaflöden	Kostnad förtidsinlösen lån	Låneuppläggningskostnad	Utgående balans, 31 dec 2017
Bond issue 2012	200	-202	2	0	0
Bond issue 2017	0	493		1	494
Total	**200**	**291**	**2**	**1**	**494**

NOTE 37 ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

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 provides 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 effected 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 has 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
Tangible assets	
Financial assets at fair value through profit or loss	
Other receivables	0
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**

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 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, subsidiary Catella Trust GmbH till 2IP Institutional Investment Partners Group GmbH was divested in the fourth quarter 2017. The subsidiary, which formed part of the Asset Management and Banking 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.

Acquisitions in 2016

On 5 September 2016, following approval from the Luxembourg financial supervisory authority, CSSF, Catella acquired 51% of the shares in Catella Asset Management AS (CAM AS). The acquisition provides Catella with a plat form for Property Investment Management on the Norwegian market and management of mezzanine funds in Luxembourg. The establishment in Norway is a step in Catella's expansion in the business area and expands Catella's offering in asset management and management of niche fund products.

CAM AS holds 100% of the shares in advisors and asset management company Elementum Asset Management AS (Elementum) and in Ambolt Advisors S.à.r.l (Ambolt) which acts as advisor to regulated funds. Elementum has 2 employees in Oslo and Ambolt has 1 employee in Luxembourg.

The acquired operations, which form part of Catella's Asset Management and Banking operations, was consolidated as a subsidiary from 9 September 2016. As of 1 September, fair value of acquired net assets in CAM AS was SEK 11 M. Assuming full consolidation of CAM AS of 1 January 2016, Group income would have amounted to SEK 2,031 M, while profit/loss after tax for the period and comprehensive income for the period would have been SEK 357 M and SEK 395 M respectively. These amounts have been calculated on the basis of the Group's accounting principles and adjusted profit/loss in CAM AS. Profit/loss includes additional amortization which would have been effected if fair value adjustments of intangible assets had been made as of 1 January 2016, alongside the associated tax consequences.

The total purchase consideration for 51% of the shares in CAM AS amounts to SEK 18 M and was financed using proprietary cash funds in the third quarter 2016. In addition, Catella has incurred acquisition-related expenses of SEK 1 M which were charged to operating profit in 2016.

Goodwill of SEK 8 M arising from the acquisition relates to operational expansion, human capital and the synergies that are expected to arise from the coordination of the Group's existing asset management operations. No portion of reported goodwill is expected to be tax deductible.

Fair value of identifiable intangible assets of SEK 4 M (SEK 3 M after latent tax) is attributable to distribution channels in the form of fund platforms and customer relationships.

SEK M	2016
Acquisition-related intangible assets	4
Tangible assets	
Financial assets at fair value through profit or loss	
Other receivables	5
Cash and cash equivalents	6
Deferred tax liabilities	-1
Other liabilities	-3
Fair value of net assets	**11**
Non-controlling interests *	0
Goodwill	8
Fair value, net assets	**18**
Unsettled purchase price	
Cash-settled purchase consideration	**18**
Cash and cash equivalents in acquired subsidiary	-6
Acquisition expenses	1
Change in the Group's cash and cash equivalents on acquisition	**14**

* Relates to non-controlling interests in acquired companies of SEK 9 M less value transfer to non-controlling interests of SEK 9 M in connection with the new share issue in CAM AS.

In 2016, Catella also acquired shares in Catella Corporate Finance Göteborg HB and CC Intressenter AB, the parent company of Catella Consumer AB, from non- controlling holdings, whereupon the companies became wholly-owned subsidiaries at the end of 2016. Furthermore, Catella acquired shares in Catella Nordic Fixed Income AB from non-controlling holdings, whereupon the company was liquidated.

There were no divestments in 2016.

NOTE 38 SUBSEQUENT EVENTS

Extraordinary General Meeting in Catella AB

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

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

Share purchase in IPM BV completed

On 5 February 2018, Catella completed an additional acquisition of some 13% of the shares in IPM BV. The transaction was based on a company value of IPM AB of some SEK 2 Bn and the purchase consideration amounted to SEK 198.5 M. The additional purchase consideration will be paid in the form of 50% of the transferred shares' proportion of IPM AB's net profit for the financial year 2017. Catella's indirect and direct holdings in IPM AB amount to 60.6% after the transaction.

Catella completes strategic review of card acquiring operations in the Banking business area

Catella has decided to initiate a strategic review of the card acquiring operations. On this basis, the client portfolio will be reduced and strategic alternatives evaluated in relation to the remaining client portfolio. Income in the card acquiring operations is expected to decrease by some SEK 70 M annually from the end of the first quarter 2018. As a result of the strategic review, goodwill of SEK 20 M and other intangible assets of SEK 33 M were subject to impairment as of 31 December 2017 in the Banking business area.

Catella accepts bid for parts of the loan portfolio

In February, Catella accepted a conditional offer for the Ludgate and Minotaure loan portfolios totalling SEK 80 M. As a result of the bid, which has been accepted, Catella reported a positive value adjustment of SEK 19 M as of 31 December 2017.

Conditional share purchase agreement in APAM Ltd

In March 2018, Catella signed a share purchase agreement regarding acquiring a majority of the shares in property investment and asset management advisor APAM Ltd. The acquisition relates to 75% of the shares at a price corresponding to GBP 18 M. A non-refundable down payment of the purchase price of GBP 2.7 M was made at signing. The acquisition is expected to be completed in the second half of 2018 following regulatory approval by CSSF.

Currency hedging

In May, Catella intends to enter into an agreement with a credit institute regarding currency hedging. The purpose of the hedging is to reduce the exchange rate risk in Catella's net exposure in EUR. Catella intends to apply hedge accounting in accordance with IFRS 9 from the date of hedging the net exposure.

NOTE 39 RELATED PARTY TRANSACTIONS

Related party transactions

Related party transactions with significant influences encompass the 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 managers' 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

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.

2016

In 2016, Catella completed additional investments totalling SEK 25 M in associated company Nordic Seeding GmbH. As of 31 December 2016, Catella had invested SEK 51 M of a total commitment of SEK 86 M in Nordic Seeding GmbH.

Furthermore, in 2016 Johan Nordenfalk, COO, utilised 120,000 warrants to subscribe for an equal number of newly issued shares at a price of SEK 11 per share, and 300,000 warrants were sold to a key member of staff for SEK 3.1 M. The acquisition was financed by borrowing from Group company Catella Holding AB on market terms.

NOTE 40 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, a so-called 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

In January 2018, CSSF announced that four minor Group companies, Catella Asset Management AS, Elementum Asset Management AS, Ambolt Advisors Sarl and IPM Informed Portfolio Management UK Ltd, will be included in the consolidated financial situation from 31 December 2017. The Group companies currently included in/excluded from the consolidated financial situation is indicated in Note 20 Investments in subsidiaries and associated companies. Discussions are underway with CSSF regarding reporting and other matters applicable to the consolidated financial situation which could lead to all of or a majority of the Group constituting a consolidated financial situation. Potential effects of an expanded consolidated financial situation in addition to the companies indicated above has been analysed and calculations show that the Group as a whole would also satisfy the minimum capital base requirements.

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. Accounting policies indicated in Note 2 were applied when preparing these accounts that comply with the Swedish Annual Accounts Act.

Otherwise, please refer to the Catella's consolidated accounts and Notes 1-39 and Note 42 of these Annual Accounts for other 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	2017 Jan–Dec	2016 Jan–Dec
Net sales	1,694	1392
Other operating income	15	11
Total income	**1,709**	**1,403**
Direct assigment costs and commission	-454	-379
Income excl. direct assignment costs and commission	**1,256**	**1,024**
Operating expenses	-926	-823
Operating profit/loss before acquisition-related items and	**330**	**201**
Items affecting comparability	-53	0
Operating profit/loss	**277**	**201**
Financial items—net	407	253
Profit/loss before tax	**684**	**454**
Appropriations	0	2
Tax	-72	-122
Net profit for the year	**612**	**334**
Profit/loss attributable to:		
Shareholders of the Parent Company	**520**	**249**
Non-controlling interests	**92**	**85**
	612	**334**
Average no. of employees	343	335

Summary financial position

SEK M	2017 31 Dec	2016 31 Dec
Non-current assets	1,921	1,672
Current assets	4,264	3,532
Total assets	**6,185**	**5,204**
Equity	2,011	1,497
Liabilities	4,174	3,707
Total equity and liabilities	**6,185**	**5,204**

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	2017 31 Dec	2016 31 Dec
Common Equity Tier 1 capital	1,111	725
Additional Tier 1 capital	0	0
Tier 2 capital	0	0
Own funds	**1,111**	**725**
Total risk exposure amount	**5,708**	**4,440**
Capital adequacy and buffers		
Own funds requirements Pillar 1	**457**	**355**
of which own funds requirements for credit risk	259	196
of which own funds requirements for market risk	71	64
of which own funds requirements for operational risk	126	96
of which own funds requirements for credit valuation	0	0
Own funds requirements Pillar 2	184	100
Institution-specific buffer requirements	200	129
Internal buffer	57	44
Total own funds and buffer requirements	**898**	**629**
Capital surplus after own funds and buffer requirements	212	96
Capital surplus after regulatory required own funds and buffer	269	141

	2017 31 Dec	2016 31 Dec
Capital ratios, % of total risk exposure amount		
Common Equity Tier 1 capital ratio	19.5	16.3
Tier 1 capital ratio	19.5	16.3
Total capital ratio	19.5	16.3
Own funds and buffers, % of total risk exposure amount		
Own funds requirements Pillar 1	8.0	8.0
Own funds requirements Pillar 2	3.2	2.3
Institution-specific buffer requirements	3.5	2.9
of which requirement for capital conservation buffer	2.5	2.5
of which requirement for countercyclical capital buffer	1.0	0
Internal buffer	1.0	1.0
Total own funds and buffer requirements	**15.7**	**14.2**
Capital surplus after own funds and buffer requirements	3.7	2.2
Capital surplus after regulatory required own funds and buffer requirements	4.7	3.2

Catella AB's consolidated financial situation satisfies the requirements of a minimum level of its own funds. Calculations of capital adequacy have also been performed in the event that a majority or all of the Group would be deemed to constitute a consolidated financial situation. These calculations indicate that the Group as a whole would satisfy the minimum capital base requirements.

Own funds, SEK M	2017 31 Dec	2016 31 Dec
Common Equity Tier 1 capital		
Share capital and share premium reserve	399	399
Retained earnings and other reserves	1,612	1097
Less:		
Intangible assets	-298	-317
Price adjustments	-31	-27
Deferred tax assets	-68	-67
Qualifying holdings outside the financial sector	-51	-
Positive results not yet verified by the Annual General Meeting	-329	-334
Other deductions	-123	-27
Total Common Equity Tier 1 capital	**1,111**	**725**
Additional Tier 1 capital	-	-
Tier 2 capital	-	-
Own funds	**1,111**	**725**

SEK M	2017 31 Dec		2016 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				
Exposures to institutions	584	47	451	36
Exposures to corporates	850	68	480	38
Retail exposures	3	0	123	10
Exposures secured by mortgages on immovable property	244	20	286	23
Exposures in default	295	24	277	22
Items associated with particular high risk	169	13	134	11
Exposures in the form of covered bonds	3	0	3	0
Exposures in the form of collective investment undertakings (CIU)	15	1	16	1
Equity exposures	340	27	129	10
Other items	741	59	548	44
	3,242	**259**	**2,446**	**196**
Market risk				
Interest risk	0	0	0	0
Foreign exchange risk	893	71	795	64
	893	**71**	**795**	**64**
Operational risk according to the	1,570	126	1,199	96
Credit valuation adjustment risk	3	0	0	0
Total	5,708	457	4,440	355

The 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 28 March 2018, the Board of Directors adopted the updated ICLAAP for the consolidated financial situation, which has been submitted to CSSF.

NOTE 41 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 under 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/assets 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 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.
EV/EBITDA	Enterprise Value divided by EBITDA	The performance indicator is used because Catella considers that it provides investors with a better

Non-IFRS performance measures	Description	Reason for using the measure
		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 parts of the 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 parts of the income.
Card and payment volumes	Card and payment volumes are the value of the underlying card transactions processed by Catella.	Card and payment volumes are a value driver for Catella's income in Card & Payment Solutions. 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

GROUP	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Dec	2015 Jul-Sep	2015 Apr-Jun	2015 Jan-Mar	2014 Dec	2014 Jul-Sep	2014 Apr-Jun	2014 Jan-Mar
Net profit/loss for the period, SEK M *	67	59	33	33	37	35	182	17	122	38	48	35	96	21	85	15
Equity, SEK M *	1,729	1,628	1,577	1,597	1,563	1,534	1,484	1,333	1,319	1,233	1,177	1,151	1,164	1,041	1,027	920
Return on equity, %	12	10	9	19	19	26	27	18	20	19	18	22				

CORPORATE FINANCE	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Dec	2015 Jul-Sep	2015 Apr-Jun	2015 Jan-Mar	2014 Dec	2014 Jul-Sep	2014 Apr-Jun	2014 Jan-Mar
Net profit/loss for the period, SEK M *	29	15	0	-1	11	11	36	-8	32	13	16	-15	42	5	16	-9
Equity, SEK M *	120	90	78	177	254	237	222	206	213	183	171	187	206	144	143	138
Return on equity, %	30	15	11	26	22	34	37	28	24	31	28	30				

ASSET MANAGEMENT AND BANKING	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Dec	2015 Jul-Sep	2015 Apr-Jun	2015 Jan-Mar	2014 Dec	2014 Jul-Sep	2014 Apr-Jun	2014 Jan-Mar
Net profit/loss for the period, SEK M *	30	53	48	38	43	27	158	24	66	14	18	44	26	5	20	19
Equity, SEK M *	931	967	941	898	859	855	789	649	620	686	660	676	639	651	575	545
Return on equity, %	18	20	18	33	34	38	39	19	22	15	15	15				

** 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 2017

Currency	Average rate	Closing day rate
CHF	8.669	8.428
DKK	1.295	1.323
EUR	9.633	9.850
HKD	1.096	1.053
GBP	10.990	11.105
NOK	1.033	1.001

Exchange rates 2016

Currency	Average rate	Closing day rate
CHF	8.688	8.911
DKK	1.272	1.287
EUR	9.470	9.567
GBP	11.566	11.179
NOK	1.020	1.054

Parent Company Income Statement

SEK M	Note	2017 Jan–Dec	2016 Jan–Dec
Net sales		11.1	9.1
Other operating income		0.0	0.0
		11.2	**9.2**
Other external expenses	43	-26.8	-29.7
Personnel costs	44	-36.2	-30.4
Depreciation and amortisation		0.0	0.0
Other operating expenses		0.0	0.0
Operating profit/loss		**-51.9**	**-51.0**
Profit/loss from participations in group	45	190.0	0.3
Interest income and similar profit/loss items	46	0.0	6.7
Interest expenses and similar profit/loss items	47	-18.6	-9.9
Financial items		171.4	-3.0
Profit/loss before tax		**119.5**	**-54.0**
Appropriations	48	0.0	39.0
Tax on profit/loss for the year	49	0.9	0.0
Net profit for the year		**120.4**	**-15.0**

*Profit/loss from participations in group companies include anticipated dividend from subsidiaries totalling SEK 100 M, which diverges from the Parent Company Income Statement presented in the Year-end Report 2017.

Parent Company Statement of Comprehensive Income

SEK M	Note	2017 Jan–Dec	2016 Jan–Dec
Net profit for the year		120.4	-15.0
Other comprehensive income			
Other comprehensive income for the year, net		0.0	0.0
Total comprehensive income for the year		**120.4**	**-15.0**

Parent Company Cash Flow Statement

SEK M	Note	2017 Jan–Dec	2016 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		119.5	-54.0
Adjustments for non-cash items:			
Depreciation and amortisation		0.0	0.0
Dividend from subsidiaries	45	-190.0	-
Financial items		0.8	-6.0
Cash flow from operating activities before changes in working capital		**-69.6**	**-59.9**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		-54.0	61.1
Increase (+) / decrease (–) in operating liabilities		1.6	11.4
Cash flow from operating activities		**-122.1**	**12.6**
Cash flow from investing activities			
Cash flow from investing activities		**0.0**	**0.0**
Cash flow from financing activities			
New share issue		-	1.3
Borrowings		493.2	-
Repayment of loans		-202.0	-
Group contribution received		39.0	29.4
Dividend from subsidiaries		90.0	5.7
Dividend		-65.5	-49.1
Cash flow from financing activities		**354.7**	**-12.7**
Cash flow for the year		**232.6**	**-0.1**
Cash and cash equivalents at beginning of year		31.3	31.3
Exchange rate differences in cash and cash equivalents		-	-
Cash and cash equivalents at end of year		**263.9**	**31.3**

Parent Company Balance Sheet

SEK M	Note	2017 31 Dec	2016 31 Dec
Assets			
Non-current assets			
Tangible assets		0.0	0.1
Participations in Group companies	50	654.1	519.1
Deferred tax assets	51	19.8	18.9
		673.9	**538.1**
Current assets			
Receivables from group companies		146.8	164.9
Tax assets		0.0	0.0
Other current receivables		1.4	3.4
Prepaid expenses and accrued income		2.5	2.5
Cash and cash equivalents		263.9	31.3
		414.7	**202.0**
Total assets		**1,088.6**	**740.1**
EQUITY AND LIABILITIES			
Equity	52		
Restricted equity			
Share capital		163.7	163.7
Statutory reserve		249.9	249.9
		413.6	**413.6**
Non-restricted equity			
Share premium reserve		40.0	50.9
Retained earnings		0.0	69.5
Net profit for the year		120.4	-15.0
		160.4	**105.4**
Total equity		**574.0**	**519.0**
Liabilities			
Long-term loan liabilities	53	494.0	–
		494.0	**0.0**
Current liabilities			
Accounts payable		3.8	6.3
Liabilities to group companies		0.5	0.2
Tax liabilities		-	-
Other current liabilities	53	0.4	200.0
Accrued expenses and deferred income	54	15.9	14.6
		20.6	**221.0**
Total liabilities		**514.6**	**221.0**
Total equity and liabilities		**1,088.6**	**740.1**

Parent Company Statement of Changes in Equity

		Restricted equity		Non-restricted equity			
SEK M	Note 53	Share capital	Statutory reserve	Share premium	Retained earnings	Net profit for the year	Total equity
Equity 1 January 2016		163.5	249.9	49.8	122.7	-4.1	581.8
Appropriation of profits					-4.1	4.1	0.0
Dividend					-49.1		-49.1
Total comprehensive income for the year, January - December 2016							
Net profit for the year						-15.0	-15.0
Other comprehensive income, net of tax						0.0	0.0
Total comprehensive income for the year						**-15.0**	**-15.0**
New share issue		0.2		1.1			1.3
Equity 31 December 2016		**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
Total comprehensive income for the year							**0.0**
Equity 31 December 2017		**163.7**	**249.9**	**40.0**	**0.0**	**120.4**	**574.0**

Parent Company Notes

NOTE 42 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 43 OTHER EXTERNAL COSTS

Remuneration of auditors

SEK M	2017	2016
PwC		
Audit assignment *	0.8	0.6
Audit activities other than audit assignment	-	-
Tax advisory	-	-
Other services	2.3	5.5
Total	**3.1**	**6.0**

Total cost is to the Parent Company Auditor PricewaterhouseCoopers AB.

* Audit assignments mean fees for statutory auditing as required to publish the Audit Report, and audit advice provided in connection with the audit assignment.

** Other services include fees for advice and review of the Long Form Report 2016 relating to Catella's consolidated financial situation.

Operating leases including rent

SEK M	2017	2016
Expense for the year for operating lease arrangements including rent amount to	2.6	2.1

Future lease payments for non-cancellable operating leases with remaining durations exceeding one year are allocated as follows:		
Due for payment within one year	2.8	2.4
Due for payment after more than one year but less than	3.2	1.1
Due for payment after more than five years	-	-
Total	**6.0**	**3.5**

NOTE 44 PERSONNEL

Salaries, other compensation and social security expenses

	2017		2016	
SEK M	Salaries and other compensation (of which	Social security contributions (of which	Salaries and other compensation (of which	Social security contributions (of which
Board of Directors	2.3	0.2	2.1	0.3
	(0,0)	(0,0)	(0,0)	(0,0)
Chief Executive Officer	4.3	2.3	4.1	2.2
	(2,0)	(0,9)	(1,8)	(0,9)
Other employees, Sweden	16.1	7.8	12.9	6.0
	(6,8)	(2,7)	(5,6)	(1,9)
Total	**22.7**	**10.2**	**19.1**	**8.4**
	(8,9)	**(3,6)**	**(7,3)**	**(2,7)**

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

	2017		2016	
SEK M	Total	of which women	Total	of which women
CEO and senior managers	2	-	2	-
Other employees	7	3	7	3
Total	**9**	**3**	**7**	**3**

NOTE 45 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

SEK M	2017	2016
Dividend	90	-
Anticipated dividends	100	-
Results from liquidation of subsidiaries	-	0
Impairment of shares in subsidiaries	-	-
Total	**190.0**	**0.3**

NOTE 46 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2017	2016
Interest	0.0	6.6
Exchange rate gains	0.0	0.1
Total	**0.0**	**6.7**

SEK 0.0 M (6.7) of interest income and similar profit/loss items are intragroup.

NOTE 47 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2017	2016
Interest	-15.3	-9.3
Loan arrangement expenses	-3.3	-0.7
Exchange rate losses	-0.1	-
Total	**-18.6**	**-9.9**

SEK 0.5 M (0.0) of interest expenses and similar profit/loss are intragroup.

NOTE 48 APPROPRIATIONS

SEK M	2017	2016
Group contribution received	-	39.0
Total	**0.0**	**39.0**

NOTE 49 TAX ON NET PROFIT/LOSS FOR THE YEAR

SEK M	2017	2016
Deferred tax expense/ income relating to tax losses carryforwards	0.9	-
Deferred tax expense/ income relating to timing differences	-	-
Total	**0.9**	**0.0**

Tax loss carry-forwards for the year totalled SEK -72.7 M (-50.6). The Parent Company has total loss carry-forwards of SEK 168 M (96). In accordance with the Swedish Accounting Standards Board's general pronouncement on taxation of income (BFNAR 2001:1) a deferred tax asset attributable to these loss carry-forwards of SEK 19.8 M (18.0) was recognised in the company's Balance Sheet. The amounts are based on a judgement of the company's future utilisation of tax-deductible losses. The loss carry-forwards have an unlimited useful life. For more information, see Note 51.

NOTE 50 PARTICIPATIONS IN GROUP COMPANIES

				Carrying amount, SEK M	
Company	Share of equity,%	Share of vote,%	No. of participations	2017	2016
Catella Holding AB	100%	100%	1,000	654.1	519.1
Total				**654.1**	**519.1**

Subsidiary corporate identity numbers and registered offices:

Company	Corp. ID no.	City
Catella Holding AB	556064-2018	Stockholm

Participations in Group companies	2017	2016
Opening book value	519.1	523.2
Shareholders' contribution paid	135.0	-
Impairment losses	-	-
Liquidation	-	-4.1
Closing book value	**654.1**	**519.1**

Impairment is stated in Note 45 Profit/loss from participations in Group companies.

NOTE 51 DEFERRED TAX ASSETS

Deferred tax assets relate primarily to the valuation of the company's tax-deductible losses expected to be offset against surpluses in future taxation. See also Note 49.

Company	2017	2016
Opening book value	18.9	18.9
Deficit utilised in the year	-	-
Value change from revised assessment of tax loss carryforwards	0.9	-0.5
Value change from additional timing differences	-	0.5
Closing book value	**19.8**	**18.9**

NOTE 52 EQUITY

As of 31 December 2017, the share capital amounted to SEK 163.7 M (163.7) divided between 81,848,572 (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 79,318,017 Class B shares with one vote per share. There are no other differences between the share classes.

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 2017.

There were no outstanding convertible debentures that could dilute share capital as of 31 December 2017.

As of 31 December 2017, the parent company had a total of 7,000,000 outstanding warrants (7,000,000), 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 2017 was the Claesson & Anderzén Group (with related parties) with 49.8% (49.8) of the capital and 49.1% (49.1) of the votes, followed by Swedbank Robur with 6.1% (0.0) of the capital and 6.3% (0.0) of the votes. The third largest shareholder was Strawberry Capital AS with 4.4% (0.0) of the capital and 4.6% (0.0) of votes.

Dividend

The Board of Directors is proposing a dividend of SEK 1.00 per Class A and B share is paid to shareholders for the financial year 2017. A dividend of SEK 0.80 per Class A and B share was paid to shareholders for the financial year 2016.

Restricted reserves

Restricted reserves may not be reduced through dividends.

Statutory reserves

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 a price is to be paid for the shares that exceeds the quotient value of the share, an amount corresponding to the amount received 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 are included in non-restricted equity.

Retained earnings

Retained earnings comprises profit carried forward from the preceding year and profit after dividends paid for the year.

NOTE 53 LOAN LIABILITIES

SEK M	2017	2016
Bond issue	494.0	199.6
	494.0	**199.6**
Less: long-term portion	-494.0	-
Short-term portion	**0.0**	**199.6**

In September 2012, Catella AB (publ) issued a five-year unsecured bond of SEK 200 M maturing in September 2017. In June 2017, Catella AB (publ) issued a new five-year unsecured bond loan of SEK 500 M, with a framework amount of SEK 750 M, with the purpose of refinancing an existing bond loan (including buy-back), raising further liquidity for Catella's ongoing operations, and for continued expansion and future acquisitions. In July 2017, Catella AB (publ) exercised its right to early redemption of the bond loan maturing in September 2017. The bond was redeemed at an amount corresponding to 101% of the nominal amount plus accrued unpaid interest.

The new bond was listed on NASDAQ Stockholm on 9 August 2017 and accrues floating-rate 3-month Stibor plus 400 b.p. The existing bond loan accrues floating-rate interest at 3-month Stibor plus 500 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 2017.

NOTE 54 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2017	2016
Holiday pay liability	1.3	1.2
Accrued salaries	8.7	8.8
Social security expenses	3.3	3.2
Accrued interest expenses	0.8	0.3
Accrued audit fees	0.3	0.2
Accrued directors' fees	0.6	0.4
Other items	0.9	0.5
Total	**15.9**	**14.6**

NOTE 55 PLEDGED ASSETS AND CONTINGENT LIABILITIES

As of 31 December 2017, there were no pledged assets or contingent liabilities.

NOTE 56 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 2017, 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 Group contributions from the subsidiary Catella Holding AB.

For benefits for senior managers, see the information presented for the Group in Note 11 of the consolidated accounts and Note 44.

For pledged assets and contingent liabilities in favour of subsidiaries, see Note 55.

NOTE 57 FINANCIAL RISK MANAGEMENT

The Parent Company applies IAS 39 financial instruments: Recognition and Measurement, with the exceptions stated in Note 42. 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. The Parent Company has no investments in derivative instruments or other 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 and liquidity risk, while its exposure to other financial risks, such as credit risk, currency risk and market 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 continuously analyses and monitors its interest risk exposure.

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. Intragroup loans have no predetermined maturity date.

Currency risk

There were no receivables or liabilities in foreign currency as of 31 December 2017.

For more information on financial risks for the Group, which are also indirectly applicable to the Parent Company, see Note 3.

NOTE 58 SUBSEQUENT EVENTS

There were no significant events after the reporting date.

NOTE 59 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	39,969,392
Retained earnings	0
Net profit for the year	120,437,575
	160,406,967

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	81,848,572
carried forward (of which 39 969 392 allocated to share premium	78,558,395
	160,406,967

Proposed payment of dividends on 4 June 2018.

In spring 2018, all warrant holders have opted to exchange their warrants for 2,266,666 new class B shares in Catella AB and 66,667 warrants held in treasury expired without utilisation. The number of shares in Catella AB will thereby increase from 81,848,572 at year end to 84,115,238 on the record date 30 May 2018.

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 28 May 2018.

As stated above, the Annual Accounts and the Consolidated Accounts were approved for issue by the Board and Chief Executive Officer

Stockholm, Sweden, 25 April 2018.

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 25 April 2018

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant

Audit Report (translation)

To the Annual General Meeting 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 2017. The annual accounts and consolidated accounts of the company are included on pages 71-123 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 2017 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 2017 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 self-assessments; 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 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 and Nordic Light Fund. 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 contingent liabilities in Catella Bank

We refer to the Board of Directors' Report and notes: 4 Critical estimates and judgments and 18 Intangible assets

A large proportion of the Group's total assets relate to the operating segment Asset Management and Banking operating segment. Catella Bank comprises a significant share of Asset Management and Banking, in the Banking business area. As of 31 December 2017, assets in Asset Management and Banking correspond to 80% of the Group's total assets and 90% of the Group's total liabilities.

As outlined in the Board of Directors' Report, the Banking business area reported an operating loss. Furthermore, Catella has initiated a strategic review of Catella Bank's card operations on the basis of changes in agreements with Visa and other factors. As a result of the strategic review, the Group reported impairment of goodwill of SEK 20 M and impairment of other intangible assets of SEK 33 M as of 31 December 2017. Impairment totalling SEK 53 M is reported as items affecting comparability in the Consolidated Income Statement. No other restructuring reserves or other effects of the strategic review were reported as of year-end. 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 potential contingent 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 the valuation of intangible assets and commitments.
- Audited Catella's annual impairment test of goodwill, which is described in Note 18. This has essentially been performed by reviewing key assumptions and evaluating the information used in calculations. This mainly encompasses assumptions regarding future cash flows and discount rate (WACC). We have also assessed whether the model used by Catella is in accordance with IFRS.
- Evaluating the effects of the strategic review on other reported intangible assets and potential contingent liabilites.

The valuation of assets and contingent 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 and Nordic Light Fund

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 2017, the value of Catella's securitized loan portfolios amounts to SEK 278 M and the value of units in Nordic Light Fund SEK 17 M. Nordic Light Fund is a fund containing securitized loan portfolios. The holdings in securitized loan portfolios and Nordic Light Fund constitute a significant part of the Catella Group's Balance Sheet.

Catella's securitized loan portfolios and Nordic Light Fund 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 the conditional bid that Catella accepted in February for the Ludgate and Minotaure loan portfolios totalling SEK 81 M, which corresponds to book value. 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 941 M in 2017. 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 to the completeness of these items as well as the accuracy of calculation, correct accruals and correct valuation. There is also an inherent complexity in pay roll processing as various personnel groups are covered by different types of employment contracts and collective agreements, which in turn imply differences in terms of how salary, other remuneration and benefits are calculated. 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. The testing of controls we have been carried out in sample testing.

We have reconciled significant accrued expenses and/or provisions relating to areas such as holiday pay, salary liabilities, taxes, social security expenses against information from pay roll systems and 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 1-47 and 54-58 and 68-70. 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 2017 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 29 May 2017 and has been the company's auditor since the 25 May 2011.

Stockholm 25 April 2018
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant

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