2019

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 more than 300 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 January 1, 2019, and ending on December 31, 2019. 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 in turn is 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 thereafter

2019 was a year of significant negative and challenging fluctuations in the forest product market. Demand and market prices fell dramatically for all forest products during the year. This was due to several factors, but the trade war between China and the US and other unforeseen new trade barriers had a major impact.

Pulp prices fell dramatically for most of 2019 and a slight stabilization could not be seen until the final months of the year. From late 2018, world inventory for bleached pulp increased rapidly, and by spring and summer 2019, the inventory reached record-highs around the world, particularly in China. The combination of a stable and high supply of pulp and declining demand led to imbalance in the market and a major negative price correction.

Demand within global paper and containerboard production slowed down significantly from the end of 2018 and for much of 2019, which is the worst development since the global financial crisis in 2009. Due to accelerating supply of paper and containerboard for several years, and a rapid drop in demand as from the last part of 2018, large world inventory were also built up for these products, and prices fell strongly.

To a great extent, the Group's unusually weak results in 2019 are a consequence of the very rapid negative development in demand and prices for paper products in China. Despite the negative performance during the year, demand is still expected to increase in the long term, primarily for containerboard and hygiene products, which is expected to help to redress the balance between supply and demand going forward.

Group five year summary

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

SEK million	**2019**	2018	2017	2016	2015
Revenue, incl. agency sales	19,576	22,050	20,331	17,031	17,780
Result after financial items	–10.0	85.2	82.8	52.5	78.5
Net profit for the year	–38.9	54.3	59.5	28.6	51.0
Total assets	2,771	3,267	2,426	2,208	2,042
Equity	426.8	480.5	446.2	398.7	386.2
Return on equity, %	–3.0	17.6	19.0	12.1	19.1
Equity ratio, %	15.4	14.7	18.4	18.1	18.9
Average number of employees	301	296	283	279	267

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

For recovered paper, which accounts for a significant share of the Group's volumes, the import restrictions already introduced by the Chinese authorities during 2017 continued to have a significant impact on global trade flows. The Group has been well positioned to capitalize on this situation through a strong presence in Asian markets outside of China. Nonetheless, prices for recovered paper decreased strongly during the year.

The pellet market was also affected by the challenging market situation for forest products. Prices fell significantly after the summer and large inventories were built up in Europe during the autumn and winter, due to the unexpected low combustion of pellets in the industrial sector, and also due to the mild weather conditions.

The Group established a new subsidiary in Abu Dhabi during the year.

The Group's operating revenue amounted to SEK 16,097 million (SEK 17,563 million). In addition, agency sales totaled SEK 3,479 million (SEK 4,487 million). Accordingly, the Group's total business volume was SEK 19,576 million (SEK 22,050 million). A large share of the revenue reduction from the previous year is driven by the low market prices. The Group's profit after financial items totaled SEK –10.0 million, compared to SEK 85.2 million in the preceding year. During the year, the transaction volume amounted to 4.4 million tons of forest products (4.4 million tons). The number of employees in the Group increased during the year, from 296 in 2018 to 301 in 2019. The corresponding numbers for the Parent Company are 51 employees in 2019, in comparison to 46 employees in 2018.

The Parent Company, Ekman & Co AB, posted a profit after financial items of SEK 6.3 million in 2019, in comparison to SEK 29.0 million in 2018.

Sustainability disclosures

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

Future outlook

2019 ended with increased optimism in terms of prices and demand in general for forest products in 2020. The effects of the outbreaks of the Corona virus have, however, provoked considerable uncertainty in the markets in general, but in particular the Chinese market that is so important for the Group. The political uncertainty and the development concerning the trade war and trade barriers are also factors that make the outlook difficult to predict. Generally speaking, the Group has significant strength and flexibility to handle uncertainty and changes in market conditions. There is also underlying increased demand for forest products, as a consequence of the global population growth and focus on sustainable products, which benefit the Group's opportunities for growth. If the virus situation deteriorates significantly, or is prolonged, there will be greater uncertainty concerning the impact on the Group's activities in 2020.

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, containerboard, recovered paper and wood pellets. 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	305,388,478
Profit/loss for the year	4,949,978
	SEK 310,338,456

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

distributed to the shareholders	0
carried forward	310,338,456
	SEK 310,338,456

Subject to the approval of the Annual General Meeting, Group contributions totaling SEK 311,920 have been paid to Ekman & Co AB's parent company. Group contributions totaling SEK 383,574 have been paid to Ekman & Co AB's subsidiaries and other Group companies.

It is the Board's view that the proposed Group contributions will not prevent the Company or the Group from meeting their 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 result 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		Parent Company	
		Jan. 1, 2019 – Dec. 31, 2019	Jan. 1, 2018 – Dec. 31, 2018	Jan. 1, 2019 – Dec. 31, 2019	Jan. 1, 2018 – Dec. 31, 2018
Revenue					
Net sales	4, 5	16,002,761	17,394,415	4,929,251	5,067,891
Other operating income		93,895	168,247	28,229	32,026
		16,096,656	**17,562,662**	**4,957,481**	**5,099,917**
Operating expenses					
Goods for resale	5	–14,827,687	–16,183,934	–4,363,217	–4,549,720
Other external expenses	6, 7	–866,862	–875,670	–481,786	–434,919
Personnel costs	8	–342,056	–342,056	–64,367	–68,674
Depreciation/amortization of non-current assets	12	–16,327	–17,068	–1,487	–968
Other operating expenses				–1,687	–1,867
Operating profit/loss		**43,724**	**143,934**	**44,937**	**43,768**
Profit/loss from financial items					
Profit/loss from holdings in Group companies	9			—	11,062
Profit/loss from holdings in affiliated companies	14	–2,037	–1,217	–2,037	—
Gain/loss from holdings in ownership interests in other companies	15	3,298	1,500	3,298	1,500
Interest income and similar items	10	3,430	601	2,847	357
Exchange rate effects on derivative instruments	3			–19,338	–10,071
Interest income from Group companies		999	613	14,212	12,329
Interest expenses and similar items	10	–59,377	–60,234	–31,887	–27,136
Interest expenses to Group companies				–5,726	–2,803
Profit/loss after financial items		**–9,963**	**85,197**	**6,307**	**29,006**
Appropriations					
Group contributions received				328	300
Group contributions paid		–696	–831	–695	–960
Profit/loss before tax		**–10,659**	**84,366**	**5,939**	**28,346**
Tax on profit for the year	11	–25,086	–27,430	–989	–4,230
Profit/loss for the year		**–35,745**	**56,936**	**4,950**	**24,116**
Share of net profit attributable to					
– The Parent Company's shareholder		–38,852	54,257		
– Non-controlling interests		3,107	2,679		

Balance Sheets

Thousands of SEK	Note	Group Dec. 31, 2019	Group Dec. 31, 2018	Parent Company Dec. 31, 2019	Parent Company Dec. 31, 2018
Assets					
Non-current assets					
Intangible assets	12				
Goodwill		7,952	13,801		
Other intangible assets		101	426	99	323
		8,053	**14,227**	**99**	**323**
Tangible assets	12				
Buildings and land		10,783	10,864		
Machinery and equipment		21,650	18,247	4,191	3,061
		32,433	**29,111**	**4,191**	**3,061**
Financial assets					
Holdings in Group companies	13			129,671	129,671
Holdings in affiliated companies	14	—	2,037	—	2,037
Holdings in ownership interests in other companies	15	22,359	19,061	22,359	19,061
Other investments		955	829	60	60
Deferred tax assets	16	14,973	16,485	790	1,201
Other non-current receivables		29,070	24,916	8,813	4,734
		67,357	**63,328**	**161,693**	**156,764**
Total non-current assets		**107,843**	**106,666**	**165,983**	**160,147**
Current assets					
Inventories					
Finished goods and goods for resale		498,093	678,617	226,462	153,031
Advance payments to suppliers		235,915	271,981	1,158	627
		734,008	**950,598**	**227,620**	**153,658**
Current receivables					
Accounts receivable		1,648,915	1,851,424	582,821	695,443
Receivables from Group companies		87,284	84,043	557,049	476,265
Tax receivable		15,001	3,910	1,555	2,152
Other receivables		47,398	128,512	11,323	9,480
Prepaid expenses and accrued income	17	77,909	94,660	54,976	55,569
		1,876,507	**2,162,549**	**1,207,724**	**1,238,909**
Cash and bank balances		52,330	47,576	1,847	729
Total current assets		**2,662,845**	**3,160,723**	**1,437,191**	**1,393,296**
Total assets		**2,770,688**	**3,267,389**	**1,603,174**	**1,553,443**

Balance Sheets

Thousands of SEK	Note	Group Dec. 31, 2019	Group Dec. 31, 2018	Parent Company Dec. 31, 2019	Parent Company Dec. 31, 2018
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		366,777	419,291		
Group equity attributable to Parent Company's shareholder		**426,777**	**479,291**		
Parent Company restricted equity				**72,000**	**72,000**
Non-controlling interests		16,415	12,715		
Profit carried forward				305,388	298,620
Net profit for the year				4,950	24,116
Parent Company unrestricted equity				**310,339**	**322,736**
Total equity		**443,192**	**492,006**	**382,339**	**394,736**
Provisions					
Provisions for pensions		15,869	13,834	3,204	2,921
Provision for deferred tax		6,162	3,144		
		22,031	**16,978**	**3,204**	**2,921**
Liabilities					
Non-current liabilities					
Liabilities to credit institutions	20	5,707	6,306		
Liabilities to Group companies				597	1,226
		5,707	**6,306**	**597**	**1,226**
Current liabilities					
Liabilities to credit institutions	21	1,007,122	1,205,809	596,962	450,114
Advance payments from customers		79,115	38,784	16,770	10,791
Accounts payable		848,357	1,115,082	205,399	429,411
Liabilities to Group companies		139	231	322,676	93,214
Tax liabilities		3,806	16,860		
Other current liabilities		25,511	29,199	3,289	3,001
Accrued expenses and prepaid income	22	335,708	346,134	71,937	168,029
		2,299,758	**2,752,099**	**1,217,033**	**1,154,560**
Total liabilities and provisions		**2,327,496**	**2,775,383**	**1,217,630**	**1,155,786**
Total equity, provisions and liabilities		**2,770,688**	**3,267,389**	**1,603,173**	**1,553,443**

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, 2018	**60,000**	**384,993**	**444,993**	**10,925**	**455,918**
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**	**419,291**	**479,291**	**12,715**	**492,006**
Opening balance, Jan. 1, 2019	**60,000**	**419,291**	**479,291**	**12,715**	**492,006**
Profit/loss for the year		–38,852	–38,852	3,107	–35,745
Translation differences		3,686	3,686	593	4,279
Total changes in value	—	–35,166	–35,166	3,700	–31,466
Transactions with owners					
– Payout to non-controlling interests				—	—
– Dividends to shareholders	—	–17,348	–17,348	—	–17,348
Total transactions with owners	—	–17,348	–17,348	—	–17,348
Closing balance, Dec. 31, 2019	**60,000**	**366,777**	**426,777**	**16,415**	**443,192**

	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, 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			—	24,117	24,117
Total changes in value	—	—	74,983	–50,866	24,117
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**	**24,117**	**394,737**
Opening balance, Jan. 1, 2019	**60,000**	**12,000**	**298,620**	**24,117**	**394,737**
Transfer of past year's profit/loss			24,117	–24,117	—
Net profit for the year			—	4,950	4,950
Total changes in value	—	—	24,117	–19,167	4,950
Transactions with owner					
– Dividends			–17,348		–17,348
Total transactions with owner	—	—	–17,348	—	–17,348
Closing balance, Dec. 31, 2019	**60,000**	**12,000**	**305,389**	**4,950**	**382,339**

Cash Flow Statements

Thousands of SEK	Note	Group		Parent Company	
		Jan. 1, 2019 – Dec. 31, 2019	**Jan. 1, 2018 – Dec. 31, 2018**	**Jan. 1, 2019 – Dec. 31, 2019**	**Jan. 1, 2018 – Dec. 31, 2018**
Operating activities					
Operating profit/loss		43,724	143,934	44,937	43,768
Adjustment for items not included in cash flow					
– Depreciation/amortization and disposals		16,328	17,068	1,497	1,024
– Change in provisions		5,053	5,003		
– Other items	23	1,237	–5,183	1,098	312
Interest received		4,429	1,214	15,961	12,373
Interest paid		–59,299	–54,417	–38,128	–30,674
Income tax paid		–22,493	–12,231	–392	
Cash flow from operating activities before changes in working capital		**–11,021**	**95,388**	**24,973**	**26,803**
Cash flow from changes in working capital					
Decrease(+)/increase(–) in inventories		216,590	–462,520	–73,431	–115,116
Decrease(+)/increase(–) in accounts receivable		202,509	–259,971	112,622	–216,376
Decrease(+)/increase(–) in current receivables		71,746	–105,598	–82,932	–28,228
Decrease(–)/increase(+) in accounts payable		–266,725	376,870	–224,012	254,150
Decrease(–)/increase(+) in current liabilities		26,640	94,860	140,152	33,710
Cash flow from operating activities		**239,739**	**–260,971**	**–102,628**	**–45,057**
Investing activities					
Change in currency hedge of equity in subsidiaries	3			–19,338	–10,071
Acquisition of holdings in ownership interests in other companies				—	–17,560
Investments in intangible assets		–1,741	—		
Investments in tangible assets		–10,081	–11,175	–2,403	–2,548
Transfer of insurance business		—	–45,301		
Acquisition of holdings in ownership interests in other companies		—	–17,560		
Acquisition/disposal of affiliated companies		—	2,644		
Cash flow from investing activities		**–11,822**	**–71,392**	**–21,741**	**–30,179**
Financing activities					
Change in use of credit scope		–199,286	359,982	146,849	55,335
Change in non-current receivables		–4,280	–5,040	–3,668	–2,908
Dividends received				—	11,062
Payout to non-controlling interests		—	–2,129		
Dividends paid		–17,348	–19,082	–17,348	–19,082
Change in other non-current liabilities				–346	1,113
Cash flow from financing activities		**–220,914**	**333,731**	**125,487**	**45,520**
Cash flow for the year		**7,003**	**1,368**	**1,118**	**–29,716**
Cash and cash equivalents at the beginning of the year		47,576	49,020	729	30,445
Exchange rate differences in cash and cash equivalents		–2,249	–2,812		
Cash and cash equivalents at the end of the year		**52,330**	**47,576**	**1,847**	**729**

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 as from the time of the acquisition until such a time as the Parent Company no longer exercises 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 any 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 as the amounts expected to be received. Liabilities are reported 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 reported in the income statement are also reported in the income statement. The tax effects of items recognized directly in equity are reported 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 to be 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 as at 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 from 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 otherwise lapses.

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 part of the interest expenses for the borrowing.

After initial recognition, current assets are measured according to the lowest value principle, i.e. at the lower of cost and net realizable value on 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 also be used. 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 thereby 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 tested 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 at an interest rate equivalent to the original effective interest rate of the asset. The interest rate on the balance sheet date is used for assets at 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 which 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).

Note 3 cont.

Hedge accounting

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

	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	**Dec. 31, 2019**	Dec. 31, 2018
Currency forwards				
Fair value hedge	173	628	–353	922
Hedge of net investment in foreign subsidiaries	590	—	590	—
Currency swaps				
Fair value hedge	3,777	2,477	3,777	2,477
Hedge of net investment in foreign subsidiaries	5,290	214	5,290	214
Total	**9,830**	**3,319**	**9,304**	**3,613**

Note 4 Distribution of net sales

	Group		Parent Company	
By geographic market	**2019**	2018	**2019**	2018
Asia	69%	64%	63%	53%
Europe	13%	16%	23%	29%
Americas	11%	13%	0%	1%
Other	7%	7%	14%	17%
Total	**100%**	**100%**	**100%**	**100%**

	Group		Parent Company	
By segment	**2019**	2018	**2019**	2018
Pulp	67%	66%	75%	74%
Paper & Packaging	18%	19%	17%	20%
Recovered Materials	14%	13%	7%	5%
Bioenergy	1%	2%	1%	1%
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	
	2019	2018
Purchases	1.8%	1.0%
Sales	1.2%	1.7%

Note 6 Disclosure on auditors' fees

	Group		Parent Company	
	2019	2018	**2019**	2018
Deloitte				
Audit engagements	1,908	1,745	688	690
Tax advice	333	275	210	191
Other services	400	515	101	111
Other auditors				
Audit engagements	1,602	1,164	—	—
Tax advice	674	583	—	—
Other services	179	107	—	—

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 55,606 (48,024) for the Group and 7,455 (5,939) for the Parent Company. Future minimum lease payments for operating leases that cannot be terminated fall due as follows:

	Group		Parent Company	
Due date	**2019**	2018	**2019**	2018
Within one year	25,505	29,220	6,235	5,085
Later than one year but within five years	28,882	46,440	10,790	21,812
Later than five years	—	—	—	—
Total	**54,387**	**75,660**	**17,025**	**26,897**

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

Average number of employees	2019 Number of employees	2019 Whereof men	2018 Number of employees	2018 Whereof men
Parent Company				
Sweden	51	25	46	21
Total in Parent Company	**51**	**25**	**46**	**21**
Subsidiaries				
Sweden	—	—	—	—
Australia	3	1	3	1
Brazil	3	1	3	1
Denmark	11	8	9	5
United Arab Emirates	5	5	5	5
Italy	8	1	9	1
Japan	7	5	7	5
Canada	2	1	2	1
China	70	37	72	37
South Korea	5	2	5	2
Poland	3	1	4	2
Representative office in Russia	3	—	3	—
Switzerland	18	11	19	11
Spain	1	—	1	—
UK	14	9	11	6
South Africa	7	4	6	3
Turkey	4	1	4	1
Germany	1	1	—	—
USA	83	34	85	38
Belarus	2	1	2	1
Total in subsidiaries	**250**	**123**	**250**	**120**
Total in Group	**301**	**148**	**296**	**141**

Distribution of senior executives at the balance sheet date	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Women				
Board members	—	—	1	1
Number with executive positions, including CEO	2	2	2	2
Men				
Board members	—	—	6	6
Number with executive positions, including CEO	6	7	2	2
Total	**8**	**9**	**11**	**11**

Wages, salaries, other benefits etc.

Personnel	2019 Wages, salaries, other benefits	2019 Social security expenses (of which pension costs)	2018 Wages, salaries, other benefits	2018 Social security expenses (of which pension costs)
Parent Company	37,943	23,517	46,036	20,291
		(11,923)		(7,015)
Subsidiaries	217,558	35,837	237,822	35,673
		(11,726)		(11,541)
	255,501	**59,354**	**283,858**	**55,964**
		(23,649)		**(18,556)**

Pension costs for the Board of Directors and CEO amounted to 0 (0) for the Parent Company and 927 (861) for the Group.

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

Personnel	2019 Board and CEO (of which bonuses, etc.)	2019 Other employees	2018 Board and CEO (of which bonuses, etc.)	2018 Other employees
Parent Company	900	37,243	900	45,136
	(—)		(—)	
Subsidiaries	38,816	178,742	54,352	183,470
	(—)		(12,213)	
Total Group	**39,716**	**215,785**	**55,252**	**228,606**
	(—)		**(12,213)**	

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	2019	2018
Dividends	—	11,062
	—	**11,062**

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

Tax on profit for the year	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Current tax	–16,957	–23,745	–314	—
Deferred tax	–8,129	–3,685	–675	–4,230
Total	**–25,086**	**–27,430**	**–989**	**–4,230**

Some Group companies have unutilized tax loss carryforwards. These have been recognized in the form of deferred tax to the extent that it has been estimated that the losses can 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, in the same way as the hedging effects.

Breakdown of tax expenses for the year	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Accounting profit/loss before tax	–10,659	84,366	5,939	28,346
Tax calculated using Swedish tax rate, 21.4% (22%)	2,281	–18,561	–1,271	–6,236
Tax effect of permanently non-deductible expenses	–28,370	–11,984	–678	–488
Tax effect of permanently non-taxable income	146	1,482	706	2,494
Impact of differences in tax rates in different countries	1,434	1,450	—	—
Total	**–24,509**	**–27,613**	**–1,244**	**–4,230**
Adjustments to current/deferred tax of previous years	–577	183	255	—
Reported tax expenses for the year	**–25,086**	**–27,430**	**–989**	**–4,230**

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

Goodwill	Group Dec. 31, 2019	Group Dec. 31, 2018
Opening cost	176,575	174,168
Additional consideration, acquisitions	1,741	—
Disposals	–905	–4,489
Translation differences	5,566	6,896
Closing cost	**182,977**	**176,575**
Opening accumulated amortization	–162,773	–158,299
Amortization for the year	–4,297	–3,371
Write-down	–4,800	—
Disposals	905	4,282
Translation differences	–4,925	–5,385
Reclassifications	866	—
Closing accumulated amortization	–175,024	–162,773
Closing carrying amount	**7,952**	**13,801**

Acquisitions for the year comprise additional consideration related to the acquisition of Ekman Recycling Ltd. The additional consideration has been written down in full and recognized as a cost in 2019.

Other intangible assets	Group Dec. 31, 2019	Group Dec. 31, 2018	Parent Company Dec. 31, 2019	Parent Company Dec. 31, 2018
Opening cost	22,241	23,380	20,954	20,954
Disposals	—	–1,241	—	—
Translation differences	21	102	—	—
Closing cost	**22,262**	**22,241**	**20,954**	**20,954**
Opening accumulated amortization	–21,815	–22,609	–20,631	–20,481
Amortization for the year	–328	–367	–224	–150
Disposals	—	1,251	—	—
Translation differences	–18	–90	—	—
Closing accumulated amortization	–22,161	–21,815	–20,855	–20,631
Closing carrying amount	**101**	**426**	**99**	**323**

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

Buildings and land	Group Dec. 31, 2019	Group Dec. 31, 2018
Opening cost	17,958	19,011
Investments	394	50
Disposals	—	–2,011
Translation differences	440	1,063
Reclassifications	–41	–155
Closing cost	**18,751**	**17,958**
Opening accumulated depreciation	–7,094	–6,432
Depreciation for the year	–537	–616
Disposals	—	442
Translation differences	–243	–520
Reclassifications	–94	32
Closing accumulated depreciation	–7,968	–7,094
Closing carrying amount	**10,783**	**10,864**

Equipment	Group Dec. 31, 2019	Group Dec. 31, 2018	Parent Company Dec. 31, 2019	Parent Company Dec. 31, 2018
Opening cost	73,035	64,315	7,078	6,851
Investments	9,687	11,125	2,403	2,548
Disposals	–776	–6,302	–389	–2,321
Translation differences	2,200	4,463	—	—
Reclassifications	–47	–566	—	—
Closing cost	**84,099**	**73,035**	**9,092**	**7,078**
Opening accumulated depreciation	–54,788	–43,375	–4,017	–5,464
Depreciation for the year	–6,366	–12,714	–1,264	–818
Disposals	908	2,484	380	2,265
Translation differences	–1,669	–3,049	—	—
Reclassifications	–534	1,866	—	—
Closing accumulated depreciation	–62,449	–54,788	–4,901	–4,017
Closing carrying amount	**21,650**	**18,247**	**4,191**	**3,061**

Note 13 Holdings in Group companies

Parent Company holdings	Corporate reg. no.	Registered office	Share of equity %	Number of shares	Carrying amount Dec. 31, 2019	Dec. 31, 2018
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
Ekman Middle East General Trading Co	UAE	100	1,500

	Parent Company	
Carrying amount of holdings in Group companies	**2019**	2018
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, 2019**	Dec. 31, 2018
Ekman Converting SA	MA	34	17,000	—	2,037

The holding's book value was written down to zero during the year, as the activity was not assessed to have any future value.

Note 15 Holdings in ownership interests in other companies

Parent Company and Group holdings	Registered office	Carrying amount Dec. 31, 2019	Carrying amount Dec. 31, 2018
White Rock Insurance Company PCC Limited	UK	22,359	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	**2019**	2018	**2019**	2018
Deferred tax on tax loss carryforwards	8,329	9,115	—	463
Other items	6,644	7,370	790	738
Total	**14,973**	**16,485**	**790**	**1,201**

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	
	2019	2018	**2019**	2018
Accrued transactions (trade)	65,052	79,684	49,751	51,166
Other items	12,857	14,976	5,225	4,403
Total	**77,909**	**94,660**	**54,976**	**55,569**

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 comprises 60,000 A shares.

Note 19 Other provisions

	Group	
	2019	2018
Opening provision	—	45,301
Change in provision	—	—
Disposal of operations	—	–45,301
Foreign exchange effects	—	—
Closing provision	**—**	**0**

The "Other provisions" line item referred to provisions for risks of losses in the Group's insurance operations in 2018. 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 fall 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 1,172,133 (SEK 1,133,878) and to SEK 469,513 (SEK 459,130) for the Parent Company. There are various types of loan terms, covenants, and other related agreements, for the Group's financing. These covenants have been met as per year-end.

Note 22 Accrued expenses and prepaid income

	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	**Dec. 31, 2019**	Dec. 31, 2018
Accrued transactions (trade)	304,050	258,488	62,169	138,710
Accrued social security expenses	5,865	4,961	2,409	1,240
Vacation liabilities	6,696	6,830	3,798	3,973
Other personnel-related liabilities	9,610	60,804	—	15,083
Other items	9,487	15,051	3,561	9,023
Total	**335,708**	**346,134**	**71,937**	**168,029**

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. "Other items" include a provision for a claim raised against Ekman & Co AB concerning the recovery of amounts related to a supplier in a bankruptcy process. Negotiations are ongoing with the trustee in bankruptcy, and the outcome is uncertain. The provision amount is equivalent to the estimated outcome.

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, 2019	Dec. 31, 2018	**Dec. 31, 2019**	Dec. 31, 2018
Pledged assets				
Import documents	1,334	749	1,334	749
Total	**1,334**	**749**	**1,334**	**749**
Contingent liabilities				
Guarantee in favour of Group companies	—	—	551,404	1,045,601
Capital adequacy obligation	74,537	71,768	74,537	71,768
Other contingent liabilities	—	—	3,291	3,107
Total	**74,537**	**71,768**	**629,232**	**1,120,476**

The "Contingent liabilities for 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.

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 in turn is 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

The outbreaks of the Corona virus after the balance sheet date may affect the level of the Group's activities in 2020, but it is still too early to determine the extent, as this is highly dependent on how the spread of the virus develops. Currently, the main impact is related to disruptions of sea freight traffic.

Note 27 Proposed distribution of earnings

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

Retained earnings	305,388,478
Profit/loss for the year	4,949,978
	SEK 310,338,456

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

distributed to the shareholders	0
carried forward	310,338,456
	SEK 310,338,456

Subject to the approval of the Annual General Meeting, Group contributions totaling SEK 311,920 have been paid to Ekman & Co AB's parent company. Group contributions totaling SEK 383,574 have been paid to Ekman & Co AB's subsidiaries and other Group companies.

It is the Board's view that the proposed Group contributions will not prevent the Company or the Group from meeting their 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 result for the year of the Group and the Parent Company, their financial position on the reporting dates 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, 2020

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 March 25, 2020
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 2019-01-01 – 2019-12-31.

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 31 December 2019 and their 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 and consolidated accounts.

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

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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 consolidated 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 and the group´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 a company and a group 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 and consolidated 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 2019-01-01 - 2019-12-31 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 Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group´s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibility

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

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

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

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

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 whether the proposal is in accordance with the Companies Act.

Göteborg 25 of March 2020
Deloitte AB

Signature on Swedish original

Hans Warén
Authorized public accountant

Solberg • Print: Göteborgstryckeriet

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