CATELLA

ANNUAL REPORT 2019

1. THIS IS CATELLA.

2. MARKETS.

3. OPERATIONS.

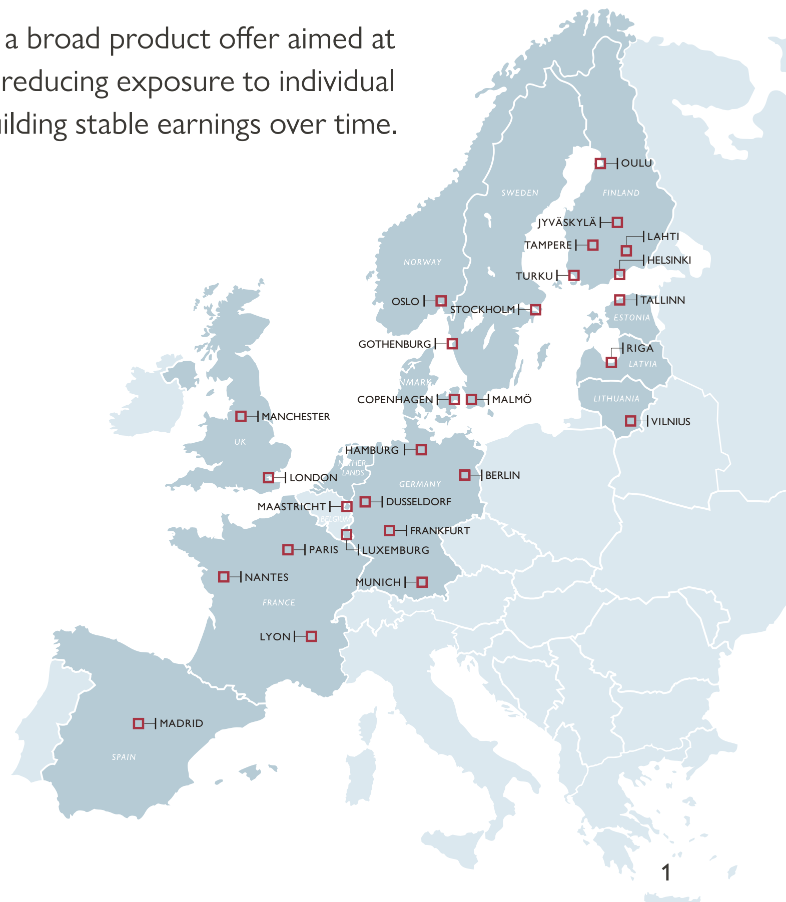
4. CORPORATE GOVERNANCE.

5. FINANCIAL STATEMENTS.

Delivering beyond the expected

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

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



Catella was founded in 1987. The head office is in Stockholm. The company has more than 550 employees at 29 offices in Europe, Asia and the US.

The Catella Group had assets under management of SEK 171.3 billion at 31 December 2019.

2019 in brief

2019 was a strong year for Catella. Several new initiatives and products were launched in the business areas during the year, strengthening Catella's offering in a competitive market. Consolidated operating profit amounted to SEK 422 million, an increase of around 20 percent compared to the preceding year. Assets under management fell by 8 percent to SEK 171.3 billion at 31 December. The decrease is primarily attributable to the discontinuation of the Systematic Equity product, which affected assets under management by SEK -24.9 billion.

By contrast, Catella's growth became even more apparent in the Property Investment Management business area, which saw growth in assets under management during the year of SEK 18.3 billion, an increase of 22 percent. Corporate Finance also recorded a high activity level during the year, particularly in the French and Nordic markets. Important initiatives to strengthen management were taken in Equity, Hedge and Fixed Income Funds, where the performance of some segments did not meet expectations.

AVERAGE ANNUAL GROWTH FOR THE PAST THREE YEARS

ASSETS UNDER MANAGEMENT

+7%

TOTAL INCOME

+14%

OPERATING PROFIT

+15%

LONG-TERM VALUE CREATION THROUGH ALTERNATIVE INVESTMENTS

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

CATELLA OPERATES in 15 countries and has a strong local presence with consummate expertise in the markets where the company operates. The organisational structure promotes synergies through collaboration within and among the business areas. Catella has built a platform where employees from different countries and business areas exchange knowledge and coordinate activities and client contacts, enabling Catella to create innovative offerings that appeal to local and international investors.

During 2019, Catella had sales of SEK 2.3 billion and assets under management of about SEK 171.3 billion at year-end.

OUR PLATFORM

– A pan-European platform with strong local presence in 15 countries and 29 cities.

OUR EXPERTISE AND OUR OFFERING

– Focus on property investments in a broad spectrum of asset classes.

– Advanced advisory and capital market services in the property segment.

– A wide selection of active and alternative funds with focus on sustainability.

– Global niche actor in systematic macro strategies.

HOW WE CREATE VALUE FOR OUR CLIENTS

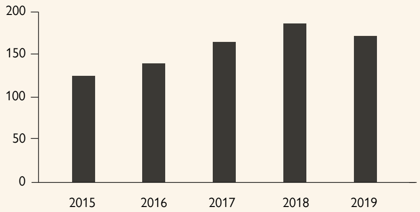
– A revenue model focused on the best interests of clients.

– Local teams with profound insight into each market.

– Diversification through geographies and asset classes.

GROWTH IN ASSETS UNDER MANAGEMENT

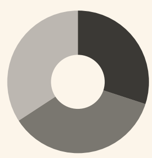
SEK Bn



■ Assets under management SEK Bn

INCOME DISTRIBUTION BY BUSINESS AREA*

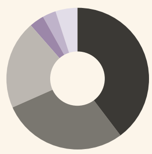
%



■ Corporate Finance 30%
■ Property Investment Management 36%
■ Equity, Hedge and Fixed Income Funds 34%

INCOME PER COUNTRY

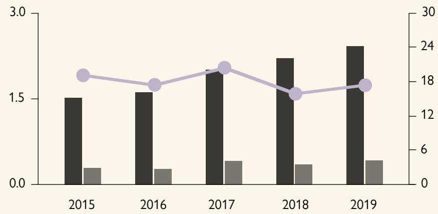
%



■ Sweden SEK 964M, 40.0%
■ Germany SEK 686M, 28.5%
■ France SEK 491M, 20.3%
■ Denmark SEK 79M, 3.3%
■ Finland SEK 75M, 3.1%
■ Other SEK 118M, 4.9%

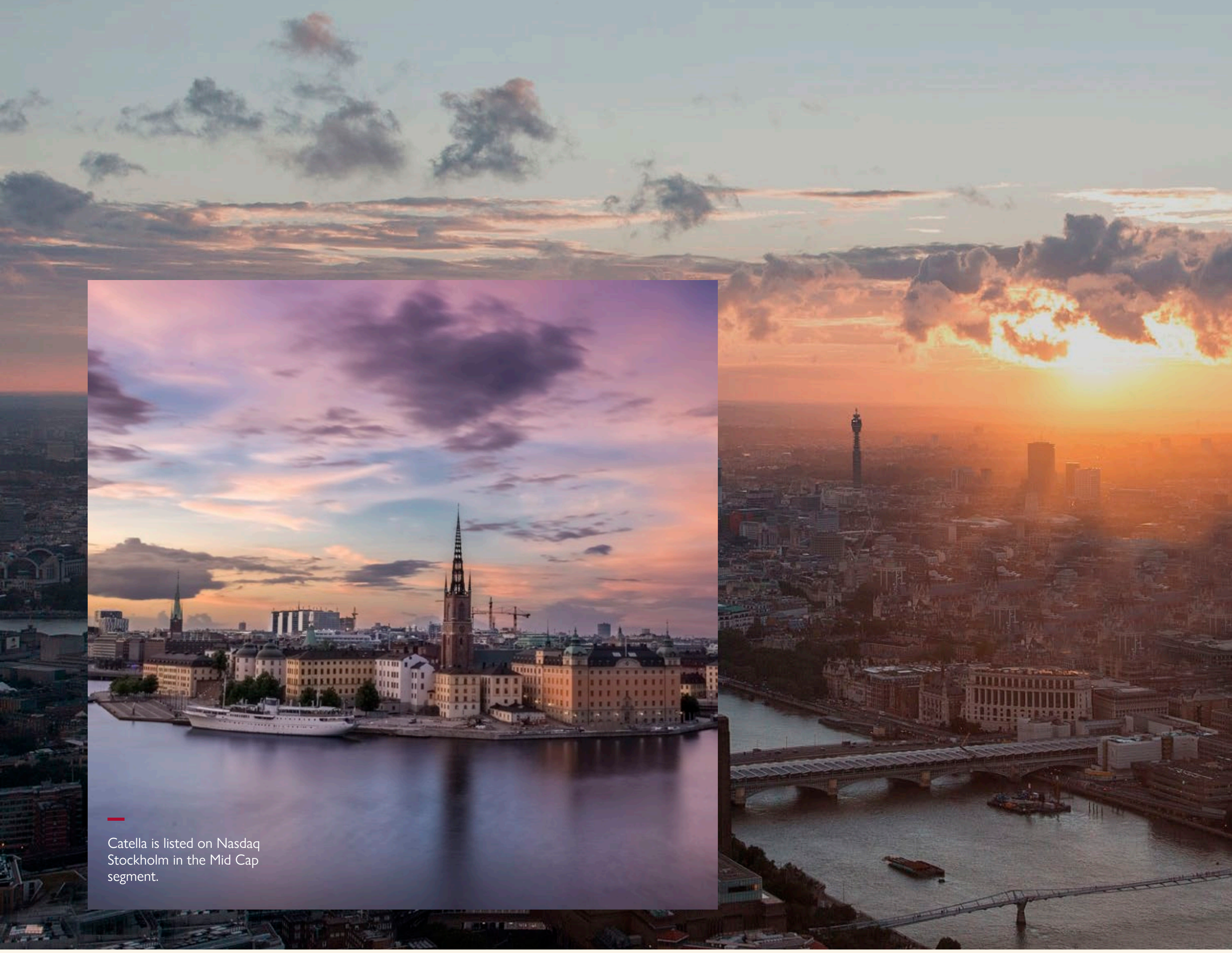
GROWTH IN TOTAL INCOME AND OPERATING PROFIT

SEK Bn %



■ Income, SEK Bn
■ Operating profit, SEK Bn
● Operating margin, %

* Continuing operations within Catella are comprised of three business areas reported in two segments: Corporate Finance and Asset Management, where the latter includes Property Investment Management and Equity, Hedge and Fixed Income Funds.



Catella is listed on Nasdaq Stockholm in the Mid Cap segment.

MARKET VALUE

SEK M

2,278

Per 31 Dec 2019
+17% change from last year

TOTAL INCOME*

SEK M

2,420

2019
+9% change from last year

OPERATING PROFIT*

SEK M

422

2019
+20% change from last year

ASSETS UNDER MANAGEMENT*

SEK Bn

171.3

Per 31 Dec 2019
-8% change from last year

FOUNDED

1987

NUMBER OF EMPLOYEES

582

Per 31 Dec 2019
+5% change from last year

* Continuing operations:

In my capacity as chairman of Catella during 2019, I would like to say a few words about the past year and share a few of my thoughts about the future.

2019 was a year in which Catella took additional steps to focus the business and further establish the company's pan-European platform. Although the divestment of the banking business was unfortunately not completed, it progressed during the year, while we saw some growth, primarily in Property Investment Management.

2019 brought significant challenges in Equity, Hedge and Fixed Income Funds. These challenges were met with actions including streamlining management in Mutual Funds and restructuring the product offer within Systematic Funds. The fact remains, however, that we fell short of our own and the market's expectations.

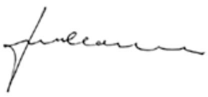
Corporate Finance is the backbone of Catella. We enjoy a strong position and high creditability where we often distinguish ourselves through highly qualified advisory and locally anchored teams. Once again, 2019 was a year of sustained high activity in the transaction market, which is always positive for Catella's advisory business.

Catella has invested heavily in Property Investment Management and the business has begun to demonstrate good growth in assets under management, which for the first time exceeded SEK 100 billion for the business area. Even more importantly, this is now making a significant difference in operating profit. I believe, however, that we have barely scratched the surface of the opportunities the segment has to offer.

Overall, 2019 was an intense and, in many ways, positive year for Catella, and I would like to take this opportunity to express heartfelt thanks to all of the dedicated employees for their contributions.

As I write this, we are caught up in the midst of the Coronavirus pandemic, which is having serious impact on all of society and all businesses, including Catella. At present, it is impossible to determine the full effects on society, which naturally applies to our business as well. Dramatic drops on stock exchanges all over the world are having negative impact on operations within Equity, Hedge and Fixed Income Funds and social distancing is making it difficult to work efficiently with property advisory in Corporate Finance. There will, however, be less impact on more long-term projects in Property Investment Management, provided that the pandemic does not become far too protracted. Catella has a strong financial position and I feel confident that Catella, like the rest of society, will come out of this crisis even stronger, as we have done in the past.

Once we have reached that point, I see tremendous potential going forward. There are additional synergies in the collaboration between Corporate Finance and Property Investment Management and I expect strong growth, especially in the latter business area. I envision a Catella with high growth ambitions. Growth will primarily be organic, but we will always be open to relevant acquisitions. It goes without saying that we will have high demands for return on our investments. Taken as a whole, Catella is standing on a solid foundation and I am looking forward to a growth journey in which we intend to further strengthen our position in the property sector.



Johan Claesson
Chairman of the Board

» Overall, 2019 was an intense and, in many ways, positive year for Catella and I would like to take this opportunity to express heartfelt thanks to all of the dedicated employees for their contributions.


CATELLA

CONSOLIDATION AND POSITIONING FOR FUTURE GROWTH

2019 brought success in Catella's property-related business, while we fell short of our expectations in Equity, Hedge and Fixed Income Funds. Operating profit continued to rise and we launched several new initiatives and products. In a highly competitive property investment market, Catella has demonstrated its ability to swiftly adapt to new client needs through carefully targeted initiatives.

There are many reasons behind our growth in property-related investments, but our proximity to investors and establishment as a strong player in our geographies are especially noteworthy. Catella is unusual, in that we have a decentralised structure with expert and senior employees in our local markets. This makes a difference, both to the relationships with our clients and to our bottom line.

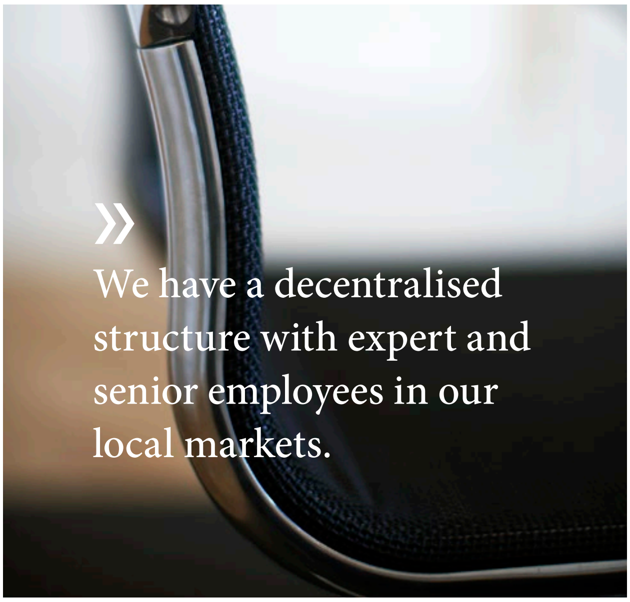
PRIORITIES IN 2019

One of the year's priorities was to create more added value for clients by offering products and services between and within the business areas. For example, Catella's property funds in Property Investment Management have enabled increasing investments via Catella's own platform in Property Asset Management, In so doing, Catella takes a larger share of the total business while furthering higher integration of operations.

Catella also continued efforts to discontinue the banking operations during the year. The work began in 2018 when, as a result of the banking business, operations outside the bank were included in a "consolidated financial situation". This entailed higher capital requirements and regulatory constraints on a large portion of Catella's operations. It is difficult to estimate the final cost of closing the bank, but costs will be higher than originally estimated. The final cost will be affected by whether the company sells the banking authorisation or applies to revoke it.

Catella acquired the British asset management firm APAM in 2018. In the past year, APAM has become a fully integrated part of Catella in terms of business and company culture. APAM is making a positive

contribution to the organisation and, in particular, has brought a well-established network of investors in London.



CONTINUED SUCCESS WITHIN THE ESTABLISHED PLATFORMS

Property Investment Management delivered continued strong growth and higher profits in 2019. Assets under management rose by SEK 18.3 billion. The business grew powerfully in terms of income and profits, showing that the highly positive trend we have seen for several years is still going strong. The fact is that in only four years, Catella has gone from being a relatively modest force in property investment management to being one of the 90 largest companies in the business segment, which is proof of our strong development.

Property Investment Management launched several new property funds during the year, with various orientations, including student housing and commercial properties in growth regions. Two Luxembourg-based housing funds were also launched, giving the business area the opportunity to target fund investors outside Germany for the first time.

Catella Hospitality Europe is a new initiative from Property Investment Management. The aim of establishing the business is to grasp the potential in this property segment, where we intend to offer investors the opportunity to acquire, structure and manage tailored hotel investments.

IMPROVED MARKET POSITION

The activity level was high for Corporate Finance during 2019 and profits rose compared to 2018. The business area has a very strong market position in France and in the Nordic market. Focus during the year was on exporting strategies and methods from these markets to others, including Germany and Spain. The initiative has already produced positive effects. Notwithstanding income growth in Germany, we have not attained a satisfactory market position in this large market.

Efforts to reorient operations in Finland towards larger and more complex capital market-related transactions continued during the year. The reorganisation began in 2018 and we saw an improvement in our market position in Finland during 2019.

A CHALLENGING YEAR

Systematic Funds has recruited a new CEO and COO for the business and has allocated additional resources to research. The business has also chosen to focus on the Systematic Macro product and discontinue the Systematic Equity product. Systematic Equity was discontinued due to low demand and unsatisfactory profitability, which entailed a reduction in Catella's assets under management of SEK 24.9 billion attributable solely to Systematic Equity. The discontinuation has had only marginal impact on Catella's operating profit. Systematic Macro had a challenging year with regard to both management results and flows, but ended the year with a modest recovery of management results.

Management results in Mutual Funds varied. Credit funds performed well, while other the performance of parts of the family of funds fell short of our expectations.

AN EXCITING AND CHALLENGING JOURNEY

I have had the honour of serving as Catella's CEO for more than six years, one that has been an exciting and intense journey. We have evolved from a company where there was little collaboration and partnership to being a tight-knit group with a positive and inclusive culture. Catella's business areas have clarified their market positions while we successfully recruited and retained outstanding key people. The banking operations that entailed complex regulations and high demand for resources have divested their operational activities. The banking authorisation will be sold or an application will be made to revoke it in 2020, which will strengthen Catella as a company. We listed the company at the Nasdaq Stockholm Main Market in 2016, which is both a mark of quality and key to our positioning. This journey would not have been possible without the monumental efforts and exceptional cooperation of all employees of Catella.

I am naturally deeply gratified by the strong financial growth that Catella has achieved in recent years. But that which I value above all is the demonstrated trust of our employees and the privilege of witnessing the growth of a strong and supportive workplace. I am grateful to have been part of Team Catella.

Stockholm, April 2020

Knut Pedersen
President and Chief Executive Officer

STRATEGY BASED ON PROFITABLE GROWTH

The various parts of Catella's strategy can be likened to building bricks. Based on strong values and strategic focus areas that point to a clear vision, each and every brick contributes to achieving long-term and stable success.

Ever since Catella was incorporated, the company has aspired to be the link between the property and financial markets. The vision is to be the preferred European partner for investors – together shaping the future in property and alternative investments.

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

The foundation of how Catella does business and interacts with various stakeholders is its values: Professional, Respectful, Entrepreneurial and People-oriented.

1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1,998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

1987
Catella formed in Sweden

1992
Property Advisory Services established in Sweden

1997
Fund Management established in Sweden

2001
Catella expands the Property Advisory Services business to Denmark and France

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

2006
Property Asset Management established in Finland and France

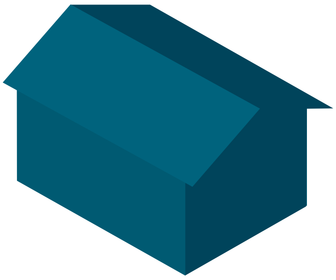
2007
Property Funds established in Germany

2010
Scribona acquires Catella and changes its name to Catella

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

CATELLA TODAY

Catella's main focus is on growing assets under management while maintaining profitability. Key success factors include expanding the product offer, developing the distribution of the product offer, nurturing internal talent and building further on a cohesive Catella – *One Catella*.



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

BRAND PROMISE
Delivering beyond the expected

VALUES
- Professional
- Respectful
- Entrepreneurial
- People-oriented

STRATEGIC FOCUS AREAS
- Growth
- Expand the product offer
- Develop global distribution
- Performance and talent management
- One Catella

KNOWLEDGE LEADERS IN ALTERNATIVE INVESTMENTS
We create value for our clients in ways other than traditional investment alternatives.

LEVERAGING MARKET TRENDS
Savings growth, urbanisation and digitalisation.

REACH
- 15 countries
- 29 cities
- 550+ employees

2009 2010 2011 2012 2,013 2014 2015 2016 2017 2018 2019

2014
Catella becomes the majority owner in Systematic Funds

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

2015
New organisational structure with four business areas instituted

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

2016
Catella is listed on the Nasdaq Stockholm main market

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

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

2019
Divestment of Catella Bank commences
Establishment of Catella Hospitality Europe

Markets

THE PROPERTY MARKET

Investor interest in the property sector remained keen due to the low interest rate situation, opportunities for diversification and good returns at relatively low risk. Firms like Catella could advance their positioning in the sector by developing and launching new products and investment opportunities.

THE INVESTMENT FUND MARKET

Following the negative close to the stock market year in 2018, investor confidence in the market turned upwards in 2019, especially in the second half of the year. Many active managers had a challenging year with continued reallocation from traditional active products towards more passively managed products.

Fund assets in Sweden increased by more than SEK 1,000 billion in 2019.

A STRONGER YEAR IN THE EUROPEAN PROPERTY MARKET

The European property market delivered strong performance in 2019. With interest rates at historically low levels, investors continued to see good opportunities for attractive, risk-adjusted returns in property investments. The result was a steady inflow of capital to the property market.

GROWTH IN INVESTMENT volumes in the European property sector has been relatively stable since 2009. The positive trend is putting pressure on firms in the industry to create new and interesting investment alternatives.

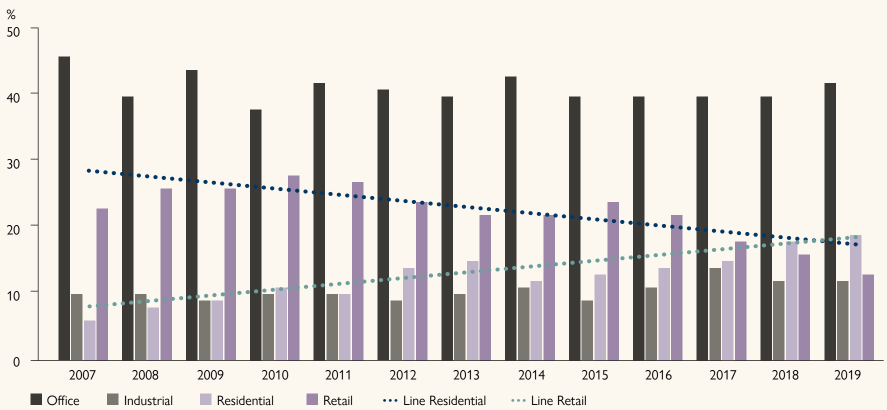
UPWARD TRAJECTORY FOR THE HOUSING SECTOR

Interest has shifted among various categories of real estate assets in recent years. While office properties held onto first place as the preferred category of investment for the second year in a row according to the INREV Investment Intentions Survey 2020, the residential category showed a sharp increase and took the lead over both logistics and retail properties in terms of volume. Residential properties are considered a sustainable investment, as urbanisation and migration to metropolitan regions indicate continued strong demand. Residential properties' share of European transaction volume has increased from 6 percent in 2007 to 19 percent in 2019.

Logistics is another interesting property segment in Europe. In recent years, tenants have been demanding higher quality premises that meet new standards related to everything from the layout of entrances to building automation. The trend has created a constant need for new development projects, while high investor demand has resulted in dramatic reductions in yield. The logistics segment has become a tenants' market where they can, by committing to longer leases, gain access to high-quality premises at lower cost.

In parallel, interest in retail properties continued to decline in 2019. The segment was the only one in the INREV survey in which interest decreased during the year. The share of investors that still prefer the sector as an investment fell from 75 to 43 percent. The retail sector's share of European transaction volumes fell between 2018 and2019 by 11 percent. The growth of e-commerce is a key aspect of the negative trend. If the trend continues, there may be interesting business opportunities in the sector ahead, as upmarket retail properties become more realistically priced.

EUROPEAN TRANSACTION VOLUMES BY SECTOR



GERMANY AT THE PEAK OF EUROPE

In terms of region, Germany was the top European investment pick in 2019, as it was in 2018. The UK, France and the Netherlands were also among the most popular regions.

Brexit had continued negative impact on investor interest in the UK in 2019 and some planned investments and new construction projects have been postponed. Capital was instead allocated to regions including Germany, France, Spain and the Nordics. However, interest in the UK is expected to recover as the political situation stabilises. In the meantime, many firms are instead working with more traditional asset management in the market, along with developing and adding value to existing property projects.

FINLAND CALLING

2019 was also a strong year in terms of the Nordic property market. International property investments in the Nordics have grown relatively steadily since 2014 as the region has been considered undervalued compared to several other parts of Europe. Global players are seeing an opportunity to diversify their investments and are seeking higher yields at an acceptable level of risk,

which many believe are to be found in the Nordics.

Valuations are not the only thing attracting investors to the Nordics. The transparency and business ethics in the countries and the fact that several Nordic countries are EU member states also make them attractive. Capital is coming mainly from inside Europe, especially Germany and the UK, but interest from China is also growing.

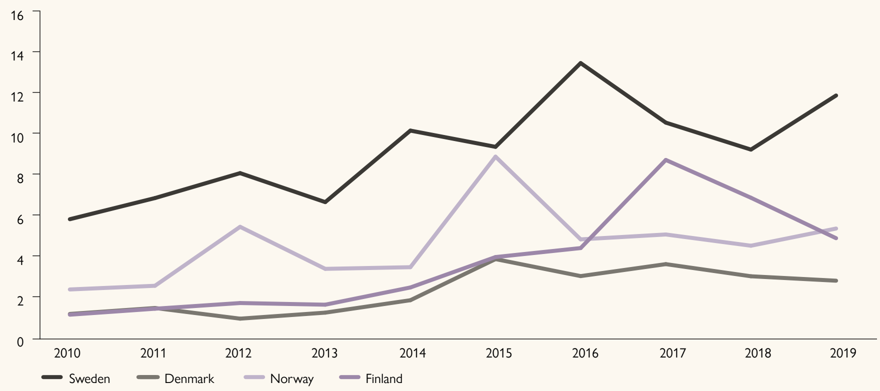
Sweden remains investors' preferred Nordic choice in absolute numbers, but investments in Finland have clearly increased since 2013, with peak volume in 2017. The Danish property market has also made great strides since the financial crisis. It has evolved from a domestic market to one in which half of all investors are international.

SUSTAINABILITY IS A HOT TOPIC

ESG – or Environmental, Social, Governance – has become an established issue in the property industry and investors are increasingly imposing tougher demands concerning these aspects. For example, they want companies to have unambiguous key sustainability data, are seeking investment managers that use the international benchmarking tool GRESB to evaluate the sustainability programmes of property companies, and they are seeking property developers that invest in carbon-neutral buildings. Investors consider environmental sustainability one of the most pressing issues for the future and are looking for advantageous investment opportunities with high sustainability value.

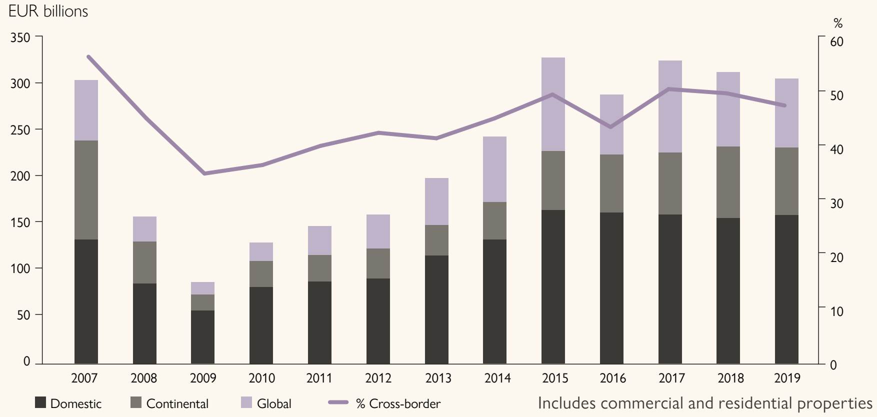
COMMERCIAL TRANSACTION VOLUME, EXCLUDING RESIDENTIAL

EUR billions



TOTAL EUROPEAN PROPERTY INVESTMENT VOLUME BY TYPE OF ORIGIN

EUR billions



Includes commercial and residential properties

CHALLENGING MARKET

Many fund managers and investors believe the market cycle has peaked. This suggests there will be higher demand for more defensive and market-neutral investment strategies going forward. That notwithstanding, increased optimism and greater risk-taking was seen among investors in 2019 . Differences between the real economy and share performance were clear in this year's stock market upturns, leading to challenges for many active managers.

TOWARDS THE END OF 2018, the stock exchanges had plunged and the market was worried about a global economic slump driven by trade wars and rising interest rates. Thanks to a sharp turnaround by the US Federal Reserve in the final days of the year, however, the beginning of a very strong stock market year in 2019 was distinguished by a striking reversal of the trend.

The fact is that most equity markets around the world pointed upwards in 2019. On average, the value of equity funds, measured in SEK, rose by 29 percent. Sweden funds demonstrated average value growth of 34 percent, while global funds rose on average by 30 percent, according to the Swedish Investment Fund Association.

Hedge funds, whose strategies are to generate returns regardless of stock market conditions, generated better returns on average than in the preceding year. However, performance was not in line with investors' expectations and returns underperformed several other indices, leading to continued challenges for the segment.

DISTINCT DIFFERENCES

Due to strong stock market performance, most savings strategies were successful in 2019. Momentum strategies – investing in stocks in a rising trend, even if they would from a fundamental manager's perspective be considered over-valued – were particularly successful for investors.

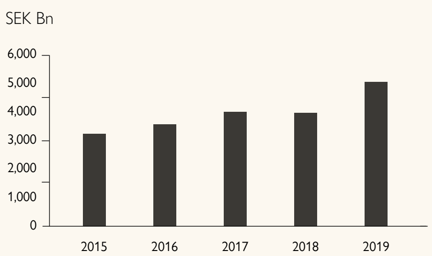
It was difficult for even the most active managers to predict market trends, partly because the difference between the real economy and share prices widened considerably during the year. Warning signs of an approaching recession never went away, but share savers chose largely to ignore them. The result was a highly positive stock market year, especially for companies and sectors that investors considered less sensitive to cyclical changes in the economy.

Generally speaking, defensive companies and high-growth companies in the US performed very well. In the Nordics, property companies contributed, as did defensive companies, such as those oriented towards the cyclically stable food industry, to clear upturns. Towards the autumn, however, investors' risk appetite also increased for cyclical companies. This was triggered by an at least partial agreement between the US and China in the protracted trade conflict.

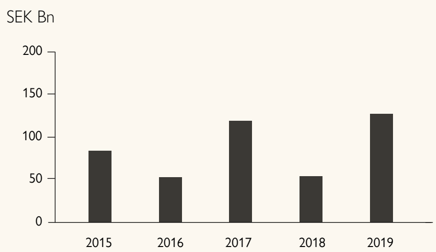
CHALLENGING SITUATION FOR HEDGE FUNDS

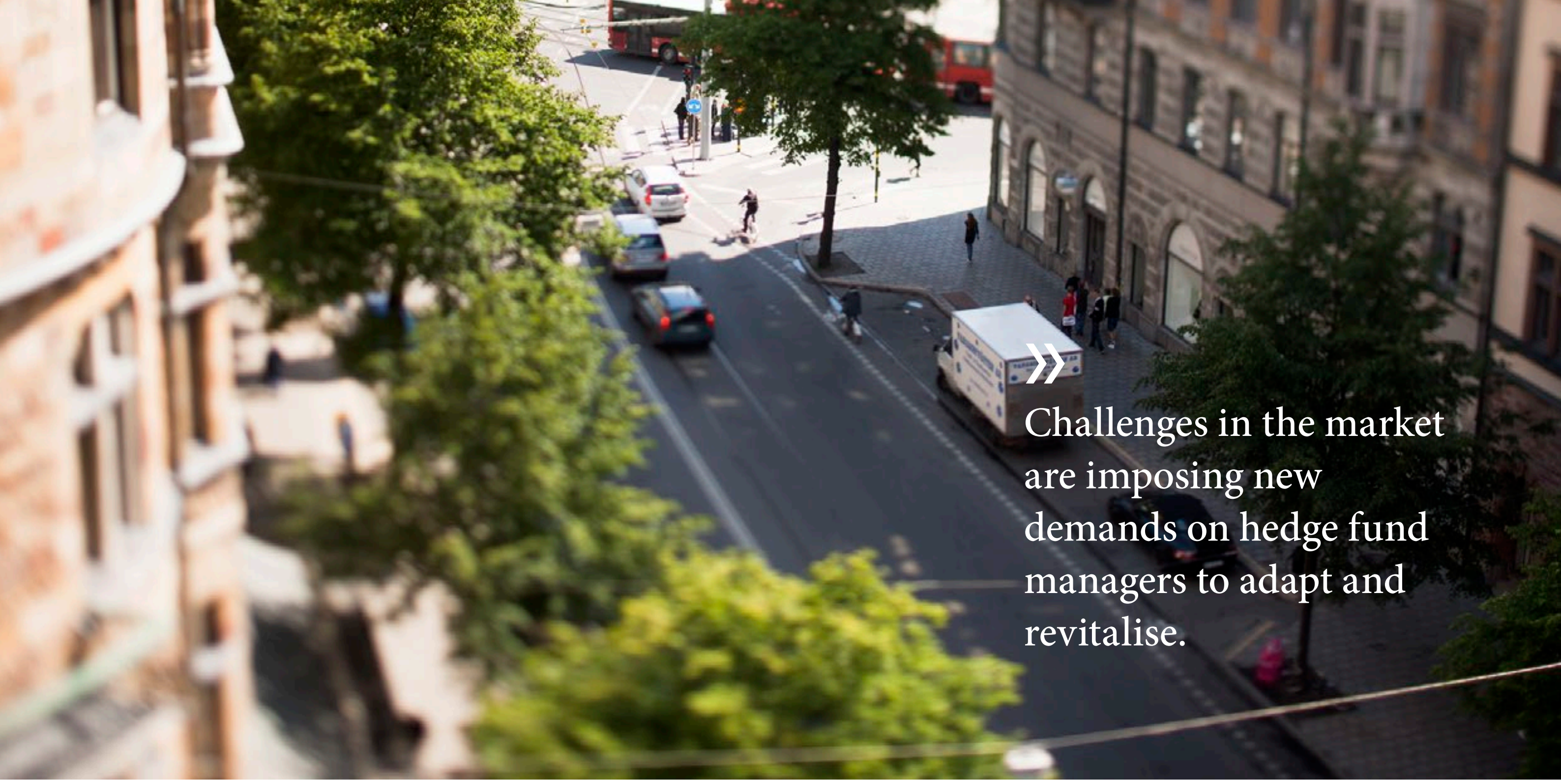
In spite of global value growth, 2019 was a difficult year for hedge funds. The Preqin All-Strategies Hedge Fund benchmark reported an increase of 11.45 percent during the year, a significant improvement from the previous year's negative return of -3.06 percent.

FUND ASSET GROWTH IN SWEDEN



NET SAVINGS IN FUNDS IN SWEDEN





» Challenges in the market are imposing new demands on hedge fund managers to adapt and revitalise.

Alongside this, 40 percent of investors believe that hedge fund performance in 2019 fell short of their return expectations and the highest global net withdrawals from hedge funds since 2016 were recorded during the year, adding up to USD 82 billion. It has become more challenging for managers to launch new hedge funds – the number of launches in 2019 was about half as many as in the preceding year. The number of liquidations exceeded the number of new launches and the trend shows a consolidation of the industry.

Challenges in the market are imposing new demands on hedge fund managers to adapt and revitalise. One sign of this is that more managers are using artificial intelligence and machine learning technologies to improve operational efficiency and boost returns. The increased pressure brought to bear on hedge fund fees is another. Several new funds revised their fee structures in 2019 to attract new investors.

According to the Preqin market survey, a clear majority of fund managers and investors believe we are now at the peak of the market cycle. This presages higher demand for more defensive and market-neutral investments capable of delivering risk-adjusted returns with low volatility. A full 79 percent of investors surveyed reported that they planned to increase or maintain their allocation to hedge funds in the next 12 months. Compared to 2018 , investor interest in market-neutral equity strategies has increased the most, but macro-strategies that generate returns based on macroeconomic conditions are also seeing higher demand.

RECORD-BREAKING FUND ASSETS

The Swedish stock exchange rose by nearly 35 percent in 2019 – the highest annual return in ten years. Swedish fund assets climbed during the year and topped SEK 5,000 billion for the first time, according to the Swedish Investment Fund Association. The increase from the end of 2018 thus became more than SEK 1,000 billion, about 950 billion of which was due to value appreciation.

According to the Swedish Investment Fund Association, the majority of new Swedish investments for the year were made in long-term fixed income funds and equity funds. The greatest net inflow among equity funds was in global funds, followed by sector funds. In contrast, there were net withdrawals during the year from Europe funds, Nordic funds, North America funds and emerging markets. The popularity of passively managed funds also grew, resulting in outflows during the year from active, locally managed funds.

INVESTORS IN FUNDS SOUGHT SAFER INVESTMENTS

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

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

REGULATORY CHANGES

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


3

Catella's organisational structure promotes synergies through increased collaboration within and among the company's business areas.

Operations

Catella is clearly positioned to grasp new opportunities in the European alternative investments market. We have built up a stable European platform that is enabling continued strong growth in both advisory and wealth management. Following a strategic review of the organisation and divestment of the banking business, Catella has also taken key steps towards a more efficient organisational structure.

TOTAL INCOME PER BUSINESS AREA: SEK M

CORPORATE FINANCE

709

PROPERTY INVESTMENT MANAGEMENT

871

EQUITY, HEDGE AND FIXED INCOME FUNDS

818

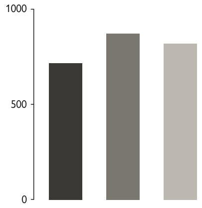
THREE BUSINESS AREAS

CATELLA'S BUSINESS is based on three business areas: Corporate Finance, Property Investment Management and Equity, Hedge and Fixed Income Funds. The business areas are reported under two segments: Corporate Finance and Asset Management, where the latter includes Property Investment Management and Equity, Hedge and Fixed Income Funds.

All business areas are staffed by highly skilled specialists with many years of experience in the property and financial sectors.

INCOME PER BUSINESS AREA

SEK M



- Corporate Finance SEK 709 M
- Property Investment Management SEK 871 M
- Equity, Hedge and Fixed Income Funds SEK 818 M

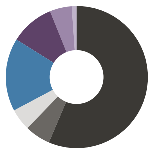
CORPORATE FINANCE

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

2019 was an intense year in the transaction market, partly due to sustained low interest rates. Total global investments in Europe rose by 15 percent during the year. Catella worked actively to take advantage of market growth by means including developing new investment products.

INCOME DISTRIBUTION BY COUNTRY

%



Continental Europe:
- France 57%
- Germany, 6%
- Spain 5%

Nordics:
- Sweden, 17%
- Finland, 10%
- Denmark, 5%
- Baltics 1%

All business areas are staffed by highly skilled specialists with many years of experience in the property and financial sectors.

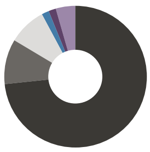
PROPERTY INVESTMENT MANAGEMENT

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

Catella Property Investment Management achieved SEK 100.5 billion in assets under management in 2019, an upturn of 20 percent since 2018. Profitability rose by 46 percent during the same period. With this rapid growth, Catella has climbed to 37TH place on the INREV list of the largest European firms in property investment management.

INCOME DISTRIBUTION BY COUNTRY

%



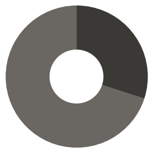
EQUITY, HEDGE AND FIXED INCOME FUNDS

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

Focus in the Mutual Funds service segment in 2019 was on streamlining management, lowering costs and taking additional steps towards fossil-free funds. The Systematic Funds service segment decided to focus on the Systematic Macro product and discontinue the Systematic Equity product.

INCOME DISTRIBUTION

%



ORGANISATIONAL STRUCTURE

PROPERTY INVESTMENTS AND ADVISORY

Corporate Finance
- Nordics
  - Baltics
  - Finland
  - Denmark
  - Sweden
- Continental Europe
  - France
  - Spain
  - Germany
  - UK

Property Investment Management
- Property Funds
  - Germany
  - Luxembourg
- Property Asset Management
  - Sweden
  - Finland
  - Denmark
  - Norway
  - France
  - Spain
  - Germany
  - Netherlands
  - UK
- Project Management
  - Denmark
  - France
  - Germany

FUND MANAGEMENT

Equity, Hedge and Fixed Income Funds
- Mutual Funds
  - Sweden
- Systematic Funds
  - Sweden

OTHER

Group Functions and Own Investments
- Parent
  - Sweden
- Own Investments
  - Property investments
  - Loan portfolios
  - Other investments

International distribution: London, Hong Kong and New York

LEVERAGING GROWTH IN THE PROPERTY MARKET

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

CATELLA CORPORATE FINANCE offers strategic advisory, capital market-related services and professional advisory specialising in complex transactions. Our clients include real estate companies, financial institutions, property funds and other property owners.

The Corporate Finance business is divided into two segments: the Nordics and Continental Europe. Seventeen local teams work in the various markets. On the strength of its pan-European reach and local knowledge, Catella has what it takes to create competitive offers to investors with both local and international focus.

LESS NERVOUSNESS AMONG INVESTORS

2019 was an intense year in the transaction market. Interest rates are still very low and real estate remains an interesting investment opportunity with attractive, risk-adjusted returns. The geopolitical uncertainty that dominated global markets in 2018 also affected investors during the first half of 2019, but there has been a clear change in investor sentiment since late summer. Worries about trade wars and recession seem to have abated and interest in making new investments has grown. Total global investments in Europe rose by 15 percent during the year. Investors were particularly interested in the French, Swedish and German markets.

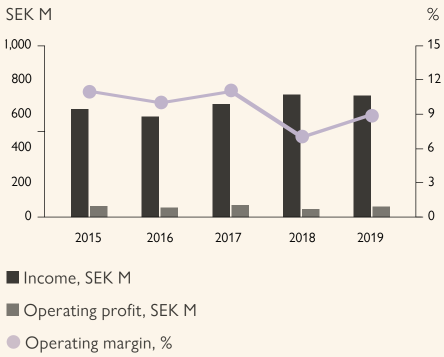
Catella's focus this year was on leveraging market growth. A great deal of capital knocking at the doors of the property market creates a need for diversification and new products. Catella is working actively to take advantage of existing investment solutions that are a good fit with our investors' needs – and to create new products for them.

Catella acted as an adviser in property transactions worth SEK 70.2 billion in 2019, compared to SEK 68.6 billion in 2018. Transactions in France accounted for SEK 38.6 billion of the total value. The Swedish market generated SEK 16.3 billion and the German market SEK 3.2 billion. Total income for the year amounted to SEK 709 million (715), with operating profit of SEK 62 million (49).

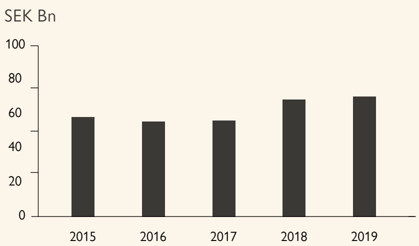
FRANCE THE STRONGEST MARKET

In Continental Europe, Catella's French operations delivered the highest operating profit in 2019, although profit fell slightly compared to 2018. Operating profit in Germany improved compared to 2018. Interest in the two markets came primarily from

GROWTH IN TOTAL INCOME AND OPERATING PROFIT



GROWTH IN TRANSACTION VOLUMES



TOTAL INCOME

SEK M

709

Europe and the US, but keener interest from Asia, especially Korea, was also noted. The reorganisation of the Corporate Finance business in Germany that Catella initiated in 2018 continued in 2019 with a strengthening of market presence and strategic changes in the staff structure.

Operating profit for Catella's operations in Spain rose in 2019. Spain remains an interesting market and Catella is intent on strengthening its position and taking an even larger market share in the country.

PERSISTENT STRONG INTEREST IN THE NORDICS

Nordic transaction volumes have declined slightly since the record-high in 2017, but activity in the market is persistently high. This applies in particular to Denmark, Finland and Sweden, which is the largest markets in terms of volume. Denmark and Finland are seeing rising interest among international investors, while Norway and, especially, Sweden, are dominated by strong local players.

Denmark accounted for the lion's share of Nordic operating profit in the Corporate Finance business in 2019, while relative growth was highest in Finland. The Swedish, Danish and Baltic markets saw downturns in operating profit compared to 2018.

SUSTAINABILITY ON THE MAP

Investor interest in sustainability in the property sector has steadily increased in recent years. Catella is increasingly running into investors who invest only in sustainability-classed properties. Investors have become keenly aware of this type of property and many listed property companies, property funds and institutional investors have integrated sustainability criteria in their portfolios.

Quality control of sustainability criteria, for example, is also an unquestioned component of Catella's offering and due diligence processes. If a property is not meeting the sustainability standards set within the project, Catella can create an action plan to show how the property can achieve compliance.

NEW HOTEL VENTURE

Catella is looking at new markets and developing new client offerings where there is clear business potential and opportunities for synergies between our business areas. Towards that end, Catella Logistics Europe was launched in 2018, which strengthened both expertise in logistics properties and collaboration between Corporate Finance and Property Investment Management. Another step forward was taken in May 2019 with the launch of Catella Hospitality Europe, which focuses on hotel investments.

EARNINGS REVIEW

SEK M	2019	2018
Nordics*	225	246
Continental Europe*	482	468
Total income	**709**	**715**
Assignment expenses and commissions	-55	-88
Operating expenses	-592	-578
Operating profit	**62**	**49**

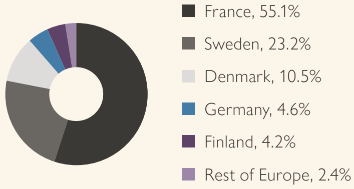
* Includes internal revenue between business areas. Internal revenues have been eliminated within the service segment for the current period and corresponding period in 2018.

KEY INDICATORS

	2019	2018
Operating margin, %	9	7
Property transaction volumes for the period, SEK Bn	70.2	68.6
Of which Nordics	27.1	30.1
Of which Continental Europe	43.1	38.5
Number of employees at end of period	214	221

CATELLA'S TRANSACTION VOLUMES BY COUNTRY

%



A STRONG YEAR FOR PROPERTY INVESTMENT MANAGEMENT

Catella Property Investment Management achieved SEK 100.5 billion in assets under management in 2019, an upturn of 20 percent since 2018. Profitability rose by 46 percent during the same period.

Catella Property Investment Management has had yet another strong year. The business area is still expanding and now has 251 employees in nine European countries. With this rapid growth, Catella has climbed to 37TH place on the INREV list of the largest European firms in property investment management. Assets under management in the business area have more than trebled in the past five years and Catella has become a leading residential fund manager in Europe over the past decade, with more than SEK 41 billion in assets under management in that segment alone.

THREE SERVICE SEGMENTS

Catella Property Investment Management is a leading specialist in property investment management in Europe. Operations comprise three different service segments: Property Funds, Property Asset Management and Project Management.

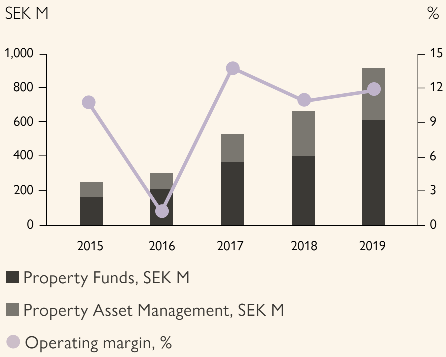
- Within Property Funds, Catella offers specialised funds with a variety of investment strategies as to risk and yield levels, asset classes and locations. Investors gain access to effective allocation in Germany and other European markets through 16 property funds. The clients are mainly institutional and professional investors.
- Catella Property Asset Management offers alternative investment opportunities and asset management in the property segment. Catella provides services across the entire value chain, from the construction of new properties to purchase, management and sale. The clients are mainly property funds, institutions and family offices.
- Project Management offers clients the opportunity to invest at an early stage of property development projects. Catella provides services related to the identification of potential land parcels and the execution of preparatory agreements with tenants. Arrangements related to project financing and co-financing are another important aspect of the work. Investment exits usually occur once building permissions and tenants have been secured and when construction contracts have been signed.

PROGRESS DURING THE YEAR

Property Investment Management took several key steps in 2019. To begin with, Catella Property Funds launched two Luxembourg-based funds, one focused on the European residential property market and one oriented towards metropolitan regions in Europe. The new funds were launched in the second half of 2019 and raised more than EUR 100 million in capital. The residential property fund has already made its first investments and there are additional potential property investments planned.

Within Project Management, Catella divested its biggest project to date, the Grand Central development project at Central Station in Düsseldorf. Since 2015, when the acquisition of Grand Central Düsseldorf closed, Catella has prepared the development plan, obtained building

GROWTH IN TOTAL INCOME AND OPERATING PROFIT



TOTAL INCOME

SEK M

871

ASSETS UNDER MANAGEMENT

SEK Bn

100.5

permissions for all parts of the project and found a strong partner to take the project to completion. Catella invested jointly with other stakeholders. The deal is expected to have positive impact on profit after tax of about SEK 170 million upon implementation.

Catella Logistics Europe was launched in 2018 to meet an increasing client need in the logistics property segment. The new business, which focuses on development in early project phases, delivered its first two logistics properties to the French client Groupama in 2019 for approximately SEK 360 million.

A new initiative was taken during the year through the launch of Catella Hospitality Europe, which focuses on investment management within the hotel sector. This is an example of how Catella is further developing the client offering towards new segments to meet growing investor interest in the segment. Catella Hospitality Europe performed its first major assignment in December 2019 as an adviser to a French institutional investor that invested in a hotel portfolio worth EUR 200 million.

In Spain, Catella Asset Management Iberia invested in an office property portfolio worth EUR 134 million, in partnership with the French investment and fund manager Tikehau. This is an important step for Catella's Iberian asset management business, which intends to scale up volumes and

expand into product segments outside student housing and retail property investments.

CATELLA UK

In 2018, Catella acquired 75 percent of the British real estate asset and investment manager APAM. There was a general cooldown in the British property market in 2019 due to uncertainty related to Brexit. Nevertheless, there is tremendous need for asset management even in a sagging market, and investor interest began returning to the UK after the general election in December 2019. The UK remains one of the biggest markets for property investments in Europe and it is thus particularly important that Catella has a strong position in the region. Catella APAM is also creating presence towards investors relevant to Catella's operations in Continental Europe.

ENERGY-POSITIVE RESIDENTIAL PROPERTIES

In a market where sustainable investments are becoming increasingly important, companies like Catella must continuously update and adjust the client offering. This includes developing investment products that align with new ESG (Environment, Social, Governance) criteria and standards. Catella therefore partnered with building engineering company Elithis to launch an investment programme in 2019 aimed at building a number of energy-positive residential properties in Europe by 2030. The properties will offer apartments at affordable rents while supplying surplus power to national grids.

Compliance with industry standards is also becoming more important to Catella's clients. Our Property Investment Management team in Berlin will be certified in 2020 under the new GRESB industry standard.

FOCUS GOING FORWARD

In the wake of many successful years, Property Investment Management is looking ahead at further, carefully selected opportunities for expansion. The business area has high potential for continued organic growth through further developing the fund offering in new investment segments and scaling up existing products. The market for asset management and project management services is expected to remain active and Catella's strong pan-European platform entails opportunities to continue attracting the interest of investors with an international focus.

EARNINGS REVIEW

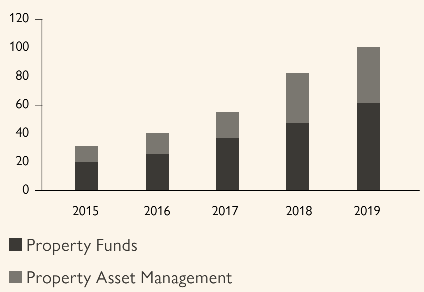
SEK M	2019	2018
Property Funds*	613	406
Property Asset Management*	306	260
Total income	**871**	**634**
Assignment expenses and commissions	-189	-142
Operating expenses	-577	-423
Operating profit	**104**	**68**

* Includes internal revenue between business areas. Internal revenues have been eliminated within the service segment for the current period and corresponding period in 2018.

KEY INDICATORS

	2019	2018
Operating margin, %	12	11
AUM at the end of the period, SEK Bn	100.5	82.2
Net inflow (+) and outflow (-) during the period, SEK Bn	12.5	5.7
Of which Property Funds	61.5	47.6
Net inflow (+) and outflow (-) during the period, SEK Bn	10.8	6.6
Of which Property Asset Management	39.0	34.6
Net inflow (+) and outflow (-) during the period, SEK Bn	1.7	-0.9
Number of employees at end of period	251	220

ASSETS UNDER MANAGEMENT



A CHALLENGING YEAR FOR ACTIVE MANAGEMENT

The product offer within Catella's Equity, Hedge and Fixed Income Funds business area extends from local and actively managed funds to systematically managed, global strategies. A long-term approach and strong sense of responsibility for clients' investments permeate the entire business.

Catella's operations in the business area are divided into two service segments: Mutual Funds and Systematic Funds.

Within Mutual Funds, Catella offers actively managed funds with focus on Nordic assets. With more than 25 years' experience, Mutual Funds manages ten funds – equity funds with direct exposure to the market, fixed income and credit funds, and hedge funds. The goal is to offer attractive, long-term alternatives to private and institutional investors, regardless of market conditions and aligned with the investor's needs. In Mutual funds, Catella had approximately SEK 29 billion in assets under management at 31 December 2019. Income during the year amounted to approximately SEK 243 million.

Catella enjoys a strong position in Systematic Funds. The segment is run through Informed Portfolio Management (IPM), a company in which Catella owns a 60.6 percent interest. Institutional investors from all over the world opt to invest in IPM's products and the investment process is entirely systematised. The systematic funds are managed based on economic theory and statistical models. Big data is compiled and used as a basis for the strategies. The funds invest globally, primarily in liquid securities in the currency, fixed income and equity markets.

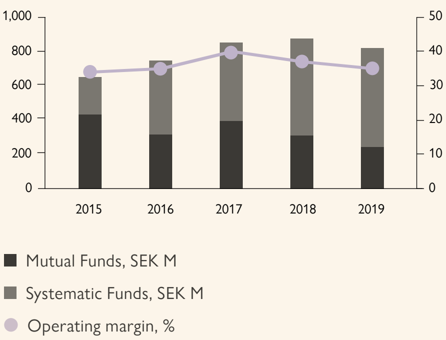
Assets under management within Systematic Funds were SEK 41.9 billion at 31 December 2019 and income for the year amounted to SEK 576 million. The IPM Systematic Macro product was the largest hedge fund in Scandinavia in terms of assets under management as of December 2019. Product returns for 2019 fell short of expectations.

RESTRUCTURING OF IPM

The organisation surrounding Systematic Funds and IPM was further developed during the year through new hires. Arne Hassel acceded as the new CEO in July. Hassel has a long professional history with major international fund managers, most recently with Barclays, London. A new COO was also recruited towards the end of the year.

A decision was taken during the year to implement a significant restructuring of the IPM client offering. The company chose to discontinue the less profitable Systematic Equity product and instead focus entirely on the main product, Systematic Macro. IPM Systematic Equity was launched 13 years ago

GROWTH IN TOTAL INCOME AND OPERATING PROFIT



TOTAL INCOME

SEK M

818

ASSETS UNDER MANAGEMENT

SEK Bn

70.8

and has since offered institutional investors access to a systematically based equity investment strategy. The strategy has primarily been value-based, an area that has not performed as expected during a period in which inflows have mainly been directed at passive, equity-oriented management strategies. The discontinuation of the Systematic Equity product resulted in a decrease of assets under management by SEK 24.9 billion. Although the product accounted for a relatively large share of IPM's assets under management, its profit contribution was negligible. Lower investor demand combined with unsatisfactory profitability from a company perspective were contributing factors in the decision to discontinue the product.

LONG-TERM STRATEGY

Although the stock market as a whole was very strong in 2019, there were large differences in value growth among different sectors and companies. Palpable anxiety about the state of the economy, particularly in the first half of the year, resulted in weak development for a number of cyclical companies. The banking segment suffered due to nervousness about the ramifications of the money laundering scandals in which several banks were embroiled. These differences have made it difficult to apply a fundamental approach to predicting investor behaviour and stock market fluctuations, including for the eight fund managers at Mutual Funds who are company specialists with many years of experience. Catella's strategy is to work long-term and based on fundamental values to generate good returns over time for its clients.

The value of assets under management within Mutual Funds declined by 1 percent during the year. The Catella Hedgefond product closed up by 2.7 percent. This is generally a positive development, but not on par with expectations. Products that fared better were the credit funds, which rose by 5.31 and 3.45 percent respectively, compared to the benchmark, which was -0.54 percent.

In large parts of the market, active local management saw outflows of invested capital in 2019. Catella was no exception and the net outflow in Mutual Funds was approximately SEK 4 billion, from approximately SEK 29.3 billion. Due to value appreciation for the year, however, assets under management closed at SEK 29 billion at the end of the year. Internally, Catella Mutual Funds recruited a new manager to replace two who left during the year and implemented a cost reduction programme to streamline management and lower costs.

Catella also intensified efforts to develop new products in 2019. The Catella Loan Fund, with a distinct orientation towards institutional clients, was launched during the year as part of that effort. The fund focuses on loans to medium-sized enterprises in the Nordics that intend to carry out acquisitions, refinancing and/or ownership changes.

TOWARDS FOSSIL-FREE FUNDS

The climate is a critical global issue and the world is striving to gradually reduce dependency on fossil fuels. Ultimately, this development entails huge opportunities for companies with the right products for the transition – and huge challenges for companies that are heavily dependent on fossil fuels.

Catella Fonder has already excluded investments in fossil fuels from our traditional equity and fixed income funds. They were joined in November by Catella's absolute return funds, which are now free of investments in fossil fuels. Catella Hedgefond, however, is able to capitalise on falling share prices for companies that produce, refine or transport fossil fuels because the fund is permitted to go short in these sectors.

EARNINGS REVIEW

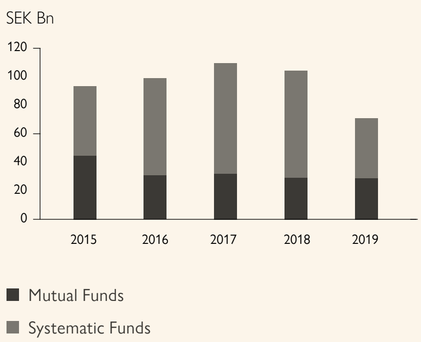
SEK M	2019	2018
Mutual Funds[1]	243	311
Systematic Funds[1]	576	564
Total income	**818**	**875**
Assignment expenses and commissions	-135	-161
Operating expenses	-395	-391
Operating profit	**288**	**323**

1) Includes internal revenue between business areas. Internal revenues have been eliminated within the service segment for the current period and corresponding period in 2018.

KEY INDICATORS

	2019	2018
Operating margin, %	35	37
AUM at the end of the period, SEK Bn	70.8	103.9
Net inflow (+) and outflow (-) during the period, SEK Bn	-45.5	-6.2
Of which Mutual Funds	29.0	29.3
Net inflow (+) and outflow (-) during the period, SEK Bn	-4.1	-1.1
Of which Systematic Funds	41.9	74.7
Net inflow (+) and outflow (-) during the period, SEK Bn	-41.4	-5.1
Number of employees at end of period	93	91

ASSETS UNDER MANAGEMENT



PREMIERE FOR CATELLA LOAN FUND

CATELLA IS WORKING ACTIVELY to develop new and attractive investment alternatives. As part of that effort, Catella Loan Fund, aimed at professional investors, was launched in October 2019. Catella Loan Fund generates returns primarily by offering loans to companies in partnership with Nordic banks. The borrowers are mainly Nordic companies in the mid-market segment, usually with a private equity owner, that borrow capital for acquisitions, refinancing and ownership changes. One advantage of the fund is that the risk is shared with the co-financiers, the banks. The loans are extended subject to the same documentation and terms and conditions as for the banks, i.e., loan syndication.

Catella Loan Fund is independent and aims for wide portfolio spread as regards sectors and co-financiers. The currently high level of acquisition activity and rising company valuations are creating greater needs for corporate financing, which in turn generates good business opportunities for the fund.

SYNERGIES ON FINNISH SOIL

2019 WAS THE YEAR WHEN Catella's pan-European residential property fund Catella Wohnen Europe entered the Finnish market. The fund acquired a property portfolio containing 300 apartments around the country, primarily in Helsinki and the two university cities of Tampere and Jyväskylä. The value of the portfolio was about EUR 80 million.

Catella's Property Asset Management business acted as the local partner for the purchase and will also manage the properties. Collaboration with the Finnish team was a success factor for the fund's debut in the new market and entailed substantial synergy effects for Catella. For instance, the strong local presence in the Finnish market gave Catella insight into matters that are key to optimising the fund's investments. This is an example of Catella's strategy to generate added value for clients by leveraging synergy effects between and within Catella's business areas.

ENERGY-POSITIVE RESIDENTIAL PROPERTIES ON THE HORIZON

CATELLA'S OPERATIONS in Berlin partnered with building engineering company Elithis to launch an investment programme in 2019 aimed at building a number of energy-positive residential properties – more specifically, residential towers – in Europe by 2030. Energy-positive residential properties are buildings that generate more energy than the residents consume. The properties will offer apartments at affordable rents and supply surplus power to national grids.

Catella and Elithis will begin developing the first three properties in the French cities of Dijon, St Etienne and Montevrain in 2020. The plan is to launch another three projects in the country that same year, to be followed by projects in other European cities in 2021.

"Many European cities are currently suffering from a shortage of affordable housing. This impacts the lives of many people, especially young people attracted to the city centres for education and jobs. Catella's partnership with Elithis could be one possible solution to this crisis, a crisis that is splintering the social structure of our cities. And we are addressing another major social challenge at the same time - global climate change," says Xavier Jongen at Catella Property Investment Management in Berlin.

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 7,800 shareholders. The Claesson & Anderzén Group is the largest shareholder.

Catella's market capitalisation at 31 December 2019 was SEK 2,278 million (1,952). Catella's share price (Class B) rose during 2019 from SEK 23.10 to SEK 26.35, up 14 percent. This can be compared to the Stockholm All-share index, which rose by 29 percent.

The price of Catella's Class B share varied during 2019 between SEK 22.50 and SEK 29.45 and the average daily turnover was SEK 1,934 thousand, corresponding to 74,935 shares. Total turnover in 2019 amounted to SEK 484 million, corresponding to about 18,734 thousand shares.

SHARE CAPITAL

Registered share capital amounted to SEK 173 million (168) at 31 December 2019, distributed among 86,281,905 shares (84,115,238). The quotient value per share is SEK 2. Share capital is divided among two share classes that carry different voting rights: 2,530,555 Class A shares that carry five votes per share, and 83,751,350 Class B shares that carry one vote per share.

2,166,667 warrants were exercised in March 2019 to subscribe for an equal number of new shares at a price of SEK 8.40 per share. The new Class B shares were issued on 8 April 2019 through registration with the Swedish Companies Registration Office (Bolagsverket) and entry in the share register kept by Euroclear.

At 31 December 2019 , the parent company has a total of 2,333,334 outstanding warrants, of which 166,667 held in treasury. Upon full exercise of the 2,333,334 warrants, shares in the company will be diluted by 2.6 percent and voting rights by 2.4 percent.

No shares in Class B were converted to Class A in 2019.

DIVIDEND

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

In response to the coronavirus pandemic, the board of directors of Catella AB (publ) decided to withdraw the proposal for a dividend of SEK 0.90 per share and recommend to the annual general meeting that no dividend be distributed. Catella is in a good financial position but it is difficult to assess how the situation will develop and the board of directors is taking this measure to assure liquidity in the event the crisis deteriorates. The aim is to convene an extraordinary general meeting in the second half of 2020 to address the matter of distribution of dividends.

SHAREHOLDERS

Catella had 7,763 (7,135) registered shareholders at the end of the reporting period. The largest individual shareholders at 31 December 2019 were the Claesson & Anderzén Group, with a holding of 48.6 percent (49,2) of equity and 48.0 percent (48.5) of voting rights, followed by Strawberry Capital, with a holding of 5.4 percent (4.3) of equity and 5.4 percent (4.5) of voting rights.

The ten largest shareholders represented 72.6 percent (72.7) of equity and 71.9 percent (72.2) of voting rights at 31 December 2019. Foreign ownership amounted to 63.1 percent (16.6) of equity and 63.1 percent (17.1) of voting rights.

SHAREHOLDERS

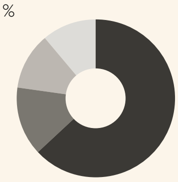
AT 31 DECEMBER 2019

Shareholders	Class A	Class B	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,100,910	40,797,171	41,898,081	48.6%	48.0%
Strawberry Capital	143,334	4,486,000	4,629,334	5.4%	5.4%
M2 Asset Management	128,936	3,137,369	3,266,305	3.8%	3.9%
SIS AG, W8IMY	288,000	1,815,770	2,103,770	2.4%	3.4%
Avanza Pension	4,635	2,464,096	2,468,731	2.9%	2.6%
Knut Pedersen		2,000,000	2,000,000	2.3%	2.1%
Nordnet Pension	3,927	1,888,974	1,892,901	2.2%	2.0%
Alcur Select		1,608,817	1,608,817	1.9%	1.7%
Thomas Andersson Borstam		1,605,000	1,605,000	1.9%	1.7%
SEB		1,163,255	1,163,255	1.3%	1.2%
Other	860,813	22,784,898	23,645,711	27.4%	28.1%
Total	**2,530,555**	**83,751,350**	**86,281,905**	**100.0%**	**100.0%**

OWNER DISTRIBUTION OF EQUITY

AT 31 DEC 2019

%



- Foreign-registered shareholders 63.1 %
- Swedish private individuals 14%
- Financial entities 11.7%
- Legal persons 11%
- Special interest organisations 0.2%
- State and municipal sector 0.0%

DISTRIBUTION OF SHARES

AT 31 DECEMBER 2019

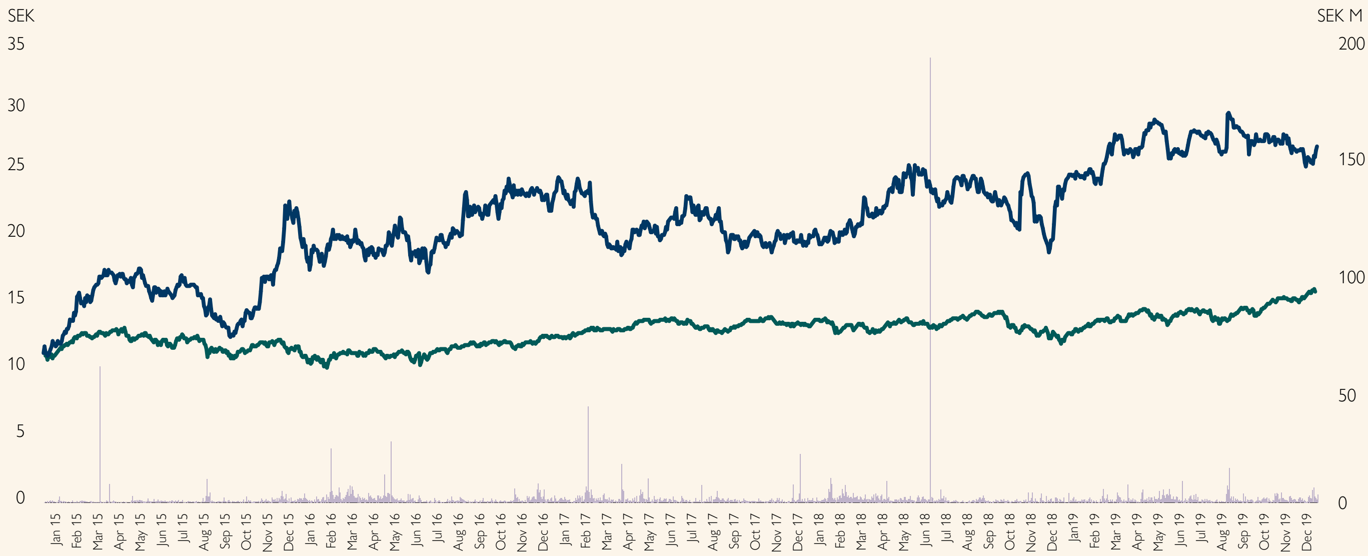
Shareholding	Number of shareholders	Number of Class A shares	Number of Class B shares	Equity, %	Votes, %
1 - 500	5,622	216,190	563,342	0.9%	1.7%
501 - 1,000	900	132,061	590,689	0.8%	1.3%
1,001 - 5,000	877	203,318	1,848,533	2.4%	3.0%
5,001 - 10,000	144	88,917	1,020,162	1.3%	1.5%
10,001 - 15,000	40	17,410	488,482	0.6%	0.6%
15,001 - 20,000	30	0	544,115	0.6%	0.6%
20,001 -	150	1,872,659	78,696,027	93.4%	91.3%
Total	**7,763**	**2,530,555**	**83,751,350**	**100.0%**	**100.0%**

DISTRIBUTION OF WARRANTS BY EXERCISE YEAR

AT 31 DECEMBER 2018

Issue 2014 (Exercise price SEK 7.20 per share)	Proportion of total outstanding warrants, %	Total number of outstanding warrants	Of which held in treasury
2020	100	2,333,334	166,667
Total 2019	**100**	**2,333,334**	**166,667**

FIVE-YEAR OVERVIEW OF THE CATELLA CLASS B SHARE



■ Catella Class B share (CAT-B), left axis ■ OMX Stockholm PI, left axis ■ Catella Class B share turnover, right axis

OWNER DISTRIBUTION OF EQUITY

AT 31 DECEMBER 2015

	Class A outstanding	Class B outstanding	Total equity
Financial entities	10,245	10,077,972	10,088,217
State and municipal sector	976	11,436	12,412
Special interest organisations	19,838	142,362	162,200
Legal persons	259,838	9,207,083	9,466,921
Foreign-registered shareholders	1,593,177	52,838,051	54,431,228
Swedish private individuals	646,481	11,474,446	12,120,927
Total	**2,530,555**	**83,751,350**	**86,281,905**

SHARE OWNERSHIP AFTER FULL DILUTION

3T 31 DECEMBER 2019

Shareholders	Class A	Class B	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,100,910	40,797,171	41,898,081	47.3%	46.9%
Strawberry Capital	143,334	4,486,000	4,629,334	5.2%	5.3%
M2 Asset Management	128,936	3,137,369	3,266,305	3.7%	3.8%
SIS AG, W8IMY	288,000	1,815,770	2,103,770	2.4%	3.3%
Avanza Pension	4,635	2,464,096	2,468,731	2.8%	2.5%
Knut Pedersen	0	2,000,000	2,000,000	2.3%	2.0%
Nordnet Pension	3,927	1,888,974	1,892,901	2.1%	1.9%
Alcur Select	0	1,608,817	1,608,817	1.8%	1.6%
Thomas Andersson Borstam	0	1,605,000	1,605,000	1.8%	1.6%
SEB	0	1,163,255	1,163,255	1.3%	1.2%
Other	860,813	22,784,898	23,645,711	26.7%	27.4%
Total	**2,530,555**	**83,751,350**	**86,281,905**	**97.4%**	**97.6%**

Warrant holders	Class A shares	Class B shares	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)		1,766,667	1,766,667	2.0%	1.8%
Treasury		166,667	166,667	0.2%	0.2%
Other		400,000	400,000	0.5%	0.4%
Total		**2,333,334**	**2,333,334**	**2.6%**	**2.4%**
Total number of shares and warrants	**2,530,555**	**86,084,684**	**88,615,239**	**100.0%**	**100.0%**

FIVE-YEAR SHARE DATA

	2019[1]	2018[1]	2017	2016	2015
Class B share price					
Average price, SEK	25.83	22.36	20.65	22.82	15.69
Closing price for the year, SEK	26.35	23.20	19.80	22.90	21.50
High/Low, SEK	SEK 22.50/29.45	SEK 23.65/18.30	SEK 24.70/17.80	SEK 24.50/16.70	SEK 22.90/10.50
Earnings per share, SEK	0.79	1.50	2.35	3.32	2.97
Cash flow per share, SEK	2.13	-4.63	4.42	-2.54	5.03
Equity per share, SEK	12.19	11.17	23.73	21.13	16.14
Dividend per share, SEK	0.00[2]	1.20	1.00	0.80	0.60
Dividend yield, %	0.00	5.17	5.05	3.49	2.79
Market cap at year-end, SEK M	2,278	1,952	1,621	1,875	1,755
P/E	15.39	9.28	5.70	5.26	6.45
P/B	2.17	2.08	0.83	1.08	1.22
EV/EBITDA	4.27	4.44	0.44	2.19	2.40
Net liquidity(+) / net debt(–)	-72	275	1,428	1,271	1,098
Average weighted number of shares after dilution	88,382,173	88,663,683	88,648,572	88,775,608	92,171,461
Number Class A shares	2,530,555	2,530,555	2,530,555	2,530,555	2,530,555
Number Class B shares	83,751,350	81,584,683	79,318,017	79,318,017	79,198,017
Total number of shares	**86,281,905**	**84,115,238**	**81,848,572**	**81,848,572**	**81,728,572**
Newly issued shares	2,166,667	2,266,666	0	120,000	30,000
Existing warrants	4,666,667	7,000,000	7,000,000	17,074,000	36,847,000
Newly issued(+) / expired(–) warrants (net)	-2,333,333	-2,333,333	0	-10,074,000	-19,773,000
Total number of shares and warrants	**88,615,239**	**88,781,905**	**88,848,572**	**88,848,572**	**98,802,572**

1) Continuing operations
2) Board of directors' proposal.

SUSTAINABILITY REPORT

The sustainability report is prepared by the board of directors and covers the parent company, Catella AB (reg. no. 556079-1419) and all entities consolidated in Catella AB's consolidated accounts for 2019, as specified in Note 20. The sustainability report has been prepared in compliance with chapters 6 and 7 of the Swedish Annual Accounts Act.

THERE HAVE BEEN NO material changes in the application of reporting principles or the scope of the report since the preceding year's sustainability report.

Catella has three material topics for the group's sustainability programme in 2019:

- Responsible investment
- Prevention of corruption
- Employees

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

Preparation of a new sustainability framework for Catella commenced in 2019. The framework will be a keystone of Catella's future strategic work and facilitate a more structured and goal-oriented sustainability programme and contribute to enhancing transparency towards stakeholders. The framework is expected to be implemented in 2020.

RESPONSIBLE INVESTMENT IN CATELLA'S FUND OPERATIONS

Catella's investment philosophy and process are founded on the belief that there is a connection between a sustainable business model and sustained company growth and profitability. Catella's objective is to generate good, long-term returns for our clients. This is dependent upon ensuring sustainable and responsible investment by integrating sustainability into the investment process.

Catella believes greater focus on sustainability is contributing to the value performance of the funds by shedding light on risks and opportunities in the funds' holdings. Catella Fondförvaltning AB (Mutual Funds) and IPM Informed Portfolio Management AB (Systematic Funds) have already 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 sustainability work at Catella. Catella Real Estate AG (Property Funds) has drawn up internal guidelines for responsible investment.

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

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

SUSTAINABILITY IN THE INVESTMENT PROCESS

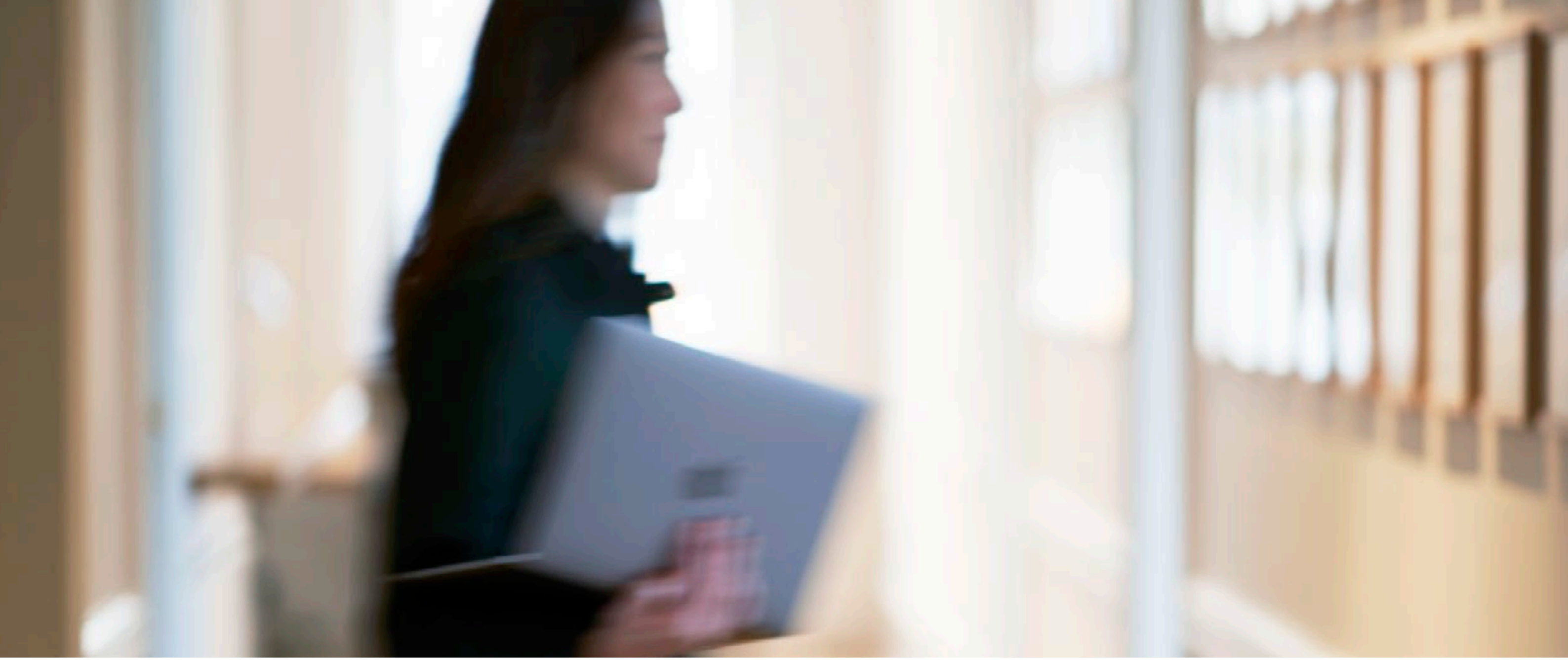
Investment decisions in the funds are based on the managers' company and property research, in which factors including business model, market position, development opportunities, risks and tenant category are analysed. Sustainability factors are assessed in parallel with financial factors in order to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

Sustainability is the objective of the Catella Sverige Aktiv Hållbarhet fund, which actively seeks to identify companies where sustainability is embedded in the business concept. Catella Hedgefond, one of the largest hedge funds in Sweden, has also integrated sustainability in the investment process. The fund excludes investments in sectors considered harmful to human health or the environment, such as tobacco, alcohol, commercial gambling operations, weapons and pornography. As regards fossil fuels, companies involved in coal production have been completely excluded. In addition, investments are made in companies within production and service only if they meet high standards for sustainability work.

SUSTAINABILITY IN OWNERSHIP

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

One example is how Catella works actively with shareholder engagement within the framework of the company's property funds in Germany, via Catella Real Estate AG. When the property is under management, and during the investment process, existing



and potential tenants are analysed to ensure that tenants are not conducting business related to arms trading, military operations, nuclear reactors, certain pharmaceutical companies or companies that use child labour or commit abuses in the areas of equality, human rights or corruption.

PREVENTION OF CORRUPTION

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

Catella's regulated operations have adopted the provisions of the supervisory authorities in each country and 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 these, Catella has implemented a corporate whistleblowing committee that gives all employees a means to anonymously report serious wrongdoing that conflict with Catella's values, business ethics, policies or the law. The purposes of the committee include upholding good ethics and preventing irregularities and corruption within Catella to the benefit of the company's employees, clients, suppliers and owners. No incidences of corruption have been reported during the year.

COMPLIANCE

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.

EMPLOYEES

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

582 EMPLOYEES IN 15 COUNTRIES

At the end of the reporting period, the number of employees in continuing operations (FTE) was 582 (552), of whom 214 (220) in the Corporate Finance operating segment, 334 (311) in the Asset Management operating segment and 24 (21) in other functions.

The number of employees in the disposal group held for sale (Banking) was 68 (155) at the end of the reporting period.

The total number of employees (FTE) was 649 (706) at the end of the reporting period.

COLLABORATION FOR INCREASED SYNERGIES

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

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

INVESTING IN YOUNG TALENT

Catella's employees are the bedrock of the business and attracting people with the right skills and values is of the utmost importance. Aimed at motivating and rewarding 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 One Catella.

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

EQUAL OPPORTUNITY AND DIVERSITY

Catella is convinced that diversity and equal opportunity create value for everyone.

As Catella operates in 15 countries and does business in an international market, diversity and equal opportunity are unquestioned business principles. With the breadth of experience and diverse backgrounds of the staff, there are always resources available to help and to resolve clients' challenges.

Catella's diversity and equal opportunity policy and the Code of Conduct are key instruments to ensure that all employees of the Group conduct themselves in accordance with the company's norms. Turn to page 11 to read more on the subject.

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.

WORK ENVIRONMENT

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

Skilled and motivated employees are the key to Catella's success. To recruit and retain the right employees, the company must create a positive work environment in which people thrive and flourish. By including employees and working together as a team, Catella believes that the company will remain an inspiring workplace.

Catella seeks to encourage an open corporate culture in which employees feel free to speak out concerning wrongdoing in the business. This is ensured by means including an annual group-wide employee survey. Catella has zero tolerance for all forms of bullying and harassment. Any action that thwarts personal development, violates the individual's well-being in some way, or can be interpreted as harassment, bullying or insult must be detected by the organisation or reported via the corporate whistleblowing committee. No cases of wrongdoing were reported via the whistleblowing committee during the year.

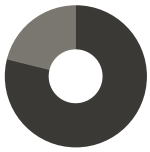
EMPLOYEES PER COUNTRY

%

- Germany, 28%
- Sweden, 27%
- France, 17%
- Finland, 7%
- UK, 7%
- Spain, 6%
- Denmark, 3%
- Rest of the world, 6%

LEVEL OF EDUCATION

%



- University education, 79%
- Other education, 21%

DECENTRALISED RECRUITMENT

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

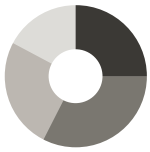
COMPENSATION SYSTEM THAT INCENTIVISES BUSINESS

Catella believes in using the right incentives to encourage good performance, proper conduct and balanced risk-taking in line with client and shareholder expectations. The variable compensation structure is built around participation in the profit created at the level within Catella here 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

AGE DISTRIBUTION

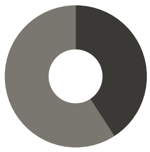
%



- <30 25%
- 31–40 32%
- 41–50 25%
- >50 17%

GENDER DISTRIBUTION

%

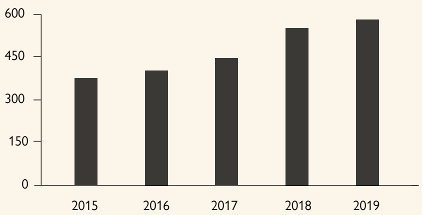


- Women, 41%
- Men, 59%

EMPLOYEE KEY FIGURES

	2019	2018
Number of employees at the end of the year	582	553
Average number of employees	581	539
Employee turnover, %	17	9
Percentage women, %	41	42
University educated, %	79	83

NUMBER OF EMPLOYEES



local financial performance, the incentive also automatically encourages cost control.

Catella also has a warrant scheme for senior management personnel that is linked to the price performance of the Catella share.

ENVIRONMENTAL IMPACT

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

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

CONFLICTS OF INTEREST

There is risk that conflicts of interest will arise within the type of business Catella conducts. This is prevented through employee training and established procedures and processes that employees are obliged to follow. The purpose is to prevent adverse impact on Catella's clients and Catella is required to inform clients when a conflict of interest has been identified that may affect them.

DECENTRALISED RECRUITING PROCESS

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

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

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

Stockholm, 29 April 2020

Johan Claesson *Chairman of the Board*	Jan Roxendal *Director*	Johan Damne *Director*
Joachim Gahm *Director*	Anna Ramel *Director*	Knut Pedersen *Chief Executive Officer*

AUDITOR'S EXAMINATION OF THE STATUTORY SUSTAINABILITY REPORT

ASSIGNMENT AND RESPONSIBILITIES

It is the board of directors who are responsible for the statutory sustainability report for the year 2019 on pages 34–37 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 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.

OPINION

A corporate governance statement has been prepared.

Stockholm, 29 April 2020
PricewaterhouseCoopers AB

Daniel Algotsson
Authorised Public Accountant


4

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.

CORPORATE GOVERNANCE

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

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

SHAREHOLDERS

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

The largest individual shareholders at 31 December 2019 were the Claesson & Anderzén Group, with a holding of 48.6 (49.2) percent of equity and 48.0 percent (48.5) of voting rights, followed by Strawberry Capital, with a holding of 5.4 percent (4.3) of equity and 5.4 percent (4.5) of voting rights. See "The Catella share and ownership" section for further information.

ANNUAL GENERAL MEETING 2019

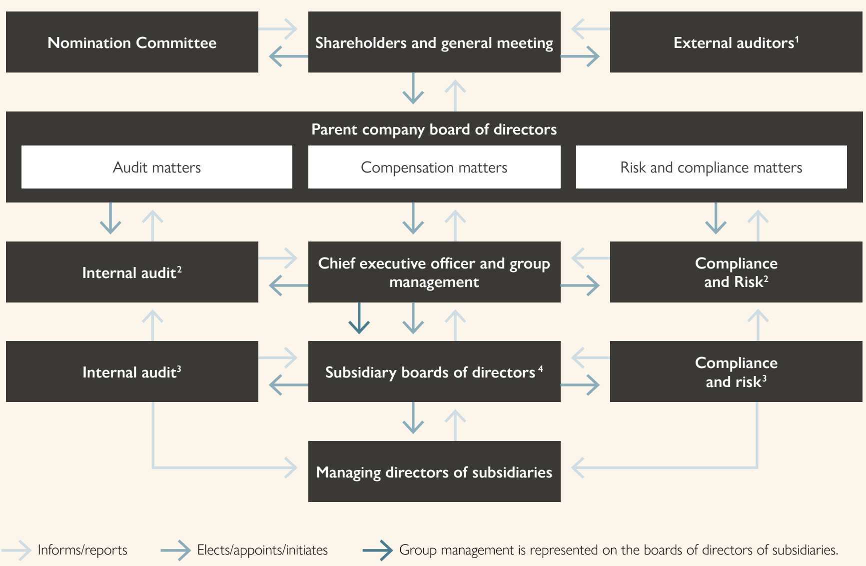
The AGM, which is the company's supreme governing body, gives all shareholders the opportunity to exert their influence. Amendments to the Articles of Association are subject to resolution by the AGM.

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

The AGM was held 27 May 2019 in Stockholm. The board of directors, auditor and owners representing 67.9 percent of total voting interests participated at the AGM. Resolutions at the AGM included:

- To allocate retained earnings and net profit for the year so that SEK 1.20 per share (1.00) is distributed to shareholders and the remainder is carried forward.
- To pay directors' fees of SEK 2,370,000 in total (2,370,000), including SEK 570,000 (570,000) to the chairman of the board and SEK 350,000 (350,000) each to other directors. It was further resolved to pay a fee to the chairman of the board's audit committee of SEK 130,000 (130,000) and to the other two committee members of SEK 100,000 (100,000) each, as well as a fee to the chairman of the board's compensation committee of SEK 40,000 (40,000) and to the other committee member of SEK 30,000 (30,000).
- To pay fees to the auditor in accordance with approved invoice.
- To re-elect Johan Claesson, Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as directors and to elect Johan Claesson chairman of the board.
- PricewaterhouseCoopers AB was re-appointed as the company's auditor with Daniel Algotsson as auditor in charge for a term ending at the close of the 2020 AGM.

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 of financial reporting to the board of directors and executive management of the Catella Group and its subsidiaries.

2) Internal audit, compliance and 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, risk and compliance correspondingly to the board of directors of the parent company.

- To endorse the Nomination Committee's proposed nomination principles for the 2020 AGM.
- To approve the board of directors' proposed guidelines for compensation to senior management personnel.
- The meeting approved the amendment of the Articles of Association to align with the company's current operations.

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 AGM are Thomas Andersson Borstam, based on private ownership, 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 27 May 2019 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 president and chief executive officer and the audit and compensation committees. The board also decides pay and other compensation to the president and CEO and other members of group management.

The board adopted an updated charter in May 2019, which includes the establishment of the audit and compensation committees. The board decided that the audit committee will be composed of Jan Roxendal, chairman, Johan Claesson and Anna Ramel. The board decided that the compensation committee will be composed of Johan Claesson, chairman, and Jon Roxendal. The board has also adopted an instruction for financial reporting, an instruction to the chief executive officer and new and updated policies.

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

ATTENDANCE AND COMPENSATION TO THE BOARD OF DIRECTORS

	Elected	Independent of company/owners	Attendance, board meetings	Attendance, audit committee meetings	Attendance, compensation committee	Fees in 2019, SEKk[1]
Johan Claesson, chairman	2008	No/No	13/13	4/4	3/3	710
Jan Roxendal	2011	Yes/Yes	13/13	4/4	3/3	510
Johan Damne	2014	No/No	12/13			350
Joachim Gahm	2014	Yes/Yes	12/13			379
Anna Ramel	2014	Yes/Yes	13/13	4/4		450

[1] *See Note 11 of the 2019 Annual Report for a specification of directors' fees paid.*

THE WORK OF THE BOARD OF DIRECTORS IN 2019

The board held 13 meetings (16) in 2019, of which 3 (5) were held by telephone. The chief executive officer, 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 chief executive officer. The board met with the auditors once to receive their opinions on the company's financial reporting and internal control. An external lawyer recorded the minutes at all board meetings in 2019. 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 (5) meeting in 2019. Catella's statutory auditors were present at all meetings.

The work of the audit committee in 2019

- Internal and external audit reports for Q3 2019
- Risk report for Q1 2019
- Risk report for Q2 2019
- Risk report for Q3 2019
- Compliance report Q1 2019
- Compliance report Q2 2019
- Compliance report Q3 2019
- Review of audit committee charter
- Examination and review of ICLAAP
- Examination of Group Compliance
- Examination of Long Form Report
- Evaluation of board performance
- Updating and proposals on new policy documents
- Risk policy
- Implementation of IFRS 16
- Review of cyber-risks and information security
- Review of forthcoming regulations
- Review of external audit report for 2019

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 3 (2)meetings in 2019.

GUIDELINES FOR COMPENSATION TO SENIOR MANAGEMENT PERSONNEL

Compensation to the chief executive officer 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 is capped at 24 months' fixed salary for the CEO and 12 months' fixed salary for other senior management personnel. Upon termination of an employment contract by the company, pay during the period of notice and severance pay combined shall not exceed 12 months' salary. Pension benefits shall be provided through defined contribution plans, unless other arrangements are justified by special circumstances. The board of directors is permitted to depart from these guidelines only if justified by special circumstances in individual cases.

THE WORK OF THE BOARD OF DIRECTORS AND KEY DECISIONS IN 2019

QUARTER 1

- Year-end report 2018.
- 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 2019.
- Review of risk reporting and decision on risk plan for 2019.
- Review of compliance and decision on compliance plan for 2019.
- Evaluation of the CEO and other senior management personnel
- Decision to start a new asset management company within PIM, Catella Hotels Europe.

QUARTER 2

- Annual Report 2018.
- Interim report Q1 2019.
- Review and decision on external audit plan for 2019.
- Review of risk and compliance Q1 2019
- 2019 AGM.
- Adoption of the board charter, instruction to the chief executive officer and reporting instruction.
- Adoption of charters for the audit and compensation committees.
- Appointment of the Catella Group Whistleblower Committee.
- Adoption of updated and new policies and guidelines for the Catella group in 2019.

QUARTER 3

- Interim report Q2 2019.
- Review of risk and compliance Q2 2019
- Review and decision on updated risk policy.

QUARTER 4

- Interim report Q3 2019.
- Review of risk and compliance, Q3 2019.
- Review of audit report, Q3 2019.
- Adoption of updated and new policy documents.
- Decision on budget for 2020.
- Decision to sell shares in Grand Central.
- Decision on own financing of the Kaktus Project.
- Adoption of the board charter, the compensation committee charter and instructions to the CEO.
- Strategic review of the Catella Group.

Details of compensation to the chief executive officer and other senior management personnel are disclosed in Note 11 of the 2019 Annual Report.

SHARE-RELATED INCENTIVE PROGRAMME

At 31 December 2019, Catella had a total of 2,333,334 outstanding warrants with an exercise date in 2020. Upon exercise of the warrants, the subscription price per share is SEK 7.20. 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 2019 AGM re-appointed the auditing firm of PricewaterhouseCoopers AB (PWC), with authorised public accountant Daniel Algotsson serving as auditor in charge. The company's external auditors were present at all meetings of the audit committee. In addition to the audit, PWC performed a number of other assignments for Catella related to matters including various sales and acquisitions, primarily related to the divestment and discontinuation of the Banking business area in 2019 and particular focus on the Kaktus property development project.

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 2019 financial year are specified in Note 8 of the 2019 Annual Report.

INTERNAL CONTROL

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

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

CONTROL ENVIRONMENT

The board of directors has adopted policy documents that govern the roles and allocation of responsibilities between the CEO officer 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 intranet. The board receives regular financial reports covering the group's financial position and profit trend. The company holds meetings at the management level and thereafter at the level each unit considers appropriate. A corporate communications policy has been adopted by the board of directors concerning external disclosures, which was designed to ensure that the company complies with requirements for disclosure of accurate information to the market.

MONITORING

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

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

INTERNAL CONTROL AND MONITORING IN THE CONSOLIDATED FINANCIAL SITUATION

Several subsidiaries of the group conduct operations that are regulated by the financial supervisory authority in their respective jurisdictions. Parts of the group thus constitute a consolidated financial situation that is subject to applicable regulations, which require the establishment of control functions. In respect of the consolidated financial situation, the board of directors of Catella AB has appointed risk management, compliance and internal audit functions that regularly report to the board and the CEO. In respect of companies outside the consolidated financial situation, the board has judged that internal audit is not necessary at present. The regulations applicable to subsidiaries affect their organisations and structures.

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

WHISTLEBLOWING COMMITTEE

A corporate whistleblowing committee was appointed during the year, giving 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 committee include upholding good ethics and preventing irregularities within Catella to the benefit of the company's employees, clients, suppliers and owners. No issues were reported to Catella's whistleblowing committee during 2019.

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 2019.

BOARD OF DIRECTORS AND AUDITORS

Johan Claesson

CHAIRMAN OF THE BOARD

Born 1951
Chairman of the board of Catella AB since 2011 and director since 2008

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

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

EDUCATION: MBA

SHAREHOLDING (APRIL 2020): 1,100,910 Class A shares and 42,563,838 Class B shares.

WARRANTS (APRIL 2020): None.

OWNERSHIP: Private and via companies.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: No

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: No

Jan Roxendal

DIRECTOR

Born 1953
Director of Catella AB since 2011

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

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

EDUCATION: Higher public education in banking.

SHAREHOLDING (APRIL 2020): 129,554 Class B shares.

WARRANTS (APRIL 2020): None

BONDS (APRIL 2020): SEK 2,000,000.

OWNERSHIP: Private.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: Yes

Johan Damne

DIRECTOR

Born 1963
Director of Catella AB since 2014

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

BACKGROUND: CEO of Claesson & Anderzén AB.

EDUCATION: MBA

SHAREHOLDING (APRIL 2020): 150,000 Class B shares.

WARRANTS (APRIL 2020): None

OWNERSHIP: Private.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: No

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: No

Joachim Gahm

DIRECTOR

Born 1964
Director of Catella AB since 2014

OTHER CURRENT ASSIGNMENTS: Chairman of Arise AB and Sustainable Growth Capital SGC AB and Solhemmet Samhällsfastigheter AB. Director of Tryggkredit AB.

BACKGROUND: Former president of Öhman Investment AB.

EDUCATION: MBA

SHAREHOLDING (APRIL 2020): None

WARRANTS (APRIL 2020): None

OWNERSHIP: –

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: Yes

Anna Ramel

DIRECTOR

Born 1963
Director of Catella AB since 2014

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

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

EDUCATION: LL M (Master of Laws).

SHAREHOLDING (APRIL 2020): None

WARRANTS (APRIL 2020): None

OWNERSHIP: –

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes

INDEPENDENT OF MAJOR SHAREHOLDERS IN THE COMPANY: Yes

Daniel Algotsson

AUDITOR

Born 1982
PricewaterhouseCoopers AB (PWC) has been Catella's auditing firm since 2011. The auditor in charge is Daniel Algotsson, authorised public accountant and member of FAR.

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

SHAREHOLDING (APRIL 2019): None

WARRANTS (APRIL 2019): None

OWNERSHIP: –

GROUP MANAGEMENT 2019*

Knut Pedersen

PRESIDENT AND CEO

Born 1968.

Member of group management from January 2014 to the second quarter of 2020

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

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

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

SHAREHOLDING (APRIL 2020): 2,000,000 Class B shares.

WARRANTS (APRIL 2020): None

OWNERSHIP: Private.

Marcus Holmstrand

CHIEF FINANCIAL OFFICER

Born 1980.

Member of group management from September 2015 to the second quarter of 2020

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

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

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

SHAREHOLDING (APRIL 2020): 204,000 Class B shares.

WARRANTS (APRIL 2020): None

OWNERSHIP: Private.

*It was announced at the end of 2019 that Knut Pedersen and Marcus Holmstrand intend to step down from their positions and thus from Catella's group management. Johan Claesson and Eva Bång will accede as new acting members of group management as soon as the necessary authorisations have been received from supervisory authorities. Further information is provided in press releases published on www.catella.com

Stockholm, 29 April 2020

Johan Claesson

CHAIRMAN OF THE BOARD

Jan Roxendal

DIRECTOR

Johan Damne

DIRECTOR

Joachim Gahm

DIRECTOR

Anna Ramel

DIRECTOR

Knut Pedersen

CHIEF EXECUTIVE OFFICER

AUDITOR'S OPINION ON THE CORPORATE GOVERNANCE STATEMENT

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

ASSIGNMENT AND RESPONSIBILITIES

The board of directors is responsible for the corporate governance statement for the 2019 financial year on pages 39–49 and for its preparation in accordance with the Annual Accounts Act.

SCOPE AND ORIENTATION OF THE EXAMINATION

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

OPINIONS

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

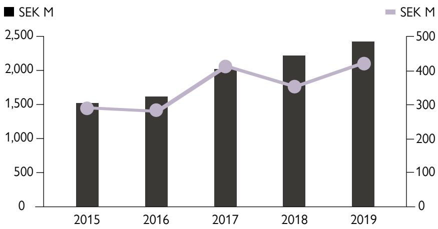
Stockholm, 29 April 2020
PricewaterhouseCoopers AB

Daniel Algotsson
AUTHORISED PUBLIC ACCOUNTANT

FINANCIAL REVIEW

GROUP

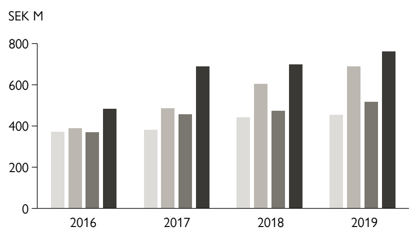
TOTAL INCOME AND OPERATING PROFIT



■ Total income

▬ Operating profit

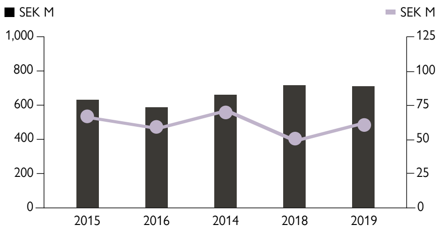
TOTAL INCOME PER QUARTER



■ Q1 ■ Q2 ■ Q3 ■ Q4

CORPORATE FINANCE

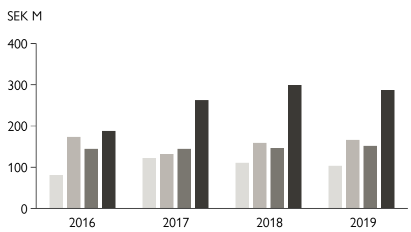
TOTAL INCOME AND OPERATING PROFIT



■ Total income

▬ Operating profit

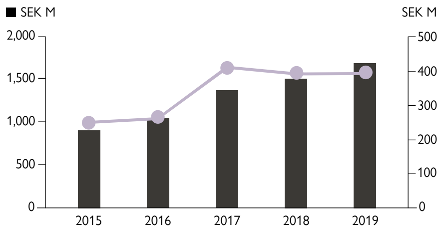
TOTAL INCOME PER QUARTER



■ Q1 ■ Q2 ■ Q3 ■ Q4

ASSET MANAGEMENT

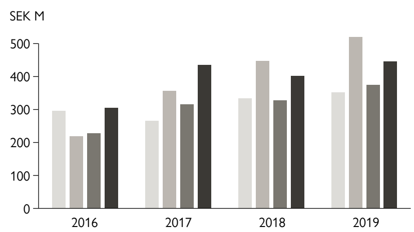
TOTAL INCOME AND OPERATING PROFIT



■ Total income

▬ Operating profit

TOTAL INCOME PER QUARTER



■ Q1 ■ Q2 ■ Q3 ■ Q4

CONSOLIDATED KEY FIGURES[1)]

	Corporate Finance		Asset Management		Other		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating margin, %	7	11	26	30	–	–	16	20
Profit margin, %	3	2	15	18	–	–	6	9
Return on equity, %[2)]	70	21	17	30	–	–	7	11
Equity/assets ratio, %	15	15	60	61	–	–	36	41
Equity, SEK M [2)]	57	35	967	887	-80	17	943	940
Number of employees at end of period	214	220	344	311	21	15	582	552
Earnings per share, SEK[2)]	–	–	–	–	–	–	0.79	1.50
Equity per share, SEK[2)]	–	–	–	–	–	–	10.93	11.17
AUM at the end of the period, SEK Bn	–	–	171.3	186.2	–	–	171.3	186.2
Net inflow (+) and outflow (-) during the period, SEK Bn	–	–	-33.0	-0.5	–	–	-33.0	-0.5
Property transaction volumes for the period, SEK Bn	50.7	68.6	–	–	–	–	50.7	68.6

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

INCOME STATEMENT BY OPERATING SEGMENT

	Corporate Finance		Asset Management		Other		Group	
SEK M	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	704	710	1,660	1,457	-11	-9	2,353	2,159
Other operating income	5	5	29	53	34	0	67	57
	709	**715**	**1,689**	**1,510**	**22**	**-9**	**2,420**	**2,216**
Direct assignment expenses and commissions	-55	-88	-324	-301	7	0	-372	-389
Personnel costs	-413	-405	-591	-521	-39	-33	-1,043	-960
Other expenses	-178	-173	-383	-296	-22	-45	-583	-514
Total expenses	**-647**	**-667**	**-1,297**	**-1,119**	**-54**	**-78**	**-1,998**	**-1,864**
Operating profit/loss	**62**	**49**	**392**	**391**	**-32**	**-88**	**422**	**352**
Financial items, net	-9	0	-31	-16	-98	1	-138	-15
Profit before tax	**52**	**48**	**361**	**375**	**-130**	**-87**	**284**	**337**
Tax	-29	-33	-107	-104	1	11	-135	-127
Net profit for the year from continuing operations	**23**	**15**	**253**	**271**	**-128**	**-76**	**148**	**210**
Operations held for sale								
Profit/loss for the year from disposal groups held for sale	0	0	44	-242	1	4	45	-238
Net profit/loss for the year	**23**	**15**	**298**	**29**	**-128**	**-72**	**193**	**-28**
Profit/loss attributable to owners of the parent company	**23**	**15**	**218**	**-55**	**-128**	**-72**	**113**	**-112**

FINANCIAL POSITION BY OPERATING SEGMENT

	2019	2018	2019	2018	2019	2018	2019	2018
ASSETS								
Non-current assets								
Intangible assets	67	65	507	525	53	56	627	646
Financial assets at fair value through profit or loss	0	0	149	142	111	194	261	337
Non-current loan receivables	–	–	–	0	–	–	–	0
Other non-current assets	104	28	127	46	154	158	384	232
	171	**94**	**783**	**714**	**318**	**408**	**1,272**	**1,215**
Current assets								
Accounts receivable	147	119	170	206	1	–	318	325
Current loan receivables	–	–	25	32	13	67	38	99
Cash and cash equivalents	176	185	608	486	97	17	881	687
Other current assets	41	67	315	296	432	73	789	435
	364	**371**	**1,118**	**1,020**	**543**	**156**	**2,026**	**1,547**
Assets in disposal groups held for sale	–	–	835	4,249	-76	-2	759	4,247
Total assets	**536**	**465**	**2,736**	**5,983**	**785**	**562**	**4,057**	**7,009**
EQUITY AND LIABILITIES								
Equity attributable to owners of the parent	57	35	1,545	1,389	-80	17	1,522	1,442
Non-controlling interests	26	34	182	171	5	0	214	205
Total equity	**83**	**69**	**1,727**	**1,561**	**-75**	**17**	**1,736**	**1,647**
Liabilities								
Non-current liabilities								
Non-current loan liabilities	–	–	–	–	747	748	747	748
Other non-current liabilities	171	102	162	84	107	-103	440	83
	171	**102**	**162**	**84**	**854**	**646**	**1,186**	**831**
Current liabilities								
Borrowing	–	–	–	–	–	–	–	–
Current loan liabilities	–	–	–	–	–	–	–	–
Other current liabilities	282	293	591	591	-27	-94	846	790
	282	**293**	**591**	**591**	**-27**	**-94**	**846**	**790**
Liabilities in disposal groups held for sale	**–**	**–**	**256**	**3,747**	**33**	**–**	**289**	**3,741**
Total liabilities	**453**	**395**	**1,009**	**4,422**	**860**	**545**	**2,321**	**5,362**
Total equity and liabilities	**536**	**464**	**2,736**	**5,983**	**785**	**562**	**4,057**	**7,009**

CASH FLOW BY OPERATING SEGMENT

	2019	2018	2019	2018	2019	2018	2019	2018
Profit before tax	52	48	461	78	-129	-83	385	44
Adjustment for non-cash items	57	42	-183	211	88	-2	-37	250
Adjustment for cash items	-69	-111	-2,414	-12	302	174	-2,182	50
Cash flow from operating activities	**40**	**-21**	**-2,135**	**277**	**261**	**88**	**-1,834**	**344**
Cash flow from tangible and intangible non-current assets	-4	-5	-11	-30	-4	–	-19	-35
Acquisition of subsidiaries, net of cash and cash equivalents	–	–	0	-220	–	-208	0	-428
Cash flow from other financial assets	241	-38	-74	23	0	0	167	-15
Cash flow from investing activities	**-4**	**-5**	**230**	**-289**	**-78**	**-185**	**148**	**-479**
Net borrowings, amortisation of loans	-18	0	-21		-14	252	-53	252
New share issue, dividends, contributions from and payments to non-controlling interests	-30	-37	-73	-63	-89	-63	-192	-163
Cash flow from financing activities	**-48**	**-37**	**-95**	**-63**	**-103**	**190**	**-245**	**89**
Cash flow for the year	**-12**	**-64**	**-2,000**	**-74**	**80**	**93**	**-1,931**	**-45**
Cash flow for the year from disposal groups held for sale	**–**	**–**	**-2,115**	**344**	**–**	**–**	**-2,115**	**344**

Financial statements

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Notes on the Consolidated Accounts:

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 2019. The results of operations of the Group and Parent Company are presented in the following Income Statements, Balance Sheets, Cash Flow Statements, Statements of Changes in Equity and Notes.

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

INFORMATION ON OPERATIONS

Catella is a leading specialist in property advisory services, property investments and mutual funds with operations in 15 countries. The Group ("Catella") manages assets totalling some SEK 170 Bn. Operations are conducted in the Corporate Finance and Asset Management operating segments.

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

In Asset Management, operations are divided into three business areas. Catella's offering under the ***Equity, Hedge and Fixed Income Funds,*** business area covers a broad selection of fund alternatives with complementary focus and management methodologies. Operations are conducted in two service segments; Mutual Funds, which provides equity, hedge and fixed income funds with a Nordic focus to private and institutional investors, and Systematic Funds, which manages systematic macro and equity strategies for institutional investors. Catella deals with all phases of value creation in property through its ***Property Investment Management*** business area, from identifying projects and acquisitions to financing, strategic management, and finally, exit. Investing services are provided on assignment by financial institutions, pension funds, property funds and other property owners. Catella also creates value in proprietary open, specialised 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, Netherlands and the UK. The Asset Management business segment also includes the ***Banking business area***, which is being wound down in 2019. From 30 September 2018, the Banking business area is reported as a *disposal group held for sale* in accordance with IFRS 5. This means that in the Consolidated Income Statement net profit (after tax) for Banking is reported on a separate line under Net profit from disposal group held for sale. Comparative figures for previous years have been reported in a corresponding manner in the Consolidated Income Statement. In the Consolidated Statement of Financial Position, Banking's assets and liabilities are reported separately from other assets and liabilities on separate lines under Assets in divestment group held for sale and Liabilities in divestment group held for sale respectively.

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 48.6% (49.2) of the share capital and 48.0% (48.5) of the votes, followed by Strawberry Capital AS with a holding of 5.4% (4.3) of the capital and 5.4% (4.5) of the votes. The third largest shareholder was M2 Asset Management AB with 4.3% (-) of the capital and 4.5% (-) of votes. Catella's ten largest shareholders jointly held 72.6% (72.7) of the share capital and 71.9% (72.2) of the votes as of 31 December 2019. 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	2019	2018	2017	2016	2015
Net sales	2,353	2,159	1,998	1,597	1,508
Operating profit/loss	422	352	412	280	290
Financial items—net	-138	-15	34	16	51
Profit/loss before tax	284	337	446	296	341
Net profit for the year from continuing operations	**148**	**210**	**337**	**226**	**300**
Net profit/loss for the year from divestment group held for sale	**45**	**-238**	**-53**	**130**	**-28**
Net profit for the year	**193**	**-28**	**284**	**357**	**272**
Average no. of employees	**581**	**539**	**629**	**588**	**526**

SEK M	2019	2018	2017	2016	2015
Equity	1,736	1,647	1,943	1,730	1,436
Total assets	4,057	7,009	6,396	5,651	5,011
Equity/Asset ratio %	43	24	30	31	29

SEK M	2019	2018	2017	2016	2015
Cash flow from operating activities	-1,834	344	297	-137	549
Cash flow from investing activities	148	-479	-74	55	-50
Cash flow from financing activities	-245	89	139	-126	-88
Cash flow for the year	**-1,931**	**-45**	**362**	**-208**	**411**

The Group's net sales for remaining operations totalled SEK 2,353 M (2,159), up 9% year on year. Net sales in the Property Investment Management business area increased sharply, while net sales decreased in Equity, Hedge and Fixed Income Funds and Corporate Finance.

Operating profit for remaining operations was SEK 422 M (352). The profit increase is mainly due to fixed and variable income in the Property Investment Management business area, and positive results from property development projects and other holdings in associated companies.

The Group's net financial income and expense was SEK -138 M (-15), of which interest income was SEK 13 M (18) and interest expenses SEK 49 M (27). The increased interest expenses are partly due to the Parent Company's increased borrowing of SEK 250 M within the framework of the existing bond loan in June 2018, and on interest expenses on the Company's lease commitments (IFRS 16) which Catella recognizes from 1 January 2019. The valuation of long-term securities holdings and short-term investments at fair value resulted in a value adjustment of SEK -86 M (6), which primarily related to the loan portfolios Lusitano 3 and Lusitano 5. Discontinued currency forwards, aimed at reducing currency exposure, realised a profit of SEK -10 M (14). Net financial income/expense also include loan arrangement costs totalling SEK 3 M (2).

The Group's operating profit before tax for remaining operations was SEK 284 M (337).

The tax expense for the year for remaining operations was SEK 135 M (127), corresponding to effective tax of 48% (38). The high tax expense was mainly due to limited opportunities for tax offset between various Group operations, and restrictions in the utilization of loss carry-forwards.

The year's operating profit after tax for remaining operations was SEK 148 M (210). Profit for the year after tax from disposal group held for sale was SEK 45 M (-238) and related to the Banking business area.

Profit for the year for the Group's total operations was SEK 193 M (-28), of which SEK 113 M (-112) was attributable to parent company shareholders.

During 2019, consolidated equity increased by SEK 88 M, amounting to SEK 1,736 M as of 31 December 2019. Consolidated equity was also driven by profit in the year of SEK 193 Bn, by positive exchange rate differences of SEK 33 M, and by positive fair value changes in financial assets, recorded in 'Other' total profit of SEK 26 M. Dividends to Parent Company shareholders and to non-controlling holdings amounted to SEK 104 M and SEK 100 M respectively. Other transactions with non-controlling interests totalled SEK 27 M ad mainly related to share in profit for the year. Other items that affected Group equity are a new issue of SEK 18 M and repurchasing of warrants issued of SEK -4 M. As of 31 December 2019, the Group's equity/assets ratio was 43% (24% as of 31 December 2018). The increased equity/asset ratio is mainly due to the significant reduction in total Assets due to the divestment of the Banking business area.

During 2019, total assets decreased by SEK 2,952 M, amounting to SEK 4,057 M as of 31 December 2019. The decrease is attributable to the Banking business area, where the operations were divested gradually through asset transfers to three different operators in 2019. As of 1 January 2019, due to the implementation of IFRS 16 Leases, Catella reports two new items in the consolidated financial position: Contract assets and Contract liabilities. Catella applies the simplified standard, and does not restate comparative figures 2018. Furthermore, the holding in the property development project Kaktus 1 TopCo ApS was re-classified from holding in associated company to shares in subsidiary, with full consolidation of Kaktus' income statement and balance sheet. The change means that a new Balance sheet item, Properties held for development and project properties, has been included in the Group's financial position from 2019 onwards.

Consolidated cash flow from operating activities before changes in working capital amounted to SEK 71 M (140), of which SEK 322 M (280) was attributable to remaining operations and SEK -251 M (-140) to the Disposal group held for sale. Tax paid amounted to SEK 277 M (154) in the period, of which SEK 41 M related to Catella Bank's tax payments for the tax year 2014-2017.

Consolidated cash flow from operating activities was SEK -1,834 M (344), of which changes in working capital comprised SEK -1,905 M (204). Of the changes in working capital, SEK -2,129 M (315) was attributable to banking operations and SEK 224 M (-111) to other operations. The bank's negative change in working capital was mainly due to the transfer of the Wealth Management operations in Luxembourg and Sweden.

Cash flow from investing activities was SEK 148 M (-479), of which SEK 245 M related to sales proceeds from the bank's transfers of operations net of advisory costs. In addition, the bank received a payment of SEK 16 M from Visa Inc in relation to the acquisition of Visa Europe in 2016. Investments in associated companies and in Kaktus amounted to SEK 79 M. Cash flow from loan portfolios totalled SEK 28 M, and terminated currency forwards generated cash outflow of SEK 31 M.

Cash flow from financing activities amounted to SEK -245 M (89), of which SEK 104 M related to dividends to Parent Company shareholders, and SEK 100 M to dividends to non-controlling interests. In addition, amortisation of the Group's lease liability amounted to SEK 53 M. Cash flow from investing activities also includes payment received of SEK 18 M from warrant holders for the subscription of new Class B shares in Catella AB, and a payment made of SEK 4 M relating to the re-purchase of warrants.

Cash flow for the year amounted to SEK -1,931 M (-45), of which cash flow from remaining operations was SEK 184 M (-389) and cash flow from disposal group held for sale was SEK -2,115 M (344).

Performance of operating segments—two-year summary

	Corporate Finance		Asset Management and Banking	
SEK M	**2019**	**2018**	**2019**	**2018**
Total income	709	715	1,689	1,510
Direct assigment costs and commission	-55	-88	-324	-301
Income excl. direct assignment costs & commission	653	627	1,365	1,209
Operating expenses	-592	-578	-973	-818
Operating profit/loss	62	49	392	391
Financial items—net	-9	0	-31	-16
Profit/loss before tax	52	48	361	375
Tax	-29	-33	-107	-104
Net profit for the year from continuing	**23**	**15**	**253**	**271**
Net profit/loss for the year from divestment group held for sale	**-**	**-**	**44**	**-242**
Net profit for the year	**23**	**15**	**298**	**29**

SEK M	**2019**	**2018**	**2019**	**2018**
Equity	83	69	1,727	1,561
Total assets	536	464	2,736	5,983
Equity/Asset ratio %	15	15	63	26

Corporate Finance recognised net sales of SEK 704 M (710) and total income was SEK 709 M (715). Income was down in the Nordics, while income increased in Continental Europe, mainly derived from Germany. Operating profit was SEK 62 M (49). The improved profit was mainly due to increased income in Germany and lower assignment costs in the French operations.

Asset Management reported net sales of SEK 1,660 M (1,457) and total income was SEK 1,689 M (1,510). The sales increase was derived from the Property Investment Management business area, where the Property Funds and Property Asset Management service areas made strong progress in the year. However, operating profit was in line with the previous year and amounted to SEK 392 M (391). Profit was charged with increased fixed salary expenses and consultancy costs as a result of the focus on future growth and increased distribution. Depreciation and amortization were also significantly higher than in previous years, partly as a result of impairment losses relating to IT systems for the terminated product Systematic Equity.

IMPAIRMENT TESTING

During the year, Catella conducted impairment tests on assets with indefinite useful lives based on carrying amounts as of 30 September 2019. Catella's assets with indefinite useful lives consist of goodwill and brands, with a reported value of SEK 464 M (448) and SEK 50 M (50) respectively. The impairment test is calculated on estimated future cash flows based on budgets and forecasts and approved by management and the Board of Directors. The impairment testing indicated a need for goodwill impairment of SEK 2 M attributable to Catella Asia. In addition, other acquisition-related intangible asset such as distribution channels and customer contracts attributable to Catella Asia and the Property Investment Management business area, were impaired by SEK 5 M. Impairment totalling SEK 7 M is reported as Depreciation and amortisation in the Consolidated Income Statement.

INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2019, the Group completed investments totalling SEK 140 M (689). Of this amount, SEK 16 M (29) were investments in intangible assets and SEK 5 M (17) were investments in property, plant and equipment. Additional investments and new investments in subsidiaries were SEK 16 M (492), of which SEK 3 M (207) related to acquisitions of shares from non-controlling holdings. Furthermore, SEK 34 M (89) was invested in associated companies. Additionally, SEK 33 M (36) and SEK 30 M (-) respectively was invested in funds managed by IPM and Catella Fondförvaltning, and SEK 6 M (26) was invested in other operational holdings that are not associated companies. Amortization, depreciation and impairment of assets not constituting contract assets (IFRS 16 Leases) amounted to SEK 68 M (32) in the financial year.

FINANCING

Catella has issued a total of SEK 750 M in unsecured bonds which accrue variable interest of 3-month STIBOR plus 400 b.p. The bond is listed on NASDAQ Stockholm and matures in June 2022.

Financing is also conditional on a minimum Group equity requirement of SEK 800 M at any time. Otherwise, there are no restrictions on dividend. Annual dividend to Parent Company shareholders is subject to a maximum of SEK 80 M or 60 percent of profit for the year attributable to Parent Company shareholders. These covenants were satisfied in the year and as of 31 December 2019.

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 2019.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Catella concludes divestment of Wealth Management operations in Luxembourg

In October 2018, Catella Bank S.A., a wholly-owned subsidiary of Catella AB (publ), entered into an asset-transfer agreement relating to the divestment of its Wealth Management operations in Luxemburg to VP Bank (Luxemburg) SA as a result of the strategic review of Catella's banking operations. The transaction was completed in February 2019 and the final purchase consideration was SEK 95 M. As part of the asset transfer, assets and liabilities were transferred to VP Bank, which decreased Catella's total assets by just over SEK 1.9 Bn.

Catella and Söderberg & Partners enters into strategic partnership

In December 2018, Catella Bank signed an agreement relating to the divestment of 51% of its Wealth Management operations in Sweden to Söderberg & Partners for SEK 36 M. In addition, the parties have agreed an additional purchase consideration based on variable income in 2019, which has been calculated and recognized at an amount of SEK 4 M as of 31 December 2019. At the same time, the parties entered a strategic partnership where Catella intends to continue to create alternative investment products for this customer segment in the asset management sector as a whole. Catella's total assets decreased by some SEK 900 M as a result of the transaction because both assets and liabilities were transferred to a joint venture company. Catella's 49% holding in the joint venture company has been consolidated as an associated company in accordance with the equity method from 25 February 2019.

Catella divests card issuing operations in Luxembourg to Advanzia Bank

In December 2018, Catella Bank S.A. Entered into an agreement regarding the divestment of the card issuing operations in Luxembourg to Advanzia Bank SA. The migration of card customers to Advanzia in 2019 has proceeded as planned and was completed in the first quarter of 2020. The agreed fixed purchase consideration amounted to SEK 127 M and was paid in the first quarter 2019. The additional purchase consideration amounted to SEK 134 M, of which SEK 104 M was recognized as revenue in 2019 and the full amount was paid in March 2020.

Changes in Catella AB's (publ) Group Management

On 18 March 2019, Johan Nordenfalk, Chief Operating Officer (COO) resigned from his position and left Catella's management to take up a position outside the Company.

Exercise of warrants and change in the number of shares

In March 2019, warrant holders exercised 2,166,667 warrants to subscribe for an equal number of new shares at a price of SEK 8.40 per share. The new Class B shares were issued on 8 April 2019 by registration with the Swedish Companies Registration Office and inclusion in Euroclear's share register. In March, 66,666 warrants held in treasury also expired.

Catella AB (publ) completes written procedure

In the second quarter 2019, Catella AB (publ) initiated a written procedure where the Company requested bond holder approval to make certain amendments to the general terms and conditions of the bonds. The proposed changes to the terms and conditions include (i) permission to make a dividend payment at an aggregate amount of 103,538,286 SEK, corresponding to SEK 1.20 per share, for the financial year 2018 and (ii) permission for the Group to raise debt under a profit participating loan or profit participating loan securities issued by alternative investment funds (provided certain conditions are met). The bondholders approved the amendments effective from 23 May 2019, and dividend was paid on 4 June 2019.

Annual General Meeting 2019

The Annual General Meeting (AGM) on 27 May 2019 approved a dividend of SEK 1.20 (1.00) per share for the financial year 2018. The AGM also resolved to re-elect all Board members.

IPM focuses on Systematic Macro and divests Systematic Equity

In May 2019, IPM Informed Portfolio Management ("IPM" or "Systematic Funds"),decided to focus on its flagship product Systematic Macro, and therefore terminate the product Systematic Equity. After the strong growth in Macro strategy, Systematic Equity is only marginally contributing to the operations.

SEK 85 M in impairment losses on loan portfolio

In the third quarter 2019, Catella recognized impairment losses for two of its loan portfolios, Lusitano 3 and Lusitano 5 The impairment was triggered by the issuing bank exercising its time call option to repurchase the loan portfolio Lusitano 3, which was written don by SEK 48 M. As a result, the assumptions for Lusitano 5 also changed, increasing the probability of a repurchase of this loan portfolio in the second quarter 2021. The potential repurchase affects anticipated cash flows negatively, generating impairment losses of SEK 33 M. The background to the repurchase relates to changed conditions for the issuing bank . The earlier cash flow forecast, which was produced by an external advisor, did not include assumptions about the issuing bank exercising its option to repurchase the loan portfolio.

The repurchase mechanism in Lusitano 3 and Lusitano 5, which triggered these impairment losses, is not present in Catella's two other loan portfolios, Pastor 2 and Pastor 4.

Catella divests development project

Through its associated company Nordic Seeding GmbH, Catella AB (publ) has signed an agreement with German Property developer CG Gruppe AG regarding the divestment of the property development project Grand Central in Düsseldorf, Germany. The transaction will have a positive effect on profit after tax of some SEK 170 M, of which SEK 15 M was recognised in the fourth quarter 2019 and the remaining amount is expected to be recognised in the first half 2020.

Catella AB's investment was implemented through associated companies Nordic Seeding GmbH and Grand Central Beteiligungs GmbH. The project was developed and managed by Catella's German sister company Catella Project management GmbH.

SIGNIFICANT EVENTS AFTER YEAR-END

Changes to Catella AB's (publ) Group management

In November, Knut Pedersen announced his resignation as CEO of Catella. He will be leaving his position in conjunction with the Annual General Meeting 2020.
In December, Marcus Holmstrand announced his resignation as CFO of Catella following a notice period of six months.

The Board of Catella AB (publ) has decided to appoint Chairman Johan Claesson as acting CEO, Eva Bång as acting CFO and Jan Roxendal as acting Chairman, effective as soon as the necessary approvals have been obtained from the supervisory authority CSSF.

Impact of Covid-19

The outbreak of Covid-19 affects Catella negatively, and there is a risk of a significant financial impact on the Group. Given the uncertain situation, it is currently not possible to estimate the full potential impact on the Group over the coming quarters. We proceed from the assumption that the second and third quarters of 2020 will be characterized by significant uncertainty, affecting investor appetite for completing transactions and capital investments.

Catella revokes proposed dividend

Against the background of the coronavirus pandemic, the Board of Catella AB (publ) has decided to revoke the proposed dividend of SEK 0.90 per share, and proposes to the Annual General Meeting that no dividend be paid. Although Catella has a solid financial position, it is difficult to assess how developments will progress, and the Board aims to ensure that satisfactory liquidity is available should the crisis worsen.

EMPLOYEES

The number of employees in remaining units, expressed as full-time equivalents, was 582 (552), of which 214 (221) were employed in the Corporate Finance operating segment, 334 (310) in the Asset Management operating segment and 24 (21) in other functions.

The number of employees in the divestment group held for sale (Banking) was 68 (153) at year end.

At the end of the year, there were 649 (705) employees, expressed as full-time equivalents.

FINANCIAL INSTRUMENTS, RISKS AND UNCERTAINTIES

Risks and uncertainties

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

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

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

The Asset Management operating segment includes the Group's asset management and banking operations, where the latter was in the process of being wound down in 2019. All transactions that are implemented on behalf of clients are controlled by instructions from the client, or through agreed investment regulations 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. A number of subsidiaries in the operating segment are under the supervision of the regulatory authorities in the respective countries of legal domicile. Financial risks are mainly managed through continuous measurement and follow-up of financial performance. 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 domicile. In addition, Catella's consolidated financial situation is under the supervision of CSSF in Luxembourg since 31 March 2016. Existing regulatory frameworks and rapid regulatory changes are complex in general, and specifically with regard to Catella's banking operations. These regulatory framework place stringent, and in future even more stringent, demands on the routines and procedures, and liquidity and capital reserves, of the operations under supervision. Compliance with these regulatory frameworks is a pre-condition for conducting operations subject to supervision. Catella continuously seeks to ensure compliance with existing regulatory frameworks and to prepare for future compliance with coming regulatory changes. At a pace with the wind down of the banking operations in 2019, the regulatory risk has decreased.

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

Financial instruments

Financial instruments are mainly used in the Asset Management operating segment. In Asset Management and Banking, active trading is conducted in all types of securities and currencies on behalf of clients and managed funds. In addition, the operating segments advices its customers on financial matters with regard to customer investments, fund management and the segment's discretionary management.

The operating segment does not trade in or take positions on its own behalf in financial instruments, apart from limiting currency exposure that arises in IPM's investment services in discretionary management and fund management, and in Catella Bank's card operations. 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. At a pace with the winding down of the Bank's card operations, credit risk has decreased significantly.

Derivatives

There is some currency exposure within IPM and Catella Bank, relating to transactions in foreign currency. The majority of IPM's revenues are denominated in foreign currency while the majority of expenses are denominated in SEK. These companies use currency swaps and forward contracts to limit this risk. After the Bank's divestment of the card operations to Advanzia Bank, the bank ceased to utilise derivative instruments.

Hedging is of a financial nature and the instruments are not recognised as hedges in accordance with the reporting standard IFRS 9 Financial Instruments.

In 2018, the Parent Company Catella AB (publ) started currency hedging using derivatives. Currency hedging with derivative instruments was initiated to reduce the exchange rate risk (translation risk) of Catella's net exposure in EUR. Catella applies hedge accounting in accordance with IFRS 9 from the date currency hedging of net exposure commences.

Other risks

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

Operating risk

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

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

Reputational risk

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

Political risks

Catella holds equities, funds and loan portfolios. One of the most significant investments 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 22 of the Annual Report. 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.

FUTURE PROGRESS

Corporate Finance

This business area focuses sharply on increasing the share of value-adding and capital markets-related services, and thus improving profitability. Catella has strong market positions in Sweden, Denmark and Finland, and continues to advance its market position with a sharp focus on value-adding and capital markets-related services, while simultaneously defending the Group's position in transaction advice. In addition, operations are being coordinated to streamline the allocation of resources. Catella continuously evaluates the possibility of establishing operations in Norway on the basis of market conditions. The aim is to offer a complete Nordic platform in Corporate Finance.

In continental Europe, the French operations have a very strong market position in transaction advice, which was confirmed further in 2019. 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 operations are being used to enhance Catella's offering and market position in Germany and Spain, which was evidenced in clear advances on both markets in 2019.

Asset Management

Catella already provides a well-diversified product mix in the Equity, Hedge and Fixed Income Funds business area, but its ambition is to create more products to achieve a better balance between different product categories, and to provide competitive, active asset management. Towards the end of 2019, Catella launched a new loan fund aimed at institutional clients. Sales through resellers remain important to achieve the growth targets in Mutual Funds, with a focus on high quality of service and presence. In 2019, Catella continued to allocate a higher proportion of resources to distribution, prioritizing a sharper focus on institutional customers, and increasing the share of foreign customers. Systematic Funds mainly addresses institutional clients. Apart from this focus on institutions, the ambition is to access new markets and client groups, primarily via a range of permits and fund solutions. Catella's focus remains on distribution, including through an increased presence in London and New York.

The property investment management business area is continuing to build its transaction and management capacity in all markets where Catella is present. Catella is combining local strategies with greater access to the international capital markets. Growth in this business area is being created by adding new products into existing structures and through geographical expansion. In 2019, Catella integrated UK company APAM, which was acquired in 2018, and which is of strategic significance to Catella's pan-European platform with a presence in ten countries. Given the geographical breadth, which now includes the UK, Catella has a product offering that is highly relevant to international investors. The London presence generates investor interest in Catella's operations in continental Europe, and vice versa. The ambition for the business area is to selectively launch niche funds and investment structures to address the needs of local and international investors. Increased collaboration, both within the business area and with Catella's other business areas, ensures that Catella capitalises on synergies. In 2019, just over SEK 15 Bn from property funds had been invested through Catella's local Property Asset Management operations, illustrating the value of the platform and the company's local presence. Catella intends to continue this work, with the anticipation of future growth in the business area.

CORPORATE GOVERNANCE

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

RESEARCH AND DEVELOPMENT

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

SUSTAINABILITY AND ENVIRONMENTAL IMPACT

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

In accordance with the Annual Accounts Act, Catella has prepared a statutory Sustainability Report which is presented on pages 34-37.

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 2019, the Parent Company recognised income of SEK 17.8 M (32.5) and operating profit/loss for the year of SEK -43.9 M (-55.5). The improved operating profit was due to lower variable salaries and lower external consultancy costs compared to the previous year.

The Parent Company's net financial income and expense was SEK -32.7 M (17.6) and includes interest and other costs associated with bond loans of SEK 33.2 M (24.8) and realized loss on derivative instruments of SEK 21.3 M (2018: gain of SEK 6.9 M). In May 2018, the Parent Company started currency hedging using derivatives. The purpose of the EUR 60 M hedge is to reduce the exchange rate risk in Catella's net exposure in EUR. Net financial income and expense includes anticipated dividends of SEK 22.0 M (-) from the subsidiary Catella Holding.

Profit/loss before tax was SEK -76.6 M (-73.1), and profit/loss for the year was SEK -13.0 M (143.4). Profit/loss for the year includes Group contributions received from subsidiaries of 63.7 M (236.2), whereby the majority of the Parent company's loss carry-forwards have been utilized.

Cash and cash equivalents in Catella's transaction account in the Group's cash pool with a Swedish credit institute are reported as Current receivables with Group companies. On the reporting date, this item totalled SEK 128.4 M (126.4).

The Parent Company has issued a total of SEK 750 M in unsecured bonds which accrue variable interest of 3-month STIBOR plus 400 b.p. The bond is listed on NASDAQ Stockholm and matures in June 2022.

At the end of the year, there were 13 (13) 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	70,609,389
Retained earnings	76,168,893
Net profit for the year	-12,971,222
	133,807,060

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

SEK	
dividend paid to shareholders, 0 per share, in total	0
carried forward (of which 70 609 389 allocated to share premium	133,807,060
	133,807,060

Against the background of the coronavirus pandemic, the Board of Catella AB (publ) has decided to revoke the proposed dividend of SEK 0.90 per share, and proposes to the Annual General Meeting that no dividend be paid. Although Catella has a solid financial position, it is difficult to assess how developments will progress, and the Board aims to ensure that satisfactory liquidity is available should the crisis worsen.

PROPOSED COMPENSATION GUIDELINES FOR SENIOR MANAGERS OF CATELLA, 2020

The Board of Directors of Catella AB (publ) proposes that the AGM 2020 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 guidelines also apply to other Board members with regard to remuneration in addition to the Directors' fees authorized by the Annual General Meeting. As of 29 April 2020, Group management comprised Knut Pedersen (CEO) and Marcus Holmstrand (CFO). The guidelines apply for agreements entered after the AGM resolution, and for amendments to existing agreements after this date. The guidelines should be subject to annual review.

Information relating to previously decided remuneration to the departing CEO Knut Pedersen and the departing CFO Marcus Holmstrand, and which are not yet due for payment, are indicated in Note 11 of this Annual Report.

Guidelines

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

Consolidated Income Statement

SEK M	Note	2019 Jan–Dec	2018 Jan–Dec
Net sales	6	2,353	2,159
Other operating income	7	67	57
		2,420	**2,216**
Direct assigment costs and commission		-372	-389
Other external expenses	8	-451	-471
Personnel costs	10, 11, 12	-1,043	-960
Depreciation and amortisation	9	-128	-26
Other operating expenses	7	-4	-18
Operating profit/loss		**422**	**352**
Interest income accordring to effective interest rate method	13	2	2
Interest income other	13	12	16
Interest expenses	13	-49	-27
Other financial income	13	15	30
Other financial expenses	13	-118	-36
Financial items—net		-138	-15
Profit/loss before tax		**284**	**337**
Tax	14	-135	-127
Net profit for the year from continuing operations		**148**	**210**
Operations held for sale:			
Net profit/loss for the year from divestment group held for sale		45	-238
Net profit for the year		**193**	**-28**
Profit/loss attributable to:			
Shareholders of the Parent Company		113	-112
Non-controlling interests	20	80	84
		193	**-28**
Earnings per share attributable to Parent Company shareholders, SEK	15		
Continued operations			
- before dilution		0.79	1.50
- after dilution		0.77	1.43
Discontinued operations			
- before dilution		0.52	-2.83
- after dilution		0.51	-2.69
Total operations			
- before dilution		1.31	-1.33
- after dilution		1.28	-1.26
Number of shares at end of year		86,281,905	84,115,238
Average weighted number of shares after dilution		88,382,173	88,663,683

Consolidated Statement of Comprehensive Income

SEK M	2019 Jan–Dec	2018 Jan–Dec
Net profit for the year	193	-28
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit pension plans	1	0
Items that may be subsequently reclassified to profit or loss:		
Fair value changes in financial assets through OCI	26	10
Hedging of net investment	-7	12
Exchange-rate differences	40	48
Other comprehensive income for the year, net of tax	**59**	**70**
Total comprehensive income for the year	**252**	**42**
Total comprehensive income attributable to:		
Shareholders of the Parent Company	171	-43
Non-controlling interests	81	86
	252	**42**

Consolidated Statement of Financial Position

SEK M	Note	2019 31 Dec	2018 31 Dec
Assets			
Non-current assets			
Intangible assets	17	627	646
Contract assets	18	183	-
Tangible assets	19	25	29
Investments in associated companies	20	92	116
Financial assets at fair value through profit or loss	22	261	337
Deferred tax assets	14	78	81
Other non-current receivables	24	6	6
		1,272	**1,215**
Current assets			
Development and project properties		336	-
Accounts receivable	23	318	325
Current receivables from Associated companies		38	99
Tax assets		44	19
Other receivables		39	22
Prepaid expenses and accrued income	25	242	258
Derivatives	21	14	9
Financial assets at fair value through profit or loss	22	110	114
Client funds		3	12
Cash and cash equivalents	26	881	687
		2,026	**1,547**
Assets in divestment group held for sale	38	759	4,247
Total assets		**4,057**	**7,009**
EQUITY AND LIABILITIES			
Equity	27		
Share capital		173	168
Other contributed capital		280	270
Reserves		61	4
Retained earnings incl. net profit/loss for the year		1,009	1,000
Equity attributable to shareholders of the Parent Company		**1,522**	**1,442**
Non-controlling interests	20	214	205
Total equity		**1,736**	**1,647**
Liabilities			
Non-current liabilities			
Borrowings	28	213	0
Long-term loan liabilities	28	747	748
Long-term contract liabilities		138	-
Deferred tax liabilities	14	27	29
Other provisions	29	61	53
		1,186	**831**
Current liabilities			
Current contract liabilities		52	-
Derivatives	21	1	0
Accounts payable		113	89
Liabilities to associated companies		0	1
Tax liabilities		22	77
Other liabilities		102	59
Accrued expenses and deferred income	30	554	552
Client funds		3	12
		846	**790**
Liabilities in disposal group held for sale	38	289	3,741
Total liabilities		**2,321**	**5,362**
Total equity and liabilities		**4,057**	**7,009**

For information about the Group's pledged assets and contingent liabilities, see Notes 31-33.

Consolidated Statement of Cash Flows

SEK M	Note	2019 Jan–Dec	2018 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		385	44
Adjustments for non-cash items:			
Wind down expenses		24	155
Other financial items		-203	5
Depreciation and amortisation	9	130	32
Impairment /reversal impairment current receivables	7	8	3
Change in provisions		8	-2
Interest income from loan portfolios	13	-11	-16
Acquisition expenses		0	5
Profit/loss from participations in associated companies	7	-25	18
Personnel costs not affecting cash flow	10	32	49
Other non-cash items		0	1
Paid income tax		-277	-154
Cash flow from operating activities before changes in working capital		**71**	**140**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		1,511	-66
Increase (+)/decrease (–) of operating liabilities		-3,416	271
Cash flow from operating activities		**-1,834**	**344**
Cash flow from investing activities			
Investment in tangible assets	19	-5	-16
Divestment of tangible fixed assets	19	1	0
Investment in intangible assets	17	-16	-19
Acquisition of subsidiaries, net of cash and cash equivalents acquired	35	0	-428
Sale of subsidiaries, net of cash disposed	35	0	-1
Business transfers net of advisory costs	38	245	-
Purchase of and additional investments in associated companies	20	-34	-246
Dividend and other disbursements from associated companies		0	157
Investments in development and project properties		-45	-
Investment in financial assets		-101	-85
Sales of financial assets		74	62
Cash flow from loan portfolios		28	97
Cash flow from investing activities		**148**	**-479**
Cash flow from financing activities			
Re-purchase of share warrants		-4	-
New share issue		18	21
Borrowings	34	1	252
Amortisation of leasing debt		-53	-
Dividend		-104	-84
Transactions with non-controlling interests		-103	-100
Cash flow from financing activities		**-245**	**89**
Cash flow for the year		**-1,931**	**-45**
Cash and cash equivalents at beginning of year		3,234	3,177
Exchange rate differences in cash and cash equivalents		75	102
Cash and cash equivalents at end of year*	26	**1,378**	**3,234**
Of which cash flow from divestment groups held for sale:			
Cash flow from operating activities		-2,381	174
Cash flow from investing activities		266	0
Cash flow from financing activities		0	170
Cash flow for the year from divestment group held for sale		**-2,115**	**344**
* Of which cash and cash equivalents recognised in Assets in disposal groups held for sale		497	2,547

SEK 497 M (2,545) 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 34.

Consolidated Statement of Changes in Equity

SEK M	Share capital	Other contributed capital *	Fair value reserve	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests **	Total equity
	Equity attributable to shareholders of the Parent Company							
Opening balance at 1 January 2019	**168**	**270**	**22**	**-19**	**1,000**	**1,442**	**205**	**1,647**
December 2019								
Net profit for the year					113	113	80	193
Other comprehensive income, net of tax			26	31	1	58	1	59
Total comprehensive income for the year			**26**	**31**	**114**	**171**	**81**	**252**
Transactions with shareholders								
Transactions with non-controlling interests					-2	-2	-73	-75
Re-purchase of warrants issued		-4				-4		-4
New share issue	4	14				18		18
Dividend					-104	-104		-104
Closing balance at 30 December 2019	**173**	**280**	**48**	**13**	**1,009**	**1,522**	**214**	**1,736**

* 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 2019, the Parent Company had a total of 2,333,334 warrants outstanding, of which 166,667 in treasury. In 2019, 2.166.667 warrants were utilized to subscribe for an equal number of newly issued shares at a price of SEK 8.40. In addition, Catella repurchased 200,000 warrants in connection with changes to Catella AB's Group management, and 166,666 warrants held in treasury expired without being utilized. 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.

SEK M	Share capital	Other contributed capital *	Fair value reserve	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests **	Total equity
	Equity attributable to shareholders of the Parent Company							
Opening balance at 1 January 2018	**164**	**253**	**12**	**-77**	**1,377**	**1,729**	**214**	**1,943**
Adjustment for retroactive application of IFRS 9								
accordance with IFRS 9					-2	-2		-2
Adjusted opening balance at 1 January 2018	**164**	**253**	**12**	**-77**	**1,375**	**1,727**	**214**	**1,941**
December 2018								
Net profit for the year					-112	-112	84	-28
Other comprehensive income, net of tax			10	59	0	68	2	70
Total comprehensive income for the year			**10**	**59**	**-112**	**-43**	**86**	**42**
Transactions with shareholders								
Transactions with non-controlling interests					-179	-179	-94	-273
New share issue	5	17				21		21
Dividend					-84	-84		-84
Closing balance at 30 December 2018	**168**	**270**	**22**	**-19**	**1,000**	**1,442**	**205**	**1,647**

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

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

Notes on the Consolidated Accounts

NOTE 1 COMPANY INFORMATION

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

The Annual Accounts and Consolidated Accounts of Catella AB (publ) for the financial year-ending on 31 December 2019 were approved for publication by the Board of Directors and the Chief Executive Officer on 29 April 2020 and will be presented for adoption by the Annual General Meeting on 26 May 2020.

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The Consolidated Accounts of Catella were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) and IFRIC interpretation statements endorsed by the EU. The Consolidated Accounts were prepared under historical cost convention, apart from the re-measurement of financial assets at fair value through other comprehensive income 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 Consolidated Statement of Financial Position, as well as the disclosures provided, such as contingent liabilities. Actual outcomes may differ from these assessments in the context of other assumptions or in other circumstances. The areas involving a high degree of judgement and that are complex, or such areas for which assumptions and estimates are of material importance to the Consolidated Accounts, include the assessment of future cash flows, which for example, form the basis of the measurement of loan portfolios, goodwill, trademark and contract portfolios, the measurement of deferred tax assets attributable to tax-loss carry-forwards, the measurement of accounts receivable, as well as assessments of disputes and the need to provision for them.

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

Introduction and effects of new and revised IFRS for 2019

Catella applies IFRS 16 Leases retroactively from 1 January 2019, which means that virtually all lease agreements are recognized in the Balance Sheet. Accordingly, Catella recognizes two new items in the consolidated financial position, Contract assets (right-of-use asset) and Contract liabilities (a financial liability corresponding to the Company's commitment to pay lease charges). The consolidated Income Statement recognizes amortization of contract assets, and interest expenses for contract liabilities. Rental costs are no longer included in the Consolidated Income Statement. In accordance with the transitional rules, comparative figures for 2018 have not been restated. Reclassification and adjustments that have arisen as a result of the new lease regulations have therefore been included in the opening balance as of 1 January 2019. The new Accounting Policies are described further down in this Note.

In connection with the transition to IFRS 16, the Group recognizes lease liabilities attributable to lease agreements that were previously classified as operating leases in accordance with IAS 17 Leases. These liabilities have been valued at present value of the remaining lease charges. In the calculation, the lessee's incremental borrowing rate as of 1 January 2019 has been applied. The lessee's weighted average incremental borrowing rate applied to these lease liabilities as of 1 January 2019 was 7%. The Group also applies the relief regulations permitted for short-term contracts and contracts of minor value.

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. Profit/loss 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 measured at either fair value or at the proportional share of the acquired operations' net assets held as a non-controlling interest on a case-by-case basis. All acquisition-related transaction costs are expensed. These costs are recognised in the Group under the item "other external expenses" in profit or loss.

Intra-group transactions, balance sheet items and unrealised gains and losses on transactions between Group companies have been 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 interest, 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 regarded as indicating an impairment need for the transferred asset. 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 four business areas (operating segments under IFRS 8) that have been merged to two reportable segments that Catella terms Operating Segments. IFRS 8 permits that two or more operating segments may be aggregated to one, providing that they have similar accounting characteristics, and are also similar in terms of the character of products and services, the nature of production process, customer categories, distribution, and the extent to which operations, where applicable, are affected by various regulatory structures and risks.

On this basis, Catella has defined Corporate Finance (consisting of the Corporate Finance operating segment) and Asset Management (consisting of the combined Property Investment Management, Equity, Hedge and Fixed Income Funds, and Banking operating segments), 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. The operating segments are regularly monitored by the manager of the segment and Catella's CEO, who decide on the allocation of resources, budgetary targets and finance plan.

Translation of foreign currencies

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

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

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

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

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

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

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

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

Classification of assets and liabilities

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

Property, plant and equipment

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

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

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

The residual values and useful lives of the assets are tested at the end of every reporting period and adjusted as necessary.
The carrying amount of an asset is immediately written down to its 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 every year to identify any impairment and is recognised at cost less accumulated impairment losses. Goodwill impairment is not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the good-will 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 combinations are measured at fair value. Fair value measurement uses a valuation model based on discounted cash flows. Measurement is based on the turnover rate and return for the acquired portfolio on the acquisition date. In this model, a separate cost or required return is paid in the form of a contributory asset charge for the assets utilised in order for the intangible asset to generate a return. Cash flows are discounted through a weighted average cost of capital (WACC), which is adjusted with respect to local interest rate levels in the countries where the acquisitions occurred. The useful life of the contract portfolios and associated customer relationships is based on the turnover rate of the acquired portfolio, which is deemed to be between five and seven years and corresponds to an annual amortisation rate of 14-20%. Amortisation is recognised in the item depreciation of acquisition-related intangible assets in profit or loss.

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

(e) Deferred tax attributable to intangible assets: 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 three valuation categories: amortised cost, fair value via profit or loss and fair value via Other comprehensive income. The presentation of an instrument depends on the company's business model and the characteristics of the instrument. Management determines the classification of the financial assets when they are first recognised.

(a) Financial assets measured at accrued cost

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

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

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

Equity instruments

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

Derivatives

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

Items measured at fair value

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

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

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

Recognition and measurement

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

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

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

Income Statement in connection with divestments of equity instruments in this category.

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

Impairment of financial assets

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

Derivative instruments and hedging measures

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

Hedging of net investment

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

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

Accounts receivable

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

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

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.

The application of IFRS 16 Leases has not caused the Group to recognize deferred tax upon initial recognition. The Group applies the exemption in IAS 12 implying that no deferred tax is recognized in connection with the initial recognition of a right-of-use asset and a lease liability. Subsequently, temporary differences are analysed to determine whether changes are attributable to initial recognition, or if new temporary differences have arisen and if deferred tax should be recognized.

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 or [previous 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) Remuneration on termination of employment

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

(c) Profit share and bonus plans

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

Share-based payment

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

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

Provisions

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

If a number of similar commitments exist, an assessment is made of the probability of an outflow of resources being required to settle this whole Group of commitments. A 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 present value of the amount expected to be required to settle the commitment. In this context, a discount rate before tax is used that reflects the current market assessment of the time value of money and the risks associated with the provision. The increase in the provision due to the passing of time is recognised as an interest expense.

Revenue recognition

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

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

Remuneration attributable to a specific service or action is recognised as revenue when the service is rendered. This revenue can either be a predetermined amount or a percentage fee of volumes managed.

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.

Commission to resellers is recognised as an expense coincident with income being accrued in accordance with the above principles.

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

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

Lease arrangements

The Group leases a number of office premises, vehicles and other equipment on the basis of non-cancellable operating leases. The lease terms vary between one and ten years and most lease arrangements can be extended on market terms on expiry. Leased property, plant and equipment were classified as operating leases until the end of the financial year 2018. From 1 January 2019, lease agreements are recognized as right-of-use assets (contract assets) and as a financial liability (contract liabilities) corresponding to the company's commitment to pay lease charges on the date the leased asset is made available for use by the Group.

Agreements may contain both lease and non-lease components. Catella does not recognize payment under the agreement for lease and non-lease components separately, and these are recognized as a single lease component.

The terms are renegotiated separately for each agreement and contain a large number of different terms and conditions. Lease contracts do not contain any special terms or restrictions apart from the lessor retaining the rights to pledged leased assets. The leased assets may not b used as collateral for loans.

Assets and liabilities that arise from lease contracts are initially reported at present value. Lease liabilities include the present value of the following lease payments:

- Fixed fees
- Amounts expected to be paid out by the lessee in accordance with residual value guarantees
- Penalty charges payable in connection with cancellation of the lease contract, if the lease term includes an option for the Group to cancel the lease contract.
- Payments relating to reasonably certain exercise of extension options

Lease payments are discounted using the lease contract's implied interest rate. If this interest rate cannot be readily determined, which is normally the case for the Group's lease agreements, the lessee's incremental borrowing rate is applied, which is the interest rate the individual lessee would pay to borrow the requisite funds to purchase and asset of a similar value as the right-of-use asset in a similar economic climate with similar terms and collateral. Determining the incremental borrowing rate takes place on the basis of external market rates per asset class, the internal required rate of return and an evaluation of the subsidiary's creditworthiness.

Lease payments are distributed between debt amortization and interest. Interest is recognized in the Income Statement over the lease term in a manner that reflects the applicable fixed interest rate for the lease liability recognized in the relevant period.

The Group is exposed to potential future increases in variable lease payments based on an index or interest rate, which are not included in the lease liability until they become effective. When adjustments of lease payments based on an index or interest rate become effective, the lease liability is remeasured and adjusted against the right-of-use asset.

The right-of-use assets are valued at cost and include the following:

- The amount the lease liability was originally valued at
- Lease charges paid on or before the start date
- Initial direct expenses
- Expenses for returning the asset to the condition indicated in the terms of the lease agreement

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life and the lease term.

Payments for short-term contracts and lease agreements of minor value are expensed on a straight-line basis in the Income Statement. Short-term contracts are defined as contracts with a lease term of 12 months or less. Agreements of minor value are defined as below SEK 0.1 M and includes IT and office equipment.

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 account for the effects of dilutive potential ordinary shares that originate from warrants issued during reporting periods. The dilution of warrants affects the number of shares and arises only when the exercise price is lower than the share price quoted on the stock exchange.

Items affecting comparability

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

Non-current assets held for sale and discontinued operations

The Group applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which addresses classification, measurement and disclosure requirements with regard to divestments of non-current assets held for sale and discontinued operations. Discontinued operations are parts of Group operations comprising independent operations or significant operations in a geographical area. In the Income Statement, net profit (after tax) from discontinued operations is reported on a separate line under Net profit for the year, discontinued operations. Notes to the Income Statement have been adjusted to exclude discontinued operations.

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

Other

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

NOTE 3 FINANCIAL RISK MANAGEMENT

This note only relates to the Group's remaining operations unless otherwise indicated. For operations held for sale, see Note 38.

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

With regard to Asset Management 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. and IPM Informed Portfolio Management AB, under the Asset Management operating segment. In the Corporate finance operating segment, there are no subsidiaries under supervision. Subsidiaries under supervision have an internal compliance function that monitors the subsidiaries' compliance with internal and external regulatory frameworks such as arrangements and customer agreements. The function is independent of operations in each subsidiary and its managers report to the Managing Director and directly to the Board of the subsidiary. Group Management is represented on subsidiary Boards and reports on to the Parent Company's Board.

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 is 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 issuing credit and trading in financial instruments, exposure to risks is limited. This operating segment is mainly exposed to credit risk and market price risk. At a pace with the winding down of the Bank's card operations, credit risk has decreased significantly.

The operating segment also holds operational investments consisting of shares in proprietary funds and joint investments alongside clients. These investments are mainly exposed to market price risk relating to the value of the shares. Fund investments had a book value, also market value, of SEK 150 M (120) at year-end. See also Note 22.

The Group's treasury management consists of investments and holdings in loan portfolios and shares. These assets are recognised alongside the Parent Company in the category "Other." Investments in loan portfolios, described in more detail in Note 22, 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 120 M (213) at year-end. Shareholdings, described in more detail in Note 22, are mainly exposed to market price risk relating to the value of the shares. Shareholdings had a book value, also market value, of SEK 51 M (47) at year-end.

Liquidity risk

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

For remaining operations, as of 31 December 2019, the short-term liquidity reserve (cash and cash equivalents, short-term investments and committed but unutilised credit facilities) amounted to 40% (36) of consolidated annual sales and 99% (103) of consolidated borrowing and loan liabilities. Remaining operations have only long-term borrowing and loan liabilities.

In the Group's investments in loan portfolios, the primary financial obligations relate to payment of ongoing operating expenses. These obligations have so far been met with cash flows from individual loans in loan portfolios, which are monitored by Catella's investment advisors. For coming periods, however, no cashflows are expected to be received until in the second quarter of 2021. The subsidiary EETI is judged to have satisfactory liquidity to cover its ongoing operating costs during the period. Accordingly, the loan portfolios have limited inherent financial commitments, although Catella is subject to the risk of encountering difficulty in realising assets, which could affect the Group's ability to access sufficient funds to meet 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 is favourable and that there is flexibility in financing. If the Group's liquidity were to change and if the Group needed to divest part or all of the loan portfolio, consisting of securitised European loan portfolios, mainly with exposure to housing, for liquidity reasons, the potential to alter this portfolio rapidly and obtain a reasonable price could be limited, due to changes in economic and other circumstances. If the Group acquires investments for which there is no market, the Group's potential to renegotiate such investments or obtain reliable information on the value of an investment or the risks to which it is exposed to, could be limited.

The following tables summarise the Catella Group's liquidity risk for remaining operations at the end of 2019 and 2018.

Liquidity report as of 31 December 2019-2018, remaining operations

SEK M 31 December 2019	< 3 months	4 to 12 months	Between 1 and 3 yrs.	Between 3 and 5 yrs.	> 5 yr.	Without maturity	Total
Borrowings	-1	-2	-7	-6	-213		-229
Loan liabilities	-8	-23	-801				-831
Derivatives	-1						-1
Contract liabilities	-21	-43	-85	-53	-20		-222
Accounts payable and other liabilities	-196	-18					-215
Total outflows *	**-226**	**-86**	**-893**	**-60**	**-233**	**0**	**-1,498**
Accounts receivable and other receivables	367	28					395
Derivatives	14						14
Financial assets at fair value through profit or loss **	0	48	43	35	74		200
Total inflows *	**381**	**76**	**43**	**35**	**74**	**0**	**610**
Net cash flow, total	**155**	**-10**	**-850**	**-25**	**-159**	**0**	**-888**

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

* Indicated amounts relate to undiscounted contractual cash flows
** Relates to EETI's loan portfolios, more information in Note 22.

Net cash flows at the end of 2019, as reported above, totalled SEK -888 M (2018: -SEK 258 M), to be compared to cash and cash equivalents in remaining operations of SEK 881 M (2018: SEK 687 M).

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. Catella has issued a total of SEK 750 M in unsecured bonds. The bond loan accrues variable interest of 3-month Stibor plus 400 basis points and matures in June 2022. 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 2019. In addition, the subsidiary Kaktus 1 TopCo ApS, which has been reclassified from a holding in and associated company from 30 September 2019, has received project financing from credit institutions amounting to SEK 213 M as of 31 December 2019.

For a description of the Group's loan liabilities, see Note 28. For the unutilized portion of granted bank overdraft facilities, see Note 26.

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. Investments in loan portfolios accrue variable interest or have underlying assets with variable interest and are measured according to a market-based credit spread based on an interest rate such as EURIBOR. An increased credit spread could directly affect Catella through its impact on unrealised gains or losses on portfolio investments, and therefore also Catella's ability to make a profit on investments, or indirectly by affecting Catella's potential to borrow and access capital. In accordance with the accounting policies in Note 2, investments in the loan portfolios are measured at fair value through profit or loss. Note 22, 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 22.

Market price risk in Asset Management

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

Interest risk

Interest rate risk is the risk that the Group's net profit could be impacted by changes in general interest rate levels. The Group has also arranged loan finance, mainly denominated in SEK, at variable interest to finance its own business operations. Detailed information on these liabilities is provided in Note 28. The Parent Company analyses and continuously monitors its exposure to interest rate risk.

Information on the Group's net debt profile and a sensitivity analysis are presented below, with information on fixed interest periods. As of 31 December 2019, remaining operations had net debt of SEK 72 M (2018: net cash of 275 M) and interest cover, a measure of the ability to cover interest expenses, was 8.6 (13.3). The reduced net cash position compared to the previous year is mainly due to the subsidiary Kaktus 1 TopCo ApS' project financing from credit institutes and recognition of contract liabilities in accordance with the new reporting standard IFRS 16 Leases from 1 January 2019.

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

	Continued operations	
	2019	2018
SEK M	**31 Dec**	**31 Dec**
EUR liabilities	-134	0
SEK liabilities	-786	-748
GBP liabilities	-7	-
NOK liabilities	-2	-
DKK liabilities	-221	-
HKD liabilities	-1	-
Liabilities in other currencies	0	-
Total interest-bearing liabilities	-1,151	-749
Term (days)	90	90
Average interest expense for the year,%	4.6	3.5
Interest +0.5%	5.1	4.0
Net effect on profit or loss of 0.5% increase, SEK M	-6	-4
Interest -0.5%	4.1	3.0
Net effect on profit or loss of 0.5% decrease, SEK M	6	4

	2019	2018
SEK M	**31 Dec**	**31 Dec**
EUR assets	624	675
USD assets	4	19
SEK assets	392	266
GBP assets	24	30
NOK assets	5	9
DKK assets	27	17
HKD assets	2	5
Assets in other currencies	1	3
Total interest-bearing assets	1,079	1,024
Term (days)	20	35
Average interest income for the year,%	0.8	1.0
Interest +0.5%	1.3	1.5
Net effect on profit or loss of 0.5% increase, SEK M	5	5
Interest -0.5%	0.3	0.5
Net effect on profit or loss of 0.5% decrease, SEK M	-5	-5

Foreign Exchange rate risk

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

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

Financing of foreign assets—translation risk

Translation risk is the risk that the value in SEK relating to equity in foreign currencies could vary due to exchange rate fluctuations. The Group's net exposure in foreign currency amounted to SEK 1,345 M (2,736) as of 31 December 2019. 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 on translation to SEK. In order to reduce the currency risk in Catella's net exposure in EUR, the Group started using currency hedging in the form of currency swaps in May 2018. Hedging currently totals a nominal amount of EUR 60 M.

Currency swaps are entered into with short terms and are replaced with new currency swaps on maturity. The hedging quotient for the relationship is 1:1, which means that the nominal amount in the hedging instrument is equal to the proportion of the total net investment in EUR designated as the hedged item. Hedging is expected to be very effective. Potential sources of inefficiency include significant changes in the credit risk of Catella or the counterparty, which would affect the value change of the derivative but not the hedged item, or that net exposure falls below the nominal amount of the derivatives. No inefficiencies were reported in the period as the credit risk of Catella and the counterparty does not materially impact the valuation of hedging instrument. As of the reporting date, the Group had an outstanding currency swap with a nominal amount of EUR 60 M which expired in February 2020. The forward rate for this swap is 10.7025 SEK/EUR. The following table summarises the effects of hedge accounting on Catella's profit and financial position. For more information about the impact of hedge accounting on Other comprehensive income, see the Consolidated Statement of Comprehensive Income.

SEK M	2019	2018
Carrying amounts hedge accounting, MSEK, derivatives, current assets	14	5
Carrying amounts hedge accounting, MSEK, derivatives, liabilitiesassets	-	-
Nominal amount hedging instrument, MEUR	60	60
Net assets in MEUR designated as hedging instruments	60	60
Hedging ratio	1:1	1:1
Changes in fair value on hedging instrument to calculate efficiency	-7	12
Changes in fair value on hedged risk to calculate efficiency	7	-12
Closing value in translation reserve attributable to net investment hedging	5	12

The following tables show the breakdown of the Group's capital employed by currency and its funding. They also include a sensitivity analysis of net liquidity/net debt and capital employed resulting from exchange rate fluctuations of +/-10% for SEK. Changes to net liquidity/net debt and in capital employed resulting from exchange rate fluctuations are reported in other comprehensive income, and consequently do not affect profit for the year. In 2019, the translation difference amounted to SEK 33 M (61). Given a change in foreign exchange rates as of year end of +/-10%, the translation difference would increase/decrease by SEK 135 M (267).

Capital employed and financing by currency, 2019-2018

SEK M 31 December 2019	EUR	USD	GBP	CHF	NOK	DKK	HKD	Other currencies	Total foreign currencies	SEK	Total, group	Total, group +10%	Total, group –10%
Capital employed	161	4	289	0	8	309	1	0	773	564	1,338	1,415	1,260
Net liquidity (+)/Net debt (–)	490	4	17	0	3	-194	1	0	321	-393	-72	-40	-104
Non-controlling interests	-47	-1	-1	0	-5	-12	0	0	-66	-147	-214	-220	-207
Net exposure continuing operations	**604**	**7**	**306**	**0**	**6**	**103**	**2**	**0**	**1,028**	**24**	**1,052**	**1,155**	**949**
Net debt/equity ratio continuing operations	-0.8	-0.5	-0.1	0.0	-0.2	1.7	-0.4	-1.0	-0.3	2.3	0.1	0.0	0.1
Net exposure divestment group held for sale	212	101	2	0	0	1	0	0	317	153	470	502	438
Group's net exposure	**816**	**108**	**307**	**1**	**6**	**104**	**2**	**1**	**1,345**	**177**	**1,522**	**1,657**	**1,388**

SEK M 31 December 2018	EUR	USD	GBP	CHF	NOK	DKK	HKD	Other currencies	Total foreign currencies	SEK	Total, group	Total, group +10%	Total, group –10%
Capital employed	66	3	260	-	4	68	5	0	406	460	865	973	892
Net liquidity (+)/Net debt (–)	674	19	30	-	9	17	5	3	757	-482	275	277	139
Non-controlling interests	-43	0	-1	-	-6	-8		0	-57	-148	-205	-211	-200
Net exposure continuing operations	**698**	**21**	**289**	**0**	**7**	**77**	**10**	**3**	**1,106**	**-171**	**935**	**1,039**	**831**
Net debt/equity ratio continuing operations	-0.9	-0.9	-0.1	0.0	-0.7	-0.2	-0.5	-1.0	-0.7	-21.5	-0.2	-0.2	-0.1
Net exposure divestment group held for sale	1,565	47	15	1	0	0	0	2	1,631	-1,124	507	670	344
Group's net exposure	**2,263**	**68**	**304**	**1**	**7**	**77**	**10**	**5**	**2,736**	**-1,295**	**1,442**	**1,709**	**1,175**

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

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

Credit risk

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

Credit risk—accounts receivable and loan receivables

The risk of bad debt is generally low in the Group, due to several different factors. Counterparties are predominantly well-known mid-size and large clients, where there is an established, long-term relationship. This results in stable deposit streams. Credit checks are conducted on new clients. The sale and the transactions generated by the client portfolio are also diversified in several ways, the most important being that no or few clients constitute a significant part of total sales or lending. Accordingly, a default by an individual client would have a minor effect overall. Counterparties and loan receivables have been approved in accordance with the Group's authorisation schedule. Furthermore, Catella renders services for geographically diversified clients in a large number of sectors including the public sector, financial sector and real estate companies. Accordingly, exposure to an economic downturn in a single sector or region is relatively limited. Overall, this implies stable payment flows from sales and lending generated, as confirmed by the low level of expected client losses and bad debt, which were 0.1% (0.1) of Group net sales in 2019. Credit risk related to receivables from the associated companies were considered and assessed as not material. Cash and cash equivalents are invested in well established banks with high credit ratings, and impairment tests for these are not considered necessary.

Credit risk—Treasury Management

The Group's investments in loan portfolios primarily consist of holdings in, and/or financial exposure to, securities that are subordinated from a payment perspective and are ranked below securities that are backed by, or represent ownership of, the same asset class. In the event of default by an issuer of such investments, holders of more senior securities from the issuer are entitled to payment before Catella. Some of the investments also have structural elements, which means that payment of interest and/or principal goes to more senior securities that are backed by, or represent ownership of, the same class of asset in the event of default or when the loss exceeds predetermined levels. This could lead to interruptions in Catella's expected revenue flow from its investment portfolio. Although holders of asset-holding 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 outstanding 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 2019, no credit hedging was conducted.

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

Default risk is the risk that individual debtors will be unable to pay the required interest and principal at maturity. In its valuations, Catella takes into account an expected rate of default and an expected level of loss, but Catella's investments could incur larger losses if the payments in default are higher than expected. The risk of default is handled by Catella's investment advisor, who regularly analyses holdings. Every quarter the investment advisor reviews the various assumptions and updates them as required. The assumptions are reviewed by examining the information about the performance of the underlying loans. The degree of default risk is affected by 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 ratings of financial assets

The following table states the credit ratings of the financial assets of remaining operations.

Credit ratings of financial assets, remaining operations

SEK M 31 December 2019	Accounts receivable	Loan receivables and other debt instruments	Receivables from associated companies	Derivatives	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA		20					20
AA+						2	2
AA						57	57
AA-	0			14		272	287
A+	3					286	289
A	2				0	129	131
A-	1					0	1
BBB+	0					32	32
BBB	1				0	25	26
BBB-						77	77
BB+	0						0
BB-	0						0
B						0	0
CCC							0
	7	**20**	**0**	**14**	**0**	**881**	**922**
Counterparties without external credit ratings							
Company	283	120	38		80	0	522
Funds	17	30			120		167
Financial companies	6					0	6
Public administration	1						1
Private individuals	4						4
	311	**150**	**38**	**0**	**200**	**0**	**700**
Total	**318**	**170**	**38**	**14**	**200**	**881**	**1,622**

SEK M 31 December 2018	Accounts receivable	Loan receivables and other debt instruments	Receivables from associated companies	Derivatives	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA		38					38
AA+							0
AA	0					55	55
AA-	0			5		86	92
A+	1			4		250	254
A	3					163	166
A-	21	10				5	36
BBB+	8					28	36
BBB	6				22	13	41
BBB-						48	48
BB	0						0
BB-	0						0
B	0					4	4
CCC	0						0
	39	**48**	**0**	**9**	**22**	**652**	**771**
Counterparties without external credit ratings							
Company	196	213	99		47	29	584
Funds	87				120		207
Financial companies	1					6	7
Public administration	1						1
Private individuals	2						2
	286	**213**	**99**	**0**	**167**	**35**	**801**
Total	**325**	**261**	**99**	**9**	**190**	**687**	**1,571**

* 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	
	2019	2018	2019	2018
SEK M	Continued operations	Continued operations	Continued operations	Continued operations
Sweden	588	527	19	66
Luxembourg	7	0		
Germany	318	289	48	136
France	249	249		96
Portugal	55	148		
Spain	96	86	1	11
Denmark	31	19	336	73
Other countries	277	254	1	12
Total	**1,622**	**1,571**	**404**	**393**

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 that ensures the lowest possible cost of capital and, for relevant subsidiaries, satisfies requirements relating to financial stability placed on subsidiaries. The Group's capitalisation must be risk based and proceed from a judgement of the overall risk level of operations. It should also be forward looking and consistent with long and short- term business plans and expected macroeconomic growth. The capital is assessed with relevant key ratios, such as the ratio between net debt and equity. As of 31 December 2019, remaining operations had net debt of SEK 72 M (2018: net cash of SEK 275 M) which in relation to Group equity amounts to 0.04 (0.2).

Part of the Group conducts licensable operations that are regulated by the financial supervisory authorities of the relevant countries of fiscal domicile. Existing regulatory frameworks and rapid regulatory changes are complex in general, and specifically with regard to banking operations. These regulatory framework place stringent, and in future even more stringent, demands on the routines and procedures, and liquidity and capital reserves, of the operations under supervision. Compliance with these regulatory frameworks is a pre-condition for conducting operations subject to supervision. Catella continuously seeks to ensure compliance with existing regulatory frameworks and to prepare for future compliance with coming regulatory changes. In the event that subsidiaries were to become unable to satisfy such regulatory stipulations, this may have adverse consequences for Group profit and the value of the Group' Assets. At a pace with the wind down of the banking operations in 2019, the regulatory risk has decreased. For Catella's consolidated financial situation, the tier 1 capital ratio and the total capital ratio was 6.9% (2.6) 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 2019.

Fair value hierarchy for the measurement of financial assets and liabilities

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

Listed (unadjusted) market prices

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

Valuation techniques using observable market data

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

Valuation techniques using non-observable market data

If one or more significant input data is not based on observable market information, the instrument concerned is classified in this category. Specific valuation techniques used to measure financial instruments are the calculation of discounted cash flows to measure fair value of the remaining financial instruments. The financial instruments classified in this category are the value of Catella's investments in securitised loan portfolios. They are measured at fair value, which was measured based on forecast discounted cash flows, see also Note 22. This category also includes unlisted shareholdings and a fund holding.

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 2019, remaining operations

SEK M	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
Assets				
Derivatives		14		14
Financial assets at fair value through profit or loss	30	120	221	370
Total assets	**30**	**134**	**221**	**385**
Derivatives		1		1
Total liabilities	**0**	**1**	**0**	**1**

The Group's assets and liabilities at fair value as of 31 December 2019, remaining operations

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

Changes in instruments in the category of valuation techniques using non-observable market data in 2019 and 2018:

	2019	2018
SEK M	Assets at fair value through profit or loss	Assets at fair value through profit or loss
As of 1 January	275	309
Investments	36	77
Disposals	0	-102
Amortisation	-25	-7
Gains and losses recognised through profit or loss	-71	18
Reclassification to Assets in divestment group held for sale	0	-1
Reclassification to shares in subsidiaries	0	-31
Exchange rate differences	6	12
As of 31 December	**221**	**275**

Financial assets and financial liabilities

The following table indicates which financial instruments the Group holds and how these have been reported and valued.

SEK M	2019	2018
Financial assets		
Financial assets at amortized cost		
Accounts receivable	318	325
Receivables from associated companies	38	99
Cash and cash equivalents	881	687
Financial assets at fair value through profit or loss	370	451
Derivatives		
Used for hedge accounting	14	5
Held for trading at fair value through profit or loss	0	4
	1,622	**1,571**
Financial liabilities		
Financial liabilities at amortized cost		
Accounts payable and other liabilities	215	149
Borrowings and loan liabilities	960	749
Derivatives		
Held for trading at fair value through profit or loss	1	-
	1,175	**898**

NOTE 4 CRITICAL ESTIMATES AND JUDGEMENTS

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

Key estimates and assumptions for accounting purposes

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

Impairment tests of intangible assets with indefinite useful lives

The Group has goodwill of SEK 464 M (448) 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. Impairment testing carried out in 2019 indicated a minor need for impairment of carrying amounts. See also Note 17.

Investments in property development projects

Through associated companies, Catella has investments in property development projects in Germany, Denmark and France. The projects are run by Catella's German, Danish and French subsidiaries. Catella intends to, through the associated companies, invest in the early phases of projects where the concept and framework is determined subsequently divesting projects and realizing capital gains before construction begins and projects are completed. The investments include the risk that associated companies are forced to choose between continuing to invest in late stages of projects, run the projects to completion or leaving the project and losing the invested capital.

During 2019, Catella decided to initiate the construction phase for the Danish project Kaktus, and complete the project in order to realize the maximum potential for Catella's shareholders. Catella's ambition is still to divest the project as soon as this is commercially advantageous. The decision implies an increased investment commitment from Catella and has implied a re-classification of the holding in the property development company Kaktus 1 TopCo ApS from a holding in an associated company to shares in a subsidiary with full consolidation of Kaktus's Income Statement and Balance Sheet. The change means that a new Balance sheet item, Properties held for development and project properties, has been included in the consolidated financial position as of 31 December 2019.

Reporting according to IFRS 15 Revenue from Contracts with Customers require judgments to be made regarding the milestones reached by projects and rates of completion, which in turn influence the valuation of projects. In 2019, revenue has been recognized for the property development projects Grand Central and Living Lyon, where Catella's share amounts to SEK 15 M and SEK 9 M after tax respectively. The Group's total net investments in property development projects through associated companies and direct ownership amounted to SEK 96 M (152) and SEK 93 M (-) respectively as of 31 December 2019. Recognized value of shares in associated companies that invest in property development projects amounted to SEK 82 M (116) as of the same date. See also Note 20. In addition, Catella issued loans to associated companies totalling SEK 13 M (67).

Measurement of securitised loan portfolios

At 31 December 2019, the value of Catella's loan portfolios was SEK 120 M (213). 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. The market for these loan portfolios, subordinated securities with collateral in assets, is currently illiquid. All Catella's remaining loan portfolios are illiquid. As a result, the valuation model includes a number of parameters that are non-observable market data, which leads to significant uncertainty. Changes in judgements underlying the chosen parameters could result in a change in the fair value of Catella's loan portfolio in the Consolidated Statement of Financial Position and such a change could be material. It is not possible to quantify the probability in the event that assumptions made prove inaccurate and would thereby imply an inaccurate valuation of the portfolio. For further information and a sensitivity analysis, refer to Notes 3 and 22.

Measurement of preference shares in Visa Inc.

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

Valuation of unlisted share holdings

As of 31 December 2019, Catella's holding of unlisted shares amounted to SEK 71 M (62) comprising Private Equity products Pamica and Pamica 2, shares in Climate Arena Holding and APAM's investments alongside customers. Because the valuations are based on non-observable market data there is a greater degree of uncertainty associated with these judgments.

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

The measurement of identifiable assets and liabilities coincident with the acquisition of subsidiaries or operations implies, as a part of the allocation of the purchase consideration, that both items recognized in the acquired company's Balance Sheet and items not recognized in the acquired company's Balance Sheet, such as customer relationships and software, are measured at fair value. Normally, no listed prices exist for the assets and liabilities to be measured, whereby various valuation techniques must be applied. These valuation techniques are based on a range of different assumptions. Other items that could be difficult to identify and measure are contingent liabilities that may have arisen in the acquired companies such as disputes. All balance sheet items are thereby subject to estimates and judgements. For further information regarding acquisitions, see Note 35.

Valuation of Catella Bank

In connection with winding down operations in Catella Bank, the bank has signed a number of binding undertakings in relation to its staff, suppliers and other stakeholders. These undertakings have been valued and reported in accordance with the provisions in IAS 37 as of 31 December 2019. The valuations are based on management's best assessments, but the actual outcome of the winding down of operations may imply the need for further impairment of assets, and provisions for additional undertakings may become necessary.

The purchase consideration for Catella Bank's transfer of the card issuing operations to Advanzia Bank comprises a fixed amount and an additional purchase consideration that is dependent on the number of migrated cards to Advanzia Bank before 1 March 2020. In 2019, an additional purchase consideration of SEK 104 M was recognized as revenue which was based on the management's best assessments as of the reporting date.

After the migration to Advanzia Bank has been completed, the banking license will be divested or, alternatively, an application to revoke the license will be submitted to the financial supervisory authority CSSF. The alternative of revoking the license would mean that the bank enters into liquidation once CSSF has revoked the license. The final cost of winding down the banking operations is difficult to assess and is likely to be higher than anticipated.

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

The recognition of income tax, value added tax and other taxes is based on current rules in the countries in which the Group conducts operations. Due to the overall complexity of all rules governing taxes and the reporting of taxes, application and recognition are based on interpretation, as well as estimates and judgements of potential outcomes. Deferred tax is computed on temporary differences between recognised and tax values of assets and liabilities. Two types of assumptions and estimates mainly affect the reported deferred tax. Firstly, there are assumptions and estimates to establish the carrying amount of various assets and liabilities, and secondly judgements as to whether there will be a future taxable profit so that the temporary differences will be realisable. At year end, the Group reported deferred tax assets totalling SEK 80 M (134), of which SEK 78 M (81) related to remaining operations and SEK 2 M (53) related to disposal group held for sale. A majority of these amounts comprises tax loss carry-forwards that are expected to be utilised within a forecast period of ten years. The Group has total loss carry-forwards amounting to SEK 1,048 M (880). Loss carry-forwards for which no deferred tax asset is recognized in the Consolidated Balance Sheet amount to SEK 721 M (388).

Critical estimates and judgements were also made in terms of the recognition of provisions and contingent liabilities related to tax risks. For more information on taxes, see Note 14.

Effects on the consolidated financial position from ongoing disputes and 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 32.

Estimates and judgements regarding the term of lease agreements

Recognition of the Group's lease agreements, such as right-of-use assets and corresponding financial liabilities are affected by the term of the lease agreement. The option of extending an agreement is only included in the term of the agreement if it can be ascertained with a reasonable degree of certainty that the agreement will be extended (or not terminated). The lease term will be re-evaluated if an option is exercised (or not exercised), or if the Group is forced to exercise the option (or not exercise it). The judgement regarding whether it is reasonably certain is re-assessed only if a significant event or change in circumstances occurs that affects this judgement, and the change is within the control of the lessee. A majority of the Group's extension options have been taken into account in the lease liability. For further information, refer to Note 18 Contract assets and Contract liabilities.

NOTE 5 INFORMATION PER SEGMENT

Disclosures by operating segment

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

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

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

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

Corporate Finance

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

Asset Management

This operating segment is divided into three business areas. Catella provides equity, hedge and fixed income funds through the Equity, Hedge and Fixed Income Funds business area. With its broad offering, Catella is able to address the investment needs of private and institutional investors from various risk aspects, market conditions and management methodologies. 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. In 2019, the Banking business area wound down all its operations, comprising investment advice, asset management, payment solutions to private banks and e-commerce businesses, and card issuing operations. The migration of card customers to Advanzia Bank has proceeded as planned and was completed in March 2020.

From 30 September 2018, the Banking business area is reported as a disposal group held for sale in accordance with IFRS 5. This means that in the Consolidated Income Statement net profit (after tax) for Banking is reported on a separate line under Net profit from disposal group held for sale. Comparative figures for previous years have been reported in a corresponding manner in the Consolidated Income Statement. In the Consolidated Statement of Financial Position, Banking's assets and liabilities are reported separately from other assets and liabilities on separate lines under Assets in divestment group held for sale and Liabilities in divestment group held for sale respectively.

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

Income Statement by Operating Segment

	Corporate Finance		Asset Management		Other		Eliminations		Group	
SEK M	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	704	710	1,660	1,457	17	34	-29	-43	2,353	2,159
Other operating income	5	5	29	53	36	2	-3	-2	67	57
	709	**715**	**1,689**	**1,510**	**54**	**35**	**-31**	**-45**	**2,420**	**2,216**
Direct assigment costs and commission	-55	-88	-324	-301	0	0	7	0	-372	-389
Other external expenses	-152	-175	-296	-268	-26	-60	23	32	-451	-471
Personnel costs	-413	-405	-591	-521	-37	-42	-2	8	-1,043	-960
Depreciation and amortisation	-26	-5	-80	-20	-22	-1	0	0	-128	-26
Other operating expenses	-1	7	-6	-8	0	-18	3	2	-4	-18
Operating profit/loss	**62**	**49**	**392**	**391**	**-31**	**-86**	**-1**	**-2**	**422**	**352**
Interest income accordring to effective interest rate	1	1	0	0	0	1			2	2
Interest income other	1	1	1	0	15	21	-5	-6	12	16
Interest expenses	-11	-3	-9	-3	-33	-25	5	4	-49	-27
Other financial income	0	3	0	6	15	20			15	30
Other financial expenses	0	-2	-23	-19	-95	-14			-118	-36
Financial items—net	-9	0	-31	-16	-98	3	0	-2	-138	-15
Profit/loss before tax	**52**	**48**	**361**	**375**	**-129**	**-83**	**-1**	**-4**	**284**	**337**
Tax	-29	-33	-107	-104	1	11			-135	-127
Net profit for the year from continuing	**23**	**15**	**253**	**271**	**-128**	**-72**	**-1**	**-4**	**148**	**210**
Operations held for sale:										
Net profit/loss for the year from divestment group held for sale	-	-	44	-242	-	-	1	4	45	-238
Net profit for the year	**23**	**15**	**298**	**29**	**-128**	**-72**	**0**	**0**	**193**	**-28**

Financial position by operating segment

	Corporate Finance		Asset Management		Other		Eliminations		Group	
SEK M	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Assets										
Non-current assets										
Intangible assets	67	65	507	525	53	56			627	646
Contract assets	79	-	90	-	14	-			183	-
Tangible assets	9	11	16	18	0	1			25	29
Investments in associated companies	0	0	11	16	81	100			92	116
Financial assets at fair value through profit or loss	0	0	149	142	111	194			261	337
Long-term loan receivables	0	0	0	0	0	0			0	0
Deferred tax assets	0	0	7	11	70	70			78	81
Non-current receivables from group companies	12	12	0	0	105	101	-118	-114	0	0
Other non-current receivables	4	5	2	2	0	0			6	6
	171	**94**	**783**	**714**	**436**	**521**	**-118**	**-114**	**1,272**	**1,215**
Current assets										
Development and project properties	-	-	-	-	336	-			336	-
Accounts receivable	147	119	170	206	1	0			318	325
Receivables from group companies	12	11	1	1	52	73	-64	-85	0	0
Receivables from associated companies	0	0	25	32	13	67			38	99
Tax assets	5	2	39	17	0	0			44	19
Other receivables	5	14	10	14	27	6			42	34
Prepaid expenses and accrued income	20	39	215	212	7	8			242	259
Derivatives	-	-	0	4	14	5			14	9
Financial assets at fair value through profit or loss	0	0	51	48	59	65			110	114
Cash and cash equivalents	176	185	608	486	97	17			881	687
	364	**371**	**1,118**	**1,020**	**607**	**242**	**-64**	**-85**	**2,026**	**1,547**
Assets in divestment group held for sale	-	-	835	4,249	-	-	-76	-2	759	4,247
Total assets	**536**	**465**	**2,736**	**5,983**	**1,043**	**763**	**-258**	**-201**	**4,057**	**7,009**
EQUITY AND LIABILITIES										
Equity attributable to shareholders of the Parent Company	57	35	1,545	1,389	-80	17			1,522	1,442
Non-controlling interests	26	34	182	171	5	0			214	205
Total equity	**83**	**69**	**1,727**	**1,561**	**-75**	**17**	**0**	**0**	**1,736**	**1,647**
Liabilities										
Non-current liabilities										
Borrowings	0	0	0	0	213	0			213	0
Long-term loan liabilities	0	0	0	0	747	748			747	748
Long-term contract liabilities	65	-	73	-	0	-			138	-
Non-current liabilities to group companies	105	101	12	12	0	0	-118	-114	0	0
Other non-current liabilities	0	0	0	0	0	0			0	0
Deferred tax liabilities	0	0	17	18	10	11			27	29
Other provisions	1	0	59	53	1	0			61	53
	171	**102**	**162**	**84**	**971**	**759**	**-118**	**-114**	**1,186**	**831**
Current liabilities										
Current contract liabilities	17	-	21	-	15	-			52	-
Derivatives	-	-	1	0	0	0			1	0
Accounts payable	23	54	52	27	37	8			113	89
Liabilities to group companies	34	22	80	105	23	-48	-137	-79	0	0
Liabilities to associated companies	0	0	0	1	0	0			0	1
Current tax liabilities	7	33	15	44	0	0			22	77
Other liabilities	40	45	47	27	17	1	0	-2	104	70
Accrued expenses and deferred income	161	139	375	388	18	26			554	552
	282	**293**	**591**	**591**	**110**	**-14**	**-137**	**-81**	**846**	**790**
Liabilities in disposal group held for sale	-	-	256	3,747	36	0	-3	-6	289	3,741
Total liabilities	**453**	**395**	**1,009**	**4,422**	**1,117**	**745**	**-258**	**-201**	**2,321**	**5,362**
Total equity and liabilities	**536**	**464**	**2,736**	**5,983**	**1,043**	**763**	**-258**	**-201**	**4,057**	**7,009**

Cash flow by operating segment

	Corporate Finance		Asset Management		Other		Group	
SEK M	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Profit/loss before tax	52	48	461	78	-129	-83	385	44
Justering för poster som inte ingår i kassaflödet:								
Wind down expenses			24	155			24	155
Other financial items	1	5	-306	5	102	-6	-203	5
Depreciation and amortisation	26	5	82	26	22	1	130	32
Other items not affecting cash flow	30	31	17	25	-35	2	13	59
Paid income tax	-67	-41	-208	-112	-1	-1	-277	-154
Change in operating capital employed	-2	-70	-2,206	100	303	174	-1,905	205
Cash flow from operating activities	**40**	**-21**	**-2,135**	**277**	**261**	**88**	**-1,834**	**344**
Cash flow from tangible and intangible non-current assets	-4	-5	-11	-30	-4		-19	-35
Acquisition of subsidiaries, net of cash and cash equivalents			0	-220		-208	0	-428
Sale of subsidiaries, net of cash disposed	0			-1			0	-1
Business transfers net of advisory costs			245				245	0
Net investments in Associated companies	0			-16	-34	-73	-34	-89
Investments in development and project properties					-45		-45	0
Cash flow from other financial assets	0		-4	-22	5	96	2	74
Cash flow from investing activities	**-4**	**-5**	**230**	**-289**	**-78**	**-185**	**148**	**-479**
Net borrowings, amortisation of loans	-18	0	-21		-14	252	-53	252
New share issue, dividends, contributions from, and payments to, non-controlling interests	-30	-37	-73	-63	-89	-63	-192	-163
Cash flow from financing activities	**-48**	**-37**	**-95**	**-63**	**-103**	**190**	**-245**	**89**
Cash flow for the year	-12	**-64**	**-2,000**	**-74**	**80**	**93**	**-1,931**	**-45**
Of which cash flow from divestment groups held for sale:								
Cash flow from operating activities	-	-	-2,381	174	-	-	-2,381	174
Cash flow from investing activities	-	-	266	0	-	-	266	0
Cash flow from financing activities	-	-		170	-	-	0	170
	-	**-**	**-2,115**	**344**	**-**	**-**	**-2,115**	**344**

Disclosures by geographical market

	Total sales to external customers *		Total assets		Non-current assets **	
SEK M	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sweden	926	993	1,032	1,338	317	642
Germany	672	494	523	368	170	63
France	487	495	378	288	107	33
UK	73	6	311	46	260	0
Other countries	194	171	592	182	80	59
Non-current assets not specified by country **	-	-	463	540	338	418
Assets in divestment group held for sale	-	-	759	4,247	-	-
Total	**2,353**	**2,159**	**4,057**	**7,009**	**1,272**	**1,215**

* Based on the location of sales outlets and essentially corresponding to customers' geographical location.

** Financial instruments and deferred tax assets are not specified by country. Instead, these items are recognised on the line "Non-current assets not specified by country".

NOTE 6 NET SALES

SEK M	**2019**	**2018**
Fund and Asset Management income	1,625	1,414
Brokerage income, Corporate Finance	683	672
Other income	44	73
	2,353	**2,159**

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

NOTE 7 OTHER OPERATING INCOME/EXPENSE

Other operating income

SEK M	2019	2018
Capital gain on operating property development	-	24
Recharged costs for company analysis	14	16
Recharged project costs	-	6
Share of profit from associated companies	25	-
Other return on investments in associated	11	-
Fair value gains on financial assets at fair value through profit or loss	2	-
Other	15	11
	67	**57**

Other operating expenses

SEK M	2019	2018
Impairment of accounts receivable	-4	0
Recovered bad debt losses	1	1
Share of profit from associated companies	-	-18
Other operating expenses	-1	-1
	-4	**-18**

NOTE 8 OTHER EXTERNAL COSTS

Remuneration of auditors

SEK M	2019	2018
PwC		
Audit assignment *	8	7
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*2*	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*	0
Other services	1	2
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*1*	2
	9	**10**
Other audit firms		
Audit assignment	1	1
Audit activities other than audit assignment	0	0
Tax advisory	0	0
Other services **	-	0
	1	**1**
Total remuneration to auditors	**11**	**11**

* Audit assignment means fees for the statutory audit, i.e. work necessary to present the Audit Report, and audit-related advisory services rendered coincident with the audit assignment.
** Services in addition to auditing, with the exception of other statutory assignments, mainly relate to auditing of regulatory reporting (Long form report) to CSSF in Luxembourg for the consolidated financial situation, transfer pricing documentation and advice in connection with implementing new IFRS reporting standards.

NOTE 9 DEPRECIATION AND AMORTISATION

SEK M	2019	2018
Depreciation of tangible assets, note 19	9	8
Amortisation of non-acquisition-related intangible assets, note 17	38	14
Amortisation of acquisition-related intangible assets, note 17	21	4
Depreciation of contract assets, note 18	60	-
	128	**26**

Depreciation and amortization for the year of non-acquisition-related intangible assets include impairment of SEK 14 M relating to IT systems for the terminated product Systematic Equity.

Amortization of acquisition-related intangible assets for the year is attributable to portfolio management systems, customer relationships and distribution channels identified in connection with the acquisitions of IPM Informed Portfolio Management AB, Catella Asset Management AS, Catella Asia Ltd and APAM Ltd. The amount also includes goodwill impairment of SEK 2 M relating to Catella Asia, and impairment of distribution channels and customer contracts of SEK 5 M relating to Catella Asia and the Property Investment Management business area.

In accordance with the new reporting standard IFRS 16 Leases, amortization of contract assets relating to the Group's right-of-use assets has been recognized from 1 January 2019.

NOTE 10 PERSONNEL

Employee benefits

SEK M	2019	2018
Salaries and other compensation	744	652
Social security expenses	162	150
Pension costs defined contribution pension plans	53	54
Pension costs defined benefit pension plans	-	-
	959	**856**

Salaries and other benefits

SEK M	2019	2018
Boards of Directors and Presidents *	178	143
Other employees *	566	509
	744	**652**
* of which variable renumeration to senior management	116	105

Apart from the aforementioned compensation, which was an expense for Catella in 2019, 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 32 M (49).

Average no. of employees (full-time equivalents)

	2019		2018	
Average	Total	of which women	Total	of which women
Sweden—parent company	14	3	15	2
Sweden—subsidiaries	145	57	139	56
Luxembourg			-	-
Germany	157	71	146	60
France	101	47	85	41
UK	41	20	39	16
Finland	40	13	38	13
Spain	34	15	33	12
Denmark	18	5	18	4
Baltics	11	3	11	3
Netherlands	13	3	8	4
Norway	4	1	4	1
Hong Kong	1	1	2	1
USA	2	1	1	1
Total	**581**	**240**	**539**	**214**

As of 31 December 2019, the number of Board members and Presidents totalled 168 (177), of whom 21 (21) 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 2019:

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

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

Board of Directors and senior executives

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

During the year, the composition of the Board of Directors was unchanged, with Johan Claesson serving as Chairman of the Board, and Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as ordinary Board members.
The composition of Group management changed in connection with Johan Nordenfalk leaving his position on 18 March 2019. The remainder of Group management was unchanged in the year, with Knut Pedersen as President and CEO and Marcus Holmstrand CFO.

Director's fees, approved by the AGM on 27 May 2019, totalled SEK 570,000 (570,000) to the Chairman of the Board and SEK 350,000 (350,000) each to other Board members. In addition, remuneration constitutes SEK 130,000 (130,000) to the Chairman of the Audit Committee and SEK 100,000 (100,000) each to two other Committee members, and SEK 40,000 (40,000) to the Chairman of the Remuneration Committee and SEK 30,000 (30,000) to the Committee member. Board members are entitled to invoice their Director's fees through privately owned companies provided this is permissible from a tax perspective and is cost neutral to Catella. Board members are then permitted to include social security expenses that would have been payable by Catella AB had the Director's fee been paid directly to the Board member. In these cases, Board fees correspond to approved fees, plus invoiced social security expenses. In addition, statutory sales tax is payable.

Senior managers' variable compensation and other employment terms in 2019

The Chief Executive Officer and other senior managers are entitled to receive performance-based bonuses. Entitlement to bonus payments and the calculation basis for bonuses are determined and re-evaluated annually by the Board. Bonuses are subject to a maximum amount corresponding to 24 months' salary (24) for the CEO and 12 months' salary (24) for other senior executives. The Company's cost for variable salary to Group management for 2019 amounted to just over SEK 2 M (2) including social security expenses. The maximum outcome would have cost the Company just over SEK 12 M including social security expenses.

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

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

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

Share-based incentive program

See Note 12, Share-based payment.

Compensation and other benefits in 2019

Tkr	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension cost	Other compensation	Total
Chairman of the Board						
Johan Claesson	710					710
Other Board members						
Johan Damne	350					350
Joachim Gahm*	379					379
Anna Ramel	450					450
Jan Roxendal	510					510
Total compensation to board members	**2,399**	**-**	**-**	**-**	**-**	**2,399**
Chief Executive Officer						
Knut Pedersen	3,512	1,225	152	1,086		5,975
Övriga ledande befattningshavare**	4,856	640	23	1,308		6,828
Total compensation to CEO and other members of Group management	**8,368**	**1,865**	**175**	**2,394**	**-**	**12,802**

* Relates to invoiced amounts totalling SEK 142,000 and remaining amount as salary, for more information see the "Board of Directors and senior managers" heading above.
** Other senior executives refers to Marcus Holmstrand (CFO) and Johan Nordenfalk (COO) who resigned from his position and left Catella's Group management on 18 March 2019.

Compensation and other benefits in 2018

Tkr	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension cost	Other compensation	Total
Chairman of the Board						
Johan Claesson	663					663
Other Board members						
Johan Damne	337					337
Joachim Gahm*	297					297
Anna Ramel*	483					483
Jan Roxendal*	555					555
Total compensation to board members	**2,336**	**-**	**-**	**-**	**-**	**2,336**
Chief Executive Officer						
Knut Pedersen	3,543	525	110	1,117		5,296
Övriga ledande befattningshavare**	4,106	990	22	1,220		6,338
Total compensation to CEO and other members of Group management	**7,649**	**1,515**	**132**	**2,337**	**-**	**11,633**

* Relates to invoiced amounts up until the end of May and salary after that date, for more information see Board and senior executives above.

** Other senior managers means Johan Nordenfalk (COO) and Marcus Holmstrand (CFO).

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 2019 and 2018 respectively*:

	Class A shares		Class B shares		Options		Bonds, SEK	
No. / SEK	2019	2018	2019	2018	2019	2018	2019	2018
Board of Directors								
Johan Claesson, Chairman of the Board (direct and indirect	1,100,910	1,100,910	40,797,171	40,243,838	1,766,667	2,000,000	-	-
Johan Damne, Board member	-	-	150,000	150,000	-	-	-	-
Jochim Gahm, Board member	-	-	-	-	-	-	-	-
Anna Ramel, Board member	-	-	-	-	-	-	-	-
Jan Roxendal, Board member	-	-	129,554	109,554	-	-	2,000,000	2,000,000
Management								
Knut Pedersen, President and CEO	-	-	2,000,000	1,666,666	-	1,333,334	-	-
Johan Nordenfalk, Chief Operational Officer	-	-	-	220,000	-	200,000	-	-
Marcus Holmstrand, CFO	-	-	204,000	104,000	-	200,000	-	-
Total holdings	**1,100,910**	**1,100,910**	**43,280,725**	**42,494,058**	**1,766,667**	**3,733,334**	**2,000,000**	**2,000,000**

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

NOTE 12 SHARE-BASED INCENTIVES

As of 31 December 2019, the Group had 2,333,334 (4,666,667) outstanding warrants, conferring entitlement to subscribe for a number of new class B shares in Catella AB (publ). Of the total number of outstanding warrants, 166,667 (133,333) 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, former senior managers and other key persons in the Group. The warrants were acquired on market terms, based on valuation in accordance with a customary valuation model (Black & Scholes). The Group does not have any legal or informal commitment to 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 on the basis of the same valuation model from the option-holder if he or she is no longer employed by the Group.

In 2019, 2.166.667 warrants were utilized to subscribe for an equal number of newly issued shares at a price of SEK 8.40 per share. Furthermore, 200,000 warrants were repurchased in connection with changes to Catella AB's Group management in 2019, and 166,666 warrants held in treasury expired without being utilized. 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) percent of the average price of the share over a period of 25 trading days immediately prior to the day on which the Board of Catella AB (publ) announces its intention to present such a dividend proposal to the Annual General Meeting.

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

Given an exercise of issued warrants, ownership structure would be affected by a dilution effect at each point. Outstanding warrants as of 31 December 2019 imply a dilution effect of 2.6% (5.3) of the capital and 2.4% (4.7) of the votes.

During spring 2020, warrant holders have opted to redeem their warrants for 2,066,667 new class B -shares in Catella AB at a price of SEK 7.20 per share and 100,000 warrants were bought back due to changes in Catella AB's Group Management. In addition, 266,667 warrants held in treasury expired without being exercised.

Change in the number of outstanding warrants:

No.	2019	2018
Opening balance as of 1 January	4,666,667	7,000,000
Newly issued	-	-
Exercise of options to subscribe for new shares	-2,166,667	-2,266,666
Expiry of unutilised warrants	-166,666	-66,667
As of 31 December	**2,333,334**	**4,666,667**
of which held by Catella	**166,667**	**133,333**

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

Share issue 2014 (exercise price SEK 7.20 per share)

Year	Share of total outstanding share warrants, %	Total no. of outstanding share warrants	of which held by Catella
2020	100	2,333,334	166,667

NOTE 13 FINANCIAL ITEMS

SEK M	2019	2018
Interest income accordring to effective interest rate		
Interest income on bank balances	0	0
Interest income on loan receivables	0	1
Other interest income	1	1
	2	**2**
Interest income other		
Interest income on financial assets at fair value through profit or loss	12	16
	12	**16**
Interest expenses		
Interest expenses to credit institutions	-3	-3
Interest expenses on bond loan	-30	-23
Interest expenses on contract liabilities	-14	–
Other interest expenses	-2	-1
	-49	**-27**
Other financial income		
Capital gains on group companies	-2	-1
Fair value gains on financial assets at fair value through profit or loss	2	8
Capital gains on financial assets at fair value through profit or loss	0	1
Exchange rate gains	14	21
	15	**30**
Other financial expenses		
Fair value loss on financial assets at fair value through profit or loss	-89	-1
Capital losses on financial assets at fair value through profit or loss	-11	-14
Issue and loan guarantee expenses	-3	-2
Guaranteecommission propertydevelopmentproject	–	-2
Exchange rate losses	-15	-17
	-118	**-36**

NOTE 14 TAXES

SEK M	2019	2018
Current tax:		
Current tax on profit/loss for the year	-135	-111
Adjustments relating to previous years	0	0
Total current tax	**-135**	**-112**
Deferred tax:		
Origination and reversal of temporary differences	0	-14
Effect of change in tax rates	-	-2
Total deferred tax	**0**	**-15**
Income tax	**-135**	**-127**

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	2019	2018
Profit/loss before tax	284	337
Income tax calculated at domestic tax rates applicable to profit in the respective countries	-77	-98
Tax effects of:		
Previously not recognized loss carry forwards	-	19
Utilized loss carry forwards, previously not recognized	2	1
Tax losses for which no deferred tax asset was recognised	-28	-24
Effect from temporary differences with non-recognized deferred tax asset	-17	-20
Effect of change in tax rates	-	-2
Non-deductible interest expenses	-7	-
Non-taxable capital gains	0	0
Other non-deductible/non-taxable items	-14	-8
Wealth tax	0	-
Share of profit from associated companies	6	6
Adjustments relating to previous years	0	0
Tax expense	**-135**	**-127**

Deferred tax assets and tax liabilities are allocated as follows:

SEK M	2019	2018
Deferred tax assets		
Estimated to be utilised after more than 12 months	72	76
estimated to be utilised within 12 months	5	6
Reclassification to Assets in divestment group held for sale	-	-1
Net recognised against deferred tax liabilities	0	0
	78	**81**
Deferred tax liabilities		
to be paid after 12 months	23	46
to be paid within 12 months	5	3
Reclassification to Assets in divestment group held for sale	-	-20
Net recognised against deferred tax assets	0	0
	27	**29**
Deferred tax assets/liabilities (net)	**50**	**51**

SEK M	2019 31 Dec	2018 31 Dec
Deferred tax assets		
Future deductible expenses	7	11
Tax deficit	70	70
Net recognised	-	-
Total	**78**	**81**
Deferred tax liabilities		
Fair value gains	2	1
Intangible assets	24	27
Un-taxed reserves	2	1
Net recognised	-	-
Total	**27**	**29**

SEK M	2019 31 Dec	2018 31 Dec
Deferred tax assets		
Opening balance	81	99
Change in temporary differences	-4	-19
New tax loss carryforwards	0	1
Reclassification to Assets in divestment group held for sale	-	-1
Exchange rate differences	0	-
Closing balance	**78**	**81**
Deferred tax liabilities		
Opening balance	29	38
Change in temporary differences	0	0
Change through acquisition	-	13
Amortisation of acquisition values	-4	-1
Reclassification to Assets in divestment group held for sale	-	-20
Exchange rate differences	1	0
Closing balance	**27**	**29**

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 78 M (81), of which the majority consists of tax loss carry-forwards and which is based on a judgement of the Group's future utilisation of tax loss carry-forwards in the legal entities holding the loss carry-forwards. The tax income that arises on first-time reporting of new or already existing saved deficits as deferred tax assets has no impact on the Group's liquidity. The Group has total loss carry-forwards amounting to SEK 1,048 M (880). Loss carry-forwards for which no deferred tax asset is recognized in the Consolidated Balance Sheet amount to SEK 721 M (388). The Swedish operations only benefit from tax equalisation opportunities with the Group companies Catella Fondförvaltning and EETI. Furthermore, the Swedish Parent Company's organization has expanded in recent years, which has implied increased costs and increased future potential for deductions. 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 11.2 M (3.6) for the financial year 2019. The accumulated tax effect in other comprehensive income amounted to SEK 20.4 M (9.2) at year end.

NOTE 15 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.

	2019	2018
Profi/loss from continued operations, mkr	148	210
Profi/loss from divestment group held for sale, mkr	45	-238
Profi/loss from total operations, mkr	**193**	**-28**
Profit/loss attributable to Parent Company shareholders and on which earnings per share before dilution is calculated		
Profi/loss from continued operations, mkr	68	127
Profi/loss from divestment group held for sale, mkr	45	-238
Profi/loss from total operations, mkr	**113**	**-112**
Weighted average number of ordinary shares	85,706,106	83,351,403
Earnings per share from continued operations, kr	0.80	1.52
Earnings per share from divestment group held for sale, kr	0.52	-2.86
Earnings per share from total operations, kr	1.32	-1.34

(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 2019 was 3.1% (6.4).

	2019	2018
Profi/loss from continued operations, mkr	148	210
Profi/loss from divestment group held for sale, mkr	45	-238
Profi/loss from total operations, mkr	**193**	**-28**
Profit/loss attributable to Parent Company shareholders and on which earnings per share after dilution is calculated		
Profi/loss from continued operations, mkr	68	127
Profi/loss from divestment group held for sale, mkr	45	-238
Profi/loss from total operations, mkr	**113**	**-112**
Weighted average number of ordinary shares	85,706,106	83,351,403
Adjustments for:		
assumed conversion of share warrants	2,676,067	5,312,280
Weighted average number of ordinary shares for computation of earnings per share after dilution	88,382,173	88,663,683
Earnings per share from continued operations, kr	0.77	1.43
Earnings per share from divestment group held for sale, kr	0.51	-2.69
Earnings per share from total operations, kr	1.28	-1.26

NOTE 16 DIVIDEND

Against the background of the coronavirus pandemic, the Board of Catella AB (publ) has decided to revoke the proposed dividend of SEK 0.90 per share, and proposes to the Annual General Meeting that no dividend be paid. Although Catella has a solid financial position, it is difficult to assess how developments will progress, and the Board aims to ensure that satisfactory liquidity is available should the crisis worsen. Catella's ambition is to convene an Extraordinary General Meeting in the second half of 2020 to address the matter of dividends.

A dividend of SEK 1.20 per share was paid for the financial year 2018.

NOTE 17 INTANGIBLE ASSETS

SEK M	Goodwill	Trademark	Contractual customer relations	Software licenses and IT systems	Total
As of 1 January 2018					
Net carrying amount	**276**	**50**	**24**	**40**	**390**
Financial year 2018					
Acquired during the year			15	14	29
Cost in acquired companies	170		74		245
Disposals				0	0
Reclassification to operating expenses				-1	-1
Depreciation and amortisation			-11	-9	-20
Exchange rate differences	2		1	1	3
Closing balance	**448**	**50**	**104**	**44**	**646**
At 31 December 2018					
Cost	468	50	130	112	761
Accumulated depreciation			-26	-36	-62
Accumulated impairment	-20			-33	-53
Net carrying amount	**448**	**50**	**104**	**44**	**646**
Financial year 2019					
Acquired during the year			0	15	16
Cost in acquired companies	4				4
Disposals					0
Depreciation and amortisation	-2		-32	-25	-59
Exchange rate differences	15		6	0	21
Closing balance	**464**	**50**	**79**	**34**	**627**
At 31 December 2019					
Cost	486	50	137	128	801
Accumulated depreciation			-54	-46	-100
Accumulated impairment	-22		-4	-48	-73
Net carrying amount	**464**	**50**	**79**	**34**	**627**

Reported goodwill at year-end 2019 relates to the acquisition of the Catella Brand AB Group in 2010 (SEK 232 M), the acquisition of IPM Informed Portfolio Management AB (IPM) in 2014 (SEK 39 M), the acquisition of Catella Asset Management AS (CAM AS) in 2016 (SEK 8 M) and the acquisition of APAM Ltd in 2018 (SEK 185 M). The Catella trademark was valued at SEK 50 M on the acquisition of the Catella Brand AB Group. The carrying amount of contractual customer relationships as of 31 December 2019 of SEK 79 M relates to APAM Ltd (SEK 68 M, Catella Residential Investment Management GmbH's take-over of management of the European Student Housing Fund and Catella Residential Fund (SEK 6 M) and of Catella Investment Management Benelux BV's fund platform in the Netherlands (SEK 4 M). The closing carrying amount of software licenses and IT systems was SEK 34 M, of which SEK 5 M was acquisition related assets attributable to IPM. All intangible assets were externally acquired.

Impairment testing of goodwill and other assets with indefinite useful lives

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

Assets with indefinite useful lives are tested annually for impairment. Catella's principle is to conduct impairment tests on assets with indefinite lives in the fourth quarter each year, based on their carrying amounts on 30 September. Catella's assets with indefinite useful lives consist of goodwill and brands. The impairment tests for these assets has been carried out by operating segment, Corporate Finance, Equity Hedge and Fixed Income Funds and Property Investment Management, which is consistent with the level at which goodwill and other acquisition-related intangible assets are monitored internally, and in reporting to management and the Board of Directors. No impairment tests have been carried out for the Banking business area in 2019 as all goodwill attributable to the business area, and other intangible assets attributable to the same business area, were impaired in previous years and operations were being wound down in 2019. 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, 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 estimates and 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 2 M attributable to Catella Asia. In addition, other acquisition related intangible asset such as distribution channels and customer contracts attributable to Catella Asia and the Property Investment Management business area, have been impaired by SEK 5 M. Impairment totalling SEK 7 M is reported as Depreciation and amortisation in the Consolidated Income Statement.

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

	WACC, %	
	2019	2018
Corporate Finance	12.0	12.0
Equity Hedge and Fixed Income Funds	12.0	12.0
Banking	-	-
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 2019 and 2018. The calculated WACC for 2019 was 11.7%, 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 distribution of goodwill and brands by business area follows:

	2019		2018	
SEK M	Goodwill	Trademark *	Goodwill	Trademark *
Corporate Finance	63	-	62	-
Equity Hedge and Fixed Income Funds	157	-	157	-
Banking	-	-	-	-
Property Investment Management	245	-	227	-
Other	0	50	2	50
	464	**50**	**448**	**50**

* Catella registered trademark

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

NOTE 18 CONTRACT ASSETS AND CONTRACT LIABILITIES

This Note provides information about the lease agreements where the Group is lessee. Catella is not party to any agreements where the Group is lessor.

The Group leases a number of office premises, vehicles and other equipment on the basis of non-cancellable operating leases. The lease terms vary between one and ten years and most lease arrangements can be extended on market terms on expiry. Payments for short-term contracts and lease agreements of minor value are expensed on a straight-line basis in the Income Statement. Short-term contracts are defined as contracts with a lease term of 12 months or less. Agreements of minor value are defined as below SEK 0.1 M, and include IT and office equipment. During the year, new contract assets of SEK 5.1 M arose, of which SEK 4.1 M related to leasing vehicles and SEK 1 M to new rental contracts. For office properties, the assessment changed during the year which elicited a change in values.

The following amounts relating to lease agreements are recognized in the Balance Sheet:

SEK M	2019	Ingående balans 2019
Contract assets		
Office buildings	176	284
Cars	7	6
Other equipments	0	1
	183	**291**
Contract liabilities		
Non-current liabilities	138	233
Current liabilities	52	54
	190	**287**

The following amounts relating to lease agreements are recognized in the Income Statement:

SEK M	2019
Depreciation of contract assets	
Office buildings	55
Cars	4
Other equipments	1
	60
Interest expenses	14

Total cash flow relating to lease agreements in 2019 amounted to SEK 67 M.

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

SEK M	Furniture, fittings and equipment
As of 1 January 2018	
Net carrying amount	**27**
Financial year 2018	
Acquired during the year	17
Disposals	0
Reclassification to Assets in divestment group held for sale	-4
Depreciation and amortisation	-12
Exchange rate differences	1
Closing balance	**29**
At 31 December 2018	
Cost	104
Accumulated depreciation	-75
Net carrying amount	**29**
Financial year 2019	
Acquired during the year	5
Disposals	0
Depreciation and amortisation	-9
Exchange rate differences	0
Closing balance	**25**
At 31 December 2019	
Cost	96
Accumulated depreciation	-71
Net carrying amount	**25**

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 2019, Catella owns 53.2% of IPM Informed Portfolio Management BV (IPM BV), a holding company that in turn owns 75.4% of IPM Informed Portfolio Management AB (IPM AB). There is also a direct 20.5% holding in IPM AB. Total ownership as of 31 December 2019 thereby amounted to 60.6% of IPM AB.

Significant limitations

Several Group companies conduct operations subject to licensing and are 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

Company	Corp. ID no.	City	31 Dec 2019 Participating interest, %	31 Dec 2019 Total no. of share	31 Dec 2018 Participating interest, %	31 Dec 2018 Total no. of share
Catella Holding AB*	556064-2018	Stockholm	100	1,000	100	1,000
Catella Bank SA*	B 29962	Luxembourg	100	8,780,000	100	8,780,000
IPM Informed Portfolio Management AB*	556561-6041	Stockholm	61	2,253,561	61	2,253,561
IPM Informed Portfolio Management UK Ltd*	10365981	London	61	100	61	100
IPM Informed Portfolio Management USA Inc	35-2630034	New York	61	1,000	61	1,000
European Equity Trance Income Ltd*	44552	Guernsey	100	64	100	64
Catella Kapital & Pension AB*	556886-9019	Stockholm	100	500	100	500
Catella Asia Ltd	2502446	Hong Kong	100	10,000	100	10,000
Catella Brand AB*	556690-0188	Stockholm	100	1,000	100	1,000
Catella Property Fund Management AB*	556660-8369	Stockholm	100	10,000	100	10,000
Catella Property Asset Management AB	559104-6551	Stockholm	100	16,667	100	16,667
Catella Real Estate AG*	HRB 169051	Munich	95	2,500,000	95	2,500,000
Catella Asset Management GmbH	HRB 237791	Munich	55	25,000	55	25,000
Catella Residential Investment Management Gmbh	HRB 220094	Berlin	100	25,000	100	25,000
APAM Ltd	7671308	London	75	11,000	75	11,000
Catella Corporate Finance AB	556724-4917	Stockholm	100	1,000	100	1,000
Catella Property Oy	669987	Helsinki	100	10,000	100	10,000
Catella Asset Management Oy	2214836-4	Helsinki	100	10,000	100	10,000
Pegasos Real Estate GP Oy	22911649	Helsinki	100	2,500	100	2,500
Catella Property Norway AS	986032851	Oslo	100	100	100	100
Catella Asset Management AS*	917354049	Oslo	51	100	51	100
Catella Property Management AS*	912800423	Oslo	51	1	51	1
Catella Investment Management Benelux B.V.	56049773	Maastricht	100	10,000	100	10,000
Catella Property GmbH	HRB 106179	Dusseldorf	100	-	100	-
Catella Property Valuation GmbH	HRB 106180	Dusseldorf	100	-	100	-
Living Circle GmbH	HRB 106183	Dusseldorf	100	100,000	100	100,000
Catella Property Residential GmbH	HRB 142101	Dusseldorf	100	-	100	-
Catella Project Management GmbH	HRB 76149	Dusseldorf	100	25,000	100	25,000
Catella Corporate Finance SIA	40003814194	Riga	60	2,850	60	2,850
Catella Corporate Finance Vilnius	300609933	Vilnius	60	100	60	100
OÜ Catella Corporate Finance Tallin	11503508	Tallin	60	1	60	1
Catella Property Benelux SA**	BE 0467094788	Brussels	-	-	100	300,000
Catella Property Belgium SA**	BE 0479980150	Brussels	-	-	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
Kaktus 1 TopCo Aps	CVR 39195208	Copenhagen	93	74,855,100	-	-
Catella Mezzanine AG	1303013556-9	Zürich	45	100,000	45	100,000
Catella France SAS	B 412670374	Paris	100	2,500	100	2,500
Catella Valuation Advisors SAS	B 435339098	Paris	67	4,127	67	4,127
Catella Property Consultants SAS	B 435339114	Paris	100	4,000	100	4,000
Catella Residential Partners SAS	B 442133922	Paris	66	4,000	66	4,000
Catella Logistic Europe SAS	B838433811	Paris	65	50,000	65	50,000
Catella Asset Management SAS	B 798456810	Paris	50	200,000	50	200,000
Catella Hospitality Europe SAS	B 851820084	Paris	51	50,000	-	-
Catella Property Spain S.A.	A 85333342	Madrid	80	60,102	70	60,102
Catella Asset Management Iberia S.L.	B87290813	Madrid	65	3,000	65	3,000
CCF Holding AB	559078-3238	Stockholm	60	10,000	60	10,000
Catella Corporate Finance Stockholm AB	559054-4234	Stockholm	60	10,000	60	10,000
CCF Holding Gbg AB	559089-0710	Göteborg	60	10,000	60	10,000
Catella Corporate Finance Göteborg AB	559084-9104	Göteborg	60	10,000	60	10,000
CCF Malmö Intressenter AB	556740-5963	Malmö	60	1,000	60	1,000
Catella Corporate Finance Malmö AB	556740-5666	Malmö	60	1,000	60	1,000
Aveca AB	556646-6313	Stockholm	100	5,000	100	5,000
Aveca Geshäftsführungs GmbH	HRB 106722	Dusseldorf	100	-	100	-
Catella Fondförvaltning AB*	556533-6210	Stockholm	100	50,000	100	50,000
Catella Residential 01 GP Sarl	B 220094	Luxembourg	100	1,000	-	-
Winning Regions Europé GP Sarl	B 236957	Luxembourg	100	100	-	-

* Group companies included in Catella's consolidated financial situation, see also Note 39 Consolidated financial situation and capital adequacy.
** Group companies liquidated or merged in 2019.

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

As of 31 December 2019, the total ownership of non-controlling holdings was SEK 214 M (205), of which SEK 191 M (176) relates to subsidiaries IPM Informed Portfolio Management AB, Catella Real Estate AG, Catella Asset management SAS, Catella Residential Partners SAS and Catella Property Denmark A/S.

Results of operations relating to non-controlling interests amount to SEK 103 M (119) for the financial year 2019. Of this amount, SEK 80 M (84) was reported as profit for the year attributable to non-controlling holdings and SEK 23 M (35) as personnel expenses and tax in the Income Statement. According to the Groups accounting principles, profit shares attributable to shareholders active in subsidiaries are reported as a personnel expense in the consolidated Income Statement. Of profit attributable to non-controlling interests totalling SEK 103 M (119), SEK 94 M (107) is attributable to the companies indicated below.

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

	IPM Informed Portfolio Management AB (participating interest 61 %)		Catella Real Estate AG (participating interest 94,5 %)		Catella Asset Management SAS (participating interest 50 %)		Catella Residential Partners SAS (participating interest 66 %)		Catella Property Denmark A/S (participating interest 60 %)	
Summarised balance sheet	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Non-current assets	153	143	32	16	40	9	4	2	35	29
Current assets	383	370	199	194	65	56	61	61	20	19
Total assets	**536**	**513**	**231**	**210**	**104**	**64**	**65**	**63**	**55**	**49**
Non-current liabilities	-21	-2	-10	-	-29	-	0	-	-13	-12
Current liabilities	-164	-168	-104	-110	-25	-21	-46	-46	-20	-18
Total liabilities	**-185**	**-170**	**-115**	**-110**	**-54**	**-21**	**-46**	**-46**	**-33**	**-30**
Net assets	**351**	**343**	**116**	**100**	**51**	**43**	**19**	**17**	**22**	**19**
Net assets allocated to non-controlling interest	138	135	6	6	25	21	6	6	12	8
Summarised income statement and comprehensive income										
Income	576	558	571	406	83	90	176	142	51	74
Net profit for the year	193	215	37	22	7	17	19	16	15	20
Total comprehensive income for the year	193	215	38	26	8	17	19	17	15	21
Total comprehensive income allocated to non-controlling interest	76	83	2	1	4	9	6	6	6	9
Dividend paid to non-controlling interest	73	62	1	2	-	-	-	4	7	11
Summarised cash flow										
Cash flow from operating activities	309	127	58	25	4	-1	14	18	16	19
Cash flow from investing activities	-40	-30	-21	7	-34	-8	-3	-2	-	-18
Cash flow from financing activities	-190	-158	-27	-31	-4	-	-17	-11	-17	-28
Decrease/increase in cash and cash equivalents	**79**	**-62**	**9**	**1**	**-33**	**-8**	**-6**	**6**	**0**	**-26**

Investments in associated companies reported in accordance with the equity method

Through associated companies, Catella has investments in property development projects in Germany, Denmark and France. The projects are run by Catella's German, Danish and French subsidiaries. Through the associated companies, Catella intends to invest in the early phases of projects where the concept and framework is determined, subsequently divesting projects and realizing capital gains before construction begins and projects are completed. The investments include the risk that associated companies are forced to choose between continuing to invest in late stages of projects, run the projects to completion or leaving the project and losing the invested capital.

During 2019, associated company Nordic Seeding GmbH signed an agreement with German Property developer CG Gruppe AG regarding the divestment of the property development project Grand Central in Düsseldorf, Germany. The transaction will have a positive effect on profit after tax of some SEK 170 M, of which SEK 15 M was recognised in 2019 and the remaining amount is expected to be recognised in the first half 2020.

During 2019, Catella decided to initiate the construction phase for the Danish project Kaktus, and complete the project in order to realize the maximum potential for Catella's shareholders. Catella's ambition is still to divest the project as soon as this is commercially advantageous. The decision implies an increased investment commitment from Catella and has implied a re-classification of the holding in the property development company Kaktus 1 TopCo ApS from a holding in an associated company to shares in a subsidiary with full consolidation of Kaktus's Income Statement and Balance Sheet.

The Group's total net investments in property development projects through associated companies and direct ownership amounted to SEK 96 M (152) and SEK 93 M (-) respectively as of 31 December 2019. The recognized amount of shares in associated companies, as of the same date, amounted to SEK 92 M (116), of which SEK 82 M (116) relates to associated companies that invest in property development projects. In addition, Catella issued loans to associated companies totalling SEK 13 M (67).

SEK M	2019	2018
As of 1 January	116	45
Investments	34	246
Sales	0	-
Share in profits, see Note 7 Other operating	25	-
Share in profits, see Note 7 Other operating expense	-	-18
Dividends paid	-	-103
Repaid capital contributions	-	-54
Reclassification to shares in subsidiaries	-86	-
Exchange rate differences	3	0
Closing book value	**92**	**116**

No dividends from associated companies were received in 2019 (2018: SEK 103 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		Share of equity,%	Share of vote,%	Participatin g interest,
Nordic Seeding GmbH	Germany	259	188	367	22		45	49	32
Grand Central Beteiligungs GmbH	Germany	1,291	938	1	-8		45	49	40
CatWave AB	Sweden	25	9	37	14		49	49	5
Startplattan 170641 AB	Sweden	15	0	0	0		33	33	5
Biblioteksparken	Denmark	11	0	0	0		20	20	11
Cholet Logistique SAS	France	12	14	127	-2		65	49	-1
Moussely Logistique SAS	France	28	28	0	0		65	49	0
Moussely Logistique II SAS	France	4	4	3	0		65	49	0
Roye Logistique SAS	France	31	31	31	0		65	49	0
MER Logistique SAS	France	3	2	2	0		65	49	0
									92

NOTE 21 DERIVATIVE INSTRUMENTS

	2019		2018	
SEK M	Assets	Liabilities	Assets	Liabilities
Currency forwards	14	1	9	0
	14	**1**	**9**	**0**
Less: long-term portion	–	–	–	–
Short-term portion	**14**	**1**	**9**	**0**

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

NOTE 22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

SEK M	2019	2018
Loan portfolios	120	213
Fund investments	120	120
Listed shares and bonds	60	56
Unlisted shares	71	62
Other	1	1
	370	**451**

SEK M	2019	2018
As of 1 January	451	474
Acquisition *	100	82
Avyttringar**	-90	-144
Acquisition	-	20
Amortisation	-25	-7
Fair value gains/losses on financial assets at fair value through profit or loss ***	-80	6
Capitalised interest income	7	12
Reclassification to disposal group held for sale	-	-3
Exchange rate differences	6	12
As of 31 December	**370**	**451**
Less: long-term portion	-261	-337
Short-term portion	**110**	**114**

* Relates to the acquisition of shares in funds managed by IPM and Catella Fondförvaltning, shares in unlisted companies Pamica and Pamica 2 and listed bonds.
** Relates to the divestment of bonds and units.
*** Change in fair value of financial assets valued at fair value in the Income Statement is reported under Other financial items (Note 13). 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 revaluations are made on a continuous basis. 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 5.7%, 10.7% and 27.5% as of 31 December 2019, giving a weighted average discount rate of 16.3% (8.3%) for the remaining loan portfolios. The weighted average duration for the portfolio amounted to 4.0 years (3.7) as of 31 December 2019.

Cash flows mainly comprise interest payments, but also amortization with a projected period up to and including 2028. The expected cash flows for the period amounted to SEK 200 M (284), which are discounted and recognised at SEK 120 M (213).

In the third quarter 2019, Catella recognized impairment of the two loan portfolios, Lusitano 3 and Lusitano 5. The impairment was triggered by the issuing bank exercising its time call option to repurchase the loan portfolio Lusitano 3, which was written down by SEK 48 M. As a result, the assumptions for Lusitano 5 also changed, increasing the probability of a repurchase of this loan portfolio in the second quarter 2021. The potential repurchase affects anticipated cash flows negatively, generating impairment losses of SEK 33 M. The background to the repurchase relates to changed conditions for the issuing bank. The earlier cash flow forecast, which was produced by an external advisor, did not include assumptions about the issuing bank exercising its option to repurchase the loan portfolio.

The repurchase mechanism in Lusitano 3 and Lusitano 5, which triggered these impairment losses, is not included in Catella's two other loan portfolios, Pastor 2 and Pastor 4. For the two latter, however, a deterioration of certain credit variables is foreseen, which implies a negative value adjustment of SEK 4 M in 2019. Overall, the negative value adjustments in the year amount to SEK 80 M (2018: positive value adjustment of SEK 2 M).

No loan portfolios were divested in 2019. In previous years, through subsidiaries, Catella divested the Shield, Memphis. Semper, Ludgate and Minotaure loan portfolios. The divestments repaid Catella's original investment with a good margin.

Summary of Catella's loan portfolios as of 31 December 2019*

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	47.9	23.9%	45.9	41.8%	5.7%	0.7
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4	Spain	31.0	15.5%	13.4	12.2%	10.7%	8.3
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	121.4	60.6%	50.4	45.9%	27.5%	4.2
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Total cash flow * **		**200.3**	**100.0%**	**109.7**	**100.0%**	**16.3%**	**4.0**
Accrued interest				9.9			
Carrying amount				**119.6**			

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

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

SEK M Loan portfolio	Country	Forecast undiscounted cash flow *	Share of undiscounted cash flow,%	Forecast discounted cash flow, %	Share of discounted cash flow,%	Discount rate, %	Duration, years
Pastor 2	Spain	51.4	18.1%	49.2	0.2	6.0%	0.7
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4	Spain	30.2	10.7%	14.2	0.1	11.0%	7.3
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 3	Portugal	78.4	27.6%	65.8	0.3	6.0%	3.1
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	123.7	43.6%	79.8	0.4	11.0%	4.4
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Total cash flow * **		**283.7**	**100.0%**	**209.0**	**1.0**	**8.3%**	**3.7**
Accrued interest				3.5			
Carrying amount				**212.5**			

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

Actual and forecast cash flows of loan portfolios*

SEK M Loan portfolio		Spain Pastor 2	Pastor 3	Pastor 4	Pastor 5	Portugal Lusitano 3	Lusitano 5	Italy Sestante 4	Netherlands Memphis **	Shield **	Germany Gems	Semper **	France Minotaure **	UK Ludgate **	Outcome	Forecast	Diff
Outcome																	
Full	2009	4.6	-	-	-	0.4	0.8	-	0.9	1.7	0.2	1.6	2.2	0.0	12.4	7.7	4.7
Full	2010	7.8	-	-	-	2.7	0.0	-	3.3	6.1	0.7	5.8	8.8	0.5	35.6	35.7	-0.1
Full	2011	9.8	-	-	-	11.1	0.0	0.6	3.3	4.4	0.9	5.7	6.9	0.4	43.1	28.4	14.7
Full	2012	4.5	-	-	-	10.2	0.0	0.5	0.8	-	0.7	5.2	3.7	0.1	25.8	30.1	-4.3
Full	2013	0.2	-	-	-	2.7	0.0	0.4	-	-	0.4	1.2	-	0.2	5.0	7.5	-2.5
Full	2014	0.3	-	-	-	6.7	0.0	0.4	-	-	0.4	-	-	13.1	20.9	12.8	8.1
Full	2015	0.1	-	-	-	3.7	0.0	0.5	-	-	0.3	-	-	16.9	21.5	23.2	-1.6
Helår	2016	0.1	-	-	-	8.3	-	0.5	-	-	46.7	-	-	14.7	70.3	66.8	3.5
Q1	2017	-	-	-	-	1.5	-	-	-	-	-	-	-	2.6	4.1	5.0	-0.9
Q2	2017	-	-	-	-	1.9	-	-	-	-	-	-	-	3.5	5.5	5.6	-0.1
Q3	2017	-	-	-	-	1.8	-	-	-	-	-	-	-	4.6	6.4	5.0	1.4
Q4	2017	0.0	-	-	-	3.8	-	-	-	-	-	-	-	2.7	6.5	4.8	1.7
Q1	2018	0.0	-	-	-	3.1	-	-	-	-	-	-	-	-	3.1	2.6	0.5
Q2	2018	0.0	-	-	-	2.4	-	-	-	-	-	-	-	-	2.4	2.7	-0.3
Q3	2018	0.0	-	-	-	2.1	-	-	-	-	-	-	-	-	2.2	2.2	-0.1
Q4	2018	-	-	-	-	3.6	-	-	-	-	-	-	-	-	3.6	2.3	1.3
Q1	2019	0.0	-	-	-	1.9	-	-	-	-	-	-	-	-	1.9	2.2	-0.3
Q2	2019	0.0	-	-	-	4.3	-	-	-	-	-	-	-	-	4.3	2.3	2.0
Q3	2019	0.0	-	-	-	3.2	-	-	-	-	-	-	-	-	3.2	2.4	0.9
Q4	2019	-	-	-	-	16.8	-	-	-	-	-	-	-	-	16.8	16.1	0.7
Total		**27.2**	**0.0**	**0.0**	**0.0**	**92.2**	**0.8**	**2.9**	**8.4**	**12.2**	**50.4**	**19.4**	**21.7**	**59.3**	**294.5**	**265.3**	**29.2**

Forecast		Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Memphis **	Shield **	Gems	Semper **	Minotaure **	Ludgate **		Forecast Year	Acc.
FY	2020	47.9		-			-									47.8	47.9
FY	2021			-			24.3									24.3	72.1
FY	2022			-			19.0									19.0	91.1
FY	2023			-			17.7									17.7	108.8
FY	2024			-			17.3									17.3	126.1
FY	2025			-			16.8									16.8	142.9
FY	2026			-			10.0									10.0	152.9
FY	2027			-			16.4									16.4	169.3
FY	2028			31.0												31.0	200.3
Total		**47.9**	**0.0**	**31.0**	**0.0**	**0.0**	**121.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**		**200.3**	

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

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

Method and assumptions for cash flow projections and discount rates.

The cash flow for each loan portfolio and the discount rates are presented by portfolio in Note 22.

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. Projected 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 include the full effect of a scenario, with low probability and high potential negative impact, such as the dissolution of the Eurozone, where one of the countries in which EETI has its underlying investments, leaves the European monetary union or similar scenarios. Cartesia believes that this credit assumption is reasonable and equivalent to that applied by other market operators. The projected cash flows were prepared by Cartesia using proprietary models. These models have been tested and improved over the years and have not shown any significant discrepancy from models used by other market operators. Adjustments to cash flows impact the value and are recognised in a sensitivity analysis in Note 22 and on Catella's website.

Method for discount rates

The discount rates applied are set internally, and are based on a rolling 24-month index of non-investment grade European corporate bonds as underlying assets (iTraxx). The discount rates per portfolio were also determined relative to other assets in the absence of market prices for the assets held by EETI. Each quarter, the Board of EETI evaluates forecast cash flows and assumptions in combination with market pricing of other assets, in order to make potential adjustments to discount rates in addition to index variations. Adjustments of the discount rates impact the value and are recognised in a sensitivity analysis in Note 22 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 in Note 22 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 5 sub-portfolio. The forecast cash flows for the- portfolio Lusitano 5, assume that the issuer will not utilise 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 amortized 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 5	Total
4.0%	50.7	24.5	112.4	180.3
5.7%	50.1	21.4	105.3	167.4
10.7%	48.4	14.6	87.7	136.2
15.0%	47.0	10.7	75.7	116.0
20.0%	47.3	7.8	67.2	101.9
25.0%	46.3	5.6	58.6	88.4
27.5%	45.8	4.8	55.0	82.7
Discounted cash flow	**50.1**	**14.6**	**55.0**	**119.7**

Cash flow per portfolio in relation to discounted value

	Spain		Portugal	
Discount rate per portfolio	Pastor 2	Pastor 4	Lusitano 5	Total
4.0%	1.0x	1.4x	1.2x	1.2x
5.7%	1.0x	1.6x	1.3x	1.3x
10.7%	1.1x	2.3x	1.5x	1.6x
15.0%	1.1x	3.2x	1.7x	1.9x
20.0%	1.1x	4.3x	2.0x	2.1x
25.0%	1.1x	6.0x	2.3x	2.5x
27.5%	1.1x	7.1x	2.4x	2.6x
Multipel	**1.0x**	**2.3x**	**2.4x**	**1.8x**

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

	Spain		Portugal		
Percentage change in cash flow	Pastor 2	Pastor 4	Lusitano 5	Total	Delta
170%	85.1	24.9	93.4	203.4	70%
165%	82.6	24.2	90.7	197.4	65%
160%	80.1	23.4	87.9	191.5	60%
155%	77.6	22.7	85.2	185.5	55%
150%	75.1	22.0	82.4	179.5	50%
145%	72.6	21.2	79.7	173.5	45%
140%	70.1	20.5	76.9	167.5	40%
135%	67.6	19.8	74.2	161.5	35%
130%	65.1	19.0	71.4	155.6	30%
125%	62.6	18.3	68.7	149.6	25%
120%	60.1	17.6	65.9	143.6	20%
115%	57.6	16.8	63.2	137.6	15%
110%	55.1	16.1	60.4	131.6	10%
105%	52.6	15.4	57.7	125.6	5%
100%	**50.1**	**14.6**	**55.0**	**119.7**	**0%**
95%	47.6	13.9	52.2	113.7	-5%
90%	45.1	13.2	49.5	107.7	-10%
85%	42.6	12.4	46.7	101.7	-15%
80%	40.1	11.7	44.0	95.7	-20%
75%	37.6	11.0	41.2	89.7	-25%
70%	35.1	10.2	38.5	83.8	-30%
65%	32.5	9.5	35.7	77.8	-35%
60%	30.0	8.8	33.0	71.8	-40%
55%	27.5	8.1	30.2	65.8	-45%
50%	25.0	7.3	27.5	59.8	-50%
45%	22.5	6.6	24.7	53.8	-55%
40%	20.0	5.9	22.0	47.9	-60%
35%	17.5	5.1	19.2	41.9	-65%
30%	15.0	4.4	16.5	35.9	-70%

Business-related investments

The business-related investments mainly consist of IPM's, Catella Fondförvaltning and Catella Real Estate's holdings of participations in funds managed in-house and APAM's co-investments with customers. . Business-related investments also include holdings of listed and unlisted shares. The book value of the holdings, also market value, was SEK 230 M (190) as of 31 December 2019.

Other securities

Other securities comprise current investments in listed bonds with a book and market value of SEK 20 M (48) as of 31 December 2019.

NOTE 23 ACCOUNTS RECEIVABLE

SEK M	2019	2018
Accounts receivable	322	328
Less: provision for doubtful debt	-4	-3
	318	**325**

The fair value of accounts receivable is as follows:

SEK M	2019	2018
Accounts receivable	318	325
	318	**325**

The age analysis of past due accounts receivable follows:

SEK M	2019	2018
Less than 1 month	92	103
1 to 2 months	10	4
2 to 3 months	10	5
3 to 6 months	7	2
More than 6 months	27	8
	145	**122**

Catella Group applies the 'simplified approach' to calculate expected credit losses. The method proceeds from expected losses during the full term of the receivables.

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

Based on this, the reserve for doubtful debt is as follows:

SEK M	2019	2018
As of 1 January	-3	-2
Adjustment for retroactive application of IFRS 9	0	-1
Adjusted opening balance at 1 January 2018	-3	-3
Provision for doubtful debt	-4	0
Recovered bad debt losses	1	0
Receivables written off during the year that are not recoverable	1	1
Changes reserv losses, according to IFRS 16	0	0
Exchange rate differences	0	0
As of 31 December	**-4**	**-3**

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 credit risk exposure on the reporting date corresponds to 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 24 OTHER NON-CURRENT RECEIVABLES

SEK M	2019	2018
As of 1 January	6	21
Additional receivables	0	0
Repaid receivables	0	0
Reclassification to disposal group held for sale		-15
Exchange-rate differences	0	0
As of 31 December	**6**	**6**

SEK M	2019	2018
Rent guarantees	6	6
Other	-	-
	6	**6**

NOTE 25 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	2019	2018
Accrued management fees and card income	168	184
Accrued interest income	0	1
Other accrued income	25	38
Prepaid rental charges	10	11
Other prepaid expenses	38	24
	242	**258**

NOTE 26 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

Cash and cash equivalents comprise bank balances and include funds deposited in blocked accounts totalling SEK 44 M (38). See also Note 31.

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

NOTE 27 EQUITY

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

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

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

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

In 2019, 2,166,667 warrants were utilised to subscribe for an equal number of shares at a price of SEK 8.40 per share, and 200,000 warrants were repurchased as a result of changes in Catella AB's Group management. As a result of this, the Parent Company's registered share capital increased by SEK 4 M to SEK 173 M and other contributed capital increased by a net SEK 10 M to SEK 280 M.

Reserves comprise income and expenses that, according to certain standards, are to be recognized in other comprehensive income. In Catella's case, reserves comprise translation differences relating to the translation of foreign subsidiaries in accordance with IAS 21 and of fair value changes to financial assets valued at fair value in other comprehensive income.

The item "Retained earnings including net profit for the year" corresponds to the total accumulated gains and losses generated in the Group. Retained earnings may also be impacted by the value change of defined benefit pension plans and by transactions with non-controlling interests. In addition, profit brought forward is also reduced by dividends paid to shareholders of the Parent Company. The Board proposes that no dividend be paid for the financial year 2019 due to current uncertainty relating to the Covid-19 pandemic. For the financial year 2018, the Board of Directors decided on a dividend of SEK 1.20 per share, totalling SEK 103.5 M, which was paid in June 2019.

See also Note 51 Equity of Parent Company.

NOTE 28 BORROWINGS AND LOAN LIABILITIES

SEK M	2019	2018
Bank loans for financing operations	213	0
Bond issue	747	748
	960	**749**
Less: long-term portion	-960	-749
Short-term portion	**0**	**0**

Deposits from credit institutions relate to the subsidiary Kaktus 1 TopCo ApS' financing of ongoing property development projects. Bond loans relate to Catella AB.

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

SEK M	2019	2018
Less than 3 months	-	-
Between 3 and 12 months	-	-
Between 1 and 3 yrs.	747	0
Between 3 and 5 yrs.	-	748
More than 5 yrs.	213	–
Without maturity	-	-
	960	**749**

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

SEK M	2019	2018
Borrowing from credit institutions	213	0
Bond issue	747	748
	960	**749**

The bond loan is listed on NASDAQ Stockholm and accrues floating-rate 3-month Stibor plus 400 b.p. Trading of the bond is limited. Catella consequently assesses that the fair value of the bond corresponds to book value.

For information about average loan interest, see table 'Interest-bearing liabilities and assets for the Group by currency' under the heading Interest rate risk in Note 3.

NOTE 29 PROVISIONS

SEK M	Defined benefit pension plans	Legal disputes	Earnout acquired company	Other	Total
As of 1 January 2018	2	2	0	1	4
Additional provisions			43	10	53
Utilised during the year					0
Reversed unutilised amount		-2		-1	-3
Reclassification to disposal group held for sale	-2				-2
Exchange rate differences					0
At 31 December 2018	**0**	**0**	**43**	**10**	**53**
Additional provisions				4	4
Utilised during the year				-5	-5
Reversed unutilised amount					0
Reclassification				6	6
Exchange rate differences			3	0	3
At 31 December 2019	**0**	**0**	**46**	**15**	**61**

A majority of provisions relates to the purchase consideration of the remaining 25% of shares in APAM Ltd, see also Note 35 Acquisitions and divestments of operations.

Other provisions mainly relate to long-term incentive schemes aimed at key personnel in subsidiaries.

NOTE 30 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2019	2018
Holiday pay liability	41	35
Accrued personnel costs	61	52
Accrued audit expenses	6	6
Accrued legal expenses	1	1
Accrued bonus	302	322
Accrued interest expenses	1	5
Accrued rental charges	7	5
Accrued commission expenses	100	101
Other accrued expenses	35	25
	554	**552**

NOTE 31 PLEDGED ASSETS

SEK M	2019	2018
Cash and cash equivalents	97	205
Other pledged assets	19	49
	116	**255**
Of which pledged assets related to divestment groups held for sale:		
Cash and cash equivalents	53	167
Other pledged assets	19	49
	72	**217**

Cash and cash equivalents include pledged cash funds. These funds are used as collateral in the Asset Management operating segment for ongoing transactions. Cash and cash equivalents also include cash funds in accordance with minimum retention requirements of Catella Bank's card operations, funds that are to be made available at all times for regulatory reasons as well as frozen funds for other purposes.

NOTE 32 CONTINGENT LIABILITIES

SEK M	2019	2018
Client funds managed on behalf of clients	0	91
Other contingent liabilities	341	6
	341	**97**
Of which contingent liabilities related to divestment groups held for sale:		
Client funds managed on behalf of clients	0	91
Other contingent liabilities	5	5
	5	**96**

Client funds relate to assets belonging to customers that are managed by Catella Bank branch office. These assets are deposited in separate bank accounts by the branch office under a third-party name. These funds were wound down in 2019.

Other contingent liabilities mainly relate to Catella AB's guarantee to credit institutes as collateral for approved credit lines to subsidiary Kaktus 1 HoldCo ApS. Other contingent liabilities also relate to guarantees which were provided for rental contracts with landlords.

Other legal proceedings

Companies in the Group are involved in a small number of disputes or legal proceedings and tax cases that have arisen in daily operations. Risks associated with such events are covered by contractual guarantees, insurance or the requisite reserves. Any liability for damages or other costs associated with such legal proceedings are not deemed to materially affect the Group's business activities or financial position.

NOTE 33 COMMITMENTS

SEK M	2019	2018
Unutilised credit facilities, granted by Catella Bank	0	2,760
Investment commitments	24	113
Other commitments	0	3
	24	**2,876**
Of which commitments related to divestment groups held for sale:		
Unutilised credit facilities, granted by Catella Bank	0	2,760
Investment commitments	-	-
Other commitments	0	3
	0	**2,763**

Unutilised credit facilities mainly relate to the credit commitments issued by Catella Bank to credit card clients. A majority of these commitments were transferred to Advanzia Bank as of 1 April 2019 and remaining commitments were gradually eliminated during 2019.

Investment commitments mainly relate to the unlisted holding in Pamica 2 AB and to a lesser extent the associated companies Nordic Seeding GmbH and Grand Central Beteiligungs BmbH.

The Group leases a number of office premises, vehicles and other equipment on the basis of non-cancellable operating leases. The lease terms vary between one and ten years and most lease arrangements can be extended on market terms on expiry. From 1 January 2019, lease agreements are reported as right-of-use assets alongside the corresponding financial liability in the Balance Sheet. The consolidated Income Statement recognizes amortization of right-of-use assets, and interest expenses for contract liabilities. Rental costs are no longer included in the Consolidated Income Statement. Catella applies the simplified standard where comparative figures for 2018 have not been restated. See also Note 2 Significant accounting policies and Note 18 Contract assets and Contract liabilities.

The following table shows total minimum lease charges for non-cancellable operating lease agreements according to the previous accounting standard applicable before 2019.

SEK M	2019	2018
Within 1 yr.	-	80
Between 1 and 5 yrs.	-	170
More than 5 yrs.	-	23
	-	**274**

Leasing costs recognised in profit and loss during the year amounted to SEK 0 M (71).

NOTE 34 CASH FLOW

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

SEK M	2019	2018
Interest received	6	8
Interest paid	-52	-23
Of which attributable to contract liabilities	*-14*	-
Net interest paid	**-46**	**-15**

Reconciliation of liabilities derived from financing operations in cash flow:

Mkr	Opening balance	Cash flows	Loan arrangement expenses	Reclassification	Closing balance
Bond issue 2017	748	-5	3		747
Real estate project	-	5		208	213
Other borrowings	0	0		0	0
Total	**749**	**0**	**3**	**208**	**960**

NOTE 35 ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

Acquisitions in 2019

In 2019, Catella acquired 51% of the shares in newly established Catella Hospitality Europe SAS. Furthermore, Catella acquired shares from non-controlling interests in Catella Property Spain SA.

Acquisitions in 2018

On 13 December 2018, following approval from the Luxembourg financial supervisory authority, CSSF, Catella acquired 75% of the shares in APAM Ltd. The UK is a key strategic market for Catella, and the acquisition strengthens Catella's pan-European platform in the Property Investment Management business area.

APAM Ltd is an independent property, investment and asset management advisor, operating on the UK market. At the time of the acquisition, APAM had assets under management of GBP 1.4 Bn and 41 employees. The company's two founders and CEOs, Simon Cooke and William Powell, will remain as shareholders and remain active in the company for a minimum of five years. Catella and the two minority owners of APAM have entered into a call and put option agreement under which Catella is being granted a call option to acquire the shares of the minority owners and the minority owners are being granted a put option to sell their shares to Catella during the autumn of 2023 at a price to be calculated through a pre-set formula depending on future profit trends. The acquisition analysis is based on the acquisition of all the shares in APAM. The valuation of the unregulated purchase consideration as of the acquisition date and as of 31 December 2019 is based on a company value assuming completed acquisition and an annual estimated growth rate of 2%, applying a discount rate of 12%.

The acquired operations, which form part of Catella's Asset Management, was consolidated as a subsidiary from 13 December 2018. As of this date, fair value of acquired net assets in APAM totalled SEK 111 M. In the period 13-31 December 2018, APAM has contributed income of SEK 3 M and profit after tax of SEK 3 M. Assuming full consolidation of APAM as of 1 January 2018, Group income would have amounted to SEK 2,270 M, while profit/loss after tax for the period and comprehensive income for the period would have been SEK 218 M and SEK 49 M respectively. These amounts have been calculated on the basis of the Group's accounting principles and adjusted profit/loss in APAM. Profit/loss includes additional amortization which would have been effected if fair value adjustments of intangible assets had been made as of 1 January 2018, alongside the associated tax consequences.

The present value of the total purchase consideration for 100% of the shares in APAM is estimated at SEK 285 M, of which SEK 242 M was financed with proprietary cash funds in the first and fourth quarter 2018. In addition, Catella incurred acquisition-related expenses of SEK 5 M which were charged to operating profit in 2018.

Goodwill of SEK 170 M arising from the acquisition relates to operational expansion as a result of increased presence on the UK market, and to human capital. No portion of reported goodwill is expected to be tax deductible. Fair value of identifiable intangible assets of SEK 74 M (SEK 61 M after latent tax) is attributable to the existing customer contact portfolio.

In the fourth quarter 2019, Catella made the final valuation of the acquired net assets in APAM. The analysis implied an adjustment of goodwill, which increased by just under SEK 4 M to SEK 174 M.

SEK M	2018	Adjustment 2019	Acquisition analysis, final
Acquisition-related intangible assets	74		74
Financial assets at fair value through profit or loss	20		20
Other receivables	16		16
Cash and cash equivalents	26		26
Deferred tax liabilities	-14		-14
Other liabilities	-8	-4	-12
Fair value of net assets	**114**	**-4**	**111**
Non-controlling interests	0		0
Goodwill	170	4	174
Fair value, net assets	**285**	**0**	**285**
Unsettled purchase price	-43		-43
Cash-settled purchase consideration	**242**	**0**	**242**
Cash and cash equivalents in acquired subsidiary	-26		-26
Acquisition expenses	5		5
Change in the Group's cash and cash equivalents on acquisition	**220**	**0**	**220**

In 2018, Catella also acquired 65% of the shares in newly established Catella Logistic Europe SAS. Furthermore, Catella carried out an additional acquisition of some 13% of the shares in IPM BV. The transaction was based on a company value of IPM AB (Systematic Funds) of some SEK 2 Bn and the purchase consideration amounted to SEK 207.4 M which was recognised as Equity in 2018. Catella's indirect and direct ownership in IPM AB totalled 60.6% after the transaction. None of these acquisitions gave rise to goodwill or other acquisition-related intangible assets.

NOTE 36 SUBSEQUENT EVENTS

Changes to Catella AB's (publ) Group management

The Board of Catella AB (publ) has decided to appoint Chairman Johan Claesson as acting CEO, Eva Bång as acting CFO and Jan Roxendal as acting Chairman, effective as soon as the necessary approvals have been obtained from the supervisory authority CSSF.

Impact of Covid-19

The outbreak of Covid-19 affects Catella negatively, and there is a risk of a significant financial impact on the Group. Given the uncertain situation, it is currently not possible to estimate the full potential impact on the Group over the coming quarters. We proceed from the assumption that the second and third quarters of 2020 will be characterized by significant uncertainty, affecting investor appetite for completing transactions and capital investments.

Catella revokes proposed dividend

Against the background of the coronavirus pandemic, the Board of Catella AB (publ) has decided to revoke the proposed dividend of SEK 0.90 per share, and is proposing to the Annual General Meeting that no dividend be paid. Although Catella has a solid financial position, it is difficult to assess how developments will progress, and the Board aims to ensure that satisfactory liquidity is available should the crisis worsen.

NOTE 37 RELATED PARTY TRANSACTIONS

Related party transactions

Related party transactions with significant influences encompass Catella Board members and Group Management, including family members, and companies in which these individuals have Board assignments or hold positions as senior managers and/or have significant shareholdings. For senior 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

2019

Catella holds investments in the associated companies Nordic Seeding GmbH and Grand Central Beteiligungs GmbH where the other owners are the Claesson & Anderzén Group and the management of Catella Project Management GmbH. In 2019, Catella invested just under SEK 15 M in Nordic Seeding GmbH and Grand Central Beteiligungs GmbH, and as of 31 December 2019, Catella's total net investment in both companies amounted to SEK 89 M. The remaining investment commitment in Nordic Seeding GmbH and Grand Central Beteiligungs GmbH amounts to SEK 5 M. For more information, see Note 20.

Catella's German subsidiary Catella Project Management GmbH operates property development projects within associated companies Nordic Seeding GmbH and Grand Central Beteiligungs GmbH. Furthermore, Catella's French subsidiary, Logistic Europe SAS (CLE) operates property development projects through a number of associated companies. No part of the fees levied for services rendered that CPM and CLE invoice associated companies have been eliminated in Catella's Consolidated Income Statement as associated companies fall outside Catella's associated enterprises.

Furthermore, in 2019 Catella issued loans to associated companies totalling SEK 13 M (67).

2018

In 2018, Catella invested SEK 165 M in Grand Central Beteiligungs GmbH at the same time as Nordic Seeding GmbH repaid SEK 54 M in deposited capital and paid dividends of SEK 103 M to Catella. Catella's total net investment in both companies totalled SEK 70 M as of 31 December 2018, and the remaining investment commitment amounts to SEK 19 M.

Catella's German subsidiary Catella Project Management GmbH manages the property development projects under Nordic Seeding GmbH and Grand Central Beteiligungs GmbH. In 2018, Catella Project Management GmbH invoiced Nordic Seeding GmbH and Grand Central Beteiligungs GmbH a total of SEK 66 M for services provided under applicable agreements. Of this amount, SEK 24 M relates to commission in connection with the transfer of 85% of the shares in the property development project Living Central Beteiligungs GmbH from Nordic Seeding GmbH to Grand Central Beteiligungs GmbH. The remaining SEK 42 M mainly relates to project development costs according to applicable agreements. No part of this income was eliminated in Catella's Consolidated Income Statement as the associated companies fall outside Catella's associated enterprises.

Furthermore, Catella invested SEK 66 M in associated company Kaktus 1 TopCo ApS in 2018, which has acquired land with building rights for student housing in Copenhagen. Catella's remaining investment commitment amounts to some SEK 71 M.

Catella's Danish subsidiary Catella Investment Management A/S manages the property development project in associated company Kaktus 1 TopCo ApS. During 2018, Catella Investment Management A/S invoiced Kaktus 1 TopCo ApS SEK 29 M for services provided according to applicable agreements and realized profit before tax of SEK 13 M. No part of income was eliminated in Catella's Consolidated Income Statement as the associated company falls outside Catella's associated enterprises.

On 18 March 2019, Catella announced that Johan Nordenfalk, Chief Operating Officer (COO), will be resigning from his position and leaving Catella's Group management. Accordingly, as of this date Catella acquired Johan's 200,000 outstanding warrants for a purchase consideration of SEK 3.6 M.

NOT 38 DISPOSAL GROUP HELD FOR SALE

In the first quarter 2019, Catella Bank divested its Wealth Management operations in Sweden and Luxemburg and its card issuing operations in Luxembourg. The migration of card customers to Advanzia Bank has proceeded as planned and was completed in March 2020.

Accordingly, the Banking business area has been reported as a disposal group held for sale according to IFRS 5 Non-current assets Held for Sale and Discontinued Operations from 30 September 2018. This means that in the Consolidated Income Statement net profit (after tax) for Banking is reported on a separate line under Net profit from disposal group held for sale. Comparative figures for previous years have been reported in a corresponding manner in the Consolidated Income Statement. In the Consolidated Statement of Financial Position, Banking's assets and liabilities are reported separately from other assets and liabilities on separate lines under Assets in divestment group held for sale and Liabilities in divestment group held for sale respectively.

The following tables present the Income Statement, assets and liabilities and cash flows in summary for discontinued operations (disposal group held for sale).

Net profit for the year includes income totalling SEK 367 M from transfers of the bank's Wealth Management operations in Luxembourg and in Sweden to VP Bank and Söderberg & Partners and from the transfer of the card issuing operations in Luxembourg to Advanzia Bank. Of this amount, SEK 104 M comprises accrued variable additional purchase consideration from Advanzia Bank at year end. Profit also includes deferred tax expenses of SEK 53 M.

Catella is now investigating the possibilities of divesting the banking license, or alternatively submitting an application to revoke the license to the financial supervisory authority CSSF. The option of revoking the license would mean that the bank enters into liquidation once CSSF has revoked the license. The final cost of winding down the banking operations is difficult to assess and is likely to be higher than anticipated. The timing of dissolving the consolidated financial situation will be determined by the aforementioned alternatives.

SEK M	2019	2018
Total income	58	340
Other expenses	-297	-639
Financial items—net	340	6
Profit/loss before tax	101	-294
Tax	-56	55
Net profit/loss for the year from divestment group held for sale	**45**	**-238**

Of which wind down expenses		
Personnel costs	0	-122
Other expenses	-24	-43
Tax	-26	56
	-50	**-109**

Assets	2019	2018
Loan receivables	0	1,036
Cash and cash equivalents	497	2,547
Other assets	261	664
Assets in divestment group held for sale	**759**	**4,247**

Liabilities		
Borrowings and loan liabilities	71	3,397
Other liabilities	218	343
Liabilities in disposal group held for sale	**289**	**3,741**

Cash flows		
Cash flow from operating activities	-2,381	174
Cash flow from investing activities	266	0
Cash flow from financing activities	0	170
Cash flow for the year from divestment group held for sale	**-2,115**	**344**

NOTE 39 CAPITAL ADEQUACY AND CONSOLIDATED FINANCIAL SITUATION

Catella AB and the subsidiaries that conduct operations regulated by Swedish or foreign financial supervisory authorities comprise a financial corporate Group, known as a consolidated financial situation. The consolidated financial situation is under the supervision of the Luxembourg supervisory authority, CSSF. Catella Bank S.A. is the reporting entity and responsible institute.

The Group companies included in/excluded from the consolidated financial situation are indicated in Note 20 Investments in subsidiaries and associated companies. Discussions are ongoing with CSSF regarding the reporting and other matters that apply to the consolidated financial situation.

The consolidated financial situation is obliged to adhere to the European Parliament's regulation (EU) 575/32013 (CRR).

According to the Swedish Annual Accounts Act for Credit Institutions and Firms Act, ÅRKL, (1995:1559), consolidated accounts must be prepared for a consolidated financial situation. Catella applies this requirement through the information provided in this Note on a consolidated financial situation's accounts according to ÅRKL. Accounting policies indicated in Note 2 were applied when preparing these accounts that comply with the Swedish Annual Accounts Act. Otherwise, please refer to Catella's consolidated accounts and Notes 1-38 and Note 41 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	2019 Jan–Dec	2018 Jan–Dec
Net sales	1,390	1,271
Other operating income	19	25
Total income	**1,409**	**1,296**
Direct assigment costs and commission	-492	-386
Income excl. direct assignment costs and commission	**917**	**910**
Operating expenses	-640	-629
Operating profit/loss	**276**	**281**
Financial items—net	-109	-49
Profit/loss before tax	**167**	**232**
Appropriations	11	0
Tax	-81	-73
Net profit for the year from continuing operations	**97**	**159**
Operations held for sale:		
Net profit/loss for the year from divestment group held for	45	-238
Net profit for the year	**142**	**-79**
Profit/loss attributable to:		
Shareholders of the Parent Company	**64**	**-163**
Non-controlling interests	**78**	**84**
	142	**-79**
Average no. of employees	260	339

Summary financial position

SEK M	2019 31 Dec	2018 31 Dec
Non-current assets	1,196	1,245
Current assets	1,282	1,145
Assets in divestment group held for sale	759	4,247
Total assets	**3,236**	**6,637**
Equity	1,673	1661
Liabilities	1,274	1,235
Liabilities in disposal group held for sale	289	3,741
Total equity and liabilities	**3,236**	**6,637**

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	2019 31 Dec	2018 31 Dec
Common Equity Tier 1 capital	892	896
Additional Tier 1 capital	0	0
Tier 2 capital	0	0
Own funds	**892**	**896**
Total risk exposure amount	**3,922**	**4,920**
Capital adequacy and buffers		
Own funds requirements Pillar 1	**314**	**394**
of which own funds requirements for credit risk	130	216
of which own funds requirements for market risk	12	21
of which own funds requirements for operational risk	171	156
of which own funds requirements for credit valuation	0	0
Own funds requirements Pillar 2	118	148
Institution-specific buffer requirements	153	175
Internal buffer	39	49
Total own funds and buffer requirements	**623**	**766**
Capital surplus after own funds and buffer requirements	269	130
Capital surplus after regulatory required own funds and buffer	308	180

Capital ratios, % of total risk exposure amount	2019 31 Dec	2018 31 Dec
Common Equity Tier 1 capital ratio	22.8	18.2
Tier 1 capital ratio	22.8	18.2
Total capital ratio	22.8	18.2
Own funds and buffers, % of total risk exposure amount		
Own funds requirements Pillar 1	8.0	8.0
Own funds requirements Pillar 2	3.0	3.0
Institution-specific buffer requirements	3.9	3.6
of which requirement for capital conservation buffer	2.5	2.5
of which requirement for countercyclical capital buffer	1.4	1
Internal buffer	1.0	1.0
Total own funds and buffer requirements	**15.9**	**15.6**
Capital surplus after own funds and buffer requirements	6.9	2.6
Capital surplus after regulatory required own funds and buffer requirements	7.9	3.6

Catella AB's consolidated financial situation is in compliance with minimum capital base requirements. The capital base includes reviewed profit/loss for the full year 2019 and proposed dividend for the financial year 2019.

Own funds, SEK M	2019 31 Dec	2018 31 Dec
Common Equity Tier 1 capital		
Share capital and share premium reserve	440	404
Retained earnings and other reserves	1,233	1258
Less:		
Intangible assets	-274	-285
Price adjustments	-15	-24
Deferred tax assets	-72	-121
Qualifying holdings outside the financial sector	-186	-185
Proposed dividend	-80	-
Other deductions	-153	-150
Total Common Equity Tier 1 capital	**892**	**896**
Additional Tier 1 capital	-	-
Tier 2 capital	-	-
Own funds	**892**	**896**

SEK M	2019 31 Dec		2018 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	211	17	446	36
Exposures to corporates	11	1	630	50
Retail exposures	3	0	13	1
Exposures secured by mortgages on immovable property	0	0	125	10
Exposures in default	108	9	191	15
Items associated with particular high risk	178	14	180	14
Exposures in the form of covered bonds	0	0	4	0
Exposures in the form of collective investment undertakings (CIU)	33	3	1	0
Equity exposures	517	41	483	39
Other items	565	45	628	50
	1,625	**130**	**2,701**	**216**
Market risk				
Interest risk	0	0	0	0
Foreign exchange risk	154	12	268	21
	154	**12**	**268**	**21**
Operational risk according to the	**2,143**	**171**	**1,948**	**156**
Credit valuation adjustment risk	**0**	**0**	**4**	**0**
Total	**3,922**	**314**	**4,920**	**394**

NOTE 40 APPLICATION OF KEY PERFORMANCE MEASURES NOT DEFINED BY IFRS, AND TERMS AND EXCHANGE RATES

The Consolidated Accounts of Catella are prepared in accordance with IFRS. See Note 2 for more information regarding accounting principles. IFRS defines only a limited number of performance measures. From the second quarter 2016, Catella applies the European Securities and Markets Authority's (ESMA) new guidelines for alternative performance measures. In summary, an alternative performance measure is a financial measure of historical or future profit progress, financial position or cash flow not defined by or specified in IFRS. In order to assist corporate management and other stakeholders in their analysis of Group progress, Catella presents certain performance measures not defined under IFRS. Corporate management considers that this information facilitates the analysis of the Group's performance. This additional information is complementary to the information provided by IFRS and does not replace performance measures defined in IFRS. Catella's definitions of measures not defined under IFRS may differ from other companies' definitions. All of Catella's definitions are presented below. The calculation of all performance measures corresponds to items in the Income Statement and Balance Sheet.

Definitions

Non-IFRS performance measures	Description	Reason for using the measure
Equity per share	Equity at the end of the period divided by the number of shares at the end of the period.	Provides investors with a view of equity as represented by a single share.
Equity per share attributable to parent company shareholders	Equity attributable to parent company shareholders divided by the number of shares at the end of the period.	Provides investors with a view of equity attributable to parent company shareholders as represented by a single share.
Earnings per share attributable to parent company shareholders before dilution.	Profit for the year attributable to parent company shareholders divided by the average number of shares in the year	Provides investors with a view of profit attributable to parent company shareholders before dilution as represented by a single share.
Earnings per share attributable to parent company shareholders after dilution	Profit for the year attributable to parent company shareholders divided by the average number of shares considering outstanding warrants (excluding warrants held in treasury) and any newly issued shares in the year.	Provides investors with a view of profit attributable to parent company shareholders after dilution as represented by a single share
Return on equity*	Total profit in the period for the most recent four quarters divided by average equity attributable to parent company shareholders in the most recent five quarters.	The company considers that the performance measure provides investors with a better understanding of return on equity attributable to parent company shareholders.
Operating margin	Operating profit excluding amortization of acquisition-related intangible assets divided by total income for the period.	Provides investors with a view of the company's profitability.
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	Earnings Before Interest, Taxes, Depreciation and Amortization	Provides investors with a view of the company's profitability.
Equity/Asset ratio	Equity divided by total assets.	The performance measure 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 measure 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 a single 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 measure 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 an element of Catella's income.
Assets under management at year end	Assets under management constitutes the value of Catella's customers' deposited/invested capital.	An element of Catella's income in Asset Management and Banking is agreed with customers on the basis of the value of the underlying invested capital. Provides investors with a view of what drives an element of Catella's income.

* See below for basis of calculation

Calculation of return on equity for Catella Group's total operations (incl. the Banking business area)

GROUP	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun
Net profit/loss for the period, SEK M *	47	-83	38	111	-133	-13	13	22	67	59	33	33	37	35	182
Equity, SEK M *	1,522	1,487	1,543	1,603	1,442	1,578	1,587	1,625	1,729	1,628	1,578	1,597	1,563	1,534	1,485
Return on equity, %	7	-4	0	-1	-7	5	10	11	12	10	9				

CORPORATE FINANCE	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun
Net profit/loss for the period, SEK M *	27	2	11	-16	12	1	7	-5	29	15	0	-1	11	11	36
Equity, SEK M *	57	29	27	17	35	44	42	115	120	90	78	177	254	237	222
Return on equity, %	70	25	21	8	21	40	52	34	30	15	11				

ASSET MANAGEMENT AND BANKING	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun
Net profit/loss for the period, SEK M *	27	17	36	138	-137	6	43	33	30	51	49	39	43	27	158
Equity, SEK M *	1,545	1,533	1,578	1,568	1,389	1,093	1,095	1,022	931	968	941	898	918	855	789
Return on equity, %	14	4	3	4	-5	11	16	17	18	20	18				

** Attributable to shareholders of the Parent Company.*

Calculation of return on equity for remaining operations (excl. the Banking business area)

GROUP	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun
Net profit/loss for the period, SEK M *	54	-73	87	1	9	25	50	43	114	60	37	34	32	33	44
Equity, SEK M *	943	893	948	973	940	1,141	1,118	1,133	1,236	1,106	1,050	1,092	1,063	1,029	1,038
	7	2	12	8	11	20	24	23	22	15	13				

CORPORATE FINANCE	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun
Net profit/loss for the period, SEK M *	27	2	11	-16	12	1	7	-5	29	15	0	-1	11	11	36
Equity, SEK M *	57	29	27	17	35	44	42	115	120	90	78	177	254	237	222
	70	25	21	8	21	40	52	34	30	15	11				

ASSET MANAGEMENT	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun	2017 Jan-Mar	2016 Dec	2016 Jul-Sep	2016 Apr-Jun
Net profit/loss for the period, SEK M *	34	26	85	28	12	41	79	55	79	52	49	37	37	15	14
Equity, SEK M *	967	940	983	937	887	656	626	530	438	445	414	393	418	349	343
	18	17	20	22	30	47	54	53	51	43	36				

** 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 2019

Currency	Average rate	Closing day rate
CHF	9.519	9.573
DKK	1.418	1.397
EUR	10.589	10.434
HKD	1.207	1.197
GBP	12.066	12.215
NOK	1.075	1.058
USD	9.460	9.317

Exchange rates 2018

Currency	Average rate	Closing day rate
CHF	8.883	9.099
DKK	1.376	1.376
EUR	10.257	10.275
HKD	1.109	1.146
GBP	11.593	11.348
NOK	1.069	1.025

Parent Company Income Statement

SEK M	Note	2019 Jan–Dec	2018 Jan–Dec
Net sales		17.6	31.2
Other operating income		0.3	1.2
		17.8	**32.5**
Other external expenses	42	-31.3	-49.4
Personnel costs	43	-30.0	-38.4
Depreciation and amortisation		-0.4	-0.1
Other operating expenses		0.0	0.0
Operating profit/loss		**-43.9**	**-55.5**
Profit/loss from participations in group companies	44	22.0	0.0
Interest income and similar profit/loss items	45	0.0	7.5
Interest expenses and similar profit/loss items	46	-54.7	-25.1
Financial items		-32.7	-17.6
Profit/loss before tax		**-76.6**	**-73.1**
Appropriations	47	63.7	236.2
Tax on profit/loss for the year	48	0.0	-19.8
Net profit for the year		**-13.0**	**143.4**

Parent Company Statement of Comprehensive Income

SEK M	Note	2019 Jan–Dec	2018 Jan–Dec
Net profit for the year		-13.0	143.4
Other comprehensive income			
Other comprehensive income for the year, net of tax		0.0	0.0
Total comprehensive income for the		**-13.0**	**120.4**

Parent Company Cash Flow Statement

SEK M	Note	2019 Jan–Dec	2018 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		-76.6	-73.1
Adjustments for non-cash items:			
Depreciation and amortisation		0.4	0.1
Dividend from subsidiaries	44	-22.0	-
Financial items		3.4	2.0
Cash flow from operating activities before changes in working capital		**-94.8**	**-71.1**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		-13.8	-69.0
Increase (+) / decrease (–) in operating liabilities		3.8	3.0
Cash flow from operating activities		**-104.8**	**-137.1**
Cash flow from investing activities			
Investment in tangible assets		0.0	-0.2
Investment in intangible assets		-3.7	-
Investments in subsidiaries	50	-	-398.5
Cash flow from investing activities		**-3.7**	**-398.7**
Cash flow from financing activities			
New share issue	51	18.2	21.3
Borrowings	52	-5.0	252.5
Group contribution received		181.3	-
Dividend from subsidiaries		-	100.0
Dividends paid		-103.5	-84.1
Cash flow from financing activities		**90.9**	**289.6**
Cash flow for the year		**-17.5**	**-246.1**
Cash and cash equivalents at beginning		17.8	263.9
Exchange rate differences in cash and		0.0	-
Cash and cash equivalents at end of		**0.3**	**17.8**

Parent Company Balance Sheet

SEK M	Note	2019 31 Dec	2018 31 Dec
Assets			
Non-current assets			
Intangible assets	49	3.3	-
Tangible assets		0.1	0.2
Participations in Group companies	50	1,052.6	1,052.6
Deferred tax assets		-	-
		1,056.0	**1,052.8**
Current assets			
Receivables from group companies		246.6	350.4
Tax assets		0.0	0.0
Other current receivables		24.1	2.4
Prepaid expenses and accrued income		3.4	3.2
Cash and cash equivalents		0.3	17.8
		274.4	**373.8**
Total assets		**1,330.4**	**1,426.5**
EQUITY AND LIABILITIES			
Equity	51		
Restricted equity			
Share capital		172.6	168.2
Statutory reserve		249.9	249.9
		422.5	**418.1**
Non-restricted equity			
Share premium reserve		70.6	56.7
Retained earnings		76.2	36.3
Net profit for the year		-13.0	143.4
		133.8	**236.5**
Total equity		**556.3**	**654.6**
Liabilities			
Long-term loan liabilities	52	746.6	748.4
		746.6	**748.4**
Current liabilities			
Accounts payable		1.9	7.2
Liabilities to group companies		0.3	1.5
Tax liabilities		0.2	0.1
Other current liabilities		16.2	0.5
Accrued expenses and deferred income	53	8.9	14.3
		27.6	**23.6**
Total liabilities		**774.2**	**772.0**
Total equity and liabilities		**1,330.4**	**1,426.5**

Parent Company Statement of Changes in Equity

		Restricted equity		Non-restricted equity			
SEK M	Note 51	Share capital	Statutory reserve	Share premium	Retained earnings	Net profit for the year	Total equity
Equity 1 January 2018		163.7	249.9	40.0	0.0	120.4	574.0
Appropriation of profits					120.4	-120.4	0.0
Dividend					-84.1		-84.1
2018							
Net profit for the year						143.4	143.4
Other comprehensive income, net of tax						0.0	0.0
Total comprehensive income for the year						**120.4**	**120.4**
New share issue		4.5		16.8			21.3
Equity 31 December 2018		**168.2**	**249.9**	**56.7**	**36.3**	**143.4**	**654.6**
Appropriation of profits					143.4	-143.4	0.0
Dividend					-103.5		-103.5
2019							
Net profit for the year						-13.0	-13.0
Other comprehensive income, net of tax						0.0	0.0
Total comprehensive income for the year						**-13.0**	**-13.0**
New share issue		4.3		13.9			18.2
Equity 31 December 2019		**172.6**	**249.9**	**70.6**	**76.2**	**-13.0**	**556.3**

Parent Company Notes

NOT 41 PARENT COMPANY ACCOUNTING POLICIES

The Parent Company's financial statements have been 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 terms Statement of Financial Position and Statement of Cash Flows respectively. The Parent Company 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 contributions

Shareholder contributions paid are recognised as an increase in the item 'Participations in Group companies' 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 from 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 42 OTHER EXTERNAL COSTS

Remuneration of auditors

SEK M	2019	2018
PwC		
Audit assignment *	2.5	2.2
Audit activities other than audit assignment	-	-
Tax advisory	0.2	0.3
Other services	0.7	1.5
Total	**3.4**	**3.9**

Total cost is to the Parent Company Auditor PricewaterhouseCoopers AB.

* Audit assignment means fees for the statutory audit, i.e. work necessary to present the Audit Report, and audit-related advisory services rendered coincident with the audit assignment.
** Other services include fees for review of regulatory reporting (the Long Form Report) to CSSF in Luxembourg for Catella's consolidated financial situation and advice relating to the implementation of new IFRS reporting standards.

Operating leases including rent

SEK M	2019	2018
Expense for the year for operating lease arrangements including rent amount to	2.6	2.6

Future lease payments for non-cancellable operating leases with remaining durations exceeding one year are allocated as follows:		
Due for payment within one year	1.8	2.6
Due for payment after more than one year but less than five years	0.1	2.0
Due for payment after more than five years	0.0	-
Total	**2.0**	**4.6**

The above lease charges mainly relate to rent of office premises but also includes rent for office equipment.

NOTE 43 PERSONNEL

Salaries, other compensation and social security expenses

	2019		2018	
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	2.4	0.5	2.4	0.4
	(0,0)	(0,0)	(0,0)	(0,0)
Chief Executive Officer	3.1	1.9	2.6	1.8
	(0,8)	(0,9)	(0,3)	(0,9)
Other employees, Sweden	10.9	7.1	16.0	8.2
	(-1,2)	(3,6)	(5,6)	(3,1)
Total	**16.4**	**9.5**	**21.0**	**10.3**
	(-0,4)	**(4,5)**	**(5,9)**	**(4,0)**

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

	2019		2018	
SEK M	Total	of which women	Total	of which women
CEO and senior managers	2	-	2	-
Other employees	12	3	11	2
Total	**14**	**3**	**13**	**2**

NOTE 44 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

SEK M	2019	2018
Anticipated dividends	22.0	-
Total	**22.0**	**0.0**

NOTE 45 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2019	2018
Interest	0.0	0.0
Capital gain on derivatives	-	6.9
Exchange rate gains	-	0.6
Total	**0.0**	**7.5**

SEK 0.0 M (0.0) of interest income and similar profit/loss items are intra-group.

NOTE 46 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2019	2018
Interest	-29.9	-23.1
Loan arrangement expenses	-3.3	-2.0
Capital gain on derivatives	-21.3	-
Exchange rate losses	-0.2	0.0
Total	**-54.7**	**-25.1**

SEK 0.0 M (0.2) of interest expenses and similar profit/loss are intra-group.

NOTE 47 APPROPRIATIONS

SEK M	2019	2018
Group contribution received	63.7	236.2
Total	**63.7**	**236.2**

NOTE 48 TAX ON NET PROFIT/LOSS FOR THE YEAR

SEK M	2019	2018
Deferred tax expense/ income relating to tax losses carryforwards	-	-19.8
Deferred tax expense/ income relating to timing differences	-	-
Total	**0.0**	**-19.8**

Tax loss carry-forwards for the year ,before group contribution received, totalled SEK 63.7 M (70.7). Group contributions received in 2019 totalled SEK 63.7 M (236.2), implying no taxable profit was recognized by the Parent Company in 2019. The Parent Company's remaining loss carry-forwards as of 31 December 2019 amounted to SEK 2.8 M (2.8). No deferred tax receivable was recognized in the Parent Company as of the reporting date.

NOTE 49 INTANGIBLE ASSETS

SEK M	2019	2018
Ingående bokfört värde	0.0	-
Inköp	3.7	-
Avyttringar och utrangeringar	-	-
Avskrivningar	-0.4	-
Utgående bokfört värde	**3.3**	**0.0**

Intangible assets relate to the acquisition of a new accounting system. The asset is impaired over the estimated useful life, which is 5 years.

NOTE 50 PARTICIPATIONS IN GROUP COMPANIES

				Carrying amount, SEK M	
Company	Share of equity,%	Share of vote,%	No. of participations	2019	2018
Catella Holding AB	100%	100%	1,000	1,052.6	1,052.6
Total				**1,052.6**	**1,052.6**

Subsidiary corporate identity numbers and registered offices:

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

Participations in Group companies	2019	2018
Opening book value	1,052.6	654.1
Shareholders' contribution paid	-	398.5
Closing book value	**1,052.6**	**1,052.6**

NOTE 51 EQUITY

As of 31 December 2019, the share capital amounted to SEK 172.6 M (168.2) divided between 86,281,905 (84,115,238) 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 83,751,350 Class B-shares with one vote per share. There are no other differences between the share classes.

In 2019, 2.166.667 warrants were utilized to subscribe for an equal number of newly issued shares at a price of SEK 8.40 per share.

The Articles of Association include the right for holders of Class A shares to convert these shares to the same number of Class B shares. No Class A shares were converted to Class B shares in 2019.

There were no outstanding convertible debentures that could dilute share capital as of 31 December 2019.

As of 31 December 2019, the parent company had a total of 2,333,334 (4,666,667) warrants outstanding, as described in more detail in Note 12.

The Board is not authorised to re-purchase or issue shares. No treasury shares were held by the company itself or its subsidiaries.

Shareholders with more than 10% of the votes

As of 31 December 2019, Catella's main shareholder was the Claesson & Anderzén Group (with related parties) with 48.6% (49.2) of the capital and 48.0% (48.5) of the votes, followed by Strawberry Capital AS with 5.4% (4.3) of the capital and 5.4% (4.5) of the votes.

Dividend

The Board proposes that no dividend be paid to shareholders for the financial year 2019 considering the prevailing uncertainty relating to the Covid-19 pandemic. A dividend of SEK 1.20 per Class A- and Class B- share was paid to the shareholders for the financial year 2018.

Restricted reserves

Restricted reserves may not be reduced through dividends.

Statutory reserve

The purpose of the statutory reserve was to allocate a proportion of net profit that is not utilised to cover losses brought forward. Amounts contributed to the share premium reserve prior to 1 January 2006 have been 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 52 LOAN LIABILITIES

SEK M	2019	2018
Bond issue	746.6	748.4
	746.6	**748.4**
Less: long-term portion	-746.6	-748.4
Short-term portion	**0.0**	**0.0**

Catella has issued a total of SEK 750 M in unsecured bonds which accrue variable interest of 3-month STIBOR plus 400 b.p.

The bond is listed on NASDAQ Stockholm and matures in June 2022.

Financing is also conditional on a minimum Group equity requirement of SEK 800 M at any time. Otherwise, there are no restrictions on dividend. Annual dividend to Parent Company shareholders is subject to a maximum of SEK 80 M or 60 percent of profit for the year attributable to Parent Company shareholders. These covenants were satisfied in the year and as of 31 December 2019.

NOTE 53 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2019	2018
Holiday pay liability	1.6	1.5
Accrued salaries	2.3	6.7
Social security expenses	1.1	2.7
Accrued interest expenses	1.3	1.2
Accrued audit fees	0.3	0.3
Accrued directors' fees	0.8	0.8
Other items	1.4	1.2
Total	**8.9**	**14.3**

NOTE 54 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Catella AB has issued a guarantee to a credit institute of SEK 335.2 M as security for approved credit lines to the Danish subsidiary Kaktus 1 HoldCo ApS. As of 31 December 2018, there were no pledged assets or contingent liabilities.

NOTE 55 RELATED PARTY TRANSACTIONS

The Parent Company has a close relationship with its subsidiaries. Transactions between the Parent Company and subsidiaries are priced on market terms. In 2019, several transactions took place between the Parent Company and subsidiaries Catella AB (publ) has provided a number of intra-group services to most subsidiaries, on market terms. In addition, the Parent Company received dividend and Group contributions from the subsidiary Catella Holding AB. Group contributions were also received from the subsidiary Catella Fondförvaltning AB.

For benefits for senior managers, see the information presented for the Group in Note 11 of the consolidated accounts and Note 43.

For pledged assets and contingent liabilities in favour of subsidiaries, see Note 54.

NOTE 56 FINANCIAL RISK MANAGEMENT

The Parent Company applies IAS 39 financial instruments: Recognition and Measurement, with the exceptions stated in Note 43. Catella AB (publ) is a holding company for the Group, where Group Management and other central Group functions are gathered. The Parent Company's assets largely comprise shares in subsidiaries and receivables from Group subsidiaries. In May 2018, the Parent Company started currency hedging using derivatives. The purpose of the EUR 60 M hedge is to reduce the exchange rate risk in Catella's net exposure in EUR. Catella AB has no other investments in financial instruments. The Parent Company has also arranged SEK-denominated loan finance at variable interest to finance its own business operations. In view of this, the legal entity Catella AB (publ) primarily has exposure to interest risk, liquidity risk and market risk in relation to closure of derivative instruments, while its exposure to other financial risks, such as credit risk and currency risk etc. is limited.

Interest risk

Interest risk is the risk that the Parent Company's net profit/loss is affected as a result of variations in general interest rate levels. The Parent Company analyses and continuously monitors its exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that within a defined period, Catella AB (publ) is unable to re-finance its existing assets, or is unable to satisfy increased needs for liquidity. Liquidity risk also includes the risk that the Parent Company is compelled to borrow at unfavourable interest rates, or to sell assets at a loss to be able to fulfil its payment obligations. The Parent Company continuously analyses and monitors its liquidity risk exposure. When required, the Parent Company may utilize subsidiaries' surplus liquidity via internal loans. Intra-group loans have no predetermined maturity date.

Market risk

Market risk includes the risk of losses due to fluctuations in interest rates, exchange rates and share prices, including price risk relating to the sale of assets or closure of positions. To reduce the market risk, the parent company disposes of its investments in derivatives quarterly.

Currency risk

There were no receivables or liabilities in foreign currency as of 31 December 2019.

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

Credit risk

Credit risk relating to receivables from subsidiaries has been considered and judged to be immaterial. Cash and cash equivalents are invested in well established banks with high credit ratings, and impairment testing is not considered necessary for these assets.

NOTE 57 SUBSEQUENT EVENTS

Changes to Catella AB's (publ) Group management

In November, Knut Pedersen announced his resignation as CEO of Catella. He will be leaving his position in conjunction with the Annual General Meeting 2020. In December, Marcus Holmstrand announced his resignation as CFO of Catella following a notice period of six months.

The Board of Catella AB (publ) has decided to appoint Chairman Johan Claesson as acting CEO, Eva Bång as acting CFO and Jan Roxendal as acting Chairman, effective as soon as the necessary approvals have been obtained from the supervisory authority CSSF.

NOTE 58 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	70,609,389
Retained earnings	76,168,893
Net profit for the year	-12,971,222
	133,807,060

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

SEK	
dividend paid to shareholders, 0 per share, in total	0
carried forward (of which 70 609 389 allocated to share premium	133,807,060
	133,807,060

Against the background of the coronavirus pandemic, the Board of Catella AB (publ) has decided to revoke the proposed dividend of SEK 0.90 per share, and proposes to the Annual General Meeting that no dividend be paid. Although Catella has a solid financial position, it is difficult to assess how developments will progress, and the Board aims to ensure that satisfactory liquidity is available should the crisis worsen.

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 Income Statements and Balance Sheets of the Parent Company and the Group will be subject to adoption at the Annual General Meeting on 26 May 2020.

As stated above, the Annual Accounts and the Consolidated Accounts were approved for issue by the Board and Chief Executive Officer Stockholm, Sweden, 29 April 2020.

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 29 April 2020
PricewaterhouseCoopers AB

Daniel Algotsson
Authorised Public Accountant

Audit Report

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 2019. The annual accounts and consolidated accounts of the company are included on pages 54-111 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the Group's consolidated financial position as of 31 December 2019 and its 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 Consolidated Statement of Financial Position for 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, to the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or companies under its control 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, Denmark, Finland, France, Luxembourg, UK and Germany including the parent company and consolidated accounts, we have audited the financial closings, reviewed the interim report as 30 September 2019 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 Luxembourg and Denmark 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 accordingly. We focused especially on areas where the Managing Director and Board of Directors have made subjective judgements, such as key accounting estimates made on the basis of assumptions and forecasts regarding future events, which are of an uncertain nature. This mainly relates to valuation of assets and contingent liabilities in Catella Bank and valuation of securitised loan portfolios. These areas 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. 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 are those matters that, in our professional judgement, 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 commitments of the disposal group held for sale (Catella Bank)

We refer to the Board of Directors' Report and notes: 4 Critical estimates and judgements and Note 38 Disposal group held for sale.

A large proportion of the Group's total assets and commitments relate to the disposal group Banking. As of 31 December 2019, assets in Banking correspond to 19% of the Group's total assets and 12% of the Group's total liabilities.

As the Company has described in Note 38, a decision has been made to divest the remainder of Catella Bank, and as of 2019 the Banking divestment group recognizes positive operating profit mainly attributable to the valuation of the anticipated purchase consideration from the sale of the card operations. Because the valuation of assets and contingent liabilities is associated with judgements and estimates, and because of Catella Bank's significant share of Group operations 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 ongoing divestment of Catella Bank. The purpose was to evaluate its impact on reported assets and existing 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 judgements have been discussed, mainly relating to the valuation of the additional purchase consideration from the divestment of the card operations and binding commitments and undertakings to employees and suppliers.
- Assessment of other effects of the recognised assets and potential commitments as a consequence of the ongoing divestment.

The valuation of assets and contingent liabilities in operations undergoing divestment is based on estimates and is naturally associated with inherent uncertainties. Future measures, outcome and new decisions could potentially lead to additional need for impairment and provisions.

Key audit matter

Measurement of securitised loan portfolios

We refer to the following Notes: 3 Financial risk management, 4 Critical estimates and judgments, 22 Financial assets at fair value through profit or loss

As of 31 December 2019, the value of Catella's securitized loan portfolio totalled SEK 120 M. The holdings in securitized loan portfolios constitute a significant part of the Catella Group's Balance Sheet.

Catella's securitized loan portfolios are financial assets recognized at fair value including value changes through profit or loss.

The assets are classified as current assets to the extent that relates to the coming 12-month forecast cash flows, while the remaining portion of loan portfolios are reported as non-current assets. In accordance with IFRS 7, the assets are classified at level III, i.e. specific measurement techniques are applied where several key input data are not based on observable market information and the valuation is therefore considered as a Key audit matter.

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. Many of Catella's investments are hence illiquid. As a result, Catella's valuation model includes a number of parameters that comprise 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 were also determined relative to other assets in the absence of market prices for the assets held by EETI. Each quarter, the Board of EETI evaluates forecast cash flows and assumptions in combination with market pricing of other assets, in order to make potential risk adjustments to discount rates in addition to index variations. As described in Note 22, the issuing bank has exercised its option to repurchase the loan portfolio Lusitano 3. A corresponding option also exists for Lusitano 5, which has affected the assumptions regarding discount rate and the valuation of Lusitano 5.

How our audit addressed the Key audit matter

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 provides an estimated value that complies with IFRS.

We have carried out sample tests on selected portfolios and obtained explanations and supporting data for the parameters and input data used for forecasted future cash flows. Our audit has focused on key parameters of greatest significance and materiality for valuation and value growth. Furthermore, wherever possible, we have compared the outcome with current and similar portfolio transactions on the market and, for certain market data, ensured that the input data used in the models corresponds to official data and macroeconomic statistics in the relevant countries. We have also audited, compared and evaluated historical data and forecasts to assess the forecast accuracy relating to the portfolios.

Furthermore, we have examined and evaluated management's assumptions regarding the used discount rate. As Catella has chosen to determine discount rates from a rolling 24-month index based on underlying assets comprising non-investment grade European corporate bonds (iTraxx), and the additional risk adjustments, we have examined the correlation with variation against this official index and evaluated the reasonableness of the risk adjustment applied. 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.

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 1-33, 38 and 50-53. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors' website www.revisorsinspektionen.se. 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 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated 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 fulfil 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 the Swedish Inspectorate of Auditors' website www.revisorsinspektionen.se. 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 27 May 2019 and has been the company's auditor since the 25 May 2011.

Stockholm, Sweden, 29 April 2020
PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant

CATELLA AB (PUBL)

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