2017 Annual Report

and Consolidated Financial Statements

Ekman empowers global trade flows with an unrivaled combination of experience, knowledge and foresight. We strive to be an indispensable trade partner.

Ekman

This is Ekman

Ekman is a global sales and marketing organization strategically aligning buyers and sellers of forest products around the world. We make international trade easy and profitable for partners in more than 100 countries.

With global presence and local excellence, we add value throughout the business process by offering competitive purchasing, strong financial solutions and efficient logistics.

Ekman has more than 280 employees in 40 offices worldwide and handles around 4.5 million tonnes of forest products every year.

This Annual Report includes:

Annual Report and Consolidated Financial Statements for Ekman & Co AB

The Board of Directors and the CEO of Ekman & Co AB hereby submit the Annual Report and Consolidated Financial Statements for the financial year starting on Jan. 1, 2017, and ending on Dec. 31, 2017. The Annual Report is a translation of the original in Swedish.

Directors' Report

Ownership structure

Ekman & Co AB is a wholly owned subsidiary of Ekman Invest Holding AB (corporate registration number 556712-1602), with its registered office in Gothenburg, which is in turn owned by the Ekman family both directly and via foundations, as well as by employees within the Ekman Group.

Nature and purpose of business

Ekman & Co AB is an international trading house with business that includes selling wood pulp, paper, packaging, recovered materials and products within the bioenergy sector. The business is conducted through subsidiaries and agents in all parts of the world.

Significant events during the financial year and afterwards

As in previous years, the demand pattern for forest products is largely driven by China. Demand in China increased significantly from 2016 to 2017 for pulp and containerboard, resulting in increased prices for both of these product groups. This was caused in part by increased import restrictions on recovered paper, which drove up demand for pulp and increased demand for imported containerboard. In addition, domestic Chinese production is in the process of conversion to achieve greater sustainability, which is reducing domestic production temporarily. This also contributed to greater demand for imported pulp and containerboard. China's increased import restrictions on recovered paper also caused uncertainty on the world market, resulting in changed trade flows and price declines for recovered materials.

In consideration of factors outside of China, pulp prices have also been driven up by a delay in the expected global production capacity expansion and unexpected down time at several pulp mills.

The Ekman Group has been well equipped to meet these changes in demand and price patterns during the year and has utilized its global organization to adapt its operations to these new conditions. The demand and price increases have also had a positive effect on the Group's profit. All divisions increased their sales volumes in the past year.

Group five year summary

A summary of financial ratios spanning the past five years is presented below. The financial ratios for 2013 through 2017 have been impacted by the transition to the general advice of the Swedish Accounting Standards Board (Bokföringsnämnden) in its standard BFNAR 2012:1 Annual Reports and Consolidated Accounts ("K3") in 2014.

SEK million	**2017**	2016	2015	2014	2013
Revenue, including agency sales	20,331	17,031	17,780	16,115	16,444
Profit after financial items	82.8	52.5	78.5	62.7	72.2
Net profit for the year	59.5	28.6	51.0	36.4	18.8
Total assets	2,426	2,208	2,042	2,489	2,080
Equity	446.2	398.7	386.2	349.5	319.5
Return on equity, %	19.0	12.1	19.1	16.3	11.5
Equity ratio, %	18.4	18.1	18.9	14.0	15.4
Average number of employees	283	279	267	270	277

Definitions

"Net profit for the year" refers to the net profit attributable to the Parent Company's shareholder

"Equity" refers to the equity attributable to the Parent Company's shareholder

"Return on equity" is calculated as income before taxes less the share due to non-controlling interests, divided by average total equity

"Equity ratio" is calculated as total equity attributable to the Parent Company's shareholder divided by total assets

The Group's revenue amounted to SEK 16,003 million (SEK 12,714 million). In addition, agency sales totaled SEK 4,328 million (SEK 4,317 million). Accordingly, the Group's total business volume was SEK 20,331 million (SEK 17,031 million). The Group's profit after financial items totaled SEK 82.8 million, compared to SEK 52.5 million in the preceding year. During the year, the transaction volume reached 4.6 million tons of forest products (4.3 million tons). The number of employees in the Group increased during the year from 279 in 2016 to 283 in 2017. The corresponding number for the Parent Company is 47 employees in both 2017 and 2016.

The Parent Company, Ekman & Co AB, posted a profit after financial items of SEK 86.9 million in 2017, in comparison to SEK 37.1 million in 2016.

Sustainability disclosures

The sustainability disclosures required to understand the Company's growth, financial position or results of operations are published on the Company's website, www.ekmangroup.com.

Future outlook

As in previous years, the business climate for forest products in 2018 is forecast to be dependent on the global economic trend with a focus on China and Asia in particular. The business climate for the forest industry is relatively strong at this time, but there is uncertainty concerning how long the relatively high price levels for both pulp and containerboard will hold up. The development of China's import restrictions for recovered materials is also expected to affect prices and trade patterns for pulp, containerboard and recovered materials in 2018. We expect increased volatility in terms of both price and demand for all of the Group's products in the coming year.

Significant risks and uncertainties

Management has a constant focus on minimizing various risks so as not to jeopardize the Group's balance sheet and income statement. The most significant risks can be divided into the following categories:

– Price risk
– Credit risk
– Interest rate risk
– Currency risk

Each different risk category is described below along with measures the Group takes to limit its exposure to these risks.

Price risk

The Group's main price risk is related to changes in the world market prices for pulp. These risks are normally managed by structuring business transactions in such a way that the effects of price changes are minimized.

Credit risk

Credit risk is defined as the risk of counterparties being unable to meet their contractual obligations to the Group. Credit risks are mainly related to outstanding accounts receivable and outstanding advance payments to suppliers.

For many years, the Group has maintained a global credit insurance policy which substantially limits its exposure to credit risks.

The Group's credit policy defines the measures taken to minimize its exposure to credit risks, which include business intelligence analyses, a structured procedure for assessing the credit rating of counterparties and for making credit decisions, the use of individual credit limits, the adaptation of credit terms and conditions and collection procedures.

Credit risks are divided between several different counterparties and are also divided geographically between many different markets, which reduces the concentration risk of the Group's receivables.

Interest rate risk

The Group's interest rate risk is mainly related to outstanding accounts receivable and external borrowing. The Group's policy is to match the terms of external borrowings with the average credit periods granted to customers to the greatest extent possible. Interest rate derivatives are rarely cost-effective in hedging working capital financing. Interest rate derivatives may be used for financing with long terms, such as financing for acquisitions, if the interest rate risk is considered substantial.

Currency risk

The Group's business is global and exposed to currency risks via business transactions in different currencies, via assets and liabilities recognized in different currencies and via the translation of the income statements and balance sheets of foreign subsidiaries to the Group's presentation currency. The Group's target is to eliminate currency risks to the greatest degree possible and several processes have been implemented to ensure that this target is met on an ongoing basis. In accordance with the Group's risk management policy, currency derivatives are used to hedge transaction exposure in currencies and to hedge against imbalances in assets and liabilities in foreign currencies. Forward contracts are usually used for these hedging purposes. In addition, the Group actively employs various methods to minimize the net exposure in different currencies between recognized assets and liabilities in foreign currencies for each Group company.

The Group also hedges exposure to currency risk in net investments in foreign subsidiaries using derivative instruments. The amount of the hedge is estimated quarterly, taking into account changes in net investment in different currencies.

The Group employs hedge accounting in cases where currency derivatives are used to hedge currency risks.

Proposed distribution of earnings

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings	242,719,189
Profit/loss for the year	74,982,978
	SEK 317,702,167

The Board of Directors proposes that the following amount is to be

distributed to the shareholders	19,082,316
carried forward	298,619,851
	SEK 317,702,167

Subject to the approval of the Annual General Meeting, Group contributions have been paid to Ekman & Co AB's parent company totaling SEK 688,897. Group contributions totaling SEK 543,232 were paid to Ekman & Co AB's subsidiaries.

It is the Board's view that the proposed distribution of earnings and the proposed Group contributions will not prevent the Company from meeting its obligations in the short or long term or from completing necessary investments. Therefore, the proposed value transfer can be justified in accordance with the provisions of Article 17, Section 3, Paragraphs 2 and 3 of the Swedish Companies Act (prudence rule).

In regards to the profit for the year of the Group and the Parent Company, their financial position on the reporting date as well as financing and capital utilization during the year, please refer to the following financial statements. All figures are reported in thousands of SEK unless otherwise indicated.

Income Statements

Thousands of SEK	Note	Group Dec. 31, 2017	Group Dec. 31, 2016	Parent Company Dec. 31, 2017	Parent Company Dec. 31, 2016
Revenue					
Net sales	4, 5	15,923,216	12,645,735	4,434,315	3,280,530
Other operating income		79,640	68,504	—	—
		16,002,856	**12,714,239**	**4,434,315**	**3,280,530**
Operating expenses					
Goods for resale	5	–14,869,496	–11,853,227	–3,989,842	–2,995,285
Other external expenses	6, 7	–660,170	–472,853	–325,942	–219,420
Personnel costs	8	–348,725	–299,827	–65,866	–57,777
Depreciation/amortization of non-current assets	12	–11,663	–13,286	–867	–1,890
Profit/loss from holdings in affiliated companies	14	–692	—		
Operating profit/loss		**112,110**	**75,046**	**51,798**	**6,158**
Profit/loss from financial items					
Profit/loss from holdings in Group companies	9	—	—	38,211	40,786
Interest income from Group companies		538	451	8,529	7,647
Interest income and similar items	10	607	455	390	2,380
Exchange rate effects on derivative instruments	3	—	—	6,422	–5,441
Interest expenses and similar items	10	–30,490	–23,429	–16,142	–11,030
Interest expenses to Group companies		—	—	–2,301	–3,445
Profit/loss after financial items		**82,765**	**52,523**	**86,907**	**37,055**
Appropriations					
Group contributions received		—	—	290	398
Group contributions paid		–689	–659	–1,232	–697
Profit/loss before tax		**82,076**	**51,864**	**85,965**	**36,756**
Tax on profit for the year	11	–20,930	–18,789	–10,982	248
Net profit for the year		**61,146**	**33,075**	**74,983**	**37,004**
Share of net profit attributable to					
– The Parent Company's shareholder		59,517	28,560		
– Non-controlling interests		1,628	4,515		

Balance Sheets

Thousands of SEK	Note	Group		Parent Company	
		Dec. 31, 2017	Dec. 31, 2016	**Dec. 31, 2017**	Dec. 31, 2016
Assets					
Non-current assets					
Intangible assets	12				
Goodwill		15,868	22,262	—	—
Other intangible assets		771	1,766	473	1,296
		16,639	**24,028**	**473**	**1,296**
Tangible assets	12				
Buildings and land		12,578	4,482	—	—
Machinery and equipment		20,940	26,309	1,387	1,553
		33,518	**30,791**	**1,387**	**1,553**
Financial assets					
Holdings in Group companies	13	—	—	129,671	129,671
Holdings in affiliated companies	14	5,898	2,037	2,037	2,037
Other investments		1,267	823	60	60
Deferred tax assets	15	14,953	25,544	5,430	16,413
Other non-current receivables		19,438	20,576	1,826	1,439
		41,556	**48,980**	**139,024**	**149,620**
Total non-current assets		**91,713**	**103,799**	**140,884**	**152,469**
Current assets					
Inventories					
Finished goods and goods for resale		367,406	250,370	37,915	47,151
Advance payments to suppliers		120,672	200,090	29	3,821
		488,078	**450,460**	**37,944**	**50,972**
Current receivables					
Accounts receivable		1,591,453	1,396,254	479,067	352,757
Receivables from Group companies		80,883	80,744	473,852	549,100
Tax receivable		2,992	5,375	2,152	2,149
Other receivables		71,842	45,448	9,387	8,693
Prepaid expenses and accrued income	16	49,723	62,008	31,106	38,049
		1,796,893	**1,589,829**	**995,564**	**950,748**
Cash and bank balances		49,020	63,474	30,445	4,601
Total current assets		**2,333,991**	**2,103,763**	**1,063,953**	**1,006,321**
Total assets		**2,425,704**	**2,207,562**	**1,204,837**	**1,158,790**

Balance Sheets

Thousands of SEK	Note	Group		Parent Company	
		Dec. 31, 2017	Dec. 31, 2016	**Dec. 31, 2017**	Dec. 31, 2016
Equity, provisions and liabilities					
Equity					
Share capital (60,000 shares)	17	60,000	60,000	60,000	60,000
Statutory reserve		—	—	12,000	12,000
Other equity including profit/loss for the year		386,177	338,657		
Group equity attributable to Parent Company's shareholder		**446,177**	**398,657**		
Parent Company restricted equity				**72,000**	**72,000**
Non-controlling interests		10,925	16,488		
Profit carried forward				242,719	219,593
Net profit for the year				74,983	37,004
Parent Company unrestricted equity				**317,702**	**256,597**
Total equity		**457,102**	**415,145**	**389,702**	**328,597**
Provisions					
Provisions for pensions		10,633	9,153	1,809	1,422
Provision for deferred tax		1,342	1,874	—	—
Other provisions	18	45,301	61,515	—	—
		57,276	**72,542**	**1,809**	1,422
Liabilities					
Non-current liabilities					
Liabilities to credit institutions	19	107	127	—	—
Liabilities to Group companies		—	—	1,227	1,227
		107	**127**	**1,227**	**1,227**
Current liabilities					
Liabilities to credit institutions	20	852,026	793,105	394,777	410,113
Advance payments from customers		41,232	48,381	12,783	18,155
Accounts payable		738,212	686,157	175,260	165,001
Liabilities to Group companies		—	—	140,822	184,644
Tax liabilities		1,741	1,338	—	—
Other current liabilities		22,211	17,535	3,023	3,947
Accrued expenses and prepaid income	21	255,797	173,232	85,434	45,684
		1,911,219	**1,719,748**	**812,099**	**827,544**
Total liabilities and provisions		**1,968,602**	**1,792,417**	**813,326**	**828,771**
Total equity, provisions and liabilities		**2,425,704**	**2,207,562**	**1,204,837**	**1,158,790**

Consolidated Statement of Changes in Equity

Group	Share capital	Other equity incl. profit/loss for the year	Total equity attributable to Parent Company's shareholder	Non-controlling interests	Total equity
Opening balance, Jan. 1, 2016	**60,000**	**326,166**	**386,166**	**16,053**	**402,219**
Profit/loss for the year		28,560	28,560	4,515	33,075
Translation differences		411	411	1,789	2,200
Total changes in value	—	28,971	28,971	6,304	35,275
Transactions with owners					
– Payout to non-controlling interests				–5,869	–5,869
– Dividends to shareholders		–16,480	–16,480		–16,480
Total transactions with owners	—	–16,480	–16,480	–5,869	–22,349
Closing balance, Dec. 31, 2016	**60,000**	**338,657**	**398,657**	**16,488**	**415,145**
Opening balance, Jan. 1, 2017	**60,000**	**338,657**	**398,657**	**16,488**	**415,145**
Profit/loss for the year		59,517	59,517	1,628	61,145
Translation differences		1,881	1,881	–994	887
Total changes in value	—	61,398	61,398	634	62,032
Transactions with owners					
– Payout to non-controlling interests		—	—	–6,197	–6,197
– Dividends to shareholders		–13,878	–13,878	—	–13,878
Total transactions with owners	—	–13,878	–13,878	–6,197	–20,075
Closing balance, Dec. 31, 2017	**60,000**	**386,177**	**446,177**	**10,925**	**457,102**

	Restricted equity		Unrestricted equity		
Parent Company	Share capital	Statutory reserve	Profit/loss carried forward	Profit/loss for the year	Total equity
Opening balance, Jan. 1, 2016	**60,000**	**12,000**	**186,430**	**49,643**	**308,073**
Transfer of past year's profit/loss			49,643	–49,643	—
Net profit for the year			—	37,004	37,004
Total changes in value	—	—	49,643	–12,639	37,004
Transactions with owner					
– Dividends			–16,480		–16,480
Total transactions with owner	—	—	–16,480	—	–16,480
Closing balance, Dec. 31, 2016	**60,000**	**12,000**	**219,593**	**37,004**	**328,597**
Opening balance, Jan. 1, 2017	**60,000**	**12,000**	**219,593**	**37,004**	**328,597**
Transfer of past year's profit/loss			37,004	–37,004	—
Net profit for the year			—	74,983	74,983
Total changes in value	—	—	37,004	37,979	74,983
Transactions with owner					
– Dividends			–13,878		–13,878
Total transactions with owner	—	—	–13,878	—	–13,878
Closing balance, Dec. 31, 2017	**60,000**	**12,000**	**242,719**	**74,983**	**389,702**

Cash Flow Statements

Thousands of SEK	Note	Group Dec. 31, 2017	Group Dec. 31, 2016	Parent Company Dec. 31, 2017	Parent Company Dec. 31, 2016
Operating activities					
Operating profit/loss		112,802	75,046	51,798	6,158
Adjustment for items not included in cash flow					
– Depreciation/amortization and disposals		11,663	13,286	1,238	1,890
– Change in provisions		–9,418	–830	—	—
– Other items	22	–38,213	–35,426	2,408	2,029
Interest received		1,145	906	6,506	7,998
Interest paid		–27,606	–21,151	–19,372	–14,547
Income tax paid		–11,892	–15,492	—	—
Cash flow from operating activities before changes in working capital		**38,481**	**16,339**	**42,578**	**3,528**
Cash flow from changes in working capital					
Decrease(+)/increase(–) in inventories		–37,618	–7,118	9,236	2,155
Decrease(+)/increase(–) in accounts receivable		–195,199	–130,151	–126,310	–23,273
Decrease(+)/increase(–) in current receivables		–14,937	10,730	84,344	604
Decrease(–)/increase(+) in accounts payable		52,055	137,879	10,260	79,059
Decrease(–)/increase(+) in current liabilities		117,640	78,083	–9,439	–4,282
Cash flow from operating activities		**–39,578**	**105,762**	**10,669**	**57,791**
Investing activities					
Investments in subsidiaries		—	—	—	–16,262
Change in currency hedge of equity in subsidiaries	3	—	—	6,422	–5,441
Capital contributions to subsidiaries		—	—	—	–100
Investments in intangible assets		–19	–10,697	—	–48
Disposals of tangible assets		—	—	—	—
Investments in tangible assets		–10,877	–3,045	–247	–444
Acquisitions of affiliated companies		–4,794	—	—	—
Cash flow from investing activities		**–15,690**	**–13,742**	**6,175**	**–22,295**
Financing activities					
Change in liabilities to credit institutions		58,901	–30,471	–15,335	–60,621
Change in non-current receivables		3,227	–5,178	—	—
Dividends received		—	—	38,211	41,028
Dividends paid		–13,878	–16,480	–13,878	–16,480
Payout to non-controlling interests		–6,197	–5,869	—	—
Change in other non-current liabilities		—	—	2	3,328
Cash flow from financing activities		**42,053**	**–57,998**	**9,000**	**–32,745**
Cash flow for the year		**–13,215**	**34,022**	**25,844**	**2,751**
Cash and cash equivalents at the beginning of the year		63,474	25,029	4,601	1,850
Exchange rate differences in cash and cash equivalents		–1,239	4,423	—	—
Cash and cash equivalents at the end of the year		**49,020**	**63,474**	**30,445**	**4,601**

Notes Common to Parent Company and Group

Note 1 Accounting and measurement policies

Ekman & Co AB's annual report and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the general advice of the Swedish Accounting Standards Board (Bokföringsnämnden) in its standard BFNAR 2012:1 Annual Reports and Consolidated Accounts ("K3").

Consolidated financial statements

The consolidated financial statements have been prepared in accordance with the purchase method and include the Parent Company, Ekman & Co AB, and companies in which the Parent Company directly or indirectly has a voting majority or otherwise exercises a controlling interest. The revenue and expenses of a subsidiary are incorporated into the consolidated financial statements from the time of the acquisition until such a time as the Parent Company no longer has a controlling influence over the subsidiary. The assets and liabilities of foreign subsidiaries are translated to SEK for the consolidated financial statements using the exchange rate on the balance sheet date. Revenue and expense items are translated using the average exchange rate for the period. Any translation differences that arise are recognized directly in equity.

Holdings in affiliated companies

An affiliated company is a company in which the Group exercises a substantial influence, but not a controlling influence. This normally includes companies in which the Group holds 20–50% of the votes. The Group generally recognizes holdings in affiliated companies using the equity method. Affiliated companies with negligible significance or which in another way meet the requirements of the Swedish Annual Accounts Act (Chapter 7) for exemption from the equity method are recognized at cost less impairment and only distributions of profits received are recognized as revenue in such cases.

Revenue

Revenue relates primarily to the sale of goods and agency commissions. Revenue is recognized when the risks and rewards, in all significant respects, are transferred to the buyer, primarily based on the terms of delivery. Costs of materials are accrued to match the related sales revenue.

Leases

Leases are classified as either finance leases or operating leases in both the consolidated financial statements and the Parents Company's financial statements depending on the economic substance of the lease. A finance lease is a lease under which the economic risks and rewards of ownership of an asset are substantially transferred from the lessor to the lessee. Other leases are classified as operating leases.

Receivables and liabilities

Receivables are recognized in the amounts expected to be received. Liabilities are recognized at their nominal amount. Receivables and liabilities with a maturity period of more than one year are classified as non-current.

Translation of items in foreign currency

Monetary items in foreign currency are translated on each balance sheet date using the exchange rate on the balance sheet date. Non-monetary items measured at historical cost in a foreign currency are not translated. Exchange rate differences are recognized in the period they arise, except in the case of hedging transactions that meet the requirements of hedge accounting.

Employee benefits

Employee benefits in the form of wages, salaries, bonuses, paid vacations, paid sickness absences etc. and pensions are recognized as earned. Pensions and other post-employment benefits are classified as defined contribution or defined benefit pension plans. The Group mainly has defined contribution pension plans. There are no other long-term employee benefits.

Income taxes

Reported income taxes include tax that is to be paid or recovered in relation to the current year, adjustments relating to previous years' taxes and changes in deferred tax. All tax liabilities and assets are measured at their nominal amounts in accordance with the tax regulations and rates in effect on the balance sheet date.

Tax effects relating to items recognized in the income statement are also reported in the income statement. The tax effects of items recognized directly in equity are recognized in equity. Deferred tax assets related to losses carried forward or other future tax deductions are recognized to the extent it is probable that the deduction can be off set against a surplus in future taxation. Tax estimates in the Group do not take into account the additional foreign taxation that could be charged against consolidated earnings if transferred to the Parent Company.

Tangible and intangible non-current assets

All tangible and intangible non-current assets are acquired externally and are recognized at cost less accumulated depreciation/amortization and any impairment. The amortization period for goodwill can vary from 5 to 10 years depending on the estimated useful life. The amortization period is considered 10 years for strategic acquisitions. Depreciation of tangible assets is expensed in such a way that the cost of the asset, less its estimated residual value if applicable, is depreciated on a straight-line basis over its estimated useful life. Estimates of the useful lives of different non-current assets:

Goodwill	5–10 years
Other intangible assets	5 years
Capitalized expenses for computer software	5 years
Buildings	20–50 years
Computer equipment	5 years
Other equipment	5–7 years

The estimated useful lives and depreciation/amortization methods are reviewed in the event of indications that the expected consumption has changed significantly in comparison to the estimate of the previous balance sheet date. The effect of such a change is recognized prospectively.

Financial instruments

A financial asset or liability is recognized in the balance sheet when the Group becomes a party pursuant to the contract terms and conditions of the instrument. A financial asset is derecognized from the balance sheet when the contractual rights to receive the cash flows of the asset lapse or are settled, or when the Group loses control over it. A financial liability, or a component of a financial liability, is derecognized from the balance sheet when the contractual obligation is met or is otherwise extinguished.

Current assets and liabilities are measured at cost upon initial recognition. Non-current receivables and liabilities are measured at amortized cost upon initial recognition. Borrowing costs are accrued as a part of the interest expenses of the borrowing.

Current assets are measured after initial recognition at the lower of cost and net realizable value at the balance sheet date. Current liabilities are measured at their nominal amount. Non-current receivables and liabilities are measured at amortized cost after initial recognition.

The Group uses hedge accounting to reduce fluctuations in its profit or loss resulting from currency risks. Currency forwards are mainly used for hedging receivables or liabilities in foreign currencies, but other derivative instruments may be used as well. The hedged item is measured at the forward rate. In cases where there are substantial differences between the forward rate and the spot rate, the receivable or liability is measured at the spot rate and the forward premium is accrued over the term of the forward contract.

Future cash flows in foreign currencies are only hedged to the extent that they are related to binding contracts and are therefore highly likely to occur.

The Group uses currency forwards, and in some cases borrowings, in foreign currencies to hedge net investments in foreign currency. The hedging instrument and the hedged item are recognized in the consolidated financial statements at the exchange rate on the balance sheet date. The effective component of the re-measurements is recognized directly in equity.

Financial assets are evaluated at every balance sheet date for indications that one or more assets have decreased in value. For financial assets measured at amortized cost, the impairment is calculated as the difference between the carrying amount of the asset and the present value of management's best estimate of future cash flows. The asset is discounted using an interest rate equal to the original effective interest rate of the asset. The interest rate on the balance sheet date is used for assets with a variable interest rate.

For financial assets not measured at amortized cost, the impairment is calculated as the difference between the carrying amount of the asset and the higher of fair value less costs of disposal and the present value of management's best estimate of the future cash flows the asset is expected to generate.

Inventories

Inventories are measured at the lower of cost and net realizable value at the balance sheet date. Cost is calculated using the first-in first-out (FIFO) method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and available balances with banks and other credit institutions as well as other short-term liquid investments that are easily convertible to cash, are subject to an insignificant risk of fluctuations in value and have a term shorter than three months.

Provisions

A provision is recognized in the balance sheet when the company has a formal or informal obligation as the result of an event that has occurred and it is probable that an outflow of resources is required to settle the obligation and a reliable estimate of the amount can be made. Obligations not recognized as liabilities or provisions are recognized as contingent liabilities.

Cash flow statement

The cash flow statement has been prepared using the indirect method.

Accounting and measurement policies specifically related to the Parent Company

This section covers the accounting policies of the Parent Company which deviate from the accounting policies of the Group or which are not applicable to the Group.

Holdings in subsidiaries are recognized at cost. Dividends from subsidiaries are recognized as revenue when the Parent Company's right to receive the dividend is established and can be calculated reliably.

Group contributions paid and received are recognized as appropriations in the income statement.

Note 2 Significant estimates and judgements

Significant sources of uncertainty in estimates and significant judgements in relation to the application of the Group's accounting policies

One of the main focuses of the Group is to minimize risks and uncertainties that may impact the Group's financial results and financial position. However, there is always a certain degree of uncertainty involving risks of losses in respect of accounts receivable, provisions in insurance operations and the measurement of inventories. Management's estimates of the amounts required for provisions for such risks of losses and estimates of any inventory valuation provisions form the basis for the amounts at which these items are recognized in the Group's balance sheet.

Estimates of future use and cash flows are used for establishing impairment losses on non-current assets. In addition, the measurement of deferred taxes related to tax loss carryforwards are based on estimates of the possibilities of offsetting these tax loss carryforwards against future profit.

Note 3 Derivatives and financial instruments

Currency risk

The Group's business is global and exposed to currency risks via business transactions in different currencies, via assets and liabilities recognized in different currencies and via the translation of the income statements and balance sheets of foreign subsidiaries to the Group's presentation currency.

The Group's policy is to minimize transaction and balance sheet risks related to currencies by ensuring that there, to a large extent, is a balance between the inflows and outflows in each currency and between receivables and liabilities in each currency. Net exposure is hedged primarily using currency forwards and currency swaps, but currency options may also be used under the Group's financial policy.

The Group's holdings in foreign businesses expose its net assets to currency risks. The currency exposure of net investments in foreign currencies is managed in some cases via borrowings, but primarily by taking out forward contracts in the same currency as the net investments. These instruments are identified as a hedge of net investments within the Group.

Hedge accounting is used in cases where currency derivatives are used to hedge risks related to contractual obligations for transactions and to hedge balance sheet risks related to currencies (defined as a fair value hedge below in the "Hedge accounting" section).

Hedge accounting

Fair value of derivatives identified as hedging instruments with maturities after the balance sheet date.

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	**Dec. 31, 2017**	Dec. 31, 2016
Currency forwards				
Fair value hedge	–427	90	–391	22
Hedge of net investment in foreign subsidiaries	–6	—	–6	—
Currency swaps				
Fair value hedge	3,472	–893	3,472	–893
Hedge of net investment in foreign subsidiaries	2,707	946	2,707	946
Total	**5,746**	**143**	**5,782**	**75**

Note 4 Distribution of net sales

	Group		Parent Company	
By geographic market	**2017**	2016	**2017**	2016
Asia	59%	58%	55%	40%
Europe	19%	22%	28%	40%
Americas	17%	14%	2%	3%
Other	5%	6%	15%	17%
Total	**100%**	**100%**	**100%**	**100%**

The Group refined its methods for measuring sales by geographic market in 2017. The percentages for 2016 have been adjusted accordingly to improve comparability between years.

By segment	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Pulp	63%	60%	72%	68%
Paper & Packaging	21%	22%	20%	25%
Recovered Materials	14%	15%	4%	4%
Bioenergy	3%	3%	4%	3%
Total	**100%**	**100%**	**100%**	**100%**

Note 5 Intra-group sales and purchases

The table below shows the percentage of the sales and purchases attributable to Group companies.

	Parent Company 2017	Parent Company 2016
Purchases	1.3%	2.9%
Sales	1.4%	1.6%

Note 6 Disclosure on auditors' fees

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Deloitte				
Audit engagements	1,700	1,719	695	695
Tax advice	131	527	80	419
Other services	120	17	82	17
Other auditors				
Audit engagements	1,050	1,175	—	—
Tax advice	661	649	—	—
Other services	137	90	—	—

The "Audit engagements" line item refers to the auditor's fee for the statutory audit, which involves auditing the Annual Report and Consolidated Financial Statements, accounting records, the management of the Board of Directors and the CEO, as well as fees for audit advice provided in relation to the audit engagement.

Note 7 Leases

The Group is a lessee mainly for buildings and premises under operating leases. The Group has no material finance leases. Expensed lease payments for the year for operating leases totaled 31,350 (27,774) for the Group and 5,576 (5,510) for the Parent Company. Future minimum lease payments for operating leases that cannot be terminated are due as follows:

Due date	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Within one year	29,809	19,283	3,773	3,335
Later than one year but within five years	34,307	22,212	13,622	1,713
Later than five years	—	128	—	—
Total	**64,116**	**41,623**	**17,395**	**5,048**

Note 8 Number of employees, wages, salaries, benefits and social security expenses

Average number of employees	2017 Number of employees	2017 Whereof men	2016 Number of employees	2016 Whereof men
Parent Company				
Sweden	47	21	47	20
Total in Parent Company	**47**	**21**	**47**	**20**
Subsidiaries				
Sweden	—	—	—	—
Representative office in Russia	3	—	3	—
China	69	36	71	36
Australia	3	1	3	1
Brazil	3	1	3	1
Canada	2	1	2	1
Italy	8	1	7	1
Denmark	8	4	8	4
Japan	7	5	7	5
South Korea	5	2	5	2
Poland	5	2	5	2
United Arab Emirates	5	5	4	4
Switzerland	20	12	22	13
Spain	2	1	2	1
UK	7	5	6	4
South Africa	5	3	3	1
Turkey	4	1	4	1
USA	80	36	77	34
Total in subsidiaries	**236**	**116**	**232**	**111**
Total in Group	**283**	**137**	**279**	**131**

Distribution of senior executives at the balance sheet date	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Women				
Board members	—	—	2	1
Number with executive positions, including CEO	2	2	2	2
Men				
Board members	—	—	5	6
Number with executive positions, including CEO	8	9	3	4
Total	**10**	**11**	**12**	**13**

Wages, salaries, other benefits etc.

	2017		2016	
Personnel	Wages, salaries, other benefits	Social security expenses (of which pension costs)	Wages, salaries, other benefits	Social security expenses (of which pension costs)
Parent Company	42,791	22,755	34,370	19,713
		(7,383)		(6,425)
Subsidiaries	226,252	37,104	190,934	34,755
		(11,985)		(12,267)
	269,043	**59,859**	**225,304**	**54,468**
		(19,368)		**(18,692)**

Pension costs for the Board of Directors and CEO amounted to 0 (0) for the Parent Company and 350 (669) for the Group.

Distribution of wages, salaries and other benefits by board members and CEO, and other employees

	2017		2016	
Personnel	Board and CEO (of which bonuses, etc.)	Other employees	Board and CEO (of which bonuses, etc.)	Other employees
Parent Company	900	41,891	750	33,620
	(—)		(—)	
Subsidiaries	57,625	168,627	42,448	148,486
	(15,850)		(3,997)	
Total Group	**58,525**	**210,518**	**43,198**	**182,106**
	(15,850)		**(3,997)**	

The Group's CEO and Deputy CEO are entitled to 12 months' dismissal pay and a pension agreement based on the highest amount deductible for tax purposes. Other senior executives in the Group are entitled to 6–12 months' dismissal pay. There are no severance pay agreements in addition to this, regardless of which party initiates the termination.

Note 9 Profit/loss from holdings in Group companies

Parent Company	**2017**	2016
Dividends	38,211	41,028
Profit/loss from liquidation of subsidiaries	—	–142
Capital contributions to subsidiaries	—	–100
	38,211	**40,786**

Note 10 Financial items

In addition to interest, "Interest income and similar items" and "Interest expenses and similar items" also include other income and expenses related to liquidity management and financing the Group's operations. These items also include certain foreign exchange effects.

Note 11 Taxes

	Group		Parent Company	
Tax on profit for the year	**2017**	2016	**2017**	2016
Current tax	–12,872	–13,399	—	—
Deferred tax	–8,058	–5,390	–10,982	248
Total	**–20,930**	**–18,789**	**–10,982**	**248**

The Parent Company has unutilized tax loss carryforwards. Tax effects relating to hedging equity in foreign subsidiaries are recognized directly in the Group's equity, as well as the hedging effects.

	Group		Parent Company	
Breakdown of tax expenses for the year	**2017**	2016	**2017**	2016
Accounting profit/loss before tax	82,076	51,864	85,965	36,756
Tax calculated using Swedish tax rate (22%)	–18,057	–11,410	–18,912	–8,086
Tax effect of permanently non-deductible expenses	–3,935	–5,897	–477	–722
Tax effect of permanently non-taxable income	1,082	499	8,408	9,069
Impact of differences in tax rates in different countries	–327	–2,863	—	—
Total	**–21,237**	**–19,671**	**–10,982**	**260**
Adjustments to current/deferred tax of previous years	307	882	—	–12
Reported tax expenses for the year	**–20,930**	**–18,789**	**–10,982**	**248**

Note 12 Intangible and tangible non-current assets

	Group	
Goodwill	**Dec. 31, 2017**	Dec. 31, 2016
Opening cost	182,880	162,301
Acquisitions	—	10,649
Translation differences	–8,712	9,930
Closing cost	**174,168**	**182,880**
Opening accumulated amortization	–160,618	–148,086
Amortization for the year	–4,406	–4,525
Translation differences	6,725	–8,006
Closing accumulated amortization	–158,299	–160,618
Closing carrying amount	**15,868**	**22,262**

Other intangible assets	Group Dec. 31, 2017	Group Dec. 31, 2016	Parent Company Dec. 31, 2017	Parent Company Dec. 31, 2016
Opening cost	27,925	28,656	22,662	26,389
Investments	19	48	—	48
Disposals	–1,708	–3,823	–1,708	–3,775
Translation differences	–2,856	3,044	—	—
Closing cost	**23,380**	**27,925**	**20,954**	**22,662**
Opening accumulated amortization	–26,159	–25,415	–21,366	–23,782
Amortization for the year	–659	–1,554	–458	–1,359
Disposals	1,343	3,823	1,343	3,775
Translation differences	2,866	–3,013	—	—
Closing accumulated amortization	–22,609	–26,159	–20,481	–21,366
Closing carrying amount	**771**	**1,766**	**473**	**1,296**

"Other intangible assets" consist primarily of capitalized expenses for computer software.

Buildings and land	Group Dec. 31, 2017	Group Dec. 31, 2016
Opening cost	10,337	9,860
Investments	9,033	—
Translation differences	–250	–232
Reclassifications	–109	709
Closing cost	**19,011**	**10,337**
Opening accumulated depreciation	–5,855	–5,170
Depreciation for the year	–673	–396
Translation differences	361	–430
Reclassifications	–265	141
Closing accumulated depreciation	–6,432	–5,855
Closing carrying amount	**12,579**	**4,482**

Equipment	Group Dec. 31, 2017	Group Dec. 31, 2016	Parent Company Dec. 31, 2017	Parent Company Dec. 31, 2016
Opening cost	67,682	61,966	7,416	7,098
Investments	1,844	3,045	247	444
Disposals	–1,790	–1,833	–812	–126
Translation differences	–4,175	4,461	—	—
Reclassifications	754	43	—	—
Closing cost	**64,315**	**67,682**	**6,851**	**7,416**
Opening accumulated depreciation	–41,373	–33,687	–5,861	–5,457
Depreciation for the year	–5,925	–6,811	–408	–530
Disposals	1,731	1,558	806	126
Translation differences	2,357	–2,430	—	—
Reclassifications	–165	–3	—	—
Closing accumulated depreciation	–43,375	–41,373	–5,464	–5,861
Closing carrying amount	**20,940**	**26,309**	**1,387**	**1,555**

Note 13 Holdings in Group companies

Parent Company holdings	Corporate reg. no.	Registered office	Share of equity %	Number of shares	Carrying amount **Dec. 31, 2017**	Carrying amount Dec. 31, 2016
Ekman Investment AB	556022-1268	Gothenburg	100	400,000	32,834	32,834
AB Jan Liebig Ltd	556195-1525	Gothenburg	100	500	600	600
Scandinavian Overseas Paper Co AB	556231-4004	Gothenburg	100	5,000	500	500
Percy von Schultz & Co AB	556050-1727	Stockholm	100	4,000	317	317
Leje & Thurne AB	556021-8538	Gothenburg	100	400	250	250
Delthirna Shipping AB	556025-7510	Gothenburg	100	100	110	110
Jan Liebig International AB	556214-8857	Gothenburg	100	500	100	100
Ekman Recycling Europe AB	556039-7142	Gothenburg	100	500	75	75
Ekman Pulp AB	556013-5047	Gothenburg	100	2,400	—	—
Consolidated Shipping AB	556819-0663	Gothenburg	100	500	50	50
Ekman Holding Inc.		US	100	1,000	62,689	62,689
Ekman Iberica S.A.		ES	100	10,000	2,862	2,862
Ekman Pulp & Paper Co Ltd		JP	51	2,394	954	954
Ekman do Brasil Com. Ltda.		BR	100	665,500	2,744	2,744
Ekman Benelux SA		BE	100	619	513	513
Ekman Pty Ltd		AU	100	5,999	88	88
Ekman Italia S.r.l.		IT	98	1,862	1,469	1,469
Reliance Fibres Ltd		UK	100	100,000	16,288	16,288
Ekman Polska Sp.z.o.o.		PL	100	2,000	453	453
Ekman & Co GmbH		DE	100	5,000	3,610	3,610
Ekman Africa (Pty) Ltd		ZA	100	100	—	—
Ekman Holding UK Ltd		UK	100	100	1	1
Ekman Holding Canada Inc.		CA	100	1,000	6	6
Ekman & Co (Korea) Ltd		KO	100	40,000	2,620	2,620
Ekman Middle East (SAIF)		UAE	100	1,500	291	291
Delthirna Latvia SIA		LV	100	2,000	0	0
Ekman Pulp & Paper Ltd		HK	100	99,999	133	133
Kwok Fung Holding Ltd		HK	100[1)]	165	1	1
Ekman Denmark A.p.s.		DK	100	80,000	96	96
Ekman DIS Ticaret Ltd Sirketi		TR	90	4,500	17	17
Ekman South Africa (Pty) Ltd.		ZA	100	100	—	—
Total					**129,671**	**129,671**

[1)] Non-controlling interests hold preferred shares that entitle them to a share of profits, but do not have a share in other capital.

Subsidiary holdings	Registered office	Share of equity %	Number of shares
Ekman AG	CH	100	999
Protector Insurance Ltd	UK	100	6,499,999
Ekman & Co China Ltd	CN	100	10,000
Ekman & Co Inc	US	100	1,000
K-C International LLC	US	100	—
Ekman UK Ltd	UK	100	446,000
Ekman Asia Pte Ltd	SN	100	2,400,000
Secondary Pulp & Paper Inc	CA	100	1,020
John Claes Pulp S.A.	BE	100	300
Ekman Italia S.r.l.	IT	2	38
Coastal Pulp & Paper LLC	US	100	—
Coastal Pulp & Paper Ltd	HK	100	10,000
Kwok Fung (Sino HK) Enterprise Ltd	HK	100	3,500,000
Ekman DIS Ticaret Ltd Sirketi	TR	10	500
Yuan Feng Paper (Shen Zhen) Co., Limited	CN	100	—
Ding Feng Paper (Shen Zhen) Co., Limited	CN	100	—

	Parent Company	
Carrying amount of holdings in Group companies	**2017**	2016
Opening carrying amount	129,671	113,409
Acquisition of Reliance Fibres Ltd	—	16,288
Liquidation of Delthirna Latvia SIA	—	–26
Closing carrying amount	**129,671**	**129,671**

Note 14 Holdings in affiliated companies

				Carrying amount	
Parent Company holdings	Registered office	Share of equity, %	Number of shares	**Dec. 31, 2017**	Dec. 31, 2016
Ekman Converting SA	MA	34	17,000	2,037	2,037

This holding is recognized using the cost method. Dividends received were 0 (0).

				Carrying amount	
Subsidiary holdings	Registered office	Share of equity, %	Number of shares	**Dec. 31, 2017**	Dec. 31, 2016
TTO	US	45	3,150,000	3,861	—

The holdings are recognized in accordance with the basic policies described for recognition of affiliated companies in Note 1. Dividends received were 0 (0).

Note 15 Deferred tax assets

	Group		Parent Company	
Deferred tax assets	**2017**	2016	**2017**	2016
Deferred tax on tax loss carryforwards	6,249	20,298	4,895	15,495
Other items	8,704	5,246	535	918
Total	**14,953**	**25,544**	**5,430**	**16,413**

The "Other items" line item refers to temporary differences between the accounting and tax values of assets and liabilities.

Note 16 Prepaid expenses and accrued income

	Group		Parent Company	
	2017	2016	**2017**	2016
Accrued transactions (trade)	34,953	41,570	28,325	35,175
Other items	14,770	20,438	2,781	2,874
Total	**49,723**	**62,008**	**31,106**	**38,049**

All expense and revenue items related to incomplete transactions at the balance sheet date are recognized as accrued or prepaid expenses under the "Accrued transactions (trade)" line item.

Note 17 Share capital disclosures

The share capital consists of 60,000 Class A shares with a quota value of SEK 1,000.

Note 18 Other provisions

The "Other provisions" line item refers to provisions for risks of losses in insurance operations.

	Group	
	2017	2016
Opening provision	61,515	62,084
Change in provision	–10,366	–6,104
Foreign exchange effects	–5,848	5,535
Closing provision	**45,301**	**61,515**

Note 19 Non-current liabilities to credit institutions

Liabilities to credit institutions are due for payment within five years of the balance sheet date.

Note 20 Current liabilities to credit institutions

The Group's utilized facilities are reported in the "Liabilities to credit institutions" line item. The bank overdraft facilities granted for the Group amount to SEK 1,215,627 (1,486,100) and to SEK 498,708 (599,370) for the Parent Company. There are various covenants for the Group's financing. These covenants have been met as per December 31, 2017.

Note 21 Accrued expenses and prepaid income

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	**Dec. 31, 2017**	Dec. 31, 2016
Accrued transactions (trade)	152,128	124,206	51,955	27,668
Accrued social security expenses	3,957	3,124	1,128	2,125
Vacation liabilities	5,940	4,726	3,616	2,606
Other personnel-related liabilities	61,201	27,829	14,549	4,399
Other items	32,571	13,347	14,186	8,885
Total	**255,797**	**173,232**	**85,434**	**45,683**

All expense and revenue items related to incomplete transactions at the balance sheet date are recognized as accrued or prepaid expenses under the "Accrued transactions (trade)" line item.

Note 22 Other items in cash flow

Other non-cash items in cash flow are attributable to unrealized exchange rate effects as well as remuneration to employees that has been earned but not paid out.

Note 23 Pledged assets and contingent liabilities

	Group		Parent Company	
	Dec. 31, 2017	Dec. 31, 2016	**Dec. 31, 2017**	Dec. 31, 2016
Pledged assets				
Import documents	12,055	10,344	12,055	10,344
Total	**12,055**	**10,344**	**12,055**	**10,344**
Contingent liabilities				
Guarantee in favour of Group companies	—	—	686,360	567,289
Other contingent liabilities	3,107	3,018	3,107	3,018
Total	**3,107**	**3,018**	**689,467**	**570,307**

Note 24 Ownership structure

Ekman & Co AB is a wholly owned subsidiary of Ekman Invest Holding AB (corporate registration number 556712-1602), with its registered office in Gothenburg, which is in turn owned by the Ekman family both directly and via foundations, as well as by employees within the Group.

Note 25 Events after the balance sheet date

No significant events have occurred after the end of the financial year that are considered to be of material significance for understanding the Group's or Parent Company's results of operations or financial position as reported in this report.

Note 26 Proposed distribution of earnings

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings	242,719,189
Profit/loss for the year	74,982,978
	SEK 317,702,167

The Board of Directors proposes that the following amount is to be

distributed to the shareholders	19,082,316
carried forward	298,619,851
	SEK 317,702,167

Subject to the approval of the Annual General Meeting, Group contributions have been paid to Ekman & Co AB's parent company totaling SEK 688,897. Group contributions totaling SEK 543,232 were paid to Ekman & Co AB's subsidiaries.

It is the Board's view that the proposed distribution of earnings and the proposed Group contributions will not prevent the Company from meeting its obligations in the short or long term or from completing necessary investments. Therefore, the proposed value transfer can be justified in accordance with the provisions of Article 17, Section 3, Paragraphs 2 and 3 of the Swedish Companies Act (prudence rule).

In regards to the profit for the year of the Group and the Parent Company, their financial position on the reporting date as well as financing and capital utilization during the year, please refer to the financial statements above. All figures are reported in thousands of SEK unless otherwise indicated.

Gothenburg, March 13, 2018

Matts Ekman
Chairman

Jan Svensson
CEO

Caroline Ekman
Board member

Frank Graves
Board member

Michael Olsson
Board member

Oscar Ekman
Board member

Jessica Bodin
Employee Representative

Our auditor's report was submitted on March 16, 2018.
Deloitte AB

Hans Warén
Authorized Public Accountant

Auditor's Report

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

To the general meeting of shareholders of Ekman & Co AB
Corporate identity number 556020-4595

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ekman & Co AB for the financial year 2017-01-01–2017-12-31.

In our opinion, the annual accounts and consolidated 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 and the group as of December 31, 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

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

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 responsibility 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 and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. 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 intend to liquidate the company, to cease operations, or have 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

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 Ekman & Co AB for the financial year 2017-01-01–2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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 responsibility 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 financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Gothenburg, March 16, 2018
Deloitte AB

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