2018

Annual Report

and Consolidated Financial Statements

Global presence, local excellence

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 around 300 employees in 40 offices worldwide and handles around 4.5 million tonnes of forest products every year.

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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, 2018, and ending on Dec. 31, 2018. 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

2018 was a year of significant movements in the forest product market. Pulp prices continued to increase in the first half of the year driven by major demand pressure, especially in the crucial Chinese market. Demand for containerboard was also strong at the start of the year, and prices for these products increased during the first half of the year as well. However, during the second half of the year demand for both pulp and containerboard in China slowed down significantly, which caused prices to fall rapidly. Other markets trended in a similar direction but with a slight delay. The Group's pulp and containerboard sales performance during the year largely reflects the market trend.

The import restrictions imposed on recovered paper by the Chinese authorities in 2017 continued to have a substantial impact on supply and demand patterns in 2018, resulting in continuing changes to delivery flows. The Group has been well positioned to capitalize on this situation through a strong presence in Asian markets outside of China.

Demand for biofuel in the form of wood pellets exceeded supply throughout the year, resulting in price increases. This market holds great growth potential and the Group is continuing its market positioning efforts and developing collaborations with various producers. Denmark is still the Group's single most important sales market, but the goal is to continue growing in other markets as well.

Group five year summary

A summary of financial ratios spanning the past five years is presented below.

SEK million	**2018**	2017	2016	2015	2014
Revenue, including agency sales	22,041	20,331	17,031	17,780	16,115
Profit after financial items	85.2	82.8	52.5	78.5	62.7
Net profit for the year	54.3	59.5	28.6	51.0	36.4
Total assets	3,267	2,426	2,208	2,042	2,489
Equity	480.5	446.2	398.7	386.2	349.5
Return on equity, %	11.7	14.1	7.3	13.9	10.5
Equity ratio, %	14.7	18.4	18.1	18.9	14.0
Average number of employees	296	283	279	267	270

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 established a new subsidiary in Belarus during the year. The Group also closed its captive company, Protector Insurance Ltd. This operation was instead transferred to an external insurance company and organized under a protected cell structure. This change does not impact the Group's insurance coverage.

The Group's revenue amounted to SEK 17,555 million (SEK 16,003 million). In addition, agency sales totaled SEK 4,487 million (SEK 4,328 million). Accordingly, the Group's total business volume was SEK 22,041 million (SEK 20,331 million). The Group's profit after financial items totaled SEK 85.2 million, compared to SEK 82.8 million in the preceding year. During the year, the transaction volume reached 4.4 million tons of forest products (4.6 million tons). The number of employees in the Group increased during the year from 283 in 2017 to 296 in 2018. The corresponding numbers for the Parent Company are 47 employees in 2017, in comparison to 46 employees in 2018.

The Parent Company, Ekman & Co AB, posted a profit after financial items of SEK 29.0 million in 2018, in comparison to SEK 86.9 million in 2017.

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

The economic trend for forest products is difficult to forecast at this time and many market participants have taken a cautious approach, making market trend forecasts uncertain. The macropolitical trend of extended import tariffs and increased protectionism causes further uncertainty.

The performance of the Chinese market in the first half of the year will have a significant impact on how forest products will trend. The Ekman Group has great strength and flexibility in being able to cope with uncertainty and changed market conditions, and the Group is well equipped to adapt to the changes that may emerge in the market 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.

The Group has maintained a global credit insurance policy for many years which substantially limits its exposure to customer 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	298,619,851
Profit/loss for the year	24,116,188
	SEK 322,736,039

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

distributed to the shareholders	17,347,560
carried forward	305,388,479
	SEK 322,736,039

Subject to the approval of the Annual General Meeting, Group contributions have been paid to Ekman & Co AB's parent company totaling SEK 729,485. Group contributions totaling SEK 230,820 were paid to Ekman & Co AB's subsidiaries and other Group companies.

It is the Board's view that the proposed distribution of earnings and the proposed Group contributions will not prevent the Parent Company or the Group 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, 2018	Group Dec. 31, 2017	Parent Company Dec. 31, 2018	Parent Company Dec. 31, 2017
Revenue					
Net sales	4, 5	17,394,415	15,923,216	5,069,241	4,434,315
Other operating income		160,161	79,640		
		17,554,576	**16,002,856**	**5,069,241**	**4,434,315**
Operating expenses					
Goods for resale	5	–16,183,934	–14,869,496	–4,549,720	–3,989,842
Other external expenses	6, 7	–845,660	–660,170	–406,111	–325,942
Personnel costs	8	–363,980	–348,725	–68,674	–65,866
Depreciation/amortization of non-current assets	12	–17,068	–11,663	–968	–867
Operating profit/loss		**143,934**	**112,802**	**43,768**	**51,798**
Profit/loss from financial items					
Profit/loss from holdings in Group companies	9			11,062	38,211
Profit/loss from holdings in affiliated companies	14	–1,217	–692		
Gain/loss from holdings in ownership interests in other companies	15	1,500	—	1,500	—
Interest income and similar items	10	601	607	357	390
Exchange rate effects on derivative instruments	3			–10,071	6,422
Interest income from Group companies		613	538	12,329	8,529
Interest expenses and similar items	10	–60,234	–30,490	–27,136	–16,142
Interest expenses to Group companies				–2,803	–2,301
Profit/loss after financial items		**85,197**	**82,765**	**29,006**	**86,907**
Appropriations					
Group contributions received				300	290
Group contributions paid		–831	–689	–960	–1,232
Profit/loss before tax		**84,366**	**82,076**	**28,346**	**85,965**
Tax on profit for the year	11	–27,430	–20,930	–4,230	–10,982
Net profit for the year		**56,936**	**61,146**	**24,116**	**74,983**
Share of net profit attributable to					
– The Parent Company's shareholder		54,257	59,517		
– Non-controlling interests		2,679	1,628		

Balance Sheets

		Group		Parent Company	
Thousands of SEK	Note	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Assets					
Non-current assets					
Intangible assets	12				
Goodwill		13,801	15,868		
Other intangible assets		426	771	323	473
		14,227	**16,639**	**323**	**473**
Tangible assets	12				
Buildings and land		10,864	12,578		
Machinery and equipment		18,247	20,940	3,061	1,387
		29,111	**33,518**	**3,061**	**1,387**
Financial assets					
Holdings in Group companies	13			129,671	129,671
Holdings in affiliated companies	14	2,037	5,898	2,037	2,037
Holdings in ownership interests in other companies	15	19,061	—	19,061	—
Other investments		829	1,267	60	60
Deferred tax assets	16	16,485	14,953	1,201	5,430
Other non-current receivables		24,916	19,438	4,734	1,826
		63,328	**41,556**	**156,764**	**139,024**
Total non-current assets		**106,666**	**91,713**	**160,147**	**140,884**
Current assets					
Inventories					
Finished goods and goods for resale		678,617	367,406	153,031	37,915
Advance payments to suppliers		271,981	120,672	627	29
		950,598	**488,078**	**153,658**	**37,944**
Current receivables					
Accounts receivable		1,851,424	1,591,453	695,443	479,067
Receivables from Group companies		84,043	80,883	476,265	473,852
Tax receivable		3,910	2,992	2,152	2,152
Other receivables		128,512	71,842	9,480	9,387
Prepaid expenses and accrued income	17	94,660	49,723	55,569	31,106
		2,162,549	**1,796,893**	**1,238,909**	**995,564**
Cash and bank balances		47,576	49,020	729	30,445
Total current assets		**3,160,723**	**2,333,991**	**1,393,296**	**1,063,953**
Total assets		**3,267,389**	**2,425,704**	**1,553,443**	**1,204,837**

Balance Sheets

Thousands of SEK	Note	Group		Parent Company	
		Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Equity, provisions and liabilities					
Equity					
Share capital (60,000 shares)	18	60,000	60,000	60,000	60,000
Statutory reserve				12,000	12,000
Other equity including profit/loss for the year		420,475	386,177		
Group equity attributable to Parent Company's shareholder		**480,475**	**446,177**		
Parent Company restricted equity				**72,000**	**72,000**
Non-controlling interests		12,715	10,925		
Profit carried forward				298,620	242,719
Net profit for the year				24,116	74,983
Parent Company unrestricted equity				**322,736**	**317,702**
Total equity		**493,190**	**457,102**	**394,736**	**389,702**
Provisions					
Provisions for pensions		13,834	10,633	2,921	1,809
Provision for deferred tax		3,144	1,342		
Other provisions	19	—	45,301		
		16,978	**57,276**	**2,921**	**1,809**
Liabilities					
Non-current liabilities					
Liabilities to credit institutions	20	6,306	107		
Liabilities to Group companies				1,226	1,227
		6,306	**107**	**1,226**	**1,227**
Current liabilities					
Liabilities to credit institutions	21	1,205,809	852,026	450,114	394,777
Advance payments from customers		38,784	41,232	10,791	12,783
Accounts payable		1,115,082	738,212	429,411	175,260
Liabilities to Group companies		231	—	93,214	140,822
Tax liabilities		16,860	1,741		
Other current liabilities		28,015	22,211	3,001	3,023
Accrued expenses and prepaid income	22	346,134	255,797	168,029	85,434
		2,750,915	**1,911,219**	**1,154,560**	**812,099**
Total liabilities and provisions		**2,774,199**	**1,968,602**	**1,155,786**	**813,326**
Total equity, provisions and liabilities		**3,267,389**	**2,425,704**	**1,553,443**	**1,204,837**

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, 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**
Opening balance, Jan. 1, 2018	**60,000**	**386,177**	**446,177**	**10,925**	**457,102**
Profit/loss for the year		54,257	54,257	2,679	56,936
Translation differences		–877	–877	1,240	363
Total changes in value	—	53,380	53,380	3,919	57,299
Transactions with owners					
– Payout to non-controlling interests		—	—	–2,129	–2,129
– Dividends to shareholders		–19,082	–19,082	—	–19,082
Total transactions with owners		–19,082	–19,082	–2,129	–21,211
Closing balance, Dec. 31, 2018	**60,000**	**420,475**	**480,475**	**12,715**	**493,190**

	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, 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**
Opening balance, Jan. 1, 2018	**60,000**	**12,000**	**242,719**	**74,983**	**389,702**
Transfer of past year's profit/loss			74,983	–74,983	
Net profit for the year				24,116	24,116
Total changes in value	—	—	74,983	–50,867	24,116
Transactions with owner					
– Dividends			–19,082		–19,082
Total transactions with owner			–19,082		–19,082
Closing balance, Dec. 31, 2018	**60,000**	**12,000**	**298,620**	**24,116**	**394,736**

Cash Flow Statements

Thousands of SEK	Note	Group Dec. 31, 2018	Group Dec. 31, 2017	Parent Company Dec. 31, 2018	Parent Company Dec. 31, 2017
Operating activities					
Operating profit/loss		143,934	112,802	43,768	51,798
Adjustment for items not included in cash flow					
– Depreciation/amortization and disposals		17,068	11,663	1,024	1,238
– Change in provisions		5,003	–9,418		
– Other items	23	–5,183	–38,213	312	2,408
Interest received		1,214	1,145	12,373	6,506
Interest paid		–54,417	–27,606	–30,674	–19,372
Income tax paid		–12,231	–11,892		
Cash flow from operating activities before changes in working capital		**95,388**	**38,481**	**26,803**	**42,578**
Cash flow from changes in working capital					
Decrease(+)/increase(–) in inventories		–462,520	–37,618	–115,116	9,236
Decrease(+)/increase(–) in accounts receivable		–259,971	–195,199	–216,376	–126,310
Decrease(+)/increase(–) in current receivables		–105,598	–14,937	–28,228	84,344
Decrease(–)/increase(+) in accounts payable		376,870	52,055	254,150	10,260
Decrease(–)/increase(+) in current liabilities		94,860	117,640	33,710	–9,439
Cash flow from operating activities		**–260,971**	**–39,578**	**–45,057**	**10,669**
Investing activities					
Change in currency hedge of equity in subsidiaries	3			–10,071	6,422
Acquisition of holdings in ownership interests in other companies				–17,560	—
Investments in intangible assets		—	–19		
Investments in tangible assets		–11,175	–10,877	–2,548	–247
Transfer of insurance business		–45,301	—		
Acquisition of holdings in ownership interests in other companies		–17,560	—		
Acquisition/disposal of affiliated companies		2,644	–4,794		
Cash flow from investing activities		**–71,392**	**–15,690**	**–30,179**	**6,175**
Financing activities					
Change in liabilities to credit institutions		359,982	58,901	55,335	–15,335
Change in non-current receivables		–5,040	3,227	–2,908	—
Dividends received				11,062	38,211
Payout to non-controlling interests		–2,129	–6,197		
Dividends paid		–19,082	–13,878	–19,082	–13,878
Change in other non-current liabilities				1,113	2
Cash flow from financing activities		**333,731**	**42,053**	**45,520**	**9,000**
Cash flow for the year		**1,368**	**–13,215**	**–29,716**	**25,844**
Cash and cash equivalents at the beginning of the year		49,020	63,474	30,445	4,601
Exchange rate differences in cash and cash equivalents		–2,812	–1,239		
Cash and cash equivalents at the end of the year		**47,576**	**49,020**	**729**	**30,445**

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.

Note 1 cont.

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 main focus 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 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, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Currency forwards				
Fair value hedge	628	–427	922	–391
Hedge of net investment in foreign subsidiaries	—	–6	—	–6
Currency swaps				
Fair value hedge	2,477	3,472	2,477	3,472
Hedge of net investment in foreign subsidiaries	214	2,707	214	2,707
Total	**3,319**	**5,746**	**3,613**	**5,782**

Note 4 Distribution of net sales

	Group		Parent Company	
By geographic market	**2018**	2017	**2018**	2017
Asia	64%	59%	53%	55%
Europe	16%	19%	29%	28%
Americas	13%	17%	1%	2%
Other	7%	5%	17%	15%
Total	**100%**	**100%**	**100%**	**100%**

	Group		Parent Company	
By segment	**2018**	2017	**2018**	2017
Pulp	66%	63%	74%	72%
Paper & Packaging	19%	21%	20%	20%
Recovered Materials	13%	14%	5%	4%
Bioenergy	2%	3%	1%	4%
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	
	2018	2017
Purchases	1.0%	1.3%
Sales	1.7%	1.4%

Note 6 Disclosure on auditors' fees

	Group		Parent Company	
	2018	2017	**2018**	2017
Deloitte				
Audit engagements	1,745	1,700	690	695
Tax advice	275	131	191	80
Other services	515	120	111	82
Other auditors				
Audit engagements	1,164	1,050	—	—
Tax advice	583	661	—	—
Other services	107	137	—	—

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 48,024 (31,350) for the Group and 5,939 (5,576) for the Parent Company. Future minimum lease payments for operating leases that cannot be terminated are due as follows:

	Group		Parent Company	
Due date	**2018**	2017	**2018**	2017
Within one year	29,220	29,809	5,085	3,773
Later than one year but within five years	46,440	34,307	21,812	13,622
Later than five years	—	—	—	—
Total	**75,660**	**64,116**	**26,897**	**17,395**

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

Average number of employees	2018 Number of employees	2018 Whereof men	2017 Number of employees	2017 Whereof men
Parent Company				
Sweden	46	21	47	21
Total in Parent Company	**46**	**21**	**47**	**21**
Subsidiaries				
Representative office in Russia	3	—	3	—
China	72	37	69	36
Australia	3	1	3	1
Brazil	3	1	3	1
Canada	2	1	2	1
Italy	9	1	8	1
Denmark	9	5	8	4
Japan	7	5	7	5
South Korea	5	2	5	2
Poland	4	2	5	2
United Arab Emirates	5	5	5	5
Switzerland	19	11	20	12
Spain	1	—	2	1
UK	11	6	7	5
South Africa	6	3	5	3
Turkey	4	1	4	1
Belarus	2	1	—	—
USA	85	38	80	36
Total in subsidiaries	**250**	**120**	**236**	**116**
Total in Group	**296**	**141**	**283**	**137**

Distribution of senior executives at the balance sheet date	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Women				
Board members			1	2
Number with executive positions, including CEO	2	2	2	2
Men				
Board members			6	5
Number with executive positions, including CEO	7	8	2	3
Total	**9**	**10**	**11**	**12**

Wages, salaries, other benefits etc.

Personnel	2018 Wages, salaries, other benefits	2018 Social security expenses (of which pension costs)	2017 Wages, salaries, other benefits	2017 Social security expenses (of which pension costs)
Parent Company	46,036	20,291	42,791	22,755
		(7,015)		(7,383)
Subsidiaries	237,822	35,673	226,252	37,104
		(11,541)		(11,985)
	283,858	**55,964**	**269,043**	**59,859**
		(18,556)		**(19,368)**

Pension costs for the Board of Directors and CEO amounted to 0 (0) for the Parent Company and 861 (700) for the Group.

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

Personnel	2018 Board and CEO (of which bonuses, etc.)	2018 Other employees	2017 Board and CEO (of which bonuses, etc.)	2017 Other employees
Parent Company	900	45,136	900	41,891
	(—)		(—)	
Subsidiaries	54,352	183,470	57,625	168,627
	(12,213)		(15,850)	
Total Group	**55,252**	**228,606**	**58,525**	**210,518**
	(12,213)		**(15,850)**	

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	2018	2017
Dividends	11,062	38,211
	11,062	**38,211**

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	**2018**	2017	**2018**	2017
Current tax	–23,745	–12,872	—	—
Deferred tax	–3,685	–8,058	–4,230	–10,982
Total	**–27,430**	**–20,930**	**–4,230**	**–10,982**

The Parent Company and some subsidiaries have unutilized tax loss carryforwards. These have been recognized in the form of deferred tax to the extent it has been estimated that the losses can likely be offset against future taxable profit in the foreseeable future. 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	**2018**	2017	**2018**	2017
Accounting profit/loss before tax	84,366	82,076	28,346	85,965
Tax calculated using Swedish tax rate (22%)	–18,561	–18,057	–6,236	–18,912
Tax effect of permanently non-deductible expenses	–11,984	–3,935	–488	–477
Tax effect of permanently non-taxable income	1,482	1,082	2,494	8,408
Impact of differences in tax rates in different countries	1,450	–327	—	—
Total	**–27,613**	**–21,237**	**–4,230**	**–10,982**
Adjustments to current/deferred tax of previous years	183	307	—	—
Reported tax expenses for the year	**–27,430**	**–20,930**	**–4,230**	**–10,982**

The "Tax effect of permanently non-taxable income" item also includes the effect of tax loss carryforwards for which no deferred tax asset has been recognized in the balance sheet due to an estimate that they are not sufficiently likely to be capable of being offset against future taxable profit.

Note 12 Intangible and tangible non-current assets

	Group	
Goodwill	**Dec. 31, 2018**	Dec. 31, 2017
Opening cost	174,168	182,880
Disposals	–4,489	—
Translation differences	6,896	–8,712
Closing cost	**176,575**	**174,168**
Opening accumulated amortization	–158,299	–160,618
Amortization for the year	–3,371	–4,406
Disposals	4,282	—
Translation differences	–5,385	6,725
Closing accumulated amortization	–162,773	–158,299
Closing carrying amount	**13,801**	**15,868**

Other intangible assets	Group Dec. 31, 2018	Group Dec. 31, 2017	Parent Company Dec. 31, 2018	Parent Company Dec. 31, 2017
Opening cost	23,380	27,925	20,954	22,662
Investments	—	19	—	—
Disposals	–1,241	–1,708	—	–1,708
Translation differences	102	–2,856	—	—
Closing cost	**22,241**	**23,380**	**20,954**	**20,954**
Opening accumulated amortization	–22,609	–26,159	–20,481	–21,366
Amortization for the year	–367	–659	–150	–458
Disposals	1,251	1,343	—	1,343
Translation differences	–90	2,866	—	—
Closing accumulated amortization	–21,815	–22,609	–20,631	–20,481
Closing carrying amount	**426**	**771**	**323**	**473**

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

Buildings and land	Group Dec. 31, 2018	Group Dec. 31, 2017
Opening cost	19,011	10,337
Investments	50	9,033
Disposals	–2,011	—
Translation differences	1,063	–250
Reclassifications	–155	–109
Closing cost	**17,958**	**19,011**
Opening accumulated depreciation	–6,432	–5,855
Depreciation for the year	–616	–673
Disposals	442	—
Translation differences	–520	361
Reclassifications	32	–265
Closing accumulated depreciation	–7,094	–6,432
Closing carrying amount	**10,864**	**12,579**

Equipment	Group Dec. 31, 2018	Group Dec. 31, 2017	Parent Company Dec. 31, 2018	Parent Company Dec. 31, 2017
Opening cost	64,315	67,682	6,851	7,416
Investments	11,125	1,844	2,548	247
Disposals	–6,302	–1,790	–2,321	–812
Translation differences	4,463	–4,175	—	—
Reclassifications	–566	754	—	—
Closing cost	**73,035**	**64,315**	**7,078**	**6,851**
Opening accumulated depreciation	–43,375	–41,373	–5,464	–5,861
Depreciation for the year	–12,714	–5,925	–818	–408
Disposals	2,484	1,731	2,265	806
Translation differences	–3,049	2,357	—	—
Reclassifications	1,866	–165	—	—
Closing accumulated depreciation	–54,788	–43,375	–4,017	–5,464
Closing carrying amount	**18,247**	**20,940**	**3,061**	**1,387**

Note 13 Holdings in Group companies

Parent Company holdings	Corporate reg. no.	Registered office	Share of equity %	Number of shares	Carrying amount Dec. 31, 2018	Dec. 31, 2017
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	Gothenburg	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
Ekman Recycling 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
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
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
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	—
Scandinavian Overseas Paper Bel Co Ltd	BY	100	25,000

	Parent Company	
Carrying amount of holdings in Group companies	**2018**	2017
Opening carrying amount	129,671	129,671
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, 2018**	Dec. 31, 2017
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, 2018**	Dec. 31, 2017
Trade Tree Online	US	45	3,150,000	—	3,861

In 2018, this holding was transferred to a subsidiary owned by the Group's parent company Ekman Invest Holding AB. Dividends received were SEK 0 (0) thousand.

Note 15 Holdings in ownership interests in other companies

Parent Company and Group holdings	Registered office	Carrying amount Dec. 31, 2018	Dec. 31, 2017
White Rock Insurance Company PCC Limited	UK	19,061	—

White Rock Insurance Company PCC Limited is an insurance company structured using various separate insurance cells. Ekman & Co AB's holdings in the insurance company are redeemable preferred shares in one of these specific cells (Cell Protector). The purpose of the cell is mainly to offer credit insurance solutions as well as other insurance solutions to a certain extent for the Ekman Group's operations. The holding is recognized on an ongoing basis at fair value with changes in value recognized in the income statement as "Gain/loss from holdings in ownership interests in other companies". The Group does not have any equity share or controlling interest in White Rock Insurance Company PCC Limited. However, the preferred shares give the Group a right to the capital of Cell Protector. Ekman & Co AB has a capital adequacy obligation for these insurance operations (see Note 24 below).

Note 16 Deferred tax assets

	Group		Parent Company	
Deferred tax assets	**2018**	2017	**2018**	2017
Deferred tax on tax loss carryforwards	9,115	6,249	463	4,895
Other items	7,370	8,704	738	535
Total	**16,485**	**14,953**	**1,201**	**5,430**

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

Note 17 Prepaid expenses and accrued income

	Group		Parent Company	
	2018	2017	**2018**	2017
Accrued transactions (trade)	79,684	34,953	51,166	28,325
Other items	14,976	14,770	4,403	2,781
Total	**94,660**	**49,723**	**55,569**	**31,106**

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 18 Share capital disclosures

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

Note 19 Other provisions

	Group	
	2018	2017
Opening provision	45,301	61,515
Change in provision	—	–10,366
Disposal of operations	–45,301	—
Foreign exchange effects	—	–5,848
Closing provision	**—**	**45,301**

The "Other provisions" line item referred to provisions for risks of losses in insurance operations in 2017. In 2018, the Group's insurance captive was wound up and these operations were transferred to an external insurance company and organized under a protected cell structure. See also Note 15.

Note 20 Non-current liabilities to credit institutions

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

Note 21 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 1,133,878 (1,215,627) and to SEK 459,130 (498,708) for the Parent Company. There are various covenants for the Group's financing and other related contracts. These covenants have been met as per year end.

Note 22 Accrued expenses and prepaid income

	Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Accrued transactions (trade)	258,488	152,128	138,710	51,955
Accrued social security expenses	4,961	3,957	1,240	1,128
Vacation liabilities	6,830	5,940	3,973	3,616
Other personnel-related liabilities	60,804	61,201	15,083	14,549
Other items	15,051	32,571	9,023	14,186
Total	**346,134**	**255,797**	**168,029**	**85,434**

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 23 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 24 Pledged assets and contingent liabilities

	Group		Parent Company	
	Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Pledged assets				
Import documents	749	12,055	749	12,055
Total	**749**	**12,055**	**749**	**12,055**
Contingent liabilities				
Guarantee in favour of Group companies	—	—	1,045,601	686,360
Capital adequacy obligation	71,768	—	71,768	—
Other contingent liabilities	—	3,107	3,107	3,107
Total	**71,768**	**3,107**	**1,120,476**	**689,467**

The "Guarantee in favour of Group companies" item mostly comprises the Parent Company's guarantees for the external borrowing of its subsidiaries. The "Capital adequacy obligation" item comprises a capital adequacy guarantee granted by Ekman & Co AB in relation to the Company's holdings of ownership interests in other companies described in Note 15 above. The amount represents the maximum contingent liability in the form of capital adequacy. The Company can only be held liable to contribute more capital if the loss level materially worsens to the extent that statutory solvency requirements for the insurance operations cannot be met.

Note 25 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 26 Events after the balance sheet date

Claims were asserted against Ekman & Co AB after the end of the financial year in relation to the recovery of amounts in two external companies in bankruptcy. Ekman & Co AB has disputed both of these claims and believes that they are groundless. The outcome of these claims cannot be estimated with certainty at the time this annual report is signed.

Note 27 Proposed distribution of earnings

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

Retained earnings	298,619,851
Profit/loss for the year	24,116,188
	SEK 322,736,039

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

distributed to the shareholders	17,347,560
carried forward	305,388,479
	SEK 322,736,039

Subject to the approval of the Annual General Meeting, Group contributions have been paid to Ekman & Co AB's parent company totaling SEK 729,485.

Group contributions totaling SEK 230,820 were paid to Ekman & Co AB's subsidiaries and other Group companies.

It is the Board's view that the proposed distribution of earnings and the proposed Group contributions will not prevent the Parent 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 19, 2019

Matts Ekman
Chairman

Jan Svensson
CEO

Caroline Ekman
Board member

Oscar Ekman
Board member

Francis Graves
Board member

Michael Olsson
Board member

Henrik Wallin
Employee Representative

Our auditor's report was submitted on April 15, 2019.
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 1 January–31 December 2018.

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 31 December 2018 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 1 January–31 December 2018 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 April 15, 2019
Deloitte AB

Signature on Swedish original

Hans Warén
Authorized public accountant

Ekman

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