CATELLA

ANNUAL REPORT 2020

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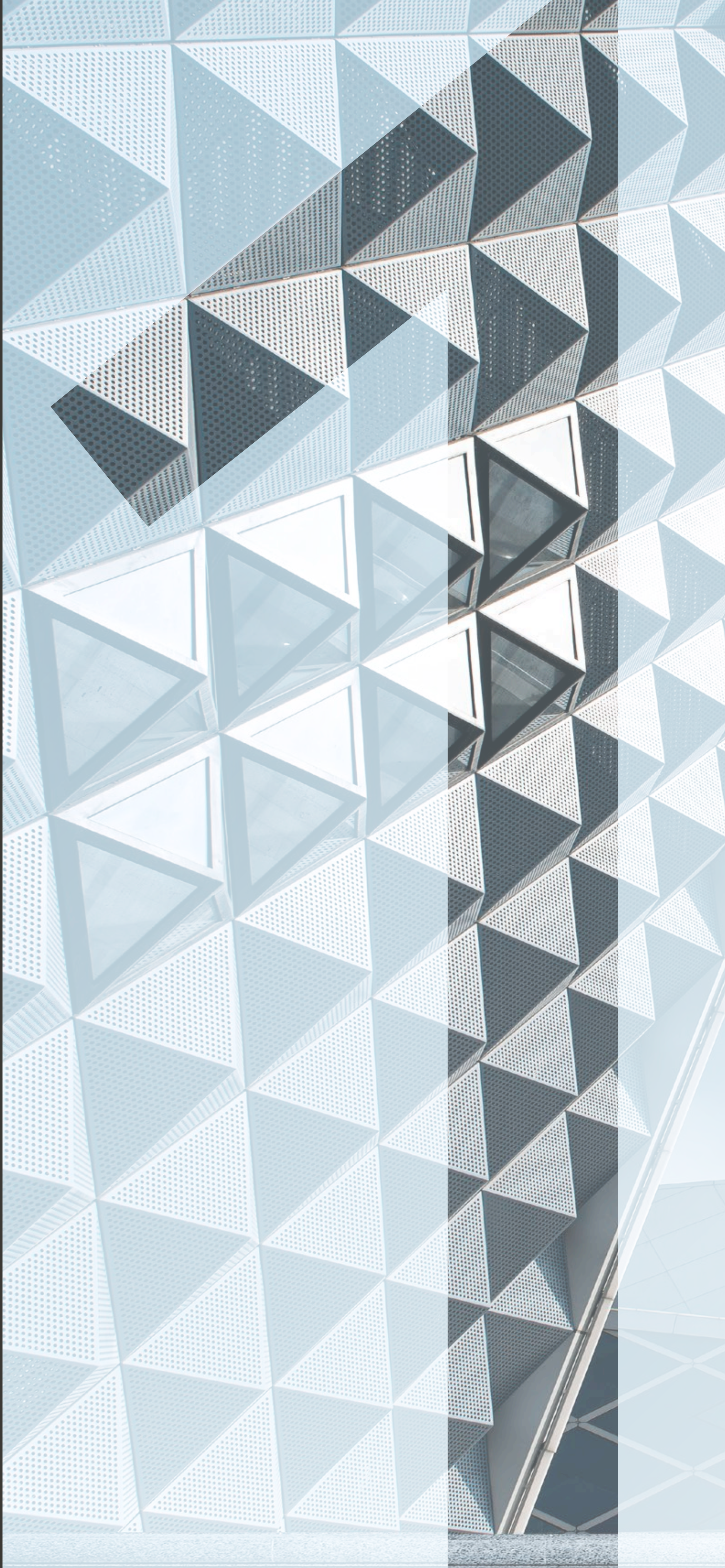


Delivering beyond the expected

Through a pan-European platform with global reach, Catella offers local expertise and customised services in property and alternative investments to professional investors. Our vision is to be the preferred European partner for investors – together shaping the future in property and alternative investments. Through geographical range and a broad product offer aimed at professional investors, Catella is reducing exposure to individual markets and asset classes and building stable earnings over time.

Catella was founded in 1987 and the head office is in Stockholm. The company has more than 566 employees at 27 offices in Europe.

FOCUS ON PROPERTY

Catella was founded in 1987 and the head office is in Stockholm. With more than 566 employees at 27 offices in Europe, Catella offers professional advice, innovative products, and active and systematic management in several asset classes. The business is run through three business areas: Corporate Finance, Property Investment Management and Equity, Hedge and Fixed Income Funds. In 2021, the company will report Principal Investment as a separate business area.

Catella operates in 13 countries and has a strong local presence with outstanding expertise in the markets in which the company does business. The organisational structure promotes synergies through collaboration within and among the business areas. Catella has built a platform where employees from different countries and business areas exchange knowledge and coordinate activities and client contacts, enabling Catella to create innovative offerings that appeal to local and international investors. During 2020, Catella had sales of more than SEK 2.3 billion and assets under management of SEK 130 billion at year-end.

2020 IN BRIEF

2020 was a year of focus on a new strategy for Catella. The strategy orients the company more towards property and broader expansion in terms of geographies, types of property and risk categories – this is presented in greater detail on pages 6–7. As a natural result of the concentration to real estate, Catella has continued to trim the Equity, Hedge and Fixed Income Funds business area. Read more on page 16. The Corporate Finance business concentrated on existing markets and presence with current clients during the year. Catella has focused on creating new and innovative solutions for clients while working actively to leverage existing investment solutions. Market conditions have shifted geographically – Carnegie has retaken the role of market leader in Sweden, for example, while the Baltics have been a challenge. Turn to page 12 for more information. Property Investment Management had a strong year despite the ongoing pandemic and assets under management have grown by more than 200 percent in the past six years. Focus moving forward will be on leveraging positive momentum via expansion projects in the new business area, Principal Investments. Read more in-depth information about this and Principal Investments' pan-European business on page 14. Covid-19 has naturally had impact on Catella and its clients, including capital outflows and changing transaction patterns.

OUR PLATFORM

– A pan-European platform with strong local presence in 13 countries and 27 cities.

OUR EXPERTISE AND OUR OFFERING

– Focus on property investments in a broad spectrum of risk classes.
– Advanced advisory and capital market services in the property segment.
– A wide selection of active and alternative funds with focus on sustainability.
– Global niche leader in systematic macro strategies.

HOW WE CREATE VALUE FOR OUR CLIENTS

– A revenue model focused on the best interests and needs of clients.
– Local teams with profound insight into each market.
– Diversification through geographies and asset classes.
– Capital, products and synergies across the entire value growth chain.

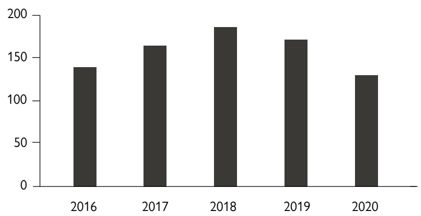
* Continuing operations within Catella are comprised of three business areas reported in two segments: Corporate Finance and Asset Management, where the latter includes Property Investment Management and Equity, Hedge and Fixed Income Funds.

SIGNIFICANT EVENTS IN 2020

- The Covid-19 pandemic had negative impact on transaction volumes in Corporate Finance and contributed to capital outflows from Systematic Macro. Property Investment Management demonstrated strong growth despite the pandemic.
- Catella AB sold 70 percent of the shares in Catella Fondförvaltning to further strengthen liquidity and sharpen focus on property investments.
- The Grand Central property project in Düsseldorf, Germany, was sold. Turn to page 19 for more information.
- Investment in logistics property in Norrköping. Read more on page 18.
- The winding up of the banking business was largely completed and the banking license will be returned in 2021.
- Johan Claesson began as Acting CEO and Jan Roxendal began serving as Acting Chairman of the Board.

GROWTH IN ASSETS UNDER MANAGEMENT

SEK Bn



■ Assets under management SEK Bn

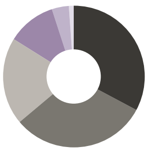
INCOME DISTRIBUTION BY BUSINESS AREA*

%

■ Corporate Finance 29%
■ Property Investment Management 53%
■ Equity, Hedge and Fixed Income Funds 18%

INCOME PER COUNTRY

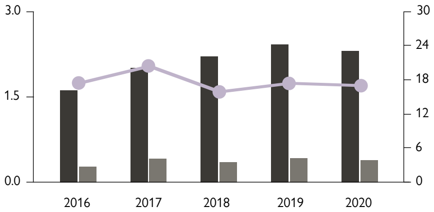
%



■ Germany SEK 759m, 33%
■ Sweden SEK 712m, 31%
■ France SEK 466m, 20%
■ Rest of the world SEK 260m, 11%
■ Finland SEK 88m, 4%
■ Denmark SEK 28m, 1%

GROWTH IN TOTAL INCOME AND OPERATING PROFIT

SEK Bn



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

MARKET VALUE

SEK M

2,399

At 31 Dec 2020
+17% change from last year

ASSETS UNDER MANAGEMENT*

SEK Bn

129.9

At 31 Dec 2020
-24% change from last year

TOTAL INCOME*

SEK M

2,312

2020
-4% change from last year

OPERATING PROFIT*

SEK M

393

2020
-7% change from last year

NUMBER OF EMPLOYEES*

566

At 31 Dec 2020
-3% change from last year

* Continuing operations.

FOCUS ON PROPERTY

2020 was a challenging year in many ways. In addition to Covid-19, Catella also began implementing a new strategy that focuses the company more on property while the new group management concentrated mainly on divestments, acquisitions, restructuring and start-up of new operations. The work to strengthen the European organisation and sharpen the focus on products will remain key in 2021 to deliver Catella's growth and profitability.

As we have now announced my departure as CEO and Christoffer Abramson's succession, I would first like to express how grateful I am for my time as CEO. Although I had deep understanding of Catella before then, I had probably not fully grasped the value and the potential of the company's expansive market position in Europe.

The challenge is to take optimal advantage of that position. I believe we can accomplish this through:

- Creating a positive and professional culture
- Creating trusting collaboration between the parent company (Catella AB) and the operating units, as well as between units
- Combining capital from the parent company with large institutional capital
- Recognising the talents we have and giving them the opportunity to develop within the framework of the parent company
- Confidence, agility and market relevance

I am delighted that Christoffer is eager to take on the challenge as the new CEO and we will continue working closely together. He has a wide-ranging and relevant background and enjoys running businesses in the process of change, and I am convinced he is the right man for the job.

While being the CEO of Catella is not a simple matter, it is made much easier by all of the gifted and talented employees in the organisation. The next generation is extremely important, of course. Although this is true for all of society, it applies especially to Catella. How we get the best out of all these young and talented individuals all over Europe will be the key to our continued success.

I have come in for a little criticism for not having brought all of the underlying values in Catella to the fore during my year as CEO and I regularly receive emails and text messages from shareholders, which I have truly appreciated. Catella has much greater potential than I have had time to show during my year, so the criticism is justified.

The key is to take advantage of all of the creativity and business opportunities found in the organisation while simultaneously increasing involvement at the parent company level. This can only be accomplished through increasing our competence and relevance and having the courage to keep moving forward. We are working very actively with these issues out in the organisation and at the parent company.

Nor should we gloss over the missteps with Catella Bank, Catella Fondförvaltning and IPM. Naturally, this has drained our energy, but most of this is behind us now and we can recharge and put our strength into moving ahead. My analysis is that the problems have been due in part to the lack of relevance on the part of Catella AB, which I have been partially responsible for, especially as the former chairman.

Nevertheless, I am convinced that the remaining operations within Catella have significant intrinsic values that we must harness. The key is to combine Catella's European platform and networks with capital in various property segments.

To make this possible and strengthen our position as an active owner, Catella will be allocating capital on the order of a billion Swedish kronor to investments in the property business. This will take place in various forms:

- Direct investments with partners, where Catella receives an additional performance fee
- Seed capital, where we seek partners in new areas
- Co-investments aimed at securing larger management and development contracts

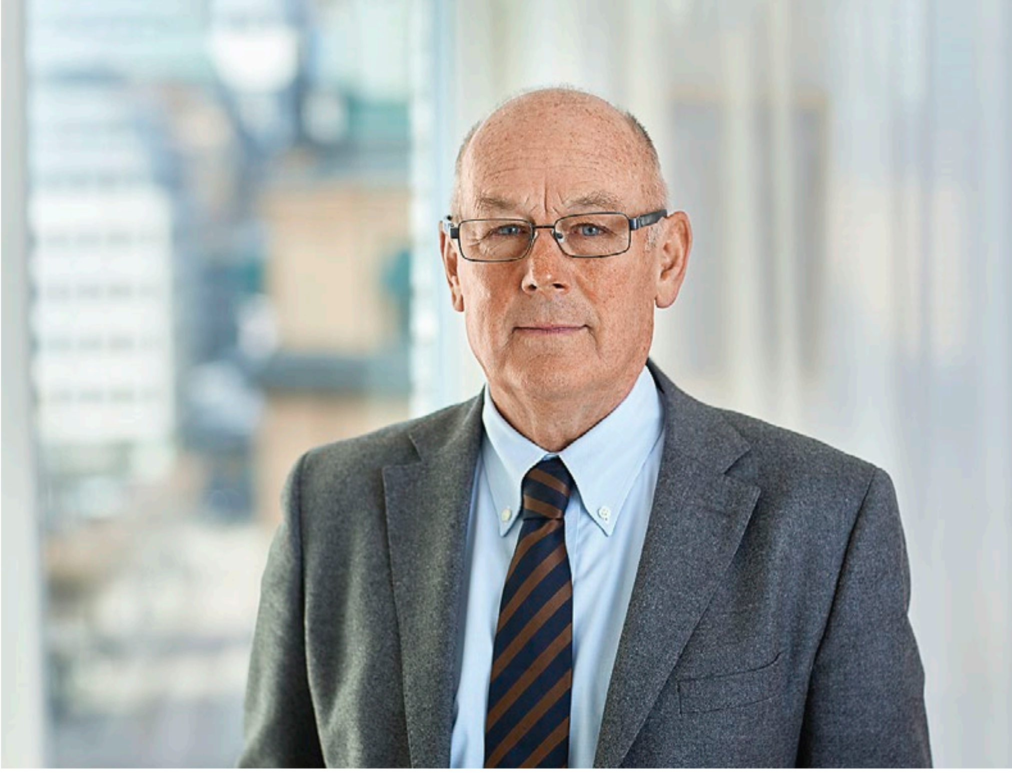
The common denominator is and will always be that by taking the initiative and being proactive, we identify business opportunities that we can successfully deliver. This will still be accomplished mainly with external capital, but by controlling the investment, Catella can assure multiple revenue streams on all invested capital.

The ambition is for us to earn a return of at least 20 percent on these own investments, which will generate ongoing profits. In addition to return on equity, Catella will thus also receive long-term income via management fees, performance fees or advisory fees on an increasing capital base.

In addition, we have great ambitions for our property funds and asset management assignments and hope to increase our AuM by at least 15 percent per year and generate stable annual earnings.

All of this is going to require greater competence at the parent company level, which Catella is now continuously building up with several new employees coming on board in the spring in areas including Principal Investments.

I consider our current ongoing projects very successful, with great potential, and I believe the future pipeline looks promising. After having communicated that Catella will be more proactive and support new investments with competence and capital, we have received a massive inflow of new ideas, which shows the energy and creativity that are intrinsic to Catella. We are eagerly looking forward to connecting business



opportunities in the project operations with our funds, which have raised capital that is intended to be invested in 2021.

In order to continue supporting growth, the company issued a new bond for SEK 1.25 billion in March 2021. The bond has a tenor of four years, replaces the previous unsecured bond of SEK 750 million and has increased our immediate liquidity and freedom to act.

PROPERTY INVESTMENT MANAGEMENT

The business area reported stable operating profit during the year with continued strong inflows to assets under management, primarily in the Property Asset Management business in the UK and Property Funds in Germany. Our German Project Management business generated the greatest income and earnings contribution in connection with the sale of the Grand Central project.

The goal is to further develop the business model within Property Investment Management, by which Catella will be a more active partner aimed at creating business opportunities in logistics, housing development and other value-add segments. This requires somewhat broader competence and organisation in some areas, but there is more than enough power, energy and determination in the Group to achieve the goal.

Actively seeking properties and investors where Catella leverages networks and equity to generate opportunities for capital gains and management fees will be a component of our future business model.

In the light of the Group's progress, follow-up and governance will be changed in 2021, and Property Principal Investments will be reported as a separate segment during the year to clarify and increase transparency.

CORPORATE FINANCE

Development has been better than was feared early in the year. Sweden in particular was distinguished by positive performance, but France also delivered earnings only slightly below the preceding year.

Germany is still our biggest challenge and new group-wide efforts have been initiated to strengthen Catella's position in the biggest property market in Europe. Development was positive in the Spanish operations, although the comprehensive changes in the workforce carried out at the same time had short-term negative impact on earnings.

The ambition is to increase collaboration within and between the business areas to achieve a significant position, which is essential to all Catella operations in the property segment.

EQUITY, HEDGE AND FIXED INCOME FUNDS

As an aspect of the current strategy to concentrate the business on property investments, Catella decided during the year to sell 70 percent of Catella Fondförvaltning AB.

Systematic Funds saw continued outflows of assets under management, primarily due to market rotation from this segment and relatively weak management for some time. We are developing new factors and products that better capture market trends and deliver the returns required to reverse the capital trend. With the current capital base, drastic action on the cost side is inevitable, but we will continue to invest in product development and capital raising.

CATELLA BANK

The winding-up is proceeding as planned and Catella hopes to exit the consolidated situation in the first half of 2021.

Sustainability has been an integrated component of Catella's business for a long time and we now intend to further gear up the effort. As part of the initiative, we will soon sign the UN Principles for Responsible Investment (UNPRI).

Catella is well-equipped for the future, although further measures will be required at the European level. The income profile will differ from the historical outline as a larger share of profit will come from Property Investment Management and Principal Investments. In my view, this is positive for Catella's shareholders as it will generate more stable income, in line with our long-term strategies in the property segment. I am convinced this will increase our attractiveness and market position as a strong player in the European property segment, as investor, manager and adviser.

In closing, I would like to thank all employees for outstanding performance under difficult circumstances, referring not only to Covid-19 but just as much to all the changes that have been initiated. This makes me very optimistic about Catella's market positioning and future business opportunities in the European property sector.

Johan Claesson
Acting Chief Executive Officer

COMPETENCE AND CAPITAL – WITH SHARPER FOCUS ON PROPERTY

Since the company was founded more than 40 years ago, Catella has aimed to be a natural link between the property and finance markets. The vision is to be the preferred European partner for investors – together shaping the future in property and alternative investments.

BUSINESS MODEL
The business model is based on the capacity of the organisation to translate deep expertise into relevant advisory that creates value and economic growth by investing Catella's own and others' capital in property, to the benefit of the company's clients.

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

STRATEGY
Catella's strategy in recent decades has been based on offering a wide palette of services including buy and sell advice combined with a strong fund offering to investors in both traditional and alternative segments, a wide spectrum of asset classes and in every important European market.

STRATEGY DEVELOPMENT: A BROADER OFFERING
The company is now moving into a new phase in which the business is being concentrated on property. At the same time, Catella is further expanding the business by working with equity at the group level. Greater credibility will be generated through own investments, co-investments with partners and property investments. High returns for the company and its partners will be generated through unique competence and substantial expertise in property and asset management. For Catella's part, this entails limited capital risks combined with active development initiatives taken with partners.

OWN INVESTMENTS
From 2021, Catella's own investments will be reported in the new business area, Principal Investments, and categorised in two main groups:

A) Seed and co-investments
Investments in the form of seed capital or co-investments in partnership with large clients in own property products, aimed at increasing assets under management. Catella's investments will make up an estimated three to five percent of the total capital in each co-investment.

Income generated through:
1. *Return* on invested capital
2. *Fixed earnings* from total equity
3. *Performance-based income*

B) Property investments
Significant and suitable investments in property projects, property structures or property portfolios made with partners within the framework of funds or in special purpose companies.

Income generated through:
1. *Risk-adjusted excess return on equity*
2. *Fixed and variable income during and after the period of investment*
3. *Performance-based income*

PREREQUISITES FOR OWN INVESTMENTS

COMPETENCE – KNOWLEDGE AND EXPERIENCE
As a leading European property management and advisory firm, Catella has been building up deep and detailed knowledge in its markets for 40 years.

CAPITAL - LARGE CAPITAL BASE THROUGH OWN AND EXTERNAL CAPITAL
Via the new Principal Investments business area, Catella will participate in capital structures and in so doing play a full part in the business development of the property or the asset.

The effect will be that Catella will be working with a large capital base, where equity will constitute a minor portion and investors' capital a larger portion.

By using its own balance sheet in large investment projects and taking a calculated risk, Catella can help clients and investors to a greater extent than before and lay the foundation for a profitable and sustainable future for clients, investors and Catella's stakeholders.

EXPANSIVE NETWORK
The pan-European operations' large base of private and institutional investors is a valuable asset that benefits Catella's clients and partners.

PROJECT DEVELOPMENT
Catella will also strengthen its competence and direction within project development under its own aegis and in partnership with others to create added value in early phases, where the goal is for these to be taken over by funds created and managed by Catella.

SYNERGIES
Catella will work actively to further develop and increase knowledge transfer and collaboration within and between countries and business areas, where the areas cross-pollinate each other with great potential for synergies and joint value creation for all stakeholders. Synergies will facilitate a shared pan-European perspective on investments and business opportunities.

EFFECTS OF OWN INVESTMENTS AND CO-INVESTMENTS

ADDED VALUE IN THE ORGANISATION
When Catella capitalises equity in more numerous and smaller investments in proprietary property products, this will generate return on invested capital as well as added value through multiple income streams on equity in the company's operational entities.

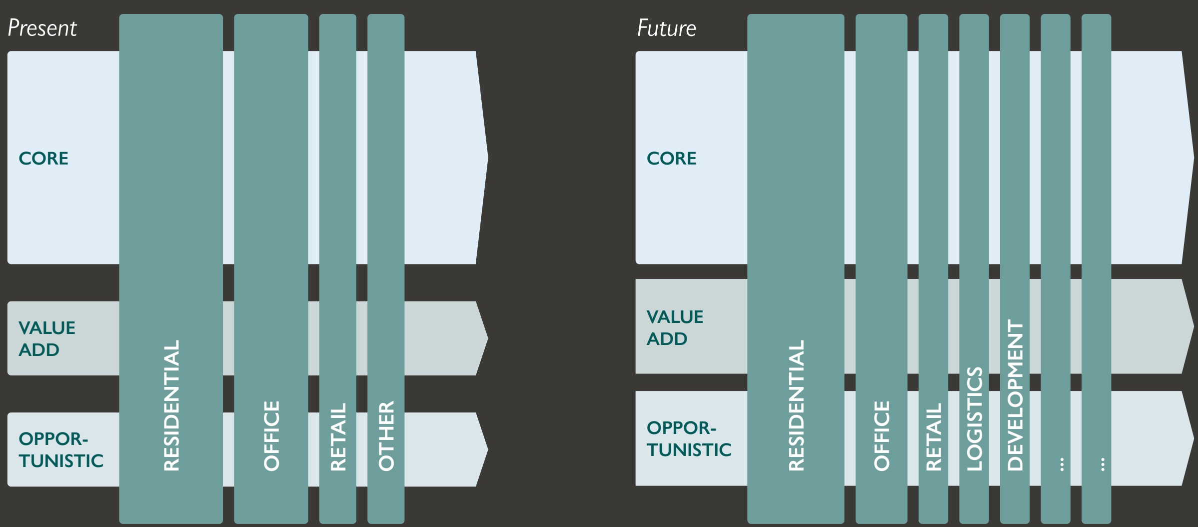
HIGHER TRUST
The effect of greater commitment through the company's increased investments in capital structures with its own balance sheet in selected projects will generate growth in the trust capital built up with clients and investors in recent decades.

SHARPER FOCUS ON PROPERTY – ASSETS UNDER MANAGEMENT

CATELLA WILL WIDEN ITS FOCUS on property investments through a vertical expansion with regard to geographies, property types and risk categories. In so doing, Catella will be exposed to international capital to a greater extent.

Catella will sharpen its focus on suitable investments and value-add investments in the future through additional own investments and co-investments and expand the business in three dimensions: geographies, property types and risk categories.

ILLUSTRATION OF ASSETS UNDER MANAGEMENT



Operations and markets

Catella is in prime position to grasp new opportunities in the European alternative investments market. The business areas that make this possible include Corporate Finance, Property Investment Management and Equity, Hedge and Fixed Income Funds. We have built a stable European platform that is enabling continued strong growth in advisory and wealth management.

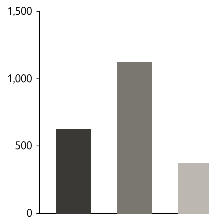
THREE BUSINESS AREAS

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

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

INCOME PER BUSINESS AREA

SEK M



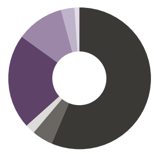
- Corporate Finance SEK 623 M
- Property Investment Management SEK 1,126 M
- Equity, Hedge and Fixed Income Funds SEK 375 M

CORPORATE FINANCE

CATELLA PROVIDES HIGH-QUALITY capital market services to property owners and creative advisory in all types of property-related transactions for various categories of property owners and investors. Operations are run in ten markets and offer deep local knowledge of local property markets combined with European reach. 2020 was a volatile year in the transaction market, largely due to the ongoing pandemic. Global investments in Europe plummeted in the second quarter but recovered in the second half of the year. Catella worked actively to retain and strengthen market shares.

INCOME DISTRIBUTION BY COUNTRY

%



Continental Europe:
- France 57%
- Spain 5%
- Germany 2%

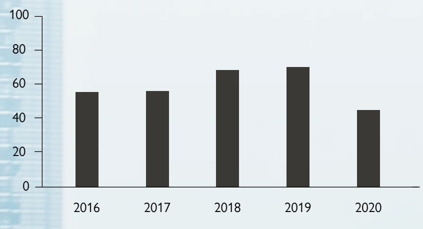
Nordics:
- Sweden, 22%
- Finland, 11%
- Denmark, 3%
- Baltics 1%

KEY INDICATORS

	2020	2019
Operating margin, %	5	9
Property transaction volumes for the period, SEK Bn	45.0	70.2
Of which Nordics	29.3	27.1
Of which Continental Europe	15.7	43.1
Number of employees at end of period	208	214

GROWTH IN TRANSACTION VOLUMES

SEK Bn



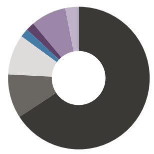
PROPERTY INVESTMENT MANAGEMENT

CATELLA PROPERTY INVESTMENT MANAGEMENT is a leading specialist in property investment management in Europe and currently operates in ten markets across Europe. Professional investors are offered attractive, risk-adjusted returns via regulated property funds, asset management services and project management in the early stages of property development projects.

The business area has 273 (251) employees. Catella Property Investment Management achieved SEK 115.6 billion in assets under management in 2020, an upturn of 15 percent since 2019. Profitability rose by 46 percent during the same period.

INCOME DISTRIBUTION BY COUNTRY

%

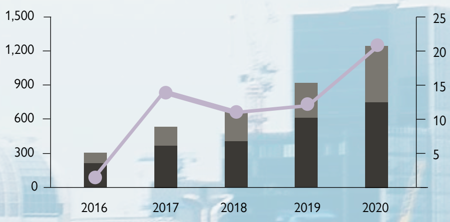


- Germany, 66%
- France, 10%
- UK, 9%
- Spain, 2%
- Finland, 2%
- Benelux 8%
- Rest of Europe, 3%

KEY INDICATORS

	2020	2019
Operating margin, %	21	12
AUM at the end of the period, SEK Bn	115.6	100.5
Net inflow (+) and outflow (-) during the period, SEK Bn	21.2	12.5
Of which Property Funds, %	69.1	61.5
Net inflow (+) and outflow (-) during the period, SEK Bn	8.6	10.8
Of which Property Asset Management, %	46.5	39.0
Net inflow (+) and outflow (-) during the period, SEK Bn	12.7	1.7
Number of employees at end of period	273	251

GROWTH IN TOTAL INCOME AND OPERATING PROFIT



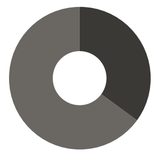
- Property Funds, SEK M
- Property Asset Management, SEK M
- Operating margin, %

EQUITY, HEDGE AND FIXED INCOME FUNDS

CATELLA IS AN ALTERNATIVE ASSET manager that offers systematic management with a global focus to institutional investors. A controlling interest in the Mutual Funds service segment, which offers active management with a Nordic investment focus to private and institutional investors, was sold during the year to Athanase Industrial Partners. Catella has retained a 30 percent interest in the business. The Systematic Funds service segment is run through the jointly owned company IPM AB, which continued to develop its main product, Systematic Macro, during the year.

INCOME DISTRIBUTION

%



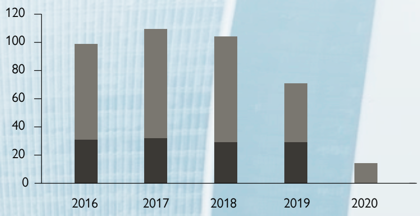
- Mutual Funds 35%
- Systematic Funds, 65%

KEY INDICATORS

	2020	2019
Operating margin, %	0	35
AUM at the end of the period, SEK Bn	14.2	70.8
Net inflow (+) and outflow (-) during the period, SEK Bn	-51.9	-45.5
Of which Mutual Funds	0.0	29.0
Net inflow (+) and outflow (-) during the period, SEK Bn	-29.0	-4.1
Of which Systematic Funds	14.2	41.9
Net inflow (+) and outflow (-) during the period, SEK Bn	-22.9	-41.4
Number of employees at end of period	67	93

ASSETS UNDER MANAGEMENT

SEK Bn



- Mutual Funds
- Systematic Funds

STRONG INTEREST IN THE EUROPEAN PROPERTY MARKET FROM GLOBAL INVESTORS

Catella is a leading provider of advisory services in corporate finance in the European property sector. The company is distinguished by high-end advisory services based on local teams. With substantial expertise in investment banking, Catella can offer clients a successful mix of local market knowledge and access to international capital.

Catella Corporate Finance offers capital market services and professional strategic advisory specialising in complex transactions. The expertise and knowledge about their respective markets of the 17 local teams combined with pan-European reach gives the company high credibility as a partner, including in the largest transactions.

The main focus during the year was on nurturing existing markets and maintaining client presence. The Catella team has worked actively to leverage existing investment solutions that fit the needs of investors and to create new and innovative solutions.

Among the Nordic countries, Sweden stood out with the successful execution of several important transactions during the year. The long-term effort to retake market shares has borne fruit and the company is once again the market leader.

The other Nordic markets also built momentum, especially towards the end of the year, and demonstrated high activity after the slump in the first half.

Market conditions in the Baltics were challenging and financial performance was negative. France, which is Catella's largest market, delivered earnings only slightly below earnings in the preceding year. Growth in the residential property market was notably strong, accounting for about 60 percent of profit in 2020. In this area, Catella successfully took a market-leading position in several specific niches. Germany remains a strategically important market for Catella and the company plans to allocate additional resources to further strengthen the business. The UK experienced a steep decline in GDP driven by Brexit combined with global uncertainty in the industry. The situation is likely to affect the other markets in Europe, which could thus attract more capital from international investors.

Development was positive within Catella's Spanish operations although there was short-term impact on financial performance due to strategic personnel-related measures.

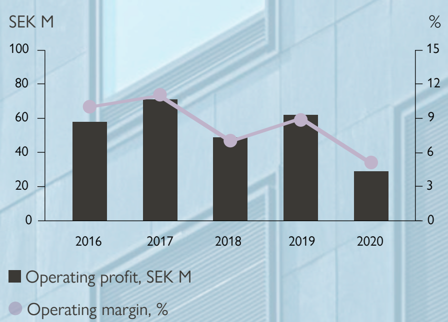
Catella's profit was reduced as a direct effect of the contraction in investment volume in the European market, but the company has successfully retained its market shares. Catella acted as an adviser in property transactions worth SEK 45 billion (70.2) in 2020. Total income for the year amounted to SEK 623 million (709), with operating profit of SEK 29 million (62).

There was a strategic shift in the advisory business in 2020 towards a higher share of buy-side transactions and over the next year Catella will also focus more on existing properties through forward funding.

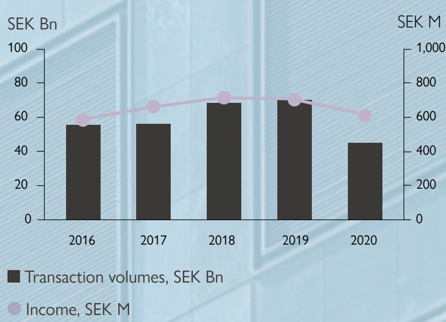
While maintaining its strong market position in professional advisory in relation to property transactions, the Nordic operations will be even more clearly positioned towards capital market services, including debt advisory.

In recent years, Catella has built up a strong and sustainable platform through collaboration across business area lines. This, combined with a more selective view on accepted assignments, will have positive impact on the company's advisory business.

GROWTH IN OPERATING PROFIT AND OPERATING MARGIN



GROWTH IN TRANSACTION VOLUMES AND TOTAL INCOME



HIGH TRANSACTION VOLUMES IN THE PROPERTY MARKET IN A CHALLENGING YEAR

The pandemic has affected the property market in several ways; notably, existing trends have been further accelerated, resulting in higher demand for stability and security.

Like so many others, the pandemic has had serious impact on the European property market. The global financial and fiscal policy actions taken in response to the crisis were of historic proportions. These led to further reductions in long rates, which heightened interest in property investments as fixed income funds and bonds showed negative returns in many cases.

Covid-19 accelerated existing megatrends, where the consequences of increased digitalisation in relation to remote working and online shopping have had profound effect. There has been a substantial increase in demand for data centres, logistics properties and healthcare, while the hard-hit hotel and retail property segments were under heavy pressure. On the other hand, there is still a great need for asset management services in the retail sector, where property is both a challenging area and an inspiring one.

In the office market, core properties with solid tenants were sold at record-high prices and contributed to rising prices in general, while vacancies rose moderately due to low leasing activity, reinforced by the health crisis. The residential property market benefited from higher interest in stable rental income and the previously noted upturn persisted in 2020.

The downturn in speculative transactions - vacant properties or assets in unattractive locations outside city centres - has had negative impact on pricing and transaction volumes. A large share of speculative deals were withdrawn from the market in France due to liquidity shortfalls, as it has been considerably more difficult to secure financing. There has been greater focus on debt as a natural result of the uncertainty of the past year, a trend that is likely to persist.

Development during the year thus proved better than feared when the pandemic hit hard in March and the property market was less affected by Covid-19 during the year than expected. Although liquidity shrank in all markets, this resulted in relatively high transaction volumes in many regions, despite all.

The Nordic property markets have demonstrated structural stability over the long term and demand from international investors with pan-Nordic strategies is expected to increase.

STABILITY IN DEMAND

Development projects have had strong impact on the industry in recent years. Long-term investors also began to move upstream in the value chain to create advantages by taking greater risks earlier in the project process. 2020 saw a return to sustainable assets and finished projects in politically stable regions like the Nordic countries and Continental Europe. It is clear that property is still considered an asset class with acceptable return at low or negative interest rates and that institutional capital is seeking core properties in a time of economic uncertainty.

EARNINGS REVIEW

SEK M	2020	2019
Nordics*	222	225
Continental Europe*	400	482
Total income	**623**	**709**
Assignment expenses and commissions	-75	-55
Operating expenses	-520	-592
Operating profit	**29**	**62**

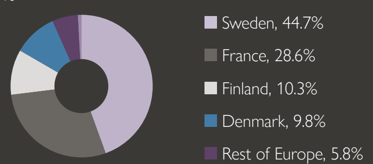
* Includes internal revenue between business areas. Internal revenues have been eliminated within the service segment for the current period and corresponding period in 2018.

KEY INDICATORS

	2020	2019
Operating margin, %	5	9
Property transaction volumes for the period, SEK Bn	45.0	70.2
Of which Nordics	29.3	27.1
Of which Continental Europe	15.7	43.1
Number of employees at end of period	208	214

CATELLA'S TRANSACTION VOLUMES BY COUNTRY

%



INCREASED VALUE CREATION IN PROPERTY INVESTMENT MANAGEMENT

Catella Property Investment Management offers attractive, risk-weighted returns via property funds and asset management services, as well as project management of property development projects. Property Investment Management is showing high organic growth with several successful acquisitions, but also divestments that contributed to performance-based fees and a higher profit margin during the year.

Operations in Catella Property Investment Management cover three service segments:

- Property Funds, where Catella offers competitive, high performance funds with a variety of investment strategies as to risk and yield levels, asset classes and locations.
- Catella Property Asset Management offers new alternative investment opportunities and asset management in the property segment with services across the entire value chain.
- Project Management provides leading-edge competence in the residential property and logistics segments and offers early-stage investments in property development projects. Catella also finances and runs certain building projects from the beginning to finished property.

PROGRESS DURING THE YEAR

2020 was the strongest year to date for Catella Property Investment Management, with high organic growth in the face of a challenging market. Assets under management in the business area grew by more than 200 percent in the last six years and amounted at year-end to nearly SEK 116 billion, even though several profitable sales closed in 2020.

The CRIM and CREAG property funds delivered a record year in 2020. The CRIM residential property fund business in particular had a vigorous inflow of new capital during the year, with about EUR 900 million in new acquisitions and EUR 150 million in divestments.

Both of the business area's new units stood out, Catella Hospitality Europe by winning two new mandates and increasing assets under management. Catella Logistic Europe, which was launched in 2018 with focus on logistics properties in early phases of development, continued to generate business and initiated three new projects during the year. Catella is thus in prime position in the value chain for logistics properties. The Luxembourg-based CER III fund, which concentrates on the European residential property market, had substantial capital inflow of about EUR 400 million in 2020. The company is also active in the early phase of the value chain in both residential property development in Germany and logistics property development in France, Spain and Germany.

Catella successfully grew its business in the retail segment by focusing on new investor segments, particularly Special Situations services for companies in crisis. Catella owns 75 percent of the British asset management firm APAM. Thanks to a very successful exit in Arlington Business Park, APAM was able to retain the business as the buyer chose to continue managing the property through Catella.

Project Management completed the sale of Grand Central after a somewhat longer process than expected. The transaction had a positive effect on profit after tax of about SEK 208 million in total.

FOCUS GOING FORWARD

The business area has strong potential to continue along the beaten path with good growth, higher volumes and special focus on Property Funds. Growth is further supported through co-investments, for example, in carefully selected expansion projects through the new Principal Investments business area.

Aimed at further increasing internal collaboration and synergies, the value chain has been expanded by means including the management of capital from Property Funds by Property Asset Management in several European countries.

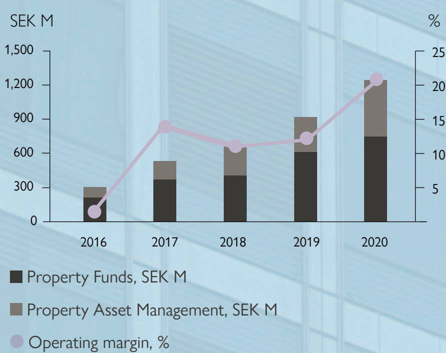
EARNINGS REVIEW

SEK M	2020	2019
Property Funds*	749	613
Property Asset Management*	493	306
Total income	**1,126**	**871**
Assignment expenses and commissions	-164	-189
Operating expenses	-723	-577
Operating profit	**239**	**104**

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

ASSETS UNDER MANAGEMENT

GROWTH IN TOTAL INCOME AND OPERATING PROFIT



PERSISTENTLY STRONG INTEREST IN PROPERTY INVESTMENTS

Despite a serious economic downturn combined with heightened global anxiety triggered by the pandemic, the European property markets proved to be relatively resilient in the face of crisis in 2020.

The property markets benefited from the trend during the year, as commercial properties were regarded as assets with the capacity to generate yield in periods of low or negative interest rates. In addition, the lowering of long-term interest forecasts entails lower future yields in the short term, which leads to successful exit strategies and higher valuations due to lower discount rates.

RESILIENT PROPERTY MARKET

The anxiety triggered by Covid-19 brought about a change in market preferences: investors' risk aversion rose, with a clear shift towards increased quality and stability in the form of core assets and public buildings. This was particularly apparent in the office market, where core properties with solid tenants were sold at record prices. The trends in remote working and office use over the last year, however, suggest a relatively uncertain office market ahead.

The increase in online shopping has had strong growth impact on logistics properties, which are recording higher capital inflows. With few existing products in the market, there is a wide demand gap that leaves room for new project development. Competition is fierce in the logistics property segment and yield is at a historical low, which may be a sign that all risk has not been priced in. Investors are also indicating much higher interest in the healthcare sector.

Retail has been showing a downward trend for some time, caused in part by growth in e-commerce. The pandemic and subsequent lockdowns in many countries have accelerated the crisis and the industry was hit by several large bankruptcies during the year. The hotel and restaurant sector has also been hit hard by the pandemic and it is likely to be some time before the business travel market recovers.

The residential property market benefited from demand for stable interest income and the previously noted upturn persisted in 2020. There is substantial appetite for residential property of all types.

New players have entered the market with focus on more defensive risk avoidance strategies ascribed to the high level of uncertainty. Although the number of available objects was low, investment volume approached and sometimes exceeded record levels in markets including France.

SUSTAINABILITY TAKES ON GREATER RELEVANCE

Interest in building sustainable cities and environments has not decreased due to the health crisis, and has instead grown among long-term institutional investors. ESG – Environmental, Social, Governance – is firmly established in the property industry and investors are increasingly imposing rigorous sustainability standards on property assets. Investment managers are using the international benchmarking tool GRESB to an increasing extent to evaluate the sustainability programmes of property companies, and there seems to be an expectation for companies to have signed the UN Principles for Responsible Investment (UNPRI). Institutional investors consider environmental sustainability one of the most pressing issues for the future and are seeking advantageous investment opportunities with high sustainability value.

A CHALLENGING YEAR FOR SYSTEMATIC FUNDS

The offering within Catella's Equity, Hedge and Fixed Income Funds business area runs from systematically managed, global macro strategies to local, actively managed funds through the now minority-owned Mutual Funds business, part of which was sold during the year. Operations are defined by a long-term approach based on fundamental values to generate good returns over time for its clients.

Catella's operations in Equity Hedge and Fixed Income Funds are divided into two service segments: Systematic Funds and Mutual Funds.

As an aspect of the current strategy to concentrate the business on property investments, Catella decided during the year to slim down Equity, Hedge and Fixed Income Funds. Catella sold 70 percent of Mutual Funds during the year in the form of Catella Fondförvaltning AB to Athanase Industrial Partners for cash consideration of SEK 140 million. In conjunction, Catella entered into a strategic partnership with the buyer aimed at further developing and enhancing the client offering.

SYSTEMATIC FUNDS INVESTS GLOBALLY

The Systematic Funds business is run through Informed Portfolio Management (IPM), a company in which Catella owns a 60.6 percent interest. IPM is a systematic investment manager known for its macro strategy that primarily attracts capital from institutional clients in the US, Europe and Asia. The investment process is entirely systematic and diversified in terms of strategies, asset classes and individual instruments. The funds invest globally, primarily in liquid securities in the currency, fixed income and equity markets.

THE PAST YEAR

Assets under management within Systematic Funds amounted to SEK 14.2 billion (41,9) at 31 December 2020 and income for the year amounted to SEK 375 million (576). The product performed below expectations in 2020 and the company is facing a very challenging 2021 on both the cost and management sides.

OUTFLOW FOR SEVERAL YEARS

2020 was a difficult year for Systematic Macro in several ways and the large outflows of assets under management at Systematic Funds continued during the year. This is due partially to persistent underperformance, although the majority of the outflow is attributable to a global shift away from systematic macro during a turbulent and unpredictable year. The fund's investments in highly liquid instruments make it easier for investors to withdraw capital to manage short-term liquidity shortfalls in times of crisis, which also occurred in 2020.

DEVELOPMENT OF SYSTEMATIC MACRO

Several changes were initiated in the Systematic Macro management model during the year, aimed at enabling higher returns to the fund's clients. The standards for the factors in the model were raised during the summer with regard to Systematic Macro, leading to the phase-out of some of the comparatively weaker factors. In parallel, Systematic Macro was expanded with a bond model. A commodities model was also added during the year that covers a wide group of commodities, both with relative and direction-based positions.

Catella is working actively to reduce costs to a more appropriate level and from this point of departure, the company is now moving towards greater concentration on creating new products for international investors with a global focus.

THE LOGISTICS PROPERTY IN NORRKÖPING

THE LOGISTICS VENTURE IN NORRKÖPING is a good example of how Catella is working with relevant partners and acting on trends on the property market.

Catella decided in 2020 to invest approximately SEK 500 million in developing a logistics property in the Municipality of Norrköping in partnership with the former owners of online retailer Royal Design. The goal is to develop logistics properties that include automated warehouse management processes through a joint venture, Infrahubs AB.

The first step of the partnership was to acquire a land parcel of 170,000 square metres in order to complete a logistics property of about 70,000 square metres. The property has been fully leased to Postnord TPL AB under a ten year lease.

Commenting on the deal, Catella Acting CEO Johan Claesson remarked: "The deal is to be seen from the perspective that Catella intends to create fund projects in areas including logistics properties. We see good opportunities in the logistics segment in terms of returns and future products for our clients."

GRAND CENTRAL

CATELLA IS KEEN TO INVEST in the early phase of projects where the concept and frameworks have been set in order to later divest the project and realise the profits before construction begins and the projects are completed. The Grand Central property development project in Düsseldorf, Germany is a good example.

The property is in an attractive location within walking distance of the central railway station and near several motorways, making Grand Central something of a "quiet space" in a new, urban and central district. Innovation and sustainability were in focus during the planning phase, along with appealing architecture and a high standard of living. The project was developed and managed by Catella's German subsidiary, Catella Project Management GmbH.

Through its associated company Nordic Seeding GmbH, Catella entered into an agreement to sell the property development project to German property developer Consus RE AG. The transaction closed in August 2020 and generated profit after tax during the third quarter of about SEK 208 million for the Catella Group.

SUSTAINABILITY REPORT

The Sustainability Report is prepared by the Board of Directors and covers the Parent Company, Catella AB (reg. no. 556079-1419) and all entities consolidated in Catella AB's consolidated accounts for 2020, as specified in Note 20. The Sustainability Report has been prepared in compliance with chapters 6 and 7 of the Swedish Annual Accounts Act.

There have been no material changes in the application of reporting principles or the scope of the report since the preceding year's Sustainability Report.

Catella has three material topics for the Group's sustainability programme in 2020:

- Responsible investment
- Prevention of corruption
- Employees

By further developing the assumption of responsibility in investment processes, Catella can contribute to sustainable development and mitigate the risks of negative impact in the areas of environment, human rights and social conditions. Working actively to prevent corruption within the framework of Catella's business is a question of upholding business ethics, but also a business-critical issue in order to be a responsible and trustworthy financial markets operator. Catella's efforts to offer an attractive workplace to skilled employees are critical to the success of the Group and thus a key sustainability area for the Company.

RESPONSIBLE INVESTMENT IN CATELLA'S FUND OPERATIONS

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

Catella believes an increased focus on sustainability contributes to the value growth of the funds by shedding light on risks and opportunities in the funds' holdings. Catella Fondförvaltning AB (Mutual Funds) and IPM Informed Portfolio Management AB (Systematic Funds) have already signed the six UN Principles for Responsible Investment (UNPRI). This forms part of the Company's efforts towards being a responsible investor and owner and is the foundation of Catella's sustainability work. Catella Real Estate AG (Property Funds) has drawn up internal guidelines for responsible investment.

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

Catella has started the work of making a Group-wide commitment to UNPRI.

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

SUSTAINABILITY IN THE INVESTMENT PROCESS

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

Catella's funds pursue the goal of sustainability, and actively seek to identify companies where sustainability is embedded in the business concept. The funds integrate sustainability in the investment process and exclude investments in sectors considered harmful to human health or the environment, such as tobacco, alcohol, commercial gambling operations, weapons and pornography. As regards fossil fuels, companies involved in coal production have been completely excluded. In addition, investments are made in companies in production and services only if they satisfy high sustainability standards.

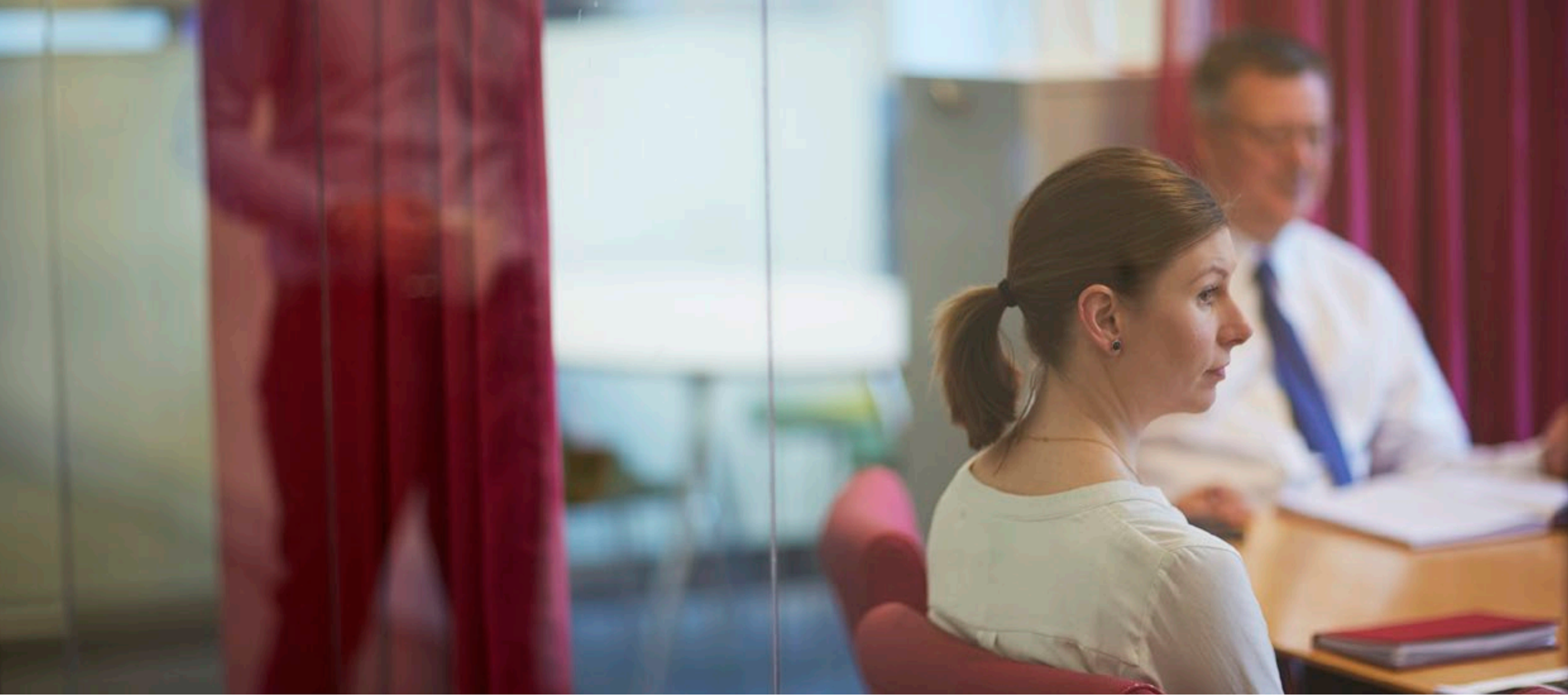
SUSTAINABILITY IN OWNERSHIP

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

One example is provided by Catella's active work with shareholder engagement within the framework of the Company's property funds in Germany, through Catella Real Estate AG. When a property is under management, and during the investment process, existing and potential tenants are analysed to ensure that tenants are not conducting business related to arms trading, military operations, nuclear reactors, certain pharmaceutical companies or companies that use child labour or commit abuses in the areas of equality, human rights or corruption.

PREVENTION OF CORRUPTION, MONEY LAUNDERING AND FINANCING OF TERRORISM

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



Catella's regulated operations have adopted the provisions of the supervisory authorities in each country and internal guidelines to prevent money laundering and financing of terrorism. These provisions are based on EU Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or financing of terrorism. Catella has implemented policies, procedures and processes and has trained its staff in order to detect any irregularities in the day-to-day course of business.

In support of these, Catella has implemented a Group-wide whistleblowing function that gives all employees a means to anonymously report serious misconduct that conflicts with Catella's values, business ethics, policies or legislation. The aims of this function include upholding good ethics and preventing irregularities and corruption within Catella for the benefit of the Company's employees, clients, suppliers and owners. No incidences of corruption were reported during the year.

COMPLIANCE

Several Group subsidiaries conduct operations that are regulated by the financial supervisory authority in their respective jurisdictions. The Boards of Directors of these subsidiaries have appointed risk management functions, compliance functions and internal Audit functions that report regularly to the Boards and Managing Directors concerning any irregularities, such as corruption. Equivalent functions also exist at Group level, which report to the Board of Directors and the CEO of Catella AB.

Catella works continuously to ensure compliance with current regulations and to prepare for compliance with forthcoming regulatory changes. If Catella does not achieve full compliance, this could entail sanctions or withdrawal of authorisation from a supervisory authority.

EMPLOYEES

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

566 EMPLOYEES IN 13 COUNTRIES

At the end of the reporting period, the number of employees in remaining operations, expressed as full-time equivalents (FTE), was 566 (582), of which 208 (214) were employed in the Corporate Finance operating segment, 340 (334) in the Asset Management operating segment and 18 (24) in other functions.

The number of employees in the disposal group held for sale (Banking) was 13 (68) at the end of the reporting period.

The total number of employees (FTE) was 579 (649) at the end of the reporting period.

COLLABORATION FOR INCREASED SYNERGIES

One of Catella's strategic focus areas is the internal development project "One Catella", where the objective is to identify strategies and synergies through increased knowledge transfer and collaboration between countries and business areas and facilitate a common pan-European perspective on investments and business opportunities.

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

INVESTING IN TALENT

Catella's employees are the bedrock of the business and attracting people with the right skills and values is of the utmost importance. Aimed at motivating and rewarding younger talents across Europe, Catella offers an annual Young Professional programme. The goal is to learn more about Catella during the joint event and actively participate in the group's business development work within the framework of One Catella.

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

During the year, the Group launched a Talent Management Program for employees who have been with the Group for a few years. Alongside Young Professionals, this program forms the foundation of Catella Academy.

EQUAL OPPORTUNITY AND DIVERSITY

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

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

Catella's diversity and equal opportunity policy and the Code of Conduct are key instruments to ensure that all employees of the Group conduct themselves in accordance with the Company's values.

Catella offers all employees an inclusive workplace where every individual is respected and has access to good working conditions, benefits and career opportunities, regardless of ethnicity, gender, sexual orientation, age, physical ability, family status, religious belief, experience or ideology.

WORK ENVIRONMENT

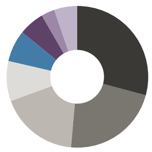
Catella strives to maintain an open and inspiring corporate culture. The Company's success is the result of joint efforts as individuals and through teamwork.

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

Catella seeks to encourage an open corporate culture where employees feel free to speak out concerning irregularities in the business. This is ensured by means including an annual group-wide employee survey. Catella has zero tolerance for all forms of bullying and harassment. Any action that thwarts personal development, violates the individual's well-being in some way, or can be interpreted as harassment, bullying or insult must be detected by the organisation or reported through the corporate whistleblowing function. One irregularity was reported through the whistleblowing function during the year. The matter has been followed up and addressed.

EMPLOYEES PER COUNTRY

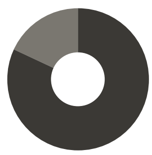
%



- Germany, 29 %
- Sweden, 22 %
- France, 18 %
- United Kingdom, 9 %
- Finland, 7 %
- Spain, 6 %
- Denmark, 3 %
- Other, 6 %

LEVEL OF EDUCATION

%



- University, 82 %
- Other education, 18 %

DECENTRALISED RECRUITMENT

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

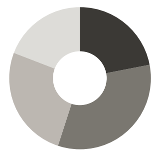
COMPENSATION SYSTEM THAT INCENTIVISES BUSINESS

Catella believes in using the right incentives to encourage good performance, proper conduct and balanced risk-taking in line with client and shareholder expectations. The variable remuneration structure is built around participation in the profit created at the organizational level where the employee works and can make a difference. The composition and size of variable remuneration is based on business logic, market and regulatory practice, the competitive situation and the employee's contribution to operations.

The variable remuneration system is based on a profit-sharing model at local level in the form of variable remuneration and/or risk-taking through part ownership. Catella's remuneration system creates a strong incentive to complete transactions that add value for clients. Because variable remuneration is based on local financial performance, this also incentivises cost control.

AGE DISTRIBUTION

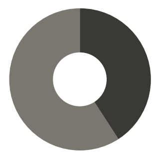
%



- <30 year, 22 %
- 31–40 year, 33 %
- 41–50 year, 26 %
- >50 year, 19 %

GENDER DISTRIBUTION

%

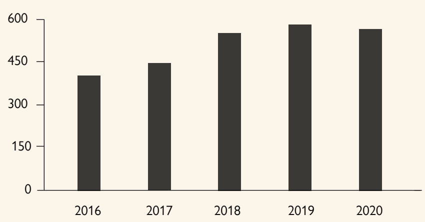


- Women, 41 %
- Men, 59 %

KEY FIGURES EMPLOYEES

	2020	2019
Number of employees at end of year	566	582
Avarage number of employees	577	581
Staff turnover, %	21	17
Proportion of women, %	41	41
Proportion with university education, %	82	79

NUMBER OF EMPLOYEES



Catella also has a warrants scheme for senior executives that is linked to Catella's share price performance.

ENVIRONMENTAL IMPACT

Catella has a relatively limited direct impact on the environment, although the Company strives to further minimise the environmental impact of the business in areas such as the use of natural resources, greenhouse gas emissions, raw materials and waste. The direct environmental impact is mainly related to energy consumption in offices, business travel and transport and the use of resources, such as paper consumption.

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

CONFLICTS OF INTEREST

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

UNPRI

In 2021, the Catella Group will commit to UNPRI with the aim of developing its sustainability work and adapt to coming regulatory changes which will contribute to the continued progress of operations.

Stockholm, Sweden, 21 April 2021

Jan Roxendal
Chairman of the Board

Tobias Alsborger
Board member

Johan Claesson
Board member

Johan Damne
Board member

Joachim Gahm
Board member

Anna Ramel
Board member

Christoffer Abramson
CEO

AUDITOR'S REVIEW OF THE STATUTORY SUSTAINABILITY REPORT

ASSIGNMENT AND RESPONSIBILITIES

The Board of Directors is responsible for the statutory Sustainability Report on pages 20–23 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

SCOPE AND FOCUS OF THE REVIEW

Our review has been carried out in accordance with FAR's auditing standard RevU 19 The Auditor's Review of the Statutory Sustainability Report. This means that our review of the Sustainability Report statement is different and substantially less in scope than an Audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the review has provided us with sufficient basis for our opinions.

OPINION

A Sustainability Report has been prepared.

Stockholm, Sweden, 21 April 2021
PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant

Shares and shareholders

Catella is listed on Nasdaq Stockholm in the Mid Cap segment. Class A and B shares are traded under the stock tickers CAT A and CAT B, respectively. Catella has about 9,000 shareholders. The Claesson & Anderzén Group is the largest shareholder.

THE CATELLA SHARE AND OWNERSHIP

Catella is listed on Nasdaq Stockholm in the Mid Cap segment. Class A and B shares are traded under the stock tickers CAT A and CAT B, respectively. Catella has about 9,000 shareholders. The Claesson & Anderzén Group is the largest shareholder.

Catella's market capitalisation at 31 December 2020 was SEK 2,399 million (2,278). Catella's share price (Class B) rose by 17 percent in 2020 from SEK 23.20 to SEK 27.10. This can be compared to the Stockholm All-Share Index, which increased by 13 percent.

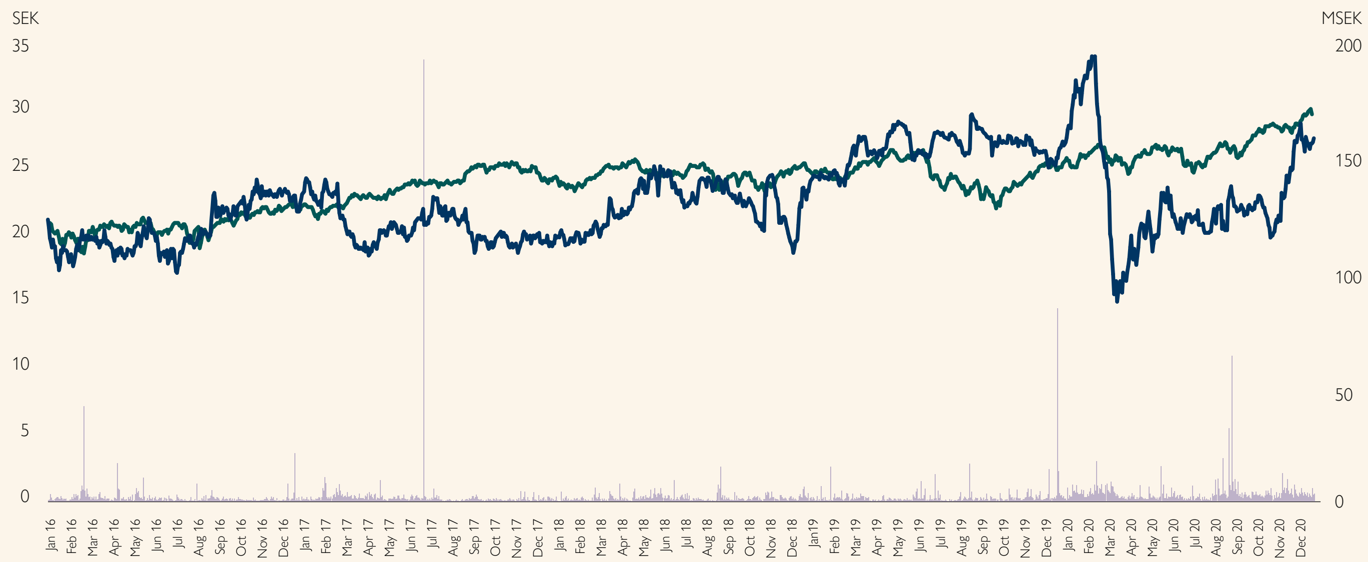
The price of Catella's Class B share varied during 2020 between SEK 14.70 and SEK 33.45 and average daily turnover was SEK 3,558 thousand, corresponding to 154,485 shares. Total turnover in 2020 amounted to SEK 897 million, corresponding to 38,930,175 shares.

SHARE CAPITAL

Registered share capital amounted at 31 December 2020 to SEK 177 million (173) distributed among 88,348,572 shares (86,281,905). The quotient value per share is SEK 2. Share capital is divided among two share classes that carry different voting rights: 2, 530,555 Class A shares that carry five votes per share, and 85,818,017 Class B shares that carry one vote per share.

An extraordinary general meeting resolved to issue warrants and 2,066,667 warrants were exercised in March 2020 to subscribe

FIVE-YEAR OVERVIEW OF CATELLA'S CLASS B SHARE



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

OWNER DISTRIBUTION OF EQUITY

AT 31 DECEMBER 2020

	Class A outstanding	Class B outstanding	Total equity
FINANCIAL ENTITIES	17,134	14,526,284	14,543,418
STATE AND MUNICIPAL SECTOR	976	23,436	24,412
SPECIAL INTEREST ORGANISATIONS	19,176	138,130	157,306
LEGAL PERSONS	1,351,714	48,254,316	49,606,030
FOREIGN-REGISTERED SHAREHOLDERS	500,257	9,955,433	10,455,690
SWEDISH PRIVATE INDIVIDUALS	641,298	12,673,070	13,314,368
Total	**2,530,555**	**85,570,669**	**88,101,224**

for an equal number of new shares at a price of SEK 7.40 per share. The new Class B shares were issued in April 2020 through registration with the Swedish Companies Registration Office (Bolagsverket) and entry in the share register kept by Euroclear.

At 31 December 2020 , the parent company had a total of 3,000,000 outstanding warrants, all of which were held in treasury. Upon full exercise of the 3,000,000 warrants, equity in the company will be diluted by 3.3 percent and voting rights by 3.0 percent.

No Class B shares were converted to Class A in 2020.

DIVIDEND

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

The Board of Directors intends to propose a total dividend of approximately SEK 80 million, the maximum permissible amount under the bond terms, corresponding to approximately SEK 0.90 per Class A and Class B share to shareholders for the financial year 2020. No dividends were distributed to the shareholders for the 2019 financial year for Class A or Class B shares.

SHAREHOLDERS

Catella had 8,972 (7,763) registered shareholders at the end of the reporting period. The largest individual shareholders at 31 December 2020 were the Claesson & Anderzén Group with a holding of 49.4 percent (48.6) of equity and 48.8 percent (48.0) of voting rights followed by SIX SIS AG, W8IMY with a holding of 2.7 percent (2.4) of equity and 3.6 percent (3.4) of voting rights.

The ten largest shareholders represented 71.8 percent (72.6) of equity and 71.3 percent (71.9) of voting rights at 31 December 2020. Foreign ownership amounted to 11.83 percent (63.1) of equity and 12.65 percent (63.1) of voting rights.

SHAREHOLDERS

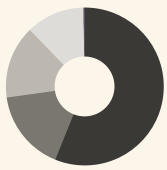
AT 31 DECEMBER 2020

Shareholders	Class A	Class B shares	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)	1,100,910	42,563,838	43,664,748	49.4%	48.8%
SIS AG, W8IMY	288,000	2,117,640	2,405,640	2.7%	3.6%
M2 Asset Management	128,936	2,901,079	3,030,015	3.4%	3.6%
Strawberry Capital	143,334	2,386,000	2,529,334	2.9%	3.2%
Avanza Pension	4,921	3,012,380	3,017,301	3.4%	3.1%
Nordnet Pension	10,822	2,363,481	2,374,303	2.7%	2.5%
Alcur Select	0	1,795,033	1,795,033	2.0%	1.8%
CMU/SECFIN Pooled Account	0	1,590,019	1,590,019	1.8%	1.6%
Nordea Investment Funds	0	1,538,929	1,538,929	1.7%	1.6%
Ålandsbanken representing owners	974	1,512,384	1,513,358	1.7%	1.5%
Other	852,658	24,037,234	24,889,892	28.2%	28.7%
Total	**2,530,555**	**85,818,017**	**88,348,572**	**100.0%**	**100.0%**

OWNER DISTRIBUTION OF EQUITY

AT 31 DEC 2020

%



- Foreign-registered shareholders 56.3%
- Swedish private individuals 16.5%
- Financial entities 15.1%
- Legal persons 11.9%
- Special interest organisations 0.2%
- State and municipal sector 0.0%

DISTRIBUTION OF SHARES

AT 31 DECEMBER 2020

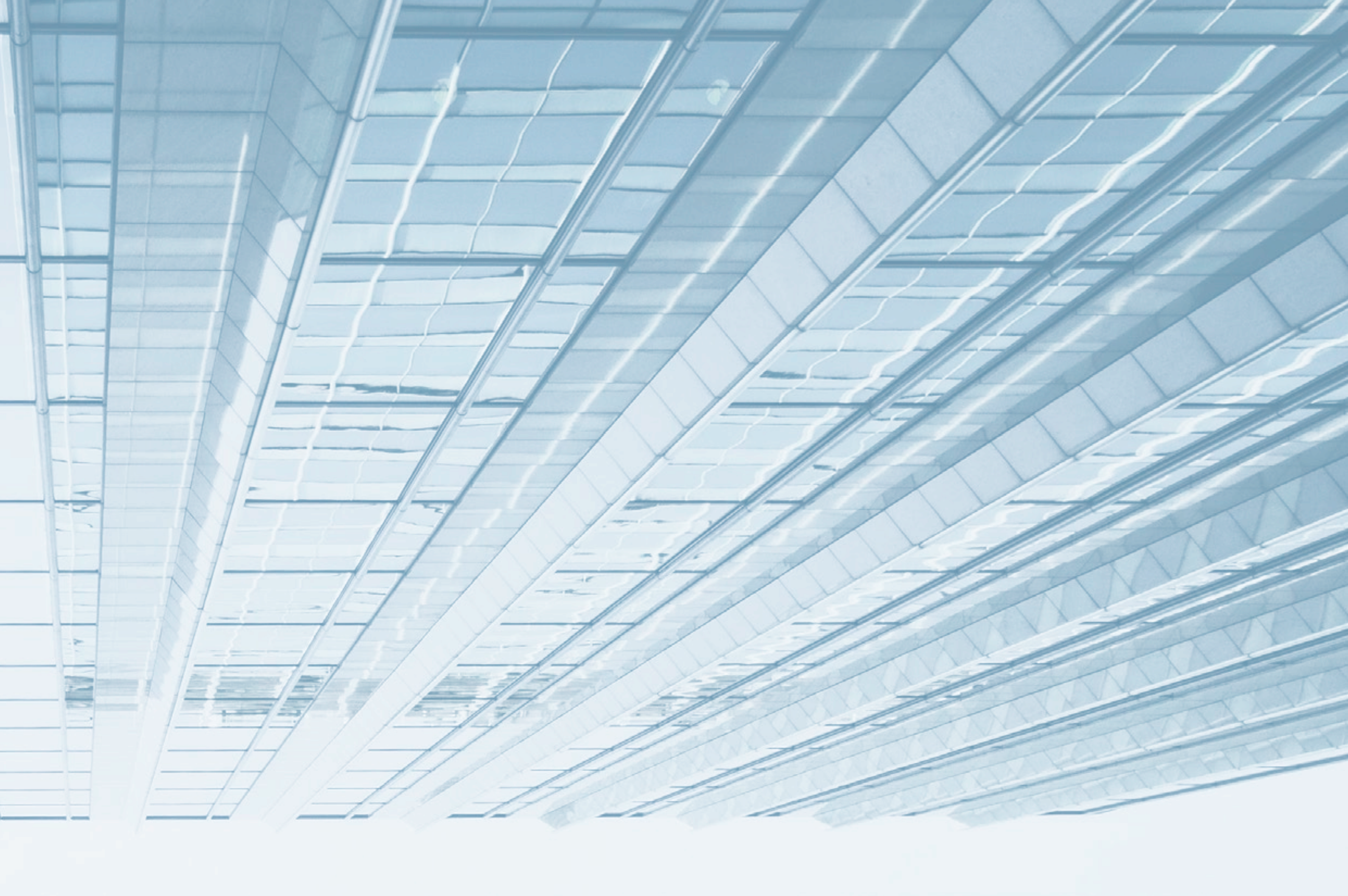
Shareholding	Number of shareholders	Number of Class A shares	Number of Class B shares	Equity, %	Votes, %
1 – 500	6,365	203,581	721,407	1.1%	1.8%
501 – 1,000	1,044	129,743	710,290	1.0%	1.4%
1,001 – 5,000	1,136	188,235	2,463,325	3.0%	3.5%
5,001 – 10,000	185	70,642	1,337,545	1.6%	1.7%
10,001 – 15,000	56	16,188	689,671	0.8%	0.8%
15,001 – 20,000	33	10,226	589,259	0.7%	0.7%
20,001 –	153	1,911,940	79,306,520	91.9%	90.3%
Total	**8,972**	**2,530,555**	**85,818,017**	**100.0%**	**100.0%**

SHARE OWNERSHIP AFTER FULL DILUTION

AT 31 DECEMBER 2020

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

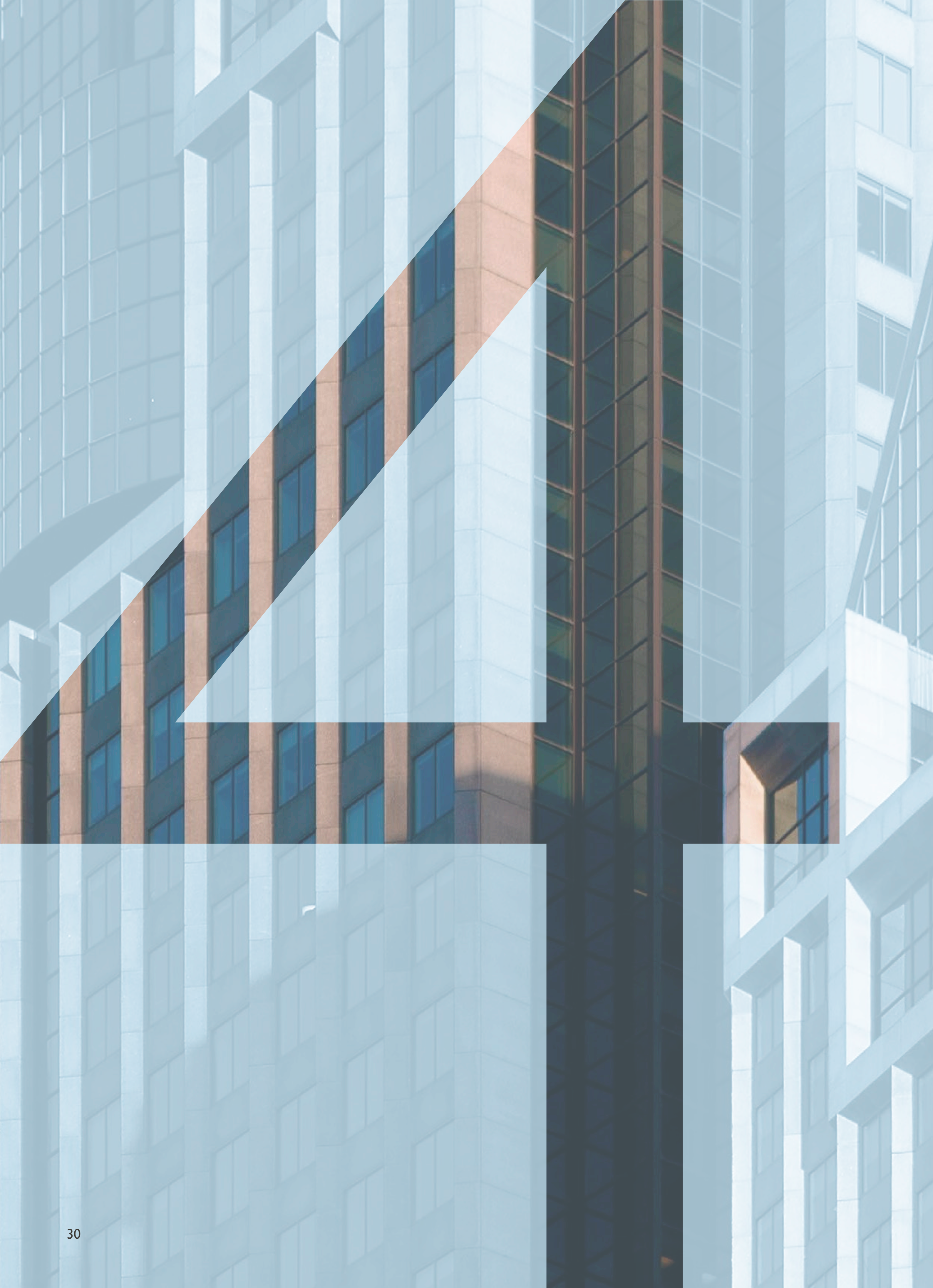
Warrant holders	Class A shares	Class B shares	Total	Equity, %	Votes, %
Claesson & Anderzén Group (and related parties)		1,766,667	1,766,667	2.0%	1.8%
Treasury		166,667	166,667	0.2%	0.2%
Other		400,000	400,000	0.5%	0.4%
Total		**2,333,334**	**2,333,334**	**2.6%**	**2.4%**
Total number of shares and warrants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



FIVE-YEAR SHARE DATA

	2020[1]	2019[1]	2018[1]	2017	2016
Class B share price					
Average price, SEK	23.04	25.83	22.36	20.65	22.82
Closing price for the year, SEK	27.10	26.35	23.20	19.80	22.90
High/Low, SEK	SEK 33.45/14.70	SEK 29.45/22.50	SEK 23.65/18.30	SEK 24.70/17.80	SEK 24.50/16.70
Earnings per share, SEK	1.41	0.79	1.50	2.35	3.32
Cash flow per share, SEK	6.88	2.13	-4.63	4.42	-2.54
Equity per share, SEK	13.33	12.19	11.17	23.73	21.13
Dividend per share, SEK	0.90[2]	0.00	1.20	1.00	0.80
Dividend yield, %	3.32	0.00	5.17	5.05	3.49
Market cap at year-end, SEK M	2,399	2,278	1,952	1,621	1,875
P/E	17.94	15.39	9.28	5.70	5.26
P/B	2.04	2.17	2.08	0.83	1.08
EV/EBITDA	4.24	4.27	4.44	0.44	2.19
Net liquidity(+) / net debt(–)	262	-72	275	1,428	1,271
Average weighted number of shares after dilution		88,382,173	88,663,683	88,648,572	88,775,608
Number of A shares	2,530,555	2,530,555	2,530,555	2,530,555	2,530,555
Number of B shares	85,818,017	83,751,350	81,584,683	79,318,017	79,318,017
Total number of shares	**88,348,572**	**86,281,905**	**84,115,238**	**81,848,572**	**81,848,572**
Newly issued shares	-2,066,667	2,166,667	2,266,666	0	120,000
Existing warrants	2,333,334	4,666,667	7,000,000	7,000,000	17,074,000
Newly issued(+) / expired(–) warrants(net)	666,666	-2,333,333	-2,333,333	0	-10,074,000
Total number of shares and warrants	**91,348,572**	**88,615,239**	**88,781,905**	**88,848,572**	**88,848,572**

[1] Continuing operations.
[2] Board of Directors' proposal for the 2020 financial year.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Corporate Governance

Catella AB (publ) is a public Swedish limited liability company whose registered office is in Stockholm, Sweden. Catella has been listed on Nasdaq Stockholm Mid Cap since 2016 and is governed by the Swedish Companies Act, the Swedish Corporate Governance Code and the rules and regulations of Nasdaq Stockholm.

CORPORATE GOVERNANCE REPORT

Catella AB (publ) is a public Swedish limited liability company whose registered office is in Stockholm, Sweden. Catella has been listed on Nasdaq Stockholm Mid Cap since 2016 and is governed by the Swedish Companies Act, the Swedish Corporate Governance Code and the rules and regulations of Nasdaq Stockholm.

Responsibility for management and control of operations in Catella and subsidiaries is allocated among the shareholders at the Annual General Meeting, the Board of Directors, the CEO, other senior executives and internal functions responsible for internal audit, compliance and risk management.

This responsibility proceeds from the Swedish Companies Act, the Articles of Association, the Swedish Corporate Governance Code, the rules and regulations of Nasdaq Stockholm and internal Rules of Procedure, policies and instructions. These provisions are applied and monitored by means of corporate reporting procedures and standards.

SHAREHOLDERS

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

The largest individual shareholders as of 31 December 2020 were the Claesson & Anderzén Group with 49.4% (48.6) of the capital and 48.8% (48.0) of the votes, followed by SIX SIS AG, with a holding of 2.7% (2.4) of the capital and 3.6% (3.4) of the votes. See "The Catella share and ownership" section for further information.

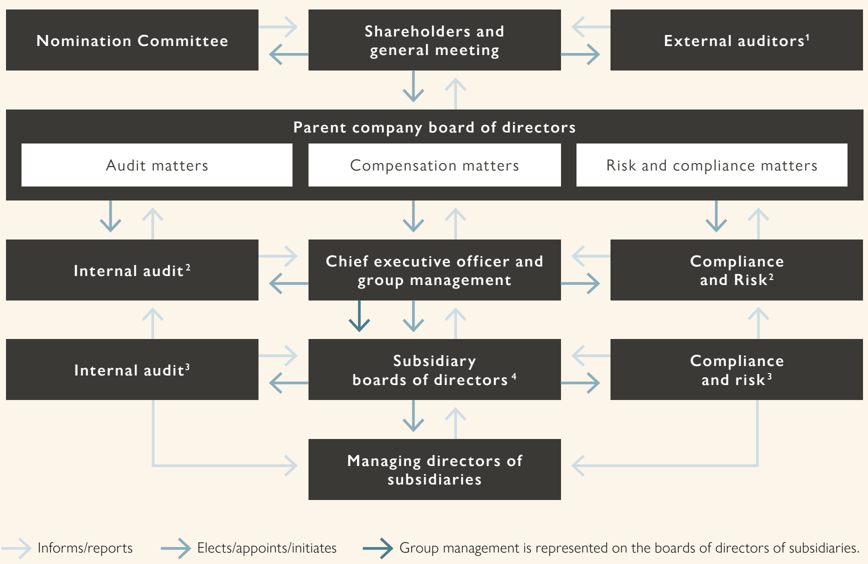
ANNUAL GENERAL MEETING 2020

The AGM, which is the Company's supreme governing body, gives all shareholders the opportunity to exert their influence. Amendments to the Articles of Association are subject to resolution by the AGM. The Articles of Association do not impose any limitation on the number of votes a shareholder may cast at the AGM. All shareholders are also entitled to vote at the AGM for the entire number of shares held.

The AGM was held on 26 May 2020 in Stockholm. The Board of Directors, Auditor and owners representing 49.1 percent of total voting interests participated in e AGM. Resolutions at the AGM included:

- Retained earnings and profit for the year to be carried forward and no dividend paid.
- Directors' fees totalling SEK 2,370,000 (2,370,000) to be paid, including SEK 570,000 (570,000) to the Chairman and SEK 350,000 (350,000) each to other Directors. The AGM also resolved to pay a fee of SEK 130,000 (130,000) to the Chairman of the Board's Audit Committee and SEK 100,000 (100,000) each to the other two committee members, as well as a fee to the Chairman of the Board's Remuneration Committee of SEK 40,000 (40,000) and SEK 30,000 (30,000) to the other committee member.
- Fees to the Auditor are payable in accordance with approved invoice.
- Johan Claesson, Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm were re-elected as Directors and Tobias Alsborger was elected as new Director. Jan Roxendal was elected Chairman of the Board.

CATELLA'S CORPORATE GOVERNANCE STRUCTURE



1) In addition to the Audit Report, the external Auditors also submit reports relating to the review of annual accounts, management and internal control of financial reporting to the Board and management in the Catella Group and its subsidiaries.

2) The internal audit, compliance and risk functions at Group level for Catella's consolidated financial situation.

3) The internal audit, compliance and risk functions are located in the subsidiaries that conduct operations subject to regulatory oversight.

4) The Boards of Directors of subsidiaries address issues relating to audit, remuneration, risk management and compliance in a commensurate manner as for the Parent Company's Board of Directors.

- PricewaterhouseCoopers AB was re-elected as the Company's Auditor with Daniel Algotsson as Auditor in
- Charge for a term ending at the close of the 2021 AGM.
- The Nomination Committee's proposed nomination principles for the 2021 AGM were endorsed.
- The Board of Directors' proposed guidelines for remuneration to senior executives were approved.

EXTRAORDINARY GENERAL MEETING

The EGM in Catella AB (publ) was held on 21 December 2020 where the following resolutions were made:

- Approve the introduction of an incentive program through the issue of a maximum of 3,000,000 warrants divided over two series; 2020/2024:A of 1,500,000 warrants and 2020/2025:B of 1,500,000 warrants The Company's CEO (former CFO) and other senior executives and key individuals are entitled to acquire warrants
- Approve the incentive programme in the subsidiary APAM Ltd through the issue of e-shares/growth shares.
- Approve the reduction of the statutory reserve for allocation to non-restricted equity.
- Approve the amendment of the Articles of Association.

NOMINATION COMMITTEE

The members of the Nomination Committee are appointed in a procedure where the Chairman of the Board contacts the three largest shareholders in terms of voting rights as of 30 September, each of which appoints one representative. These representatives, along with the Chairman of the Board, make up the Nomination Committee for the period until the next AGM. The Nomination Committee appoints a committee Chairman internally, who cannot be the Chairman of the Board. The composition of the Nomination Committee must be publicly announced immediately upon appointment and no later than six months before the AGM. The Nomination Committee's remit is to present proposals to the AGM concerning the number of Directors, Directors' and Auditor's fees, composition of the Board of Directors, Chairman of the Board, resolutions concerning the Nomination Committee, Chairman of the AGM and election of Auditors. The Nomination Committee's proposal is presented on Catella's website before the AGM. At the AGM, the Nomination Committee reports how its work has been conducted and presents its proposals and reasoning.

The members of the Nomination Committee ahead of the AGM are Eje Wictorson, appointed by CA Plusinvest AB and Chairman of the Nomination Committee; Jan Roxendal, Chairman of the Board of Catella AB (publ), Mia Arnhult, appointed by M2 Asset Management AB; and Kennet Andersen, appointed by Strawberry Capital AS. Three of the four members are independent in relation to the Company, management and major shareholders.

BOARD OF DIRECTORS

As resolved by the AGM, the Board of Directors shall be composed of six ordinary Directors and no deputies.

The AGM on 26 May 2020 resolved to re-elect Johan Claesson, Jan Roxendal, Johan Damne, Anna Ramel and Joachim Gahm as Directors, and to elect Tobias Alsborger as a new Director, for a term ending at the close of the next AGM. Johan Claesson was elected Chairman of the Board. Refer to the section "Board of Directors and Auditors" for further information about the Directors.

THE BOARD'S AREAS OF RESPONSIBILITY

The Board of Directors is responsible for the organisation and management of the Group in accordance with the Swedish Companies Act and also appoints the President and CEO, and the Audit and Remuneration Committees. The Board also decides pay and other remuneration to the President and CEO and other staff reporting directly to the CEO.

The Board adopted updated Rules of Procedure in May 2020, which include the establishment of the Audit and Remuneration Committees. The Board decided that the

ATTENDANCE AND REMUNERATION TO THE BOARD

	Elected	Independent company/owner	Attendance, board meetings	Attendance, audit committee meetings	Attendance, compensation committee	Fees in 2019, SEKk[1]
Jan Roxendal, Chairman of the board	2011	Yes / Yes	19/19	4/4	1/1	621
Johan Claesson	2008	No / No	18/19	2/4	1/1	500
Johan Damne	2014	No / No	18/19	2/4		408
Joachim Gahm	2014	Yes / Yes	19/19			350
Anna Ramel	2014	Yes / Yes	19/19	4/4		450
Tobias Alsborger	2020	Yes / Yes	10/19			204

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

Audit Committee will be composed of Jan Roxendal, Chairman, Johan Damne and Anna Ramel. The Board decided that the Remuneration Committee will be composed of the entire Board with Jon Roxendal as Chairman. The Board has also adopted an instruction for financial reporting, an instruction to the CEO and new and updated policies.

The Rules of Procedure regulate matters including the duties of the Chairman of the Board, the business to be addressed at every Board meeting and business to be addressed at particular times during the year.

The Board assures the quality of financial reporting through a series of Group policies, Rules of Procedure, frameworks, clear structures with defined areas of responsibility and documented powers.

THE WORK OF THE BOARD OF DIRECTORS IN 2020

The Board held 19 meetings (13) in 2020, of which 5 (3) were held by telephone. The interim CEO, Johan Claesson, reported to the Board but did not serve as a Director. Johan Claesson attended all Board meetings. In addition to ongoing operations, matters related to the development of the Property Investment Management and Banking business areas, strategy and operational coordination and risk and compliance issues were accorded particular focus during the year. The Chairman presided over the work of the Board of Directors and maintained continuous contact and dialogue with the Interim CEO. The Board met with the Auditors once to receive their opinions on the Company's financial reporting and internal control. An external lawyer recorded the minutes at all Board meetings in 2020. The minutes were verified by the Chairman and one Director. A review of the Board's work and resolutions during the year is presented below.

EVALUATION OF BOARD PERFORMANCE

The Chairman of the Board is responsible for evaluating the work of the Board through contacts with individual directors and has ensured that the assessments were provided to the Nomination Committee.

AUDIT COMMITTEE

The Committee supports the Board in its work to assure the quality of financial reporting and internal control over financial reporting.

Specifically, the Committee monitors financial reporting, the effectiveness of internal control, the activities of the internal audit function and the risk management system. The Audit Committee also keeps itself apprised concerning the statutory audit of the annual accounts. It will assess the independence of the external Auditor and services in addition to the audit will be subject to its approval.

The Committee will present its conclusions and proposals to the Board of Directors prior to its decisions. The Audit Committee held 4 (4) meetings in 2020. Catella's statutory auditors were present at all meetings.

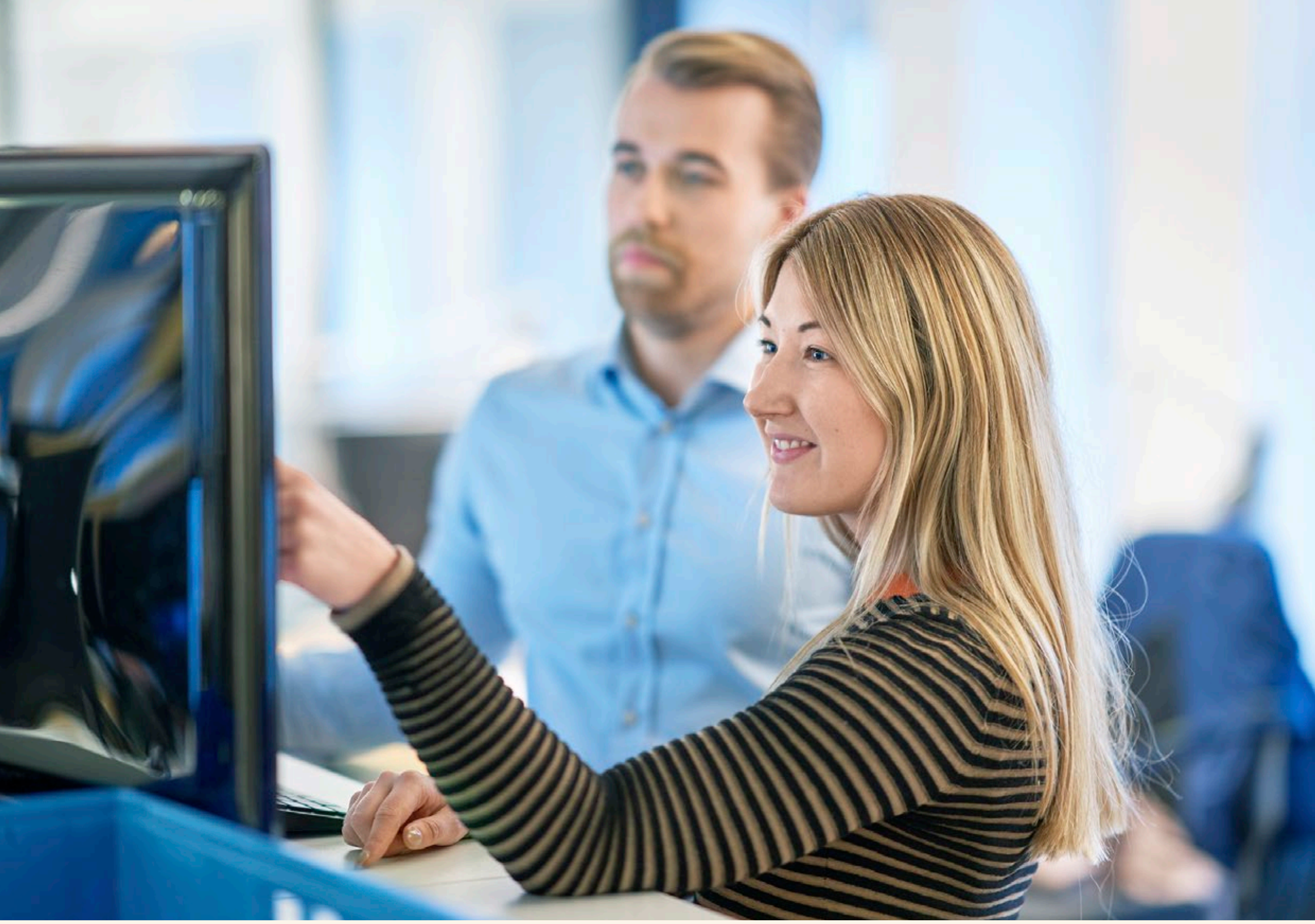
THE WORK OF THE AUDIT COMMITTEE IN 2020

- Internal and external Audit Reports for Q3 2020
- Risk Report for Q1 2020
- Risk Report for Q2 2020
- Risk Report for Q3 2020
- Compliance Report Q1 2020
- Compliance Report Q2 2020
- Compliance Report Q3 2020
- Review of Audit Committee Rules of Procedure
- Review and examination of ICLAAP
- Review of Group Compliance
- Review of Long Form Report
- Review of GDPR
- Review of IT & Security
- Evaluation of audit performance
- Updating and proposals on new policy documents
- Risk policy
- Implementation of DAC 6
- Review of forthcoming regulations
- Review of external Audit Report for 2020

REMUNERATION COMMITTEE

The remuneration committee deals with matters related to salary, variable remuneration, share-based incentive programmes and other forms of remuneration to members of Group management and to other management levels if the Board of directors so decides. The Committee will present its proposals to the Board of Directors prior to its decisions. The Committee held 1 (3) meetings in 2020.

The Board decided that the entire Board will comprise the Remuneration Committee and that no fees will be payable in 2020. Because the Remuneration Committee comprised the entire Board, the CEO has been responsible for reporting, but has not been involved in decision-making as the CEO is prohibited from being a member of the Remuneration Committee.



THE WORK OF THE BOARD OF DIRECTORS AND KEY DECISIONS IN 2020

QUARTER 1

- Year-end Report 2019
- Evaluation of remuneration matters prior to the AGM. Review of the Audit and evaluation of the Auditor's performance
- Review of internal audit and decision on internal audit plan for 2020
- Review of risk reporting and decision on risk plan for 2020
- Review of compliance and decision on compliance plan for 2020
- Evaluation of the CEO and other senior executives. Appointing the Interim CEO and Interim Chairman of Catella AB.

QUARTER 2

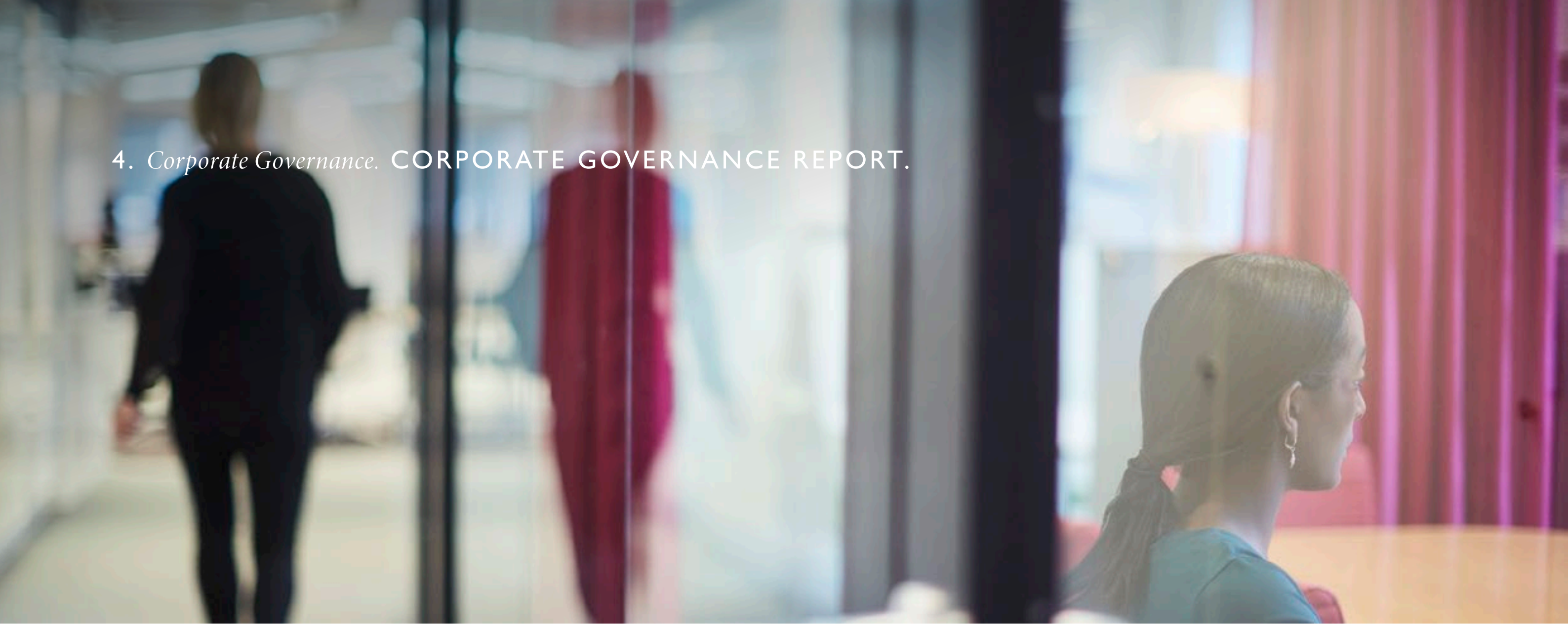
- Annual Report 2019
- Interim Report Q1 2020
- Review and decision on external audit plan for 2020
- Review of risk and compliance
- Q1 2020
- AGM 2020 via postal ballot
- Adoption of the Board's Rules of Procedure, instruction to the CEO and reporting instruction
- Adoption of Rules of Procedure for the Audit and Remuneration Committees
- Adoption of updated and new policies and guidelines for the Catella Group in 2020.
- Approve incentive scheme in APAM
- Final liquidation of Banking operations and return of the banking license to the supervisory authority
- Approve the divestment of shares (70%) in Catella Fondförvaltning
- Decision regarding investment in logistics property in Norrköping

QUARTER 3

- Interim report Q2 2020
- Review of risk and compliance Q2 2020
- Decision on EGM

QUARTER 4

- Interim report Q3 2020
- Review of risk and compliance Q3 2020
- Review of Audit Report, Q3 2020
- Adopt updated and new policy documents.
- Decision on budget for 2021
- Decision to acquire shares in Catella Residential Partners SAS
- Decision to convene EGM
- Decision to allocate new warrants



GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

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

Details of remuneration to the CEO and other senior executives are disclosed in Note 11 of the 2020 Annual Report.

SHARE-BASED INCENTIVE PROGRAM

As of 31 December 2020, Catella had a total of 3,000,000 warrants outstanding with an exercise date in 2024/2025. In the judgement of the Board of Directors, the incentive programme promotes the long-term financial interests of the Company because, through personal investment, senior executives will benefit from and work to ensure long-term share price appreciation. Further information is provided under The Catella share and ownership.

CEO AND GROUP MANAGEMENT

Group management has overall responsibility for operations within the Catella Group in accordance with the strategy and long-term objectives set by the Board of Directors of Catella AB.

The CEO leads and regularly convenes meetings with Heads of subsidiaries and other senior executives to discuss business conditions and other operational matters. The CEO has delegated decision authority to the Heads of subsidiaries by means including the Rules of Procedure for each subsidiary, but this does not relieve the CEO of his responsibility. To support this work, the CEO has appointed a Group management team and Heads of business areas for consultation on important matters. Group management is described in more detail in the Group management section.

EVALUATION OF THE CEO

The Board of Directors continuously evaluates the CEO's performance. This matter is addressed in particular at one Board meeting per year, at which no members of Group management are present.

AUDITING

The Auditor is appointed by the Annual General Meeting for a term of one year. According to the Articles of Association, Catella shall have at least one and no more than two Auditors and no more than two deputy Auditors. The Auditor and, where applicable, deputy Auditor, shall be an Authorised Public Accountant or registered audit firm. The 2020 AGM re-appointed the auditing firm of PricewaterhouseCoopers ab (PwC), with Authorised Public Accountant Daniel Algotsson serving as Auditor in Charge. The Company's external Auditors were present at all meetings of the Audit Committee. In addition to the audit, PwC performed a number of other assignments for Catella related to the divestment of the Swedish fund management operations and advice related to the strategic review of the Property Funds service area.

As resolved by the AGM, audit fees shall be paid to the Auditor in accordance with approved invoice. Fees paid to the Auditors for the 2020 financial year are specified in Note 8 of the 2020 Annual Report.

INTERNAL CONTROL

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

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

CONTROL ENVIRONMENT

The Board of Directors has adopted policy documents and instructions that govern the roles and allocation of responsibilities between the CEO and the Board of Directors. The Board of Directors monitors and assures the quality of internal control in accordance with the Board's Rules of Procedure. In addition, the Board has adopted a number of fundamental guidelines that govern risk management and internal control. These include risk assessment, mandatory control activities to manage the most material risks, an annual plan for internal control performance, self-assessment and reporting. The control environment within Catella encompasses these duties and policy documents, alongside applicable legislation and regulations. All employees are responsible for compliance with adopted policy documents.

RISK ASSESSMENT

Group management performs a comprehensive risk analysis each year, which identifies macroeconomic, strategic, operational, financial and compliance risks. Risks are evaluated based on estimated probability and impact as well as the effectiveness of established measures to manage the risks.

CONTROL ACTIVITIES

The structure of control activities is profoundly important to Catella's work to manage risks and ensure internal control. Control activities are linked to the Company's business processes and each unit ensures that control activities are executed in compliance with established standards.

INFORMATION AND COMMUNICATION

Guidelines, instructions and manuals pertinent to financial reporting are communicated to relevant employees via the Group intranet. The Board receives regular financial reports covering the Group's financial position and profit performance. The Company holds meetings at management level and at the level each unit considers appropriate. A corporate communications policy has been adopted by the Board of Directors concerning external disclosures, which was designed to ensure that the Company complies with requirements for disclosure of accurate information to the market.

MONITORING

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

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

INTERNAL CONTROL AND MONITORING IN THE CONSOLIDATED FINANCIAL SITUATION

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

In companies within the consolidated financial situation there are, for example, risk management, compliance and internal audit functions that are independent of business operations and report to the respective subsidiary's Managing Director, directly to the Board and to the Heads of each function in the Group's consolidated financial situation. Group management is represented on the Boards of subsidiaries and these representatives report to the Board of the Parent Company. Subsidiary Boards also include independent Directors.

WHISTLEBLOWING COMMITTEE

A corporate whistleblowing function was appointed during the year, giving all employees a means to anonymously report serious irregularities that conflict with Catella's values, business ethics, policies or the law. The purposes of this function include upholding good ethics and preventing irregularities within Catella to the benefit of the Company's employees, clients, suppliers and owners. One case was reported to Catella's whistleblowing function in 2020. The matter has been followed up and addressed.

COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE

As a Swedish limited liability company listed on Nasdaq Stockholm, Catella has been required to follow the Swedish Corporate Governance Code (the Code) since 19 December 2016. Catella is obliged to follow the Code's principle of "comply or explain" and has not deviated from the Code in 2020.

BOARD OF DIRECTORS AND AUDITORS

Jan Roxendal

CHAIRMAN

Born 1953
Director of Catella AB since 2011

OTHER CURRENT ASSIGNMENTS: Chairman of the Second Swedish National Pension Fund (AP fonden). Director of Magnolia Bostad AB.

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

EDUCATION: Higher public education in banking.

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

WARRANTS (DEC 2020): None

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

OWNERSHIP: Private.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes

INDEPENDENT OF MAJOR SHAREHOLDERS: Yes

Tobias Alsborger

DIRECTOR

Born 1976
Director of Catella AB since 2020

OTHER CURRENT ASSIGNMENTS: Director of Suburban Industrial Properties AB. Director of Pulsen Fastigheter AB, Enstar AB, Gale Holding AB and Terrace Holding AB.

BACKGROUND: Independent investor and entrepreneur. Partner and member of executive management of NREP. Various positions with DTZ (Cushman & Wakefield).

EDUCATION: MSC., property and finance.

SHAREHOLDING: 22,000.

WARRANTS: None.

OWNERSHIP: Through companies.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes

INDEPENDENT OF MAJOR SHAREHOLDERS: Yes

Johan Claesson

DIRECTOR

Born 1951
Acting CEO of Catella AB since May 2020.
Director of Catella AB since 2008

OTHER CURRENT ASSIGNMENTS: Chairman of Claesson & Anderzén AB and directorships in other companies in the Catella Group. Chairman of Apodemus AB. CEO and director of Bellvi Förvaltnings AB and Johan och Marianne Claesson AB. Director of Fastighetsaktiebolaget BREMIA, Alufab PLC LTD, K3Business Technology Group PLC and Leeds Group PLC.

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

EDUCATION: MBA

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

WARRANTS (DEC 2020): None.

OWNERSHIP: Private and via companies.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: No

INDEPENDENT OF MAJOR SHAREHOLDERS: No

Johan Damne

DIRECTOR

Born 1963
Director of Catella AB since 2014

OTHER CURRENT ASSIGNMENTS: CEO of Claesson & Anderzén Aktiebolag, board assignments as chairman or director and CEO assignments in wholly or partially owned companies within the Claesson & Anderzén group. Director of Arise AB (publ).

BACKGROUND: CEO of Claesson & Anderzén AB.

EDUCATION: MBA

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

WARRANTS (DEC 2020): None

OWNERSHIP: Private.

INDEPENDENT OF THE COMPANY AND MANAGEMENT: No

INDEPENDENT OF MAJOR SHAREHOLDERS: No

Joachim Gahm

DIRECTOR

Born 1964
Director of Catella AB since 2014

OTHER CURRENT ASSIGNMENTS: Director of Arise AB and Odin Fastigheter AB. Director of Catella Fondförvaltning AB, Tryggkredit AB and Municipal Councillor, Danderyd, Sweden.

BACKGROUND: Former PRESIDENT of Öhman Investment AB.

EDUCATION: MBA

SHAREHOLDING (DEC 2020): None

WARRANTS (DEC 2020): None

OWNERSHIP: –

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes

INDEPENDENT OF MAJOR SHAREHOLDERS: Yes

Anna Ramel

DIRECTOR

Born 1963
Director of Catella AB since 2014

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

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

EDUCATION: LL M (Master of Laws).

SHAREHOLDING (DEC 2020): None

WARRANTS (DEC 2020): None

OWNERSHIP: –

INDEPENDENT OF THE COMPANY AND MANAGEMENT: Yes

INDEPENDENT OF MAJOR SHAREHOLDERS: Yes

Daniel Algotsson

AUDITOR

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

OTHER AUDIT ASSIGNMENTS: Altor, Baseload, FCG Fonder and Proventus

SHAREHOLDING (DEC 2020): None

WARRANTS (DEC 2020): None

OWNERSHIP: –

GROUP MANAGEMENT 2020

Johan Claesson

ACTING CEO

Born 1951.
Acting CEO of Catella AB since May 2020 and director since 2008.

OTHER CURRENT ASSIGNMENTS: Chairman of Claesson & Anderzén AB and directorships in other companies in the group, chairman of Apodemus AB. CEO and director of Bellvi Förvaltnings AB and Johan och Marianne Claesson AB. Director of Fastighetsaktiebolaget Bremia, K3Business Technology Group PLC and Leeds Group PLC.

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

EDUCATION: MBA

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

WARRANTS (DEC 2020): None.

Christoffer Abramson

CHIEF FINANCIAL OFFICER

Born 1970.
CFO of Catella AB and member of group management since October 2020.

BACKGROUND: Prior to joining Catella, CFO of EF Real Estate Holdings in Boston and former CFO of GE Real Estate in London. Former Operating Executive in several private equity funds, including Cerberus Capital Management and Gores Group.

EDUCATION: MSC, Stockholm School of Economics

SHAREHOLDING (DEC 2020): None.

WARRANTS (DEC 2020): None.

Stockholm, Sweden, 21 April 2021

Jan Roxendal

CHAIRMAN OF THE BOARD

Tobias Alsborger

BOARD MEMBER

Johan Claesson

BOARD MEMBER

Johan Damne

BOARD MEMBER

Joachim Gahm

BOARD MEMBER

Anna Ramel

BOARD MEMBER

Christoffer Abramson

CHIEF EXECUTIVE OFFICER

AUDITOR'S OPINION ON THECORPORATE GOVERNANCE REPORT

Till bolagstämman i Catella AB (publ), org nr 556079-1419

To the Annual General Meeting of Catella AB (publ), corporate identity number 556079-1419.

ASSIGNMENT AND RESPONSIBILITIES

The Board of Directors is responsible for the Corporate Governance Report for the 2020 financial year on pages 31–41 and for its preparation in accordance with the Annual Accounts Act.

SCOPE AND ORIENTATION OF THE REVIEW

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

OPINIONS

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

Stockholm, Sweden, 21 April 2021
PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant

Financial statements

Catella – Annual Report 2020

Catella Annual Report 2020

Notes on the Consolidated Accounts:

Board of Directors' Report

The Board of Directors and the Chief Executive Officer of Catella AB (publ), corporate identity number 556079-1419, hereby present the Annual Accounts and Consolidated Accounts for the financial year 2020. The results of operations of the Group and Parent Company are presented in the following Income Statements, Balance Sheets, Cash Flow Statements, Statements of Changes in Equity and Notes.

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

INFORMATION ON OPERATIONS

Catella is a leading specialist in property advisory services, property investments and mutual funds with operations in 13 countries. The Group ("Catella") manages assets totalling some SEK 130 Bn. Operations are conducted in the Corporate Finance and Asset Management operating segments.

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

In Asset Management, operations are divided into three business areas. Catella deals with all phases of value creation in property through its ***Property Investment Management*** business area, from identifying projects and acquisitions to financing, strategic management, and finally, exit. Investing services are provided on assignment by financial institutions, pension funds, property funds and other property owners. Catella also creates value in proprietary open, specialised property funds on assignment by institutional investors, and in property-related development projects. Operations are conducted in the Baltics, Denmark, Finland, France, Luxembourg, Norway, Spain, Sweden, Germany, the Netherlands and the UK. In ***Equity, Hedge and Fixed Income Funds*** Catella provides fund management in two service areas; Systematic Funds offers systematic management to institutional investors with a global focus; Mutual Funds offers active management with a Nordic investment focus to private and institutional investors. In 2020, Mutual Funds was divested to Athanase Industrial Partners although Catella retains a 30 percent holding in the operations.

The Asset Management business segment also includes the **Banking** business area which was divested in 2019 and the beginning of 2020. From 30 September 2018, the Banking business area is reported as a *disposal group held for sale* in accordance with IFRS 5. This means that in the Consolidated Income Statement net profit (after tax) for Banking is reported on a separate line under Net profit from disposal group held for sale. Comparative figures for previous years have been reported in a corresponding manner in the Consolidated Income Statement. In the Consolidated Statement of Financial Position, Banking's assets and liabilities are reported separately from other assets and liabilities on separate lines under Assets in divestment group held for sale and Liabilities in divestment group held for sale respectively.

Catella also manages loan portfolios comprising securitised European loans with primary exposure to housing.

The Group consists of Parent Company Catella AB (publ) (the "Parent Company") and several independent but closely collaborating subsidiaries with their own Boards.

OWNERSHIP STRUCTURE

Catella AB (publ) has its registered office in Stockholm, Sweden, and has been listed on NASDAQ Stockholm's Mid Cap segment since December 2016, and previously on First North Premier on NASDAQ Stockholm since 2011. Catella's largest shareholder, accounting for at least one-tenth (1/10) of the shares/votes at the end of the financial year was the Claesson & Anderzén Group (and related parties) with 49.4% (48.6) of the share capital and 48.8% (48.0) of the votes, followed by SIX SIS AG with a holding of 2.7% (2.4) of the equity and 3.6% (3.4) of the votes. The third largest shareholder was M2 Asset Management AB with 3.4% (3.8) of the capital and 3.6% (3.9) of votes. Catella's ten largest shareholders jointly held 71.8% (72.6) of the share capital and 71.3% (71.9) of the votes as of 31 December 2020. There is more on ownership structure in the section on the Catella share and owners.

OVERVIEW OF EARNINGS, FINANCIAL POSITION AND CASH FLOW

Progress of the Group—five-year summary

SEK M	2020	2019	2018	2017	2016
Net sales	2 047	2 353	2 159	1 998	1 597
Operating profit/loss	393	422	352	412	280
Financial items—net	-109	-138	-15	34	16
Profit/loss before tax	285	284	337	446	296
Net profit for the year from continuing operations	**134**	**148**	**210**	**337**	**226**
Net profit/loss for the year from divestment group held for sale	**-60**	**45**	**-238**	**-53**	**130**
Net profit for the year	**74**	**193**	**-28**	**284**	**357**
Average no. of employees	**577**	**581**	**539**	**629**	**588**

SEK M	2020	2019	2018	2017	2016
Equity	1 797	1 736	1 647	1 943	1 730
Total assets	4 233	4 057	7 009	6 396	5 651
Equity/Asset ratio %	42	43	24	30	31

SEK M	2020	2019	2018	2017	2016
Cash flow from operating activities	165	-1 834	344	297	-137
Cash flow from investing activities	44	148	-479	-74	55
Cash flow from financing activities	315	-245	89	139	-126
Cash flow for the year	**524**	**-1 931**	**-45**	**362**	**-208**

The Group's net sales figures for remaining operations totalled SEK 2,047 M (2,353), a decrease of 13% year on year. A majority of the decrease was derived from the Equity, Hedge and Fixed Income Funds business area, where net sales more than halved in 2020. Corporate Finance's income also decreased slightly while Property Investment Management had a strong year.

Other operating income amounted to SEK 265 M (67) of which SEK 196 M (25) relates to income from shares in associated companies. A majority of this income relates to the divestment of the property development project Grand Central. Furthermore, performance-based income of SEK 33 M is included in Other operating income, which is derived from exiting a mandate in the Property Asset Management service area in the UK. Operating profit for the Group's remaining operations was SEK 393 M (422).

The Group's net financial income and expense was SEK -109 M (-138), of which interest income was SEK 6 M (13) and interest expenses SEK 47 M (49). The valuation of long-term securities holdings and short-term investments at fair value resulted in a value adjustment of SEK -37 M (-86), which part related to the loan portfolios Pastor 4 and Pastor 2. Net financial income/expense also includes loss from the divestment of shares in Catella Fondförvaltning (Mutual Funds) of SEK -9 M and negative exchange rate differences of SEK -20 M (-1).

The Group's operating profit before tax for remaining operations was SEK 285 M (284).

The tax expense for the year for remaining operations was SEK 151 M (135), corresponding to effective tax of 53% (48). The high tax expense was mainly due to limited opportunities for tax offset between various Group operations. In 2020, Catella took the initiative to reduce corporation tax in Property Funds in Germany from 2021 onwards.

The year's operating profit after tax for remaining operations was SEK 134 M (148). Profit for the year after tax from disposal group held for sale was SEK -60 M (45) and related to the Banking business area.

Profit for the year for the Group's total operations was SEK 74 M (193), of which SEK 65 M (113) was attributable to Parent Company shareholders.

During 2020, consolidated equity increased by SEK 61 M, amounting to SEK 1,797 M as of 31 December 2020. Consolidated equity was also driven by profit in the year of SEK 74 M, negative exchange rate differences of SEK 36 M, and by positive fair value changes in financial assets, recorded in 'Other' total profit of SEK 47 M. Dividends to non-controlling holdings amounted to SEK 60 M. No dividends were paid to the Parent Company shareholders. Other transactions with non-controlling interests totalled SEK 22 M and mainly related to share in profit for the year. Other items that affected Group equity are a new issue of SEK 15 M and repurchasing of warrants issued of SEK -1 M. As of 31 December 2020, the Group's equity/assets ratio was 42% (43% as of 31 December 2019).

During 2020, total assets increased by SEK 176 M, amounting to SEK 4,233 M as of 31 December 2020. The termination of operations in Catella Bank decreased total assets in the Banking business area while principal investments in property development projects increased the Group's total assets. In connection with the divestment of the majority stake in Catella Fondförvaltning, the Group's goodwill decreased by SEK 118 M.

Consolidated cash flow from operating activities before changes in working capital amounted to SEK 154 M (71), of which SEK 237 M was attributable to remaining operations and SEK -83 M to the Banking operations. Tax paid amounted to SEK 84 M (277) in the year.

Consolidated cash flow from operating activities was SEK 165 M (- 1,834), of which changes in working capital comprised SEK 11 M (-1,905) in the period. Of the changes in working capital, SEK 140 M (224) was attributable to remaining operations and SEK -129 M (-2,129) to banking operations. The sharp decrease in the bank's working capital in the previous year was due to transfers of the Wealth Management operations in Luxembourg and Sweden.

Cash flow from investing activities was SEK 44 M (148) and includes dividends from associated companies and purchase consideration for divested shares in subsidiaries of SEK 179 M and SEK 76 M respectively. The additional purchase consideration from Advanzia Bank relating to the transfer of the Bank's card operations was paid in, amounting to SEK 128 M after deductions for commission expenses. Investments through Kaktus and Infrahubs Fastighet 2 totalled SEK 320 M and terminated currency forward contracts generated inflows of SEK 37 M in the year.

Cash flow from financing activities amounted to SEK 315 M (-245), of which Covid-19 loans raised by the Group's French and Spanish subsidiaries with government-guaranteed credit institutes and at advantageous terms, totalled SEK 102 M and loans raised for the Kaktus and Infrahubs Fastighet 2 property development projects were SEK 319 M. Amortisation of lease liabilities totalled SEK 58 M and dividend to non-controlling holdings was SEK 60 M. Cash flow from financing activities also included payment received of SEK 15 M from warrant holders for the subscription of new Class B shares in Catella AB, and a payment of SEK 1 M relating to the re-purchase of warrants.

Cash flow for the period amounted to SEK 524 M (-1,931), of which cash flow from remaining operations was SEK 608 M (184) and cash flow from disposal group held for sale was SEK -84 M (- 2,115).

Performance of operating segments—two-year summary

	Corporate Finance		Asset Management	
SEK M	**2020**	**2019**	**2020**	**2019**
Total income	623	709	1 501	1 689
Direct assigment costs and commission	-75	-55	-229	-324
Income excl. direct assignment costs & commission	548	653	1 273	1 365
Operating expenses	-520	-592	-1 032	-973
Operating profit/loss	29	62	240	392
Financial items—net	-7	-9	-21	-31
Profit/loss before tax	21	52	219	361
Tax	-21	-29	-60	-107
Net profit for the year from continuing operations	**0**	**23**	**159**	**253**
Net profit/loss for the year from divestment group held for sale	**-**	**-**	**-60**	**44**
Net profit for the year	**0**	**23**	**100**	**298**

SEK M	**2020**	**2019**	**2020**	**2019**
Equity	133	83	1 491	1 727
Total assets	547	536	2 223	2 736
Equity/Asset ratio %	24	15	67	63

Corporate Finance

2020 was a volatile year on the transaction market, largely as a result of the pandemic. Global investments in Europe fell sharply in the second quarter, to recover in the second half-year. Catella actively worked to retain and increase its market share. Catella's transaction volumes in 2020 totalled SEK 45.0 bn (70.2). The operating segment recognised net sales of SEK 618 M (704) and total income was SEK 623 M (709). Sweden stood out with an increase in sales and profit, while year-on-year profit decreased in other units. Germany remains the biggest challenge, and Catella has introduced new Group-wide measures to strengthen Catella's position on Europe's largest property market.

Asset Management

Asset Management recognised net sales of SEK 1,438 M (1,660) and total income was SEK 1,501 M (1,689). The sales decrease is attributable to the Equity, Hedge and Fixed Income Funds business area in its entirety, where the Systematic Funds service area experienced major outflows of assets under management mainly due to market rotation away from this segment and relatively weak management for a longer period. The Mutual Funds service area was divested in September 2020. The Property Investment Management business area reported stable operating profit in the year and continued strong inflows of assets under management, mainly in Property Asset Management operations in the UK and Property Funds in Germany. The largest income and profit contribution was generated by the Project Management operations in Germany, in connection with the divestment of the property development project Grand Central. The operating segment's assets under management, adjusted for Mutual Funds, decreased by SEK 12.4 Bn in the year, totalling SEK 129.9 Bn at the end of the year.

IMPAIRMENT TESTING

During the year, Catella conducted impairment tests on assets with indefinite useful lives based on carrying amounts as of 30 September 2020. Catella's assets with indefinite useful lives consist of goodwill and brands, with a reported value of SEK 318 M (464) and SEK 50 M (50) respectively. The impairment test is calculated on estimated future cash flows based on budgets and forecasts and approved by management and the Board of Directors. The impairment indicated a need for goodwill impairment of SEK 8 M attributable to the Property Investment Management business area. In addition, acquisition-related intangible assets, such as IT systems attributable to Systematic Funds, have been impaired by SEK 3 M. Impairment totalling SEK 11 M (7) is reported as Depreciation and amortisation in the Consolidated Income Statement.

INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2020, the Group completed investments totalling SEK 102 M (140). Of this amount, SEK 7 M (16) were investments in intangible assets and SEK 16 M (5) were investments in property, plant and equipment. Additional investments and new investments in subsidiaries were SEK 3 M (16), of which SEK 3 M (3) related to acquisitions of shares from non-controlling holdings. Furthermore, SEK 38 M (34) was invested in associated companies. Additionally, SEK 23 M (33) was invested in funds managed by IPM, and SEK 15 M (36) was invested in other operational holdings that are not associated companies. Amortization, depreciation and impairment of assets not constituting contract assets (IFRS 16 Leases) amounted to SEK 53 M (68) in the financial year.

FINANCING

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

Financing is also conditional on a minimum Group equity requirement of SEK 800 M at any time. Otherwise, there are no restrictions on dividend. Annual dividend to Parent Company shareholders is subject to a maximum of SEK 80 M or 60 percent of profit for the year attributable to Parent Company shareholders. These covenants were satisfied in the year and as of 31 December 2020.

In March 2021, Catella AB issued a new unsecured bond totalling SEK 1,250 M with a term of 4 years. The new bond loan accrues floating-rate interest at 3-month Stibor plus 475 b.p. At the same time, the existing bond was repurchased and redeemed at a price of 101.3 percent of the nominal amount. The new bond will be listed on NASDAQ Stockholm.

As a result of Covid-19, and the negative financial impact the pandemic is having on a majority of businesses, the Group's French and Spanish subsidiaries have been granted government-guaranteed loans from credit institutions on favourable terms. As of 31 December 2020, these loans totalled SEK 99 M (-).

The Group also has an overdraft facility of SEK 30 M (30), of which SEK 30 M (30) was unutilized as of 31 December 2020.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Changes in Catella AB's (publ) Group Management

Knut Pedersen resigned as President and CEO of Catella in spring 2020 and shortly after Marcus Holmstrand left his position as CFO.

As of 11 May 2020, Johan Claesson was appointed interim CEO, Eva Bång interim CFO and Jan Roxendal interim Chairman.

Christoffer Abramson was appointed new CFO and member of Group management on 15 October.

Impact of Covid-19

The Covid-19 pandemic affected transaction volumes negatively for the Corporate Finance business area and contributed to capital outflows from Systematic Macro. The Property Investment Management business area returned strong growth despite the pandemic.

Catella revokes proposed dividend

Against the background of the Covid-19 pandemic, the Board of Catella AB (publ) decided in April to revoke the proposed dividend of SEK 0.90 per share, and proposes to the Annual General Meeting that no dividend be paid. The intention was to convene an Extraordinary General Meeting in the second half of 2020 to address the matter of dividends.

Due to the future investments in the operating activities and future investments as well as the uncertainty relating to the pandemic, the Board intends not to convene an Extraordinary General Meeting during the second half of 2020 to address the matter of dividend.

Termination of Catella's banking operations finalised

In May, the Board of Catella AB (publ) decided to conclude the termination of operations in Catella Bank and aims to return the banking license to the supervisory authority in the first half of 2021.

Catella divests 70 percent of the shares in Catella Fondförvaltning AB

In June, Catella AB (publ) entered a strategic partnership with Athanase Industrial Partner ("Athanase") with the aim of developing and improving the customer offering through Catella Fondförvaltning. Athanase simultaneously acquired 70 percent of the shares in Catella Fondförvaltning for a cash purchase consideration of SEK 140 M. The total profit effect after tax and transaction expenses amounted to SEK -9 M.

In January 2022, Catella has the right to divest and Athanase has the right to acquire the remaining 30 percent of the shares for a purchase consideration of SEK 60 M. Catella's remaining 30 percent holding in the mutual funds company has been reported as a holding in and associated company from 30 September 2020.

Write-down of deferred tax assets

As a result of the divestment of the majority stake in Catella Fondförvaltning, deferred tax receivables totalling SEK 70 M were impaired. The impairment was due to reduced opportunities for tax offset in the Swedish operations.

Catella completes transaction relating to development project Grand Central

Through associated companies, Catella signed an agreement with the German property developer Consus RE AG (formerly CG Gruppe AG) relating to the divestment of the property development project Grand Central in Düsseldorf, Germany. The transaction was completed in August 2020 and generated total profit after tax of some SEK 208 M for the Catella Group. The profit was divided between Principal Investments and Property Investment Management. The buyer also paid interest on outstanding amounts due to delays to the transaction. Catella's share of the interest income amounts to SEK 23 M.

Impairment of Visa preference shares in Catella Bank

In September 2020, Visa Inc. communicated change prices for conversion of Class B and Class C preference shares to Class A shares. The conversion price is affected by the outcome of legal proceedings currently underway against Visa Europe. The conversion price for Class C shares, which Catella Bank holds, was adjusted from 13.722 to 6.861. The adjustment implied a negative value change of SEK 60 M which has been reported in Other comprehensive income. In addition, a new assessment was made of deferred tax attributable to the Visa holding. The assessment resulted in a reversal of deferred tax liabilities totalling SEK 34 M, of which SEK 21 M were recognized in Other comprehensive income and SEK 13 M in the Income Statement. This meant that equity was negatively affected by SEK 26 M.

Catella invests in development of logistics properties in Norrköping

In November 2020, Catella acquired shares in the subsidiary Infrahub's Fastighet 2 AB which is constructing a logistics property in the municipality of Norrköping and which is fully let to Postnord TPL AB. The investment for developing the logistics property totals just over SEK 500 M, of which Catella's share amounts to SEK 250 M. The transaction should be viewed against the background of Catella's intention to create mutual fund products in areas such as logistics properties.

Extraordinary General Meeting in Catella AB (publ)

The EGM in Catella AB (publ) on 21 December 2020 decided, in accordance with the Board's proposal, to:

- approve the introduction of an incentive program through the issue of a maximum of 3,000,000 warrants in two series; 2020/2024:A of 1,500,000 warrants and 2020/2025:B of 1,500,000 warrants. The Company's CEO (former CFO) and other senior executives and key individuals are entitled to acquire warrants
- approve the incentive programme in the subsidiary APAM Ltd through the issue of Class E shares/growth shares.
- approve the reduction of the statutory reserve for allocation to non-restricted equity.
- approve the amendments to the Articles of Association.

SIGNIFICANT EVENTS AFTER YEAR-END

Catella divests Property Asset Management operations in France

In January 2021, Catella AB (publ) divested its 50.1 percent holdings in its French subsidiary Catella Asset Management SAS for a cash purchase price of SEK 154 M. The divestment will have a positive effect on profit after tax, including transaction costs, of approximately SEK 122 million during the first quarter of 2021.

Catella requests redemption of outstanding SEK 750 M bond loan

On 2 March 2021, Catella announced its intention to issue a new senior unsecured bond totalling an expected SEK 1,000 M within a framework of a SEK 1,500 M facility and an expected term of 4 years. At the same time, Catella announced a voluntary repurchase offer of outstanding senior unsecured bonds at a price corresponding to 101.30 percent of the nominal amount. At the end of the repurchase offer on 9 March 2021, a total nominal amount of SEK 549 M in existing bonds had been received. The remaining bonds with a nominal amount of SEK 201 M were redeemed on 26 March 2021. The terms of the new financing had thereby been met. The new senior unsecured bond has a total amount of SEK 1,250 M, a term of 4 years and accrues floating-rate interest of 3-month Stibor plus 475 b.p. The bond will be listed on NASDAQ Stockholm.

Christoffer Abramson new President and CEO

Catella's Board has appointed Christoffer Abramson as new President and CEO of the Catella Group. Christoffer took up his position on 13 April 2021. The position is subject to approval by the Luxembourg supervisory authority CSSF. Christoffer previously held the position of CFO from 15 October 2020. Mattias Brodin was appointed Interim CFO as of 29 March 2021.

Catella updates Q4 2020 results with increased equity

Catella Bank, which is being wound down, has had a holding of Class A preference shares in Visa Inc. The holding has been converted to Class A shares, which were subsequently divested in March 2021. Capital gains from the sale amounted to SEK 87 M. Due to additional information as of the record date relating to the holding of Class A preference shares in Visa Inc., the value has been reassessed, implying a positive value adjustment of SEK 81 M. The adjustment has been recognized in Other comprehensive income in Q4 2020 and affects Group equity as of 31 December 2020.

EMPLOYEES

The number of employees in remaining units, expressed as full-time equivalents, was 566 (582), of which 208 (214) were employed in the Corporate Finance operating segment, 340 (334) in the Asset Management operating segment and 18 (24) in other functions.

The number of employees in the divestment group held for sale (Banking) was 13 (68) at year end.

At the end of the year, there were 579 (649) employees, expressed as full-time equivalents.

FINANCIAL INSTRUMENTS, RISKS AND UNCERTAINTIES

Risks and uncertainties

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

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

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

The Asset Management operating segment includes the Group's asset management and banking operations, where the latter was in the process of being wound down in 2020. All transactions that are implemented on behalf of clients are controlled by instructions from the client, or through agreed investment rules or fund provisions. Catella does not bear any risk in terms of the progress of clients' financial instruments, other than due to non-compliance with agreed instructions. A few subsidiaries in the operating segment are regulated by the supervisory authority in the country in which they have their legal domicile. Financial risks are mainly managed through continuous measurement and follow-up of financial progress. Financial risks also arise because the Group is in need of external funding and uses various currencies. The Group's financial risks, which mainly comprise financing and liquidity risk, interest rate risk, currency risk and credit/counterparty risk, are described in Note 3.

A few companies in the Catella Group conduct operations that are under the supervision of regulatory financial authorities on their respective domestic markets. In addition, Catella's consolidated financial situation is under the supervision of CSSF in Luxembourg since 31 March 2016. Existing regulatory frameworks and rapid regulatory changes are complex in general, and specifically with regard to Catella's banking operations. These regulatory framework place stringent, and in future even more stringent, demands on the routines and procedures, and liquidity and capital reserves, of the operations under supervision. Compliance with these regulatory frameworks is a pre-condition for conducting operations subject to supervision. Catella continuously seeks to ensure compliance with existing regulatory frameworks and to prepare for future compliance with coming regulatory changes. As the bank's operations were wound down in 2019 and the migration of card customers to Advanzia Bank was completed in the first quarter 2020, the Group's regulatory risks have decreased significantly.

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

Financial instruments

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

The operating segment does not trade in or take positions on its own behalf in financial instruments, apart from limiting currency exposure that arises in IPM's investment services in discretionary management and fund management. Due to the operating segment's prudent policy for trading in financial instruments, exposure to risks is limited. This operating segment is mainly exposed to price risk.

Derivatives

There is some currency exposure within IPM, relating to transactions in foreign currency. The majority of IPM's revenues are denominated in foreign currency while the majority of expenses are in Swedish currency. IPM uses currency swaps to limit this risk.
The hedging is of a financial nature and are not recognised as hedges in accordance with the accounting standard IFRS 9 Financial Instruments.

In 2018, the Parent Company Catella AB (publ) started currency hedging using derivatives. Currency hedging with derivative instruments was entered to reduce the exchange rate risk (translation risk) of Catella's net assets in EUR. Catella apply hedge accounting in accordance with IFRS 9 from the date currency hedging of net exposure commences. The derivative instrument matured in February 2021 when the position was closed. Group management is currently evaluating the need for hedging of the Group's translation risk.

Other risks

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

Operating risk

Operating risk is the risk of a loss due to internal causes (data error, mistakes, fraud, incomplete compliance with laws and internal regulations, other deficiencies in internal controls etc.) and events in the surrounding world (natural disasters, external crime, etc.) The Group has established procedures and controls to minimise operating risk. For traditional insurable risks such as fire, theft, liability, etc., the Group judges that it has satisfactory protection through its existing insurance cover.

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

Reputational risk

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

Political risks

Catella holds equities, funds and loan portfolios. One significant investment is in the subsidiary European Equity Tranche Income ("EETI"), which has invested in securitised European loans primarily with exposure to housing. The loan portfolios held by EETI are described further in Notes 3 and 22 in the Annual Accounts. In addition to the financial risks described in these Notes, EETI is exposed to political risk. Retroactive changes to legislation could have a negative impact on the value of EETI's investments. It is difficult to determine precisely how such changes would influence consumer behaviour and it is possible that the degree of prepayment would increase and affect the expected cash flow from the investments.

Other political risks include potential changes in regulations that affect the Group's operations and how they are conducted. Should subsidiaries be unable to meet the requirements arising from any new regulations, this could have a negative impact on the Group's results of operations and on the value of the assets in these subsidiaries. No assessment can be made of any impact from this risk.

Strategic risk and other risks

Strategic risk could result from institutional changes and changes in fundamental market conditions that may occur. Legal and ethical risks are based in part on external regulations, mainly legislation and instructions of supervisory authorities, guidelines and instructions regarding operations, and in part on the requirements of the business community that operations be conducted on confidence-building grounds. Catella actively works with trade organisations, legal networks and other contacts to be able to control and adapt the companies' operations to changes in strategic risks at an early stage. Processes in the operations are subject to internal regulations. Continuous training, control and follow-up in terms of regulatory compliance are arranged by the Risk and Legal/Compliance units, which together with management, are responsible for continuously updating the regulatory framework.

FUTURE PROGRESS

Corporate Finance

The business area focuses on increasing the share of value-adding and capital markets-related services, and thus improving profitability. Catella has a strong market position mainly in Sweden, and continuously advances its market position, with an increased focus on value-added and capital markets-related services, as well as protecting its position in transaction advice. In addition, operations are coordinated in order to streamline the allocation of resources.

In continental Europe, the French operations enjoy a very strong market position in transaction advice, mainly in specialist advisory services relating to residential properties, evidenced by strong growth in 2020. The strategy in continental Europe is to use best business area practice to develop operations on existing and new markets.

Asset Management

The Equity, Hedge and Fixed Income Funds business area divested a majority holding in Catella Fondförvaltning in 2020, which is now managed by a new owner. Systematic Funds mainly approaches institutional clients and focuses on developing new factors and products with the aim of raising new capital.

The property investment management business area is continuing to build its transaction and management capacity in all markets where Catella is present. Catella is combining local strategies with greater access to the international capital markets. Growth in this business area is being created by adding new products into existing structures and through geographical expansion. Given the geographical breadth, which now includes the UK, Catella has a product offering of high relevance to international investors. The London presence generates investor interest in Catella's operations in continental Europe and vice versa. The ambition for the business area is to selectively launch niche funds and investment structures to address the needs of local and international investors. Increased collaboration, both within the business area and with Catella's other business areas, ensures that Catella capitalises on synergies. Catella intends to continue this work, with the anticipation of future growth in the business area.

CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance ("the Code"), Catella has prepared a special Corporate Governance Report including a section on internal control. The Corporate Governance Report can be found on pages 31–41.

RESEARCH AND DEVELOPMENT

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

SUSTAINABILITY AND ENVIRONMENTAL IMPACT

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

In accordance with the Annual Accounts Act, Catella has prepared a statutory Sustainability Report which is presented on pages 20–23.

PARENT COMPANY

Catella AB (publ) is the Parent Company of the Group. Group Management and other central Group functions are gathered into the Parent Company.

For 2020, the Parent Company recognised income of SEK 30.5 M (17.8), of which SEK 18.5 M related to onward invoicing of legal and consultancy costs attributable to completed projects. Net sales decreased as a result of fewer intra-Group services provided to Catella Fondförvaltning which was divested in 2020. Operating profit was SEK -49.6 M (-43.9). The lower operating profit year-on-year was due to reasons including increased consultancy costs attributable to ongoing projects and interim consultants in areas such as Legal & Compliance, increased recruitment costs and higher average salaries.

The Parent Company's net financial income and expense was SEK -1.5 M (-32.7) and includes interest and other costs associated with bond loans of SEK 35.1 M (33.2) and realized gains on derivative instruments of SEK 32.3 M (2019: losses of SEK 21.3 M). In May 2018, the Parent Company started currency hedging using derivatives. The purpose of the hedging of EUR 60 M was to reduce the exchange rate risk in Catella's Net assets in EUR. The position was closed in February 2021.

Profit/loss before tax was SEK -51.2 M (-76.6), and profit/loss for the year was SEK – 51.0 M (-13.0). Profit for the previous year included anticipated dividend and Group contributions from subsidiaries of SEK 22.0 M and SEK 63.7 M respectively.

Cash and cash equivalents in Catella's transaction account in the Group's cash pool with a Swedish credit institute are reported as Current receivables with Group companies. On the record date, this item totalled SEK 89.4 M (128.4).

The Parent Company has issued a total of SEK 750 M in unsecured bonds with final maturity in June 2022 which accrue floating-rate interest of 3-month STIBOR plus 400 b.p. In March 2021, Catella AB issued a new unsecured bond totalling SEK 1,250 M with a term of 4 years. The new bond loan accrues floating-rate interest at 3-month Stibor plus 475 b.p. At the same time, the existing bond was repurchased/redeemed at a price of 101.3 percent of the nominal amount. The bond will be listed on Nasdaq Stockholm.

At the end of the year, there were 11 (13) employees in the Parent Company, expressed as full-time equivalents.

PROPOSED APPROPRIATION OF PROFIT

The following non-restricted reserves and earnings in the Parent Company are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	81 356 057
Retained earnings	63 197 672
Net profit for the year	-50 994 285
	93 559 445

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

SEK	
dividend paid to shareholders, 0.90 per share, in total	79 513 715
carried forward (of which 14 045 730 allocated to share premium reserve)	14 045 730
	93 559 445

The proposed dividend corresponds to the maximum permissible amount under the bond terms, SEK 80 M. Proposed payment of dividends on 1 June 2021.

Board of Directors statement on proposed dividend

The Parent Company's and Group's financial position is good, as reported in the most recent Balance Sheet. The Board of Directors judges that the proposed dividend is covered by equity, and is within the limits set by the Company's dividend policy. As of 31 December 2020, the Group's equity/assets ratio was 42 percent. For the consolidated financial situation, the equity/assets ratio on the same date was 65 percent. The proposed dividend, all things being equal, decreases the equity/assets ratio by just over one percent. Other capital relations and liquidity as described in Note 39, and cash and cash equivalents, will also be satisfactory in relation to the operations the Group is active within, after the proposed dividend. Accordingly, the Board of Directors considers that the proposed dividend is justifiable in terms of the demands resulting from the operations' (the Company and Group respectively) nature, scope and risks in terms of the size of equity, and the Company and the Group's need to strengthen the Balance Sheet, liquidity and financial position otherwise.

PROPOSED REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES IN CATELLA, 2021

The Board of Directors of Catella AB (publ) proposes that the AGM 2021 approves the following guidelines for the remuneration of senior executives.

Scope of guidelines

These guidelines concern remuneration and other terms of employment for , the members of Catella's Group Management for the period the guidelines apply, hereby jointly designated 'senior executives'. The guidelines also apply to other Board members with regard to remuneration in addition to the Directors' fees authorized by the Annual General Meeting.

As of 21 April 2021, Group management comprised Christoffer Abramson (CEO) and Mattias Brodin (interim CFO). The guidelines apply for agreements entered after the AGM resolution, and for amendments to existing agreements after this date.

Information on previously decided remuneration to senior executives not yet due for payment is stated in Note 11 of these Annual Accounts.

Guidelines

Forms of remuneration and securing the Company's business strategy, long-term interests and sustainability

The Company's operations are dependent on being able to recruit and retain qualified employees. Total remuneration should be on market terms and competitive, a prerequisite for the successful implementation of the Company's business strategy and protecting its long-term interests, including sustainability. Remuneration shall be commensurate with responsibilities and authority.

Remuneration to the Chief Executive Officer and other members of Group management consists of basic salary, variable salary, as well as pension and other benefits.

Variable remuneration is based on financial or non-financial results achieved in relation to individually defined qualitative and quantitative targets which consider the Company's business strategy, long-term goals and sustainability work.

The satisfaction of the criteria for payment of variable cash remuneration shall be measured over a one year period. Variable remuneration may amount to a maximum of 100 percent of fixed annual basic salary for the CEO and 100 percent of fixed annual basic salary for other senior executives. Additional cash remuneration may be payable in extraordinary circumstances, provided such extraordinary arrangements are of a predetermined time frame and are only made individually either with the aim of recruiting or retaining executives, or as remuneration for extraordinary work efforts in addition to the individual's regular assignments. Such remuneration may not exceed an amount corresponding to 100 percent of fixed annual basic salary and may not be paid out more than once annually per individual. Decisions relating to such remuneration shall be made by the Board following preparation by the Remuneration Committee.

Pension benefits, including healthcare insurance, shall be defined-contribution. Variable cash remuneration shall not be pensionable. Pension premiums for defined-contribution pension shall amount to a maximum of 30 percent of fixed annual basic salary.

Other benefits may include life insurance, healthcare insurance and company car. Such benefits may amount to a maximum of 10 percent of fixed annual basic salary.

Share-based incentive programs are subject to decisions by the AGM and are not encompassed by these guidelines.

Termination of employment

Upon notice of termination of employment by the Company, the notice period shall be a maximum of 12 months, and on notice of termination by the employee a maximum of 6 months. Severance pay is subject to a maximum of 100 percent of fixed annual basic salary.

In addition, remuneration for potential non-competition undertakings may be payable. Such remuneration shall compensate for any shortfall in income and shall only be payable in the event that the former executive is not entitled to receive severance pay. Remuneration shall be based on fixed basic salary at the time of resignation and be subject to a maximum of 60 percent of monthly salary at the time of notice of termination of employment, and shall be payable in the period the non-competition undertaking applies, which is subject to a maximum of 9 months after the end of employment.

The Company is contractually prohibited from reclaiming variable remuneration. According to contract and legislation, and subject to any ensuing restrictions, the Company is entitled to reclaim, in full or in part, variable remuneration that has been paid out on erroneous grounds.

Decision-making process for determining, reviewing and implementing the guidelines

The process for determining, reviewing and implementing the remuneration guidelines is handled by a dedicated Remuneration Committee. After preparation by the Remuneration Committee, the Board shall prepare proposed new guidelines at least every four years and present the proposal for resolution at the AGM. The guidelines shall apply until such time that new guidelines are adopted by the AGM. The remuneration committee has an advisory (follow-up and evaluation) and a preparatory function for decision-making ahead of review and resolution by the Board of Directors. In addition to the Chairman of the Board, who is also Chairman of the Committee, other members elected by the AGM are independent in relation to the Company and management. The Remuneration Committee holds two regular meetings each year, in good time before regular Board meetings, to address remuneration matters, in the period between two consecutive Annual General Meetings. All members of the Remuneration Committee, the CEO and HR Manager shall, if possible, participate in the Remuneration Committee's meetings (however subject to provisions relating to conflicts of interest under the Companies Act). Any other individual presenting a matter to the Remuneration Committee shall participate in the Remuneration Committee's meetings to the extent the Remuneration Committee considers it appropriate. Individuals affected by the decisions do not attend meetings of the Remuneration Committee or the Board during the period of preparation and decisions regarding the matter.

Salary and employment terms for employees

Each year, the Remuneration Committee completes an analysis of the Company's employees to see how the total salary structure and employment terms compare to remuneration to the CEO and senior executives. This forms the basis for decisions when evaluating the reasonableness of these guidelines.

Departing from the guidelines

The Board may depart from these guidelines, fully or in part, only if, in individual cases, there are special reasons for doing so, and a departure is necessary for securing the Company's long-term interests, including its sustainability, or for securing the Company's financial viability.

Information regarding decided remuneration not due for payment

The Board shall include information regarding previously decided remuneration not yet due for payment to the proposed guidelines for remuneration presented to the AGM.

Information regarding departures from the guidelines for remuneration decided by the AGM 2020

According to the guidelines for remuneration to senior executives adopted by the AGM 2020, the Board has been authorized to depart from the guidelines if special reasons exist. No such departures from the guidelines were made.

Consolidated Income Statement

SEK M	Note	2020 Jan–Dec	2019 Jan–Dec
Net sales	6	2 047	2 353
Other operating income	7	265	67
		2 312	**2 420**
Direct assigment costs and commission		-300	-372
Other external expenses	8	-395	-451
Personnel costs	10, 11, 12	-1 079	-1 043
Depreciation and amortisation	9	-110	-128
Other operating expenses	7	-34	-4
Operating profit/loss		**393**	**422**
Interest income accordring to effective interest rate method	13	1	2
Interest income other	13	5	12
Interest expenses	13	-47	-49
Other financial income	13	78	15
Other financial expenses	13	-146	-118
Financial items—net		-109	-138
Profit/loss before tax		**285**	**284**
Tax	14	-151	-135
Net profit for the year from continuing operations		**134**	**148**
Operations held for sale:			
Net profit/loss for the year from divestment group held for sale		-60	45
Net profit for the year		**74**	**193**
Profit/loss attributable to:			
Shareholders of the Parent Company		65	113
Non-controlling interests	20	9	80
		74	**193**
Earnings per share attributable to Parent Company shareholders, SEK	15		
Continued operations			
- before dilution		1,41	0,79
- after dilution		1,41	0,77
Discontinued operations			
- before dilution		-0,67	0,52
- after dilution		-0,67	0,51
Total operations			
- before dilution		0,74	1,31
- after dilution		0,74	1,28
Number of shares at end of year		88 348 572	86 281 905
Average weighted number of shares after dilution		88 373 572	88 382 173

Consolidated Statement of Comprehensive Income

SEK M	2020 Jan–Dec	2019 Jan–Dec
Net profit for the year	74	193
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit pension plans	0	1
Items that may be subsequently reclassified to profit or loss:		
Fair value changes in financial assets through OCI	47	26
Hedging of net investment	28	-7
Exchange-rate differences	-65	40
Other comprehensive income for the year, net of tax	**11**	**59**
Total comprehensive income for the year	**85**	**252**
Total comprehensive income attributable to:		
Shareholders of the Parent Company	79	171
Non-controlling interests	6	81
	85	**252**

Consolidated Statement of Financial Position

SEK M	Note	2020 31 Dec	2019 31 Dec
Assets			
Non-current assets			
Intangible assets	17	443	627
Contract assets	18	157	183
Tangible assets	19	30	25
Investments in associated companies	20	167	92
Non-current receivables from associated companies		35	0
Financial assets at fair value through profit or loss	22	248	261
Long-term loan receivables		0	0
Deferred tax assets	14	21	78
Other non-current receivables	25	6	6
		1 106	**1 272**
Current assets			
Development and project properties		634	336
Accounts receivable	24	267	318
Current receivables from Associated companies		26	38
Tax assets		20	44
Other receivables		37	39
Prepaid expenses and accrued income	26	88	242
Derivatives	21	12	14
Financial assets at fair value through profit or loss	22	19	110
Client funds		3	3
Cash and cash equivalents	27	1 482	881
		2 588	**2 026**
Assets in divestment group held for sale	39	539	759
Total assets		**4 233**	**4 057**
EQUITY AND LIABILITIES			
Equity	28		
Share capital		177	173
Other contributed capital		289	280
Reserves		75	61
Retained earnings incl. net profit/loss for the year		1 072	1 009
Equity attributable to shareholders of the Parent Company		**1 612**	**1 522**
Non-controlling interests	20	185	214
Total equity		**1 797**	**1 736**
Liabilities			
Non-current liabilities			
Borrowings	29	553	213
Long-term loan liabilities	29	751	747
Long-term contract liabilities		115	138
Deferred tax liabilities	14	20	27
Other provisions	30	63	61
		1 503	**1 186**
Current liabilities			
Current contract liabilities		48	52
Derivatives	21	0	1
Accounts payable		124	113
Liabilities to associated companies		4	0
Tax liabilities		48	22
Other liabilities		134	102
Accrued expenses and deferred income	31	468	554
Client funds		3	3
		828	**846**
Liabilities in disposal group held for sale	39	105	289
Total liabilities		**2 435**	**2 321**
Total equity and liabilities		**4 233**	**4 057**

For information about the Group's pledged assets and contingent liabilities, see Notes 32-34.

Consolidated Statement of Cash Flows

SEK M		2020 Jan–Dec	2019 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		216	385
Adjustments for non-cash items:			
Wind down expenses		27	24
Other financial items		29	-203
Depreciation and amortisation	9	113	130
Impairment /reversal impairment current receivables	7	10	8
Change in provisions		6	8
Interest income from loan portfolios	13	-4	-11
Acquisition expenses		0	0
Profit/loss from participations in associated companies	7	-196	-25
Personnel costs not affecting cash flow	10	37	32
Other non-cash items		0	0
Paid income tax		-84	-277
Cash flow from operating activities before changes in working capital		**154**	**71**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		189	1 511
Increase (+)/decrease (–) of operating liabilities		-178	-3 416
Cash flow from operating activities		**165**	**-1 834**
Cash flow from investing activities			
Investment in tangible assets	19	-16	-5
Divestment of tangible fixed assets	19	0	1
Investment in intangible assets	17	-7	-16
Acquisition of subsidiaries, net of cash and cash equivalents acquired	36	0	0
Sale of subsidiaries, net of cash disposed	36	76	0
Business transfers net of advisory costs	39	128	245
Purchase of and additional investments in associated companies	20	-37	-34
Dividend and other disbursements from associated companies	20	179	0
Investments in development and project properties		-320	-45
Investment in financial assets		-38	-101
Sales of financial assets		77	74
Cash flow from loan portfolios		0	28
Cash flow from investing activities		**44**	**148**
Cash flow from financing activities			
Re-purchase of share warrants		-1	-4
New share issue		15	18
Borrowings	35	422	1
Amortisation of leasing debt		-58	-53
Dividend		0	-104
Transactions with non-controlling interests		-63	-103
Cash flow from financing activities		**315**	**-245**
Cash flow for the year		**524**	**-1 931**
Cash and cash equivalents at beginning of year		1 378	3 234
Exchange rate differences in cash and cash equivalents		-46	75
Cash and cash equivalents at end of year*	27	**1 856**	**1 378**
Of which cash flow from divestment groups held for sale:			
Cash flow from operating activities		-212	-2 381
Cash flow from investing activities		128	266
Cash flow from financing activities		0	0
Cash flow for the year from divestment group held for sale		**-84**	**-2 115**
* Of which cash and cash equivalents recognised in Assets in disposal groups held for sale		374	497

SEK 374 M (497) of the Group's cash and cash equivalents is related to Catella Bank, and pursuant to the regulations and rules Catella Bank is regulated by, the rest of the Group does not have access to Catella Bank's liquidity.

Interest received and paid is stated in Note 35.

Consolidated Statement of Changes in Equity

SEK M	Share capital	Other contributed capital *	Fair value reserve	Translation reserve	Retained earnings incl. net profit/loss for the period	Total	Non-controlling interests **	Total equity
	Equity attributable to shareholders of the Parent Company							
Opening balance at 1 January 2020	**173**	**280**	**48**	**13**	**1 009**	**1 522**	**214**	**1 736**
Total comprehensive income for the year, January - December 2020								
Net profit for the year					65	65	9	74
Other comprehensive income, net of tax			47	-33		14	-3	11
Total comprehensive income for the year			**47**	**-33**	**65**	**79**	**6**	**85**
Transactions with shareholders								
Transactions with non-controlling interests					-2	-2	-35	-37
Re-purchase of warrants issued		-1				-1		-1
New share issue	4	11				15		15
Dividend						0		0
Closing balance at 30 December 2020	**177**	**289**	**95**	**-20**	**1 072**	**1 612**	**185**	**1 797**

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

The EGM in December 2020 decided to introduce a new incentive program through the issue of a maximum of 3,000,000 warrants in two series; 2020/2024:A and 2020/2025:B. As of 31 December 2020, all 3,000,000 outstanding warrants were held in Treasury.

In 2020, 2,066,667 warrants from the 2014 issue were utilised to subscribe for an equal number of Class B shares in Catella AB at a price of SEK 7.20 per share, and 100,000 warrants were repurchased from a key person. In addition, 266,667 warrants held in treasury expired without being utilised. There were no outstanding warrants remaining from previous year's issues after these transactions. In the Consolidated Accounts, the repurchase of share warrants is reported under other contributed capital to the extent it consists of non-restricted equity.

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

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

As of 31 December 2019, the Parent Company had a total of 2,333,334 outstanding warrants, of which 166,667 held in treasury. In 2019, 2,166,667 warrants were utilized to subscribe for an equal number of newly issued shares at a price of SEK 8.40. In addition, 200,000 warrants were repurchased as a result of changes to Catella AB's Group management and 166,666 warrants held in Treasury expired without being exercised. In the Consolidated Accounts, the repurchase of warrants is reported under Other contributed capital to the extent it consists of non-restricted equity, and the remainder against Retained earnings.

Notes on the Consolidated Accounts

NOTE 1 COMPANY INFORMATION

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

The Annual Accounts and Consolidated Accounts of Catella AB (publ) for the financial year-ending on 31 December 2020 were approved for publication by the Board of Directors and the Chief Executive Officer on 21 April 2020 and will be presented for adoption by the Annual General Meeting on 25 May 2021.

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The Consolidated Accounts of Catella were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS) and IFRIC interpretation statements endorsed by the EU. The Consolidated Accounts were prepared under historical cost convention, apart from the re-measurement of financial assets at fair value through other comprehensive income and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements requires the Board of Directors and Group Management to make estimates and judgements. These estimates and judgements affect the income statement, statement of Comprehensive income and statement of financial position, as well as the disclosures provided, such as contingent liabilities. Actual outcomes may differ from these assessments in the context of other assumptions or in other circumstances. The areas involving a high degree of judgement and that are complex, or such areas for which assumptions and estimates are of material importance to the Consolidated Accounts, include the assessment of future cash flows, which for example, form the basis of the measurement of loan portfolios, goodwill, trademark and contract portfolios, the measurement of deferred tax assets attributable to tax-loss carry-forwards, the measurement of accounts receivable, as well as assessments of disputes and the need to provision for them.

The accounting policies presented below were applied consistently to all periods presented in the Consolidated Accounts, with the exceptions described in greater detail. the policies of associated companies were adjusted to the Group's accounting policies as necessary.

Introduction and effects of new and revised IFRS for 2020

No new standards were introduced in 2020 that had any material impact on the Consolidated Accounts.

Consolidated accounts

(a) Subsidiaries: Subsidiaries are all of the companies in which the Group has a controlling influence. The Group controls a company when it is exposed to, or is entitled to, variable returns from its holdings in the company, and has the ability to affect returns through its influence over the company. The existence and effect of potential voting rights that may currently be utilised or converted are taken into consideration in the assessment of whether the Group exercises a controlling influence over another company. Subsidiaries are included in the Consolidated Accounts from the date on which the controlling influence is transferred to the Group. They are excluded from the Consolidated Accounts effective the date on which the controlling influence ceases. All transactions with shareholders of subsidiaries are recognised based on the substance of these transactions. Gains/losses attributable to shareholders of non-controlling interests, who in addition to their ownership also are active in the subsidiary, are placed on a par with other forms of variable compensation and, accordingly, are recognised as personnel costs in the income statement. These shareholders' portion of the net assets in the Group is recognised in the Consolidated statement of financial position as a non-controlling interest.

The purchase method is applied to the recognition of the Group's business combinations. Goodwill arising coincident with the acquisition of subsidiaries, associated companies and joint arrangements is the amount by which the purchase consideration exceeds Catella's share of the fair value of identifiable assets, liabilities and contingent liabilities in the acquired company on the date of transfer. If the fair value of the subsidiary's acquired assets, liabilities and contingent liabilities exceeds the purchase consideration, the difference is recognised directly in profit or loss. Contingent consideration is recognised on the acquisition date at fair value and classified as a liability that is subsequently re-measured through profit or loss. Non-controlling interests in the acquired business are measured at either fair value or at the proportional share of the acquired operations' net assets held as a non-controlling interest on a case-by-case basis All acquisition-related transaction costs are expensed. These costs are recognised in the Group under the item "other external expenses" in profit or loss.

Intragroup transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated. Wherever appropriate, the accounting policies for the subsidiaries have been changed in order to guarantee consistent application of the Group's policies.

(b) Transactions with shareholders of non-controlling interests: The Group treats transactions with non-controlling interests as transactions with the Group's shareholders. Coincident with acquisitions from non-controlling interests the difference between the consideration paid and the actual acquired portion of the carrying amount of the subsidiary's net assets is recognised in equity. Gains and losses attributable to disposals of non-controlling interests are also recognised in equity.

When the Group no longer holds a controlling or significant influence, each remaining holding is re-measured at fair value and the change in the carrying amount is recognised in profit or loss. The fair value is utilised as the first carrying amount and forms the basis for the future accounting of the remaining holding as an associated company, joint venture or financial asset. All amounts relating to the divested unit that were previously recognised in other comprehensive income are recognised as if the Group had directly sold the related assets or liabilities, which may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Associated companies: Associated companies are holdings that are neither subsidiaries nor joint arrangements, but for which the Group is able to exercise a significant influence, which in general applies to shareholdings of between 20% and 50% of the votes. Holdings in associated companies are recognised in accordance with the equity method and initially measured at cost. The carrying amount of the Group's holdings in associated companies includes the goodwill identified on acquisition, net of any impairment losses.

Associated companies are included in the Consolidated Accounts from the acquisition date. They are excluded from the Consolidated Accounts on the date on which they are sold. Transactions, balance sheet items and unrealised gains on transactions between the Group and its associated companies are eliminated in accordance with the Group's participation in the associated company. Unrealised losses are also eliminated, but are regarded as indicating an impairment need for the transferred asset. Shares of profits of associated companies are recognised in the Consolidated Income Statement under "Net operating profit", net of tax. Shares in associated companies are recognised in the Statement of Financial Position at cost, including the portion comprised of goodwill, adjusted for dividends and the share of the associated company's profit after the acquisition date.

Segment reporting

According to IFRS 8, operating segments are recognised in a manner that is consistent with the internal reporting regularly presented to the chief operating decision maker. The chief operating decision-maker is the function that is responsible for the allocation of resources and the assessment of the operating segment's profit or loss. For Catella, the CEO has been identified as the chief operating decision-maker.

Catella has four business areas (operating segments under IFRS 8) that have been merged to two reportable segments that Catella terms Operating Segments. IFRS 8 permits that two or more operating segments may be aggregated to one, providing that they have similar accounting characteristics, and are also similar in terms of the character of products and services, the nature of production process, customer categories, distribution, and the extent to which operations, where applicable, are affected by various regulatory structures and risks.

On this basis, Catella has defined Corporate Finance (consisting of the Corporate Finance operating segment) and Asset Management (consisting of the combined Property Investment Management, Equity, Hedge and Fixed Income Funds, and Banking operating segments), as the Group's reportable segments. This combination is based on the nature of services, their delivery, and recipient customer categories of all segments being similar, which are also influenced to a similar degree by risks and regulatory structures. Information reported for each operating segment has been prepared in accordance with the same accounting policies as applied to the Group. The operating segments are regularly monitored by the manager of the segment and Catella's CEO, who decide on the allocation of resources, budgetary targets and finance plan.

Translation of foreign currencies

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

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

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

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

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

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

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

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

Classification of assets and liabilities

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

Property, plant and equipment

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

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

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

The residual values and useful lives of the assets are tested at the end of every reporting period and adjusted as necessary.
The carrying amount of an asset is immediately written down to its recover- able amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Gains and losses on disposal are determined by comparing sales proceeds to carrying amounts and are recognised in other operating income or other operating losses.

Intangible assets

(a) Goodwill: The amount by which the purchase price, any non-controlling interest and the fair value on the acquisition date of previous shareholdings, exceeds the fair value of identifiable acquired net assets is recognised as goodwill. Goodwill from acquisitions of subsidiaries is recognised as intangible assets. Goodwill is tested every year to identify any impairment and is recognised at cost less accumulated impairment losses. Goodwill impairment is not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill relating to the sold unit.

Goodwill is allocated between cash-generating units when any impairment tests are performed. Goodwill is allocated to cash-generating units or groups of cash- generating units, as established in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill item arose.

(b) Trademarks and brands: Trademarks and brands acquired in a business combination are recognised at fair value on the acquisition date. Trademarks recognized in the Group's Consolidated statement of financial position is the registered trademark Catella, which is deemed to have an indefinite useful life. The trademark is tested every year to identify any impairment and is recognised at cost less accumulated impairment losses.

(c) Customer relations: Contract portfolios and associated customer relationships relating to a business combination are identified in the acquisition analysis and are recognised as a separate intangible asset. The customer relationships arising from business combination are measured at fair value. Fair value measurement uses a valuation model based on discounted cash flows. Measurement is based on the turnover rate and return for the acquired portfolio on the acquisition date. In this model, a separate cost or required rate of return is paid in the form of a contributory asset charge for the assets utilised in order for the intangible asset to generate a return. Cash flows are discounted through a weighted average cost of capital (WACC), which is adjusted with respect to local interest rate levels in the countries where the acquisitions occurred. The useful life of the contract portfolios and associated customer relationships is based on the turnover rate of the acquired portfolio, which is deemed to be between five and seven years and corresponds to an annual amortisation rate of 14-20 percent. Amortisation is recognised in the item depreciation of acquisition-related intangible assets in profit or loss.

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

(e) Deferred tax attributable to intangible assets: A deferred tax liability is measured based on the local tax rate for the difference between the carrying amount and the taxable value of the intangible asset. The deferred tax liability is to be reversed over the same period in which the intangible asset is amortised, which results in the effect of the amortisation on the intangible asset, in terms of the full tax rate relating to profit after tax, being neutralised. The deferred tax liability is initially recognised with a corresponding increase in goodwill. No deferred tax attributable to goodwill on consolidation is considered.

Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not amortised/depreciated but tested for impairment yearly. Assets that are amortised/depreciated are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less any selling expenses and its value in use. For impairment testing, assets are grouped at the lowest levels at which separate identifiable cash flows exist (cash-generating units). Assets, that are not financial assets or goodwill and that were previously amortised/depreciated, are tested on each closing day to determine whether a reversal should be conducted.

Reversal of impairment

Impairment of assets included in the scope of IAS 36 are reversed if there is an indication that the impairment no longer exists and a change has occurred in the assumptions underlying the measurement of recoverable amount. However, impairment of goodwill is never reversed. A reversal is only conducted to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount, less any depreciation/amortisation wherever applicable, that would have been recognised had no impairment loss been recognised.

Impairment of loan receivables and accounts receivable recognised at amortised cost is reversed if the previous reasons for impairment no longer exist and full payment from the customer can be expected to be received.

Financial assets

Classification

The Group classifies its financial assets in the following three valuation categories: amortised cost, fair value via profit or loss and fair value via Other comprehensive income. The presentation of an instrument depends on the company's business model and the characteristics of the instrument. Management determines the classification of the financial assets when they are first recognised.

(a) Financial assets measured at accrued cost

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

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

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

Equity instruments

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

Derivatives

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

Items measured at fair value

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

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

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

Recognition and measurement

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

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

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

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

Impairment of financial assets

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

Derivative instruments and hedging measures

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

Hedging of net investment

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

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

Properties held for development and project properties

Properties held for development and project properties are recognised in accordance with IAS 2 at the lower of cost and net realisable value. Cost comprises acquisition costs, development expenses and cost of borrowing.

Accounts receivable

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

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

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other short-term investments in securities, etc. that are due for payment within three months after the acquisition date. The item includes client account receivables attributable to the asset management and securities operations reported net of client account liabilities.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been purchased from suppliers in operating activities. Accounts payable are classified as current liabilities if they become due for payment within one year. Otherwise, the liability is entered as a non-current liability.

Accounts payable are initially recognised at fair value and subsequently at amortised cost by applying the effective interest method.

Borrowing

Borrowing is initially recognised at fair value, net of transaction costs. Borrowing is subsequently recognised at amortised cost and any difference between the amount received (net after transaction costs) and the amount of the repayment is recognised through profit or loss allocated over the loan term, by applying the effective interest method.

Fees paid for loan commitments are recognised as transaction costs for the borrowing to the extent that it is probable part or all of the credit facility will be utilised. In such cases, the fee is recognised when the credit facility is utilised. Where there is no longer any evidence to suggest that it is probable that part or all of the credit facility will be utilised, the fee is recognised as an advance payment for financial services and allocated over the term of the relevant loan facility.

Overdraft facilities are recognised as borrowing under current liabilities in the Statement of Financial Position.

Current and deferred income tax

Tax expenses for the period include current and deferred tax. Tax is recognized through profit or loss, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or equity, respectively.

The current tax expense is calculated on the basis of the tax rules that have been enacted or substantively enacted on the reporting date in the countries in which the Parent Company's subsidiaries and associated companies conduct business activities and generate taxable income. Management regularly evaluates the claims made in tax returns for situations in which applicable tax rules are subject to interpretation. Whenever deemed necessary, management provisions for amounts that must probably be paid to the tax authority.

In accordance with the balance sheet method, deferred tax is recognised on all temporary differences arising between the taxable value of the assets and liabilities and their carrying amounts in the Consolidated Accounts. However, deferred tax is not recognised if it arises as a result of a transaction comprising the initial recognition of an asset or liability that is not a business combination and that on the transaction date impacts neither recognised nor taxable earnings. Deferred income tax is calculated by applying tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date and that are expected to be applicable when the deferred tax asset in question is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future tax surpluses will be available that the temporary differences can be utilised against.

Deferred tax is measured on temporary differences arising on participations in subsidiaries and associated companies, except where the date of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and liabilities are offset when a legal offset right for the tax assets and liabilities in question exists and when the deferred tax assets and liabilities are attributable to taxes charged by the same tax authority and relate to the same taxpayer or different taxpayers where there is the intention of settling the balances by making a net payment.

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

Employee benefits

(a) Pension obligations

Group companies have different pension plans. The pension plans are usually financed through payments to insurance companies or funds administered by an asset manager, with payments determined based on periodic actuarial calculations. Most of the pension plans in the Group are defined contribution. However, there are some defined benefit pension plans for managers or previous managers within Catella Bank Luxembourg. These obligations are of less significant amounts for the Group. The Group's new pension plans should be defined contribution.

A defined contribution pension plan is a pension plan in which the Group pays fixed contributions to a separate legal entity on a mandatory, contractual or voluntary basis. The Group has no other additional payment obligations once the payments have been made. The contributions are recognised as personnel costs when they become due for payment. Prepaid contributions are recognised as an asset to the extent that the cash repayment or decrease in future payments benefit the Group.

(b) Remuneration on termination of employment

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

(c) Profit share and bonus plans

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

Share-based remuneration

Warrants issued by the Group in 2014 under the framework of an incentive program targeted at the CEO and senior executives had been fully utilized or expired as of the end of 2020. These warrants were settled and paid in accordance with market terms. The value of the warrants was determined by using an option valuation model (Black & Scholes). In December 2020, the Group issued a new incentive program targeted at the CEO, senior executives and other key personnel. All these warrants were held in Treasury at the end of 2020. The warrants are classified as share-based remuneration.

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

Provisions

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

If a number of similar commitments exist, an assessment is made of the probability of an outflow of resources being required to settle this whole Group of commitments. A provision is recognised even if the probability of an outflow being required for a specific item in this Group of commitments is insignificant.

Provisions are measured at present value of the amount expected to be required to settle the commitment. In this context, a discount rate before tax is used that reflects the current market assessment of the time value of money and the risks associated with the provision. The increase in the provision due to the passing of time is recognised as an interest expense.

Revenue recognition

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

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

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

Performance-based revenue, such as performance fees for surplus returns in asset management or coincident with sales assignments, are recognised in accordance with applicable agreements regarding the point in time at which the performance-related fees may be charged. This means that in the case of a property sales assignment for example, where remuneration is a predetermined percentage of the customers' sales price of the property that is paid only when a sale has been completed is not recognised until a legally binding business transaction relating to the property has been concluded, and correspondingly, performance fees paid for surplus returns as recognised against an established reference level only on the measurement date, which can be daily, quarterly or annually depending on the product.

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

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

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

Lease arrangements

The Group leases a number of office premises, cars and other equipment on the basis of non-cancellable operating leases. The lease terms vary between one and ten years and most lease arrangements can be extended on market terms on expiry. Lease agreements are recognized as right-of-use assets (contract assets) and as a financial liability (contract liabilities) corresponding to the company's commitment to pay lease charges on the date the leased asset is made available for use by the Group.

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

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

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

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

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

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

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

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

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

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

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

Earnings per share

The computation of earnings per share is based on consolidated net profit/loss for the year attributable to the Parent Company's owners and on the weighted average number of shares outstanding during the year. When computing earnings per share after dilution, earnings and the average number of shares after dilution are adjusted to take the effects of dilutive potential ordinary shares that originate from warrants issued during reporting periods into account. The dilution of warrants affects the number of shares and arises only when the exercise price is lower than the share price quoted on the stock exchange.

Items affecting comparability

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

Non-current assets held for sale and discontinued operations

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

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

Other

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

NOTE 3 FINANCIAL RISK MANAGEMENT

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

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

With regard to Asset Management operations, these subsidiaries include a dedicated risk management function that is independent from business operations, with the relevant managers reporting to each subsidiary's managing director and directly to the subsidiary's Board of Directors. Group Management is represented on subsidiary Boards and reports on to the Parent Company's Board.

In the Asset Management operating segment, subsidiaries under the supervision of national financial supervisory authorities are Catella Real Estate AG, Catella Bank S.A., IPM Informed Portfolio Management AB and the subsidiary Catella Fondförvaltning AB which was divested in the year. In the Corporate finance operating segment, there are no subsidiaries under supervision. Subsidiaries under supervision have an internal compliance function that monitors the subsidiaries' compliance with internal and external regulatory frameworks such as customer agreements. The function is independent of operations in each subsidiary and its managers report to the Managing Director and directly to the Board of the subsidiary. Group Management is represented on subsidiary Boards and reports on to the Parent Company's Board.

As mentioned above, risk management is applied at subsidiary and operational levels since the different operating segments in the Group differ with regard to the operations conducted. For this reason, significant risks in each operating segment are described separately in the respective section on risk below.

Asset Management includes the Group's asset management and banking operations, where the latter was in the process of being wound down in 2020. The subsidiaries in this operating segment do not trade in financial instruments except in relation to client transactions. Nor do the subsidiaries trade in or take positions on their own account. Due to the subsidiaries' prudent policy relating to trading in financial instruments, exposure to risks is limited. This operating segment is mainly exposed to market price risk.

The operating segment also holds operational investments consisting of shares in proprietary funds and joint investments alongside clients. These investments are mainly exposed to market price risk relating to the value of the shares. Fund investments had a book value, also market value, of SEK 122 M (180) at year-end.

The Group's treasury management consists of investments and holdings in loan portfolios and shares. These assets are recognised with the Parent Company in the category "Other." Investments in loan portfolios, described in more detail in Note 22, are mainly exposed to credit risk, but also to liquidity risk depending on potential changes in the repayment rate of the loan portfolios, interest rate risk and currency risk because the loans are in a currency other than SEK and mainly issued at variable interest. The book, and fair, value of the securitised loan portfolios was SEK 96 M (120) at year-end. Shareholdings, described in more detail in Note 22, are mainly exposed to market price risk relating to the value of the shares. Shareholdings had a book value, also market value, of SEK 48 M (51) at year-end.

Liquidity risk

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

For remaining operations, as of 31 December 2020, the short-term liquidity reserve (cash and cash equivalents, short-term investments and committed but unutilised credit facilities) amounted to 74% (40) of consolidated annual sales and 117% (99) of consolidated borrowing and loan liabilities. Remaining operations have only long-term borrowing and loan liabilities.

For the Group's investments in loan portfolios, the primary financial obligations relate to payments of ongoing operating expenses. These obligations have so far been met with cash flows from individual loans in loan portfolios, which are monitored by Catella's investment advisors. The subsidiary EETI is judged to have satisfactory liquidity to cover its ongoing operating costs during the period. Accordingly, the loan portfolios have limited inherent financial commitments. Catella is subject to the risk of encountering difficulty in realising assets, which accordingly, could affect the Group's prospects of obtaining funds to maintain its financial commitments. Since the market for subordinated securities with collateral in assets is currently illiquid, many of the investments in loan portfolios are illiquid, although not all. A proportion of the investments are over the counter (OTC) transactions, which are not registered according to applicable securities legislation, which restricts the transfer, sale, pledge or other disposal of these investments, except in the case of transactions that do not need to be registered according to, or otherwise comply with, such legislation. The Group assesses that short and long-term liquidity are favourable and that there is flexibility in financing. If the Group's liquidity were to change and if the Group needed to divest part or all of the loan portfolio, consisting of securitised European loan portfolios, mainly with exposure to housing, for liquidity reasons, the potential to amend the portfolio rapidly and obtain a reasonable price could be limited, due to changes in economic and other circumstances. If the Group acquires investments for which there is no market, the Group's potential to renegotiate such investments or obtain reliable information on the value of an investment or the risks to which it is exposed to, could be limited.

The following tables summarise the Catella Group's liquidity risk at figures for remaining operations at the end of 2020 and 2019.

Liquidity report as of 31 December 2020-2019, remaining operations

SEK M 31 December 2020	< 3 months	4 to 12 months	Between 1 and 3 yrs.	Between 3 and 5 yrs.	> 5 yr.	Without maturity	Total
Borrowings	-1	-3	-553	-9			-566
Loan liabilities	-8	-23	-771				-801
Derivatives							0
Contract liabilities	-20	-39	-78	-36	-23		-196
Accounts payable and other liabilities	-202	-60					-262
Total outflows *	**-230**	**-125**	**-1 402**	**-45**	**-23**	**0**	**-1 825**
Accounts receivable and other receivables	304	26		24		11	365
Derivatives	12						12
Financial assets at fair value through profit or loss **	2	10	77	36	52		177
Total inflows *	**319**	**36**	**77**	**60**	**52**	**11**	**554**
Net cash flow, total	**89**	**-90**	**-1 325**	**14**	**29**	**11**	**-1 271**

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

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

Net cash flows at the end of 2020, as reported above, totalled SEK -1,271 M (2019: -SEK 888 M), to be compared to cash and cash equivalents in remaining operations, which as of the same date amounted to SEK 1,482 M (2019: SEK 881 M).

The Group's borrowing and financing are managed by the Parent Company and holding companies in the Group. The Parent Company's management and accounts department carefully monitor continuously updated projections for the Group's and subsidiaries' liquidity reserves to ensure that the Group and subsidiaries have sufficient cash funds to meet the needs of operating activities. Catella has issued a total of SEK 750 M in unsecured bonds. The bond loan accrues variable interest of 3-month Stibor plus 400 basis points and matures in June 2022. In March 2021, Catella AB issued a new unsecured bond of SEK 1,250 M with a term of 4 years. The new bond loan accrues floating-rate interest at 3-month Stibor plus 475 b.p. In connection with this, Catella repurchased/redeemed the existing bond at a price of 101.3 percent of the nominal amount. Furthermore, the subsidiary Kaktus 1 TopCo ApS received project financing from credit institutions amounting to SEK 454 M (213) as of 31 December 2020. In addition, the Group's French and Spanish subsidiaries were offered loans from government-guaranteed credit institutions at favourable terms. As of 31 December 2020, these loans amounted to SEK 99 M (-). The Group also has an overdraft facility of SEK 30 M (30), of which SEK 30 M (30) was unutilized as of 31 December 2020.

For a description of the Group's loan liabilities, see Note 29. For the unutilized portion of granted bank overdraft facilities, see Note 27.

In combination with Catella's cash flows, the funding sources outlined above provide short and long-term liquidity and ensure flexibility in the Group's funding of its operations.

Market risk

Market risk is the risk of loss or decreased future income due to fluctuations in interest rates, exchange rates and share prices, including price risk relating to the sale of assets or closure of positions. Except in treasury management, all trading in financial instruments in the Group is client-based and not conducted for proprietary trading or speculative purposes.

Market price risk in Treasury Management

The Group's investments in loan portfolios are primarily exposed to market price risk through changes in the value of these investments and through interest rate fluctuations that reduce potential interest income. Investments in loan portfolios accrue variable interest or have underlying assets with variable interest and are measured according to a market-based credit spread based on an interest rate such as EURIBOR. An increased credit spread could directly affect Catella through its impact on unrealised gains or losses on portfolio investments, and therefore also Catella's ability to make a profit on investments, or indirectly by affecting Catella's potential to borrow and access capital. In accordance with the accounting policies in Note 2, investments in the loan portfolios are measured at fair value through profit or loss. Note 22, financial assets measured at fair value through profit or loss, presents each individual loan portfolio and the weighted average expected variable interest rate on each investment.

The risks described above could result in either higher or lower income for Catella. The way that changes in discount rates and changes in anticipated cash flows would affect profit before tax, measured as the change in fair value of Catella's loan portfolios, is described in the sensitivity analyses in Note 22.

Market price risk in Asset Management

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

Interest risk

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

Information on the Group's net debt profile and a sensitivity analysis are presented below, with information on fixed interest periods. As of 31 December 2020, remaining operations had net cash of SEK 262 M (2019: net debt of SEK 72 M) and interest cover a measure of the ability to cover interest expenses, was 7.8 (8.6).

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

	Continued operations	
	2020	2019
SEK M	**31 Dec**	**31 Dec**
EUR liabilities	-134	-134
SEK liabilities	-778	-786
GBP liabilities	-3	-7
NOK liabilities	-1	-2
DKK liabilities	-461	-221
HKD liabilities	-	-1
Liabilities in other currencies	-	0
Total interest-bearing liabilities	-1 377	-1 151
Term (days)	92	90
Average interest expense for the year,%	3,6	4,6
Interest +0.5%	4,1	5,1
Net effect on profit or loss of 0.5% increase, SEK M	-7	-6
Interest -0.5%	3,1	4,1
Net effect on profit or loss of 0.5% decrease, SEK M	7	6

	2020	2019
SEK M	**31 Dec**	**31 Dec**
EUR assets	1 093	624
USD assets	6	4
SEK assets	479	392
GBP assets	46	24
NOK assets	1	5
DKK assets	14	27
HKD assets	-	2
Assets in other currencies	1	1
Total interest-bearing assets	1 640	1 079
Term (days)	11	20
Average interest income for the year,%	0,5	0,8
Interest +0.5%	1,0	1,3
Net effect on profit or loss of 0.5% increase, SEK M	8	5
Interest -0.5%	0,0	0,3
Net effect on profit or loss of 0.5% decrease, SEK M	-8	-5

Exchange rate risk

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

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

Financing of foreign assets—translation risk

Translation risk is the risk that the value in SEK relating to equity in foreign currencies could vary due to exchange rate fluctuations. The Group's Net assets in foreign currency amounted to SEK 1,693 M (1,345) as of 31 December 2020. This net exposure consists of capital financed by deposits and equity. This means that, from a Group perspective, Catella has equity in foreign currencies that is exposed to exchange rate fluctuations. This exposure leads to a translation risk and thereby to a situation in which unfavourable exchange rate fluctuations could negatively impact the Group exposure foreign net assets on translation to SEK. In order to reduce the currency risk in Catella's net assets in EUR, the Group started using currency hedging in the form of currency swaps in May 2018. Hedging currently totals a nominal amount of EUR 60 M.

Currency swaps are entered into with short terms and are replaced with new currency swaps on maturity. The hedging quotient for the relationship is 1:1, which means that the nominal amount in the hedging instrument is equal to the proportion of the total net investment in EUR designated as the hedged item. Hedging is expected to be very effective. Potential sources of inefficiency include significant changes in the credit risk of Catella or the counterparty, which would affect the value change of the derivative but not the hedged item, or that net assets fall below the nominal amount of the derivatives. No inefficiencies were reported in the period as the credit risk of Catella and the counterparty does not materially impact the valuation of the hedging instrument. As of the reporting date, the Group had an outstanding currency swap with a nominal amount of EUR 60 M at a forward rate of 10.20213 SEK/EUR. This matured in February 2021 when the position was closed. Group management is currently evaluating the need for hedging of the Group's translation risk. The following table summarises the effects of hedge accounting on Catella's profit and financial position. For more information about the impact of hedge accounting on Other comprehensive income, see the Consolidated Statement of Comprehensive Income.

SEK M	**2020**	**2019**
Carrying amounts hedge accounting, MSEK, derivatives, current assets	12	14
Carrying amounts hedge accounting, MSEK, derivatives, liabilitiesassets	0	0
Nominal amount hedging instrument, MEUR	60	60
Net assets in MEUR designated as hedging instruments	60	60
Hedging ratio	1:1	1:1
Changes in fair value on hedging instrument to calculate efficiency	28	-7
Changes in fair value on hedged risk to calculate efficiency	-28	7
Closing value in translation reserve attributable to net investment hedging	28	0

The following tables show the breakdown of the Group's capital employed by currency and its funding. They also include a sensitivity analysis of net liquidity/net debt and capital employed resulting from exchange rate fluctuations of +/-10% for SEK. Changes to net liquidity/net debt and in capital employed resulting from exchange rate fluctuations are reported in other comprehensive income, and consequently do not affect profit for the year. In 2020, the translation difference amounted to SEK -36 M (33). Given a change in foreign exchange rates as of year-end of +/-10%, the translation difference would increase/decrease by SEK 169 M (135).

Capital employed and financing by currency, 2020-2019

SEK M 31 December 2020	EUR	USD	GBP	CHF	NOK	DKK	HKD	Other currencies	Total foreign currencies	SEK	Total, group	Total, group +10%	Total, group –10%
Capital employed	126	2	223		1	559		0	911	190	1 101	1 192	1 010
Net liquidity (+)/Net debt (–)	958	6	43		0	-447		1	561	-299	262	318	206
Non-controlling interests	-49	-1	-2			-14			-67	-118	-185	-192	-178
Net assets continuing operations	**1 035**	**7**	**264**	**0**	**1**	**97**	**0**	**1**	**1 406**	**-228**	**1 178**	**1 319**	**1 038**
Net debt/equity ratio continuing operations	-0,9	-0,7	-0,2	0,0	0,3	4,0	-	-1,0	-0,4	-2,7	-0,2	-0,2	-0,2
Net assets divestment group held for sale	146	137	2	2	0				287	147	434	463	405
Group's net assets	**1 181**	**145**	**266**	**2**	**1**	**97**	**0**	**1**	**1 693**	**-81**	**1 612**	**1 782**	**1 443**

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

Transaction risk

Transaction risk is the risk that value changes in commercial flows denominated in foreign currency caused by exchange rate fluctuations affect consolidated net profit. Because the Group's operating activities are largely conducted in foreign subsidiaries whose functional currency is EUR or another foreign currency, exchange rate fluctuations between these currencies and SEK affect consolidated profit or loss.

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

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

Credit risk

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

Credit risk—accounts receivable and loan receivables

The risk of bad debt is generally low in the Group, due to several different factors. Counterparties are predominantly well-known mid-size and large clients, where there is an established, long-term relationship. This results in stable deposit streams. Credit checks are conducted on new clients. The sale and the transactions generated by the client portfolio are also diversified in several ways, the most important being that no or few clients constitute a significant part of total sales or lending. Accordingly, a default by an individual client would have a minor effect overall. Counterparties and loan receivables have been approved in accordance with the Group's authorisation schedule. Furthermore, Catella renders services for geographically diversified clients in a large number of sectors including the public sector, financial sector and real estate companies. Accordingly, exposure to an economic downturn in a single sector or region is relatively limited. Overall, this generates stable revenue streams relating to sales and lending. Actual and expected customer and credit losses for 2020 amounted to 0.8 percent (0.1) of Group net sales. The credit risk associated with receivables from associated companies for financing of property development projects is assessed to be at medium level. Catella monitors progress and risks in the projects on an ongoing basis. Cash and cash equivalents are invested in well established banks with high credit ratings, and impairment tests for these are not considered necessary.

Credit risk—Treasury Management

The Group's investments in loan portfolios primarily consist of holdings in, and/or financial exposure to, securities that are subordinated from a payment perspective and are ranked below securities that are backed by, or represent ownership of, the same asset class. In the event of default by an issuer of such investments, holders of more senior securities from the issuer are entitled to payment before Catella. Some of the investments also have structural elements, which means that payment of interest and/or principal goes to more senior securities that are backed by, or represent ownership of, the same class of asset in the event of default or when the loss exceeds predetermined levels. This could lead to interruptions in Catella's expected revenue flow from its investment portfolio. Although holders of asset-backed securities normally have the advantage of high collateral levels, control over the timing and method of the sale of such collateral in the event of default is normally transferred to holders of the most senior outstanding securities. There are no guarantees that the income from the sale of collateral will be sufficient to fully repay Catella's investments.

Catella endeavours to reduce credit risk by actively monitoring its investment portfolio and the underlying credit quality of its holdings. Catella endeavours to further minimise credit risk by creating a diversified portfolio in terms of geographical allocation, administrators and issuers. Catella does not intend to undertake any credit hedging other than hedging of credit exposure in specific investments in individual cases. In 2020, no credit hedging was conducted.

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

Default risk is the risk that individual debtors will be unable to pay the required interest and principal at maturity. In its valuations, Catella takes into account an expected rate of default and an expected level of loss, but Catella's investments could incur larger losses if the payments in default are higher than expected. The risk of default is handled by Catella's investment advisor, who regularly analyses holdings. Every quarter the investment advisor reviews the various assumptions and updates them as required. The assumptions are reviewed by examining the information about the performance of the underlying loans. The degree of default risk is affected by changes in interest rates and a number of financial, geographical and other factors that lie outside Catella's control, and consequently, cannot be predicted with certainty. The level and timing of a debtor's default of mortgages used as collateral for certain investments could adversely affect the revenue accrued by Catella on these investments.

Credit ratings of financial assets

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

Credit ratings of financial assets, remaining operations

SEK M 31 December 2020	Accounts receivable	Loan receivables and other debt instruments	Receivables from associated companies	Derivatives	Assets at fair value through profit or loss	Bank balances and short-term bank deposits	Total
Counterparties with external credit ratings *							
AAA							0
AA+						9	9
AA						75	75
AA-	0			11		581	592
A+	4			1	0	424	429
A	7				0	228	235
A-	3					62	65
BBB+	1				0	45	46
BBB	4					16	20
BBB-						41	41
BB+							0
BB-							0
B							0
CCC							0
	18	**0**	**0**	**12**	**1**	**1 480**	**1 511**
Counterparties without external credit ratings							
Company	174	96	61		63	0	394
Funds	65				107		173
Financial companies	2					2	4
Public administration	1						1
Private individuals	6						6
	249	**96**	**61**	**0**	**171**	**2**	**578**
Total	**267**	**96**	**61**	**12**	**171**	**1 482**	**2 089**

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

* Standard & Poor' s long-term credit rating has been used.

Geographical concentration of credit risks

The following table states the geographical concentration of credit risks.

Geographical concentration of credit risks in financial assets

	Financial assets		Pledged assets, contingent liabilities and commitments	
	2020	2019	2020	2019
SEK M	Continued operations	Continued operations	Continued operations	Continued operations
Sweden	891	588	470	19
Luxembourg	6	7	-	-
Germany	416	318	46	48
France	324	249	1	-
Portugal	51	55	-	-
Spain	92	96	1	1
Denmark	31	31	324	336
Other countries	277	277	1	1
Total	**2 089**	**1 622**	**844**	**404**

Capital risk and capital management and related risk

The objective of the Group's capital structure is to provide a healthy return to shareholders by maintaining an optimal capital structure aiming to achieve the lowest possible cost of capital, and in subsidiaries, achieving the requirement of financial stability placed on subsidiaries. The Group's capitalisation must be risk based and proceed from a judgement of the overall risk level of operations. It should also be forward looking and consistent with long and short- term business plans and expected macroeconomic growth. The capital is assessed with relevant key ratios, such as the ratio between net debt and equity. As of 31 December 2020, remaining operations had net cash of SEK 262 M (2019: net debt of SEK 72 M) which in relation to Group equity amounts to 0.15 (0.04).

Part of the Group's operations conduct licensable operations, regulated by the financial supervisory authorities of the relevant countries of fiscal domicile. Existing regulatory frameworks and rapid regulatory changes are complex in general, and specifically with regard to banking operations. These regulatory framework place stringent, and in future even more stringent, demands on the routines and procedures, and liquidity and capital reserves, of the operations under supervision. Compliance with these regulatory frameworks is a pre-condition for conducting operations subject to supervision. Catella works continuously to ensure compliance with current regulations and to prepare for compliance with forthcoming regulatory changes. In the event that subsidiaries were to become unable to satisfy such regulatory stipulations, this may have adverse consequences for Group profit and the value of the Group's Assets. At a pace with the wind down of the banking operations in 2020, the regulatory risk has decreased. For Catella's consolidated financial situation, the tier 1 capital ratio and the total capital ratio was 6.7% (6.9) of the total risk-weighted exposure. The consolidated financial situation and subsidiaries subject to capital adequacy requirements from supervisory authorities satisfied such requirements in the year and as of 31 December 2020.

Fair value hierarchy for the measurement of financial assets and liabilities

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

Listed (unadjusted) market prices

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

Valuation techniques using observable market data

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

Valuation techniques using non-observable market data

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

A sensitivity analysis of changes to significant parameters for measuring loan portfolios (financial assets measured at fair value in profit or loss) is provided above in the section regarding Market price risk in treasury management.

Financial instruments by category

The Consolidated Statement of Financial Position presents the allocation of financial instruments by category, with no further disclosure on categories in the Notes.

The Group's assets and liabilities at fair value as of 31 December 2020, remaining operations

SEK M	Quoted market prices	Valuation techniques using observable market data	Valuation techniques using non-observable market data	Total
Assets				
Derivatives		12		12
Financial assets at fair value through profit or loss	8	107	152	267
Total assets	**8**	**119**	**152**	**279**
Derivatives		0		0
Total liabilities	**0**	**0**	**0**	**0**

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

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

Changes in instruments in the category of valuation techniques using non-observable market data in 2020 and 2019:

	2020	2019
SEK M	Assets at fair value through profit or loss	Assets at fair value through profit or loss
As of 1 January	221	275
Investments	10	36
Disposals	-44	0
Amortisation	0	-25
Gains and losses recognised through profit or loss	-30	-71
Exchange rate differences	-6	6
As of 31 December	**152**	**221**

Financial assets and financial liabilities

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

SEK M	2020	2019
Financial assets		
Financial assets at amortized cost		
Accounts receivable	267	318
Receivables from associated companies	61	38
Cash and cash equivalents	1 482	881
Financial assets at fair value through profit or loss	267	370
Derivatives		
Used for hedge accounting	12	14
Held for trading at fair value through profit or loss	0	0
	2 089	**1 622**
Financial liabilities		
Financial liabilities at amortized cost		
Accounts payable and other liabilities	262	215
Borrowings and loan liabilities	1 303	960
Derivatives		
Held for trading at fair value through profit or loss	0	1
	1 565	**1 175**

NOTE 4 CRITICAL ESTIMATES AND JUDGEMENTS

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

Key estimates and assumptions for accounting purposes

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

Impairment tests of intangible assets with indefinite useful lives

The Group has goodwill of SEK 318 M (464) and trademarks and brands of SEK 50 M (50) which, in accordance with the accounting policy described in Note 2, are subject to impairment tests annually, in the fourth quarter. A judgement of recoverable amounts is conducted based on measurements and assumptions. Impairment testing carried out in 2020 indicated a minor need for impairment of carrying amounts. See also Note 17.

Investments in property development projects

Catella has investments in property development projects in Germany, Denmark, France and Sweden. Investments primarily take place through associated companies but also through subsidiaries. The projects are run by Catella's German, Danish and French subsidiaries and the Swedish project is run by an associated company. Catella intends to invest and complete projects with the aim of investing in future fund structures created by Catella. The investments include the risk that associated companies are forced to choose between continuing to invest in late stages of projects, run the projects to completion or leaving the project and losing the invested capital.

During 2019, Catella decided to initiate the construction phase of the Danish project Kaktus, and complete the project in order to realize the maximum potential for Catella's shareholders. The decision implies an increased investment commitment from Catella and has implied a re-classification of the holding in the property development company Kaktus 1 TopCo ApS from a holding in an associated company to shares in a subsidiary with full consolidation of Kaktus's Income Statement and Balance Sheet. The aforementioned risks apply to all property development projects that Catella invests in (see Note 3).

Reporting according to IFRS 15 Revenue from Contracts with Customers require judgements to be made regarding the milestones reached by projects and rates of completion, which in turn influence the valuation of projects. The property development project Grand Central was concluded in 2020, including final revenue recognition. No other property development projects were recognized for revenue in the year.

The Group's total net investments in property development projects through associated companies and direct ownership amounted to SEK -67 M (96) and SEK 93 M (93) respectively as of 31 December 2020. The negative net investment in associated companies was due to dividends from Grand Central and Nordic Seeding totalling SEK 210 M in 2020. Recognized value of shares in associated companies that invest in property development projects amounted to SEK 96 M (82) as of the same date. See also Note 20. Catella also issued lending to associated companies totalling SEK 61 M (13).

Measurement of securitised loan portfolios

At 31 December 2020, the value of Catella's loan portfolios was SEK 96 M (120). The measurement of the loan portfolios is based on a large number of parameters, including estimated future cash flows, as described in Note 3, Financial risk management. Since the market for these loan portfolios, subordinated securities with collateral in assets, is currently illiquid. All Catella's remaining loan portfolios are illiquid. As a result, the valuation model includes a number of parameters that are non-observable market data, which leads to significant uncertainty. Changes in judgements underlying the chosen parameters could result in a change in the fair value of Catella's loan portfolio in the Consolidated Statement of Financial Position and such a change could be material. It is not possible to quantify the probability in the event that assumptions made prove inaccurate and would thereby imply an inaccurate valuation of the portfolio. For further information and a sensitivity analysis, refer to Notes 3 and 22.

Measurement of preference shares in Visa Inc.

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

Valuation of unlisted share holdings

As of 31 December 2020, Catella's holding of unlisted shares amounted to SEK 54 M (71) comprising Private Equity products Pamica and Pamica 2, shares in Climate Arena Holding and APAM's investments alongside customers. Because the valuations are based on non-observable market data there is a greater degree of uncertainty associated with these judgements.

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

The measurement of identifiable assets and liabilities coincident with the acquisition of subsidiaries or operations includes, as a part of the allocation of the purchase consideration, both items in the acquired company's Balance sheet and items not subject to recognition in the acquired company's Balance sheet, such relationships and software will be measured at fair value. Normally, no listed prices exist for the assets and liabilities to be measured, whereby various valuation techniques must be applied. These valuation techniques are based on a range of different assumptions. Other items that could be difficult to identify and measure are contingent liabilities that may have arisen in the acquired companies such as disputes. All balance sheet items are thereby subject to estimates and judgements. For further information regarding acquisitions, see Note 36.

Valuation of Catella Bank

In 2020 the Board of Catella AB (publ) decided to conclude the liquidation of operations in Catella Bank with the aim of returning the banking license to the supervisory authority in the first half of 2021. In connection with winding down operations, the bank has signed a number of binding undertakings in relation to its staff, suppliers and other stakeholders. These undertakings have been valued and reported in accordance with the provisions in IAS 37 as of 31 December 2020. The valuations are based on management's best assessments, but the actual outcome of the winding down of operations may imply that the need for further provisions for additional undertakings may become necessary. As the winding down is in the final stages, the risk of additional material costs is judged to be low.

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

The recognition of income tax, value added tax and other taxes is based on current rules in the countries in which the Group conducts operations. Due to the overall complexity of all rules governing taxes and the reporting of taxes, application and recognition are based on interpretation, as well as estimates and judgements of potential outcomes. Deferred tax is computed on temporary differences between recognised and tax values of assets and liabilities. Two types of assumptions and estimates mainly affect the reported deferred tax. Firstly, there are assumptions and estimates to establish the carrying amount of various assets and liabilities, and secondly judgements as to whether there will be a future taxable profit so that the temporary differences will be realisable. At year end, the Group reported deferred tax assets totalling SEK 21 M (80), of which SEK 21 M (78) related to remaining operations and SEK 0 M (2) related to disposal group held for sale. A majority of these amounts comprises tax loss carry-forwards that are deemed to be utilised within a forecast period of 10 years. The Group has total loss carry-forwards amounting to SEK 1,145 M (1,048). Loss carry-forwards for which no deferred tax asset is recognized in the Consolidated Balance Sheet amount to SEK 1,080 M (721).

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

Effects on the Group's financial position from ongoing disputes and the measurement of contingent liabilities

Reporting of disputes and measurement of contingent liabilities are based on judgements. If these judgements were to differ from actual outcomes, this could have a material impact on Catella's accounts. For more information, see Note 32.

Estimates and judgements regarding the term of lease agreements

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

NOTE 5 INFORMATION PER SEGMENT

Disclosures by operating segment

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

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

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

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

Corporate Finance

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

Asset Management

This operating segment is divided into three business areas. Through the Property Investment Management business area, Catella offers property funds mainly targeted at institutional owners. Catella also offers asset management in the property sector, mainly for international investors and funds, as well as services in property related development projects. The Equity, Hedge and Fixed Income Funds business area provides asset management in two service areas: Systematic Funds offers systematic management to institutional investors with a global focus; Mutual Funds offers active management with a Nordic investment focus to private and institutional investors. In September 2020, Catella divested its majority stake in Mutual Funds but retained a 30 percent holding in the operations. The Banking business area divested all active operations in 2019, and in 2020 reached a decision to wind down the operations in Catella Bank with the aim of returning the banking license to the supervisory authority in the first half of 2021.

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

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

Income Statement by Operating Segment

	Corporate Finance		Asset Management		Other		Eliminations		Group	
SEK M	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	618	704	1 438	1 660	18	17	-26	-29	2 047	2 353
Other operating income	5	5	63	29	199	36	-3	-3	265	67
	623	**709**	**1 501**	**1 689**	**217**	**54**	**-29**	**-31**	**2 312**	**2 420**
Direct assigment costs and commission	-75	-55	-229	-324	-1	0	4	7	-300	-372
Other external expenses	-117	-152	-266	-296	-27	-26	15	23	-395	-451
Personnel costs	-375	-413	-668	-591	-43	-37	8	-2	-1 079	-1 043
Depreciation and amortisation	-25	-26	-71	-80	-14	-22	0	0	-110	-128
Other operating expenses	-3	-1	-26	-6	-7	0	3	3	-34	-4
Operating profit/loss	**29**	**62**	**240**	**392**	**124**	**-31**	**0**	**-1**	**393**	**422**
Interest income accordring to effective interest rate method	2	1	1	0	5	0	-6		1	2
Interest income other		1	0	1	4	15		-5	5	12
Interest expenses	-10	-11	-8	-9	-35	-33	6	5	-47	-49
Other financial income	1	0	40	0	38	15			78	15
Other financial expenses	0	0	-54	-23	-92	-95			-146	-118
Financial items—net	-7	-9	-21	-31	-80	-98	0	0	-109	-138
Profit/loss before tax	**21**	**52**	**219**	**361**	**44**	**-129**	**0**	**-1**	**285**	**284**
Tax	-21	-29	-60	-107	-70	1			-151	-135
Net profit for the year from continuing operations	**0**	**23**	**159**	**253**	**-26**	**-128**	**0**	**-1**	**134**	**148**
Net profit/loss for the year from divestment group held for sale	-	-	-60	44	-	-		1	-60	45
Net profit for the year	**0**	**23**	**100**	**298**	**-26**	**-128**	**0**	**0**	**74**	**193**

Financial position by operating segment

	Corporate Finance		Asset Management		Other		Eliminations		Group	
SEK M	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Assets										
Non-current assets										
Intangible assets	64	67	325	507	54	53			443	627
Contract assets	62	79	73	90	22	14			157	183
Tangible assets	7	9	23	16	0	0			30	25
Investments in associated companies	0	0	11	11	156	81			167	92
Långfristiga fordringar hos intresseföretag	-	-	35	-	-	-			35	0
Financial assets at fair value through profit or loss	0	0	122	149	125	111			248	261
Long-term loan receivables	0	0	0	0	0	0			0	0
Deferred tax assets	0	0	20	7	0	70			21	78
Non-current receivables from group companies	14	12	0	0	20	105	-34	-118	0	0
Other non-current receivables	4	4	2	2	0	0			6	6
	151	**171**	**611**	**783**	**378**	**436**	**-34**	**-118**	**1 106**	**1 272**
Current assets										
Development and project properties	-	-	-	-	634	336			634	336
Accounts receivable	147	147	119	170	0	1			267	318
Receivables from group companies	14	12	4	1	83	52	-101	-64	0	0
Receivables from associated companies		0		25	26	13			26	38
Tax assets	7	5	13	39	0	0			20	44
Other receivables	17	5	6	10	17	27			40	42
Prepaid expenses and accrued income	21	20	61	215	5	7			88	242
Derivatives	-	-	1	0	11	14			12	14
Financial assets at fair value through profit or loss	0	0	0	51	19	59			19	110
Cash and cash equivalents	190	176	788	608	504	97			1 482	881
	396	**364**	**994**	**1 118**	**1 300**	**607**	**-101**	**-64**	**2 588**	**2 026**
Assets in divestment group held for sale	-	-	618	835	-	-	-79	-76	539	759
Total assets	**547**	**536**	**2 223**	**2 736**	**1 678**	**1 043**	**-215**	**-258**	**4 233**	**4 057**
EQUITY AND LIABILITIES										
Equity attributable to shareholders of the Parent Company	97	57	1 347	1 545	169	-80			1 612	1 522
Non-controlling interests	36	26	144	182	5	5			185	214
Total equity	**133**	**83**	**1 491**	**1 727**	**173**	**-75**	**0**	**0**	**1 797**	**1 736**
Liabilities										
Non-current liabilities										
Borrowings	77	0	21	0	454	213			553	213
Long-term loan liabilities	0	0	0	0	751	747			751	747
Long-term contract liabilities	48	65	54	73	13	0			115	138
Non-current liabilities to group companies	20	105	14	12	0	0	-34	-118	0	0
Deferred tax liabilities	0	0	10	17	10	10			20	27
Other provisions	1	1	54	59	8	1			63	61
	147	**171**	**154**	**162**	**1 236**	**971**	**-34**	**-118**	**1 503**	**1 186**
Current liabilities										
Current contract liabilities	17	17	24	21	7	15			48	52
Derivatives	-	-	0	1	0	0			0	1
Accounts payable	37	23	42	52	46	37			124	113
Liabilities to group companies	8	34	89	80	83	23	-181	-137	0	0
Liabilities to associated companies	0	0	0	0	4	0			4	0
Current tax liabilities	15	7	33	15	0	0			48	22
Other liabilities	43	40	24	47	69	17	0	0	136	103
Accrued expenses and deferred income	147	161	299	375	22	18			468	554
	267	**282**	**510**	**591**	**231**	**110**	**-181**	**-137**	**828**	**846**
Liabilities in disposal group held for sale	-	-	68	256	37	36		-3	105	289
Total liabilities	**414**	**453**	**732**	**1 009**	**1 504**	**1 117**	**-215**	**-258**	**2 435**	**2 321**
Total equity and liabilities	**547**	**536**	**2 223**	**2 736**	**1 678**	**1 043**	**-215**	**-258**	**4 233**	**4 057**

Cash flow by operating segment

	Corporate Finance		Asset Management		Other		Group	
SEK M	2020	2019	2020	2019	2020	2019	2020	2019
Profit/loss before tax	22	52	150	461	44	-129	216	385
Adjustments for non-cash items:								
Wind down expenses			27	24			27	24
Other financial items	0	1	-25	-306	54	102	29	-203
Depreciation and amortisation	25	26	74	82	14	22	113	130
Profit/loss from participations in associated companies			0	0	-195	-25	-196	-25
Other items not affecting cash flow	42	30	2	17	4	-10	49	38
Paid income tax	-27	-67	-55	-208	-1	-1	-84	-277
Change in operating capital employed	-67	-2	-219	-2 206	298	303	11	-1 905
Cash flow from operating activities	**-6**	**40**	**-46**	**-2 135**	**217**	**261**	**165**	**-1 834**
Cash flow from tangible and intangible non-current assets	-2	-4	-19	-11	-2	-4	-23	-19
Acquisition of subsidiaries, net of cash and cash equivalents	0		0	0			0	0
Sale of subsidiaries, net of cash disposed		0	91		-15		76	0
Business transfers net of advisory costs			127	245	1		128	245
Net investments in Associated companies	-11	0	-25			-34	-37	-34
Investments in development and project properties					-320	-45	-320	-45
Dividend and other disbursements from associated companies					179		179	0
Cash flow from other financial assets	-1	0	12	-4	29	5	40	2
Cash flow from investing activities	**-14**	**-4**	**186**	**230**	**-128**	**-78**	**44**	**148**
Net borrowings, amortisation of loans	63	-18	-3	-21	304	-14	365	-53
New share issue, dividends, contributions from, and payments to, non-controlling interests	-20	-30	-43	-73	13	-89	-49	-192
Cash flow from financing activities	**43**	**-48**	**-46**	**-95**	**318**	**-103**	**315**	**-245**
Cash flow for the year	**23**	**-12**	**94**	**-2 000**	**407**	**80**	**524**	**-1 931**
Of which cash flow from divestment groups held for sale:								
Cash flow from operating activities	-	-	-212	-2 381	-	-	-212	-2 381
Cash flow from investing activities	-	-	128	266	-	-	128	266
Cash flow from financing activities	-	-	0	0	-	-	0	0
	-	**-**	**-84**	**-2 115**	**-**	**-**	**-84**	**-2 115**

Disclosures by geographical market

	Total sales to external customers *		Total assets		Non-current assets **	
SEK M	2020	2019	2020	2019	2020	2019
Sweden	514	926	1 277	1 032	295	317
Germany	839	672	559	523	136	170
France	461	487	437	378	110	107
UK	70	73	279	311	223	260
Other countries	163	194	841	592	73	80
Non-current assets not specified by country **	-	-	300	463	269	338
Assets in divestment group held for sale	-	-	459	759	-	-
Total	**2 047**	**2 353**	**4 153**	**4 057**	**1 106**	**1 272**

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

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

NOTE 6 NET SALES

SEK M	2020	2019
Corporate Finance	618	704
Property Investment Management	1 073	856
Property Funds	740	604
Property Asset Management	449	301
Eliminations within the business area	-116	-48
Equity Hedge and Fixed Income Funds	364	804
Systematic Funds	243	575
Mutual Funds*	121	229
Other net sales**	-8	-11
	2 047	**2 353**

*Recognised revenue for 2020 relates to the period January-August as the majority holding in Catella Fondförvaltning was divested in September 2020.

**Includes elimination of intra-Group sales between business areas.

A majority of the Corporate Finance operations' revenue is recognised at a specific point in time as the contractual performance obligation has been met, which normally occurs at the time of completion of a transaction.

Property Investment Management and Equity, Hedge and Fixed Income Funds have revenue streams that are recognised both over time and at a specific point in time. Management fees corresponding to a fixed contractual percentage based on the volume of underlying assets under management are recognised at a pace with earnings over time. In addition, performance-based revenue (success fees) is received and recognised when all the criteria have been satisfied at a specific point in time.

None of the Group's subsidiaries apply the percentage of completion method. Uncertainty in reporting of Group net sales is assessed to be low.

NOTE 7 OTHER OPERATING INCOME/EXPENSE

Other operating income

SEK M	2020	2019
Recharged costs for company analysis	9	14
Share of profit from associated companies	196	25
Other return on investments in associated companies	2	11
Capital gains on financial assets at fair value through profit or loss	35	-
Fair value gains on financial assets at fair value through profit or loss	-1	2
Other	26	15
	265	**67**

A majority of the profit share from associated companies relates to the divestment of the property development project Grand Central. Furthermore, Other operating income includes performance-based income of SEK 33 M, derived from exiting a mandate in the Property Asset Management service area in the UK.

Other operating expenses

SEK M	2020	2019
Impairment of accounts receivable	-16	-4
Recovered bad debt losses	0	1
Other operating expenses	-18	-1
	-34	**-4**

NOTE 8OTHER EXTERNAL COSTS

Remuneration to auditors

SEK M	2020	2019
PwC		
Audit assignment *	8	8
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*2*	2
Audit activities other than audit assignment **	0	0
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*0*	-
Tax advisory	0	0
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*0*	0
Other services	6	1
(varav till moderbolagets revisorer PricewaterhouseCoopers AB)	*3*	1
	14	**9**
Other audit firms		
Audit assignment	1	1
Audit activities other than audit assignment	1	0
Tax advisory	1	0
Other services	-	-
	2	**1**
Total remuneration to auditors	**16**	**11**

* Audit assignment means fees for the statutory audit, i.e. work necessary to present the Audit Report, and audit-related advisory services rendered coincident with the audit assignment.
** Services in addition to auditing, with the exception of other statutory assignments, mainly relate to auditing of regulatory reporting (Long form report) to CSSF in Luxembourg for the consolidated financial situation, transfer pricing documentation, due diligence in connection with the divestment of the majority holding in Catella Fondförvaltning and advisory services relating to the strategic review of the Property Funds service area.

NOTE 9 DEPRECIATION AND AMORTISATION

SEK M	2020	2019
Depreciation of tangible assets, note 19	9	9
Amortisation of non-acquisition-related intangible assets, note 17	20	38
Amortisation of acquisition-related intangible assets, note 17	24	21
Depreciation of contract assets, note 18	57	60
	110	**128**

Depreciation and amortization for the year of non-acquisition-related intangible assets primarily relate to IT systems for the service areas Property Funds and Systematic Funds.

Depreciation and amortization for the year on acquisition-related intangible assets are attributable to customer relationship identified in connection with the acquisition of APAM Ltd. The amount also includes goodwill impairment of SEK 8 M attributable to the Property Investment Management business area and impairment of IT systems attributable to Systematic Funds totalling SEK 3 M.

NOTE 10 PERSONNEL

Employee benefits

SEK M	2020	2019
Salaries and other compensation	790	744
Social security expenses	152	162
Pension costs defined contribution pension plans	52	53
Pension costs defined benefit pension plans	-	-
	994	**959**

Salaries and other benefits

SEK M	2020	2019
Boards of Directors and Presidents *	229	178
Other employees *	561	566
	790	**744**
* of which variable renumeration to senior management	169	116

Apart from the aforementioned compensation, which was an expense for Catella in 2020, earnings attributable to partners in subsidiaries in which they work are recognized as a personnel cost in accordance with applicable accounting policies. This cost amounts to SEK 37 M (32).

Average no. of employees (full-time equivalents)

	2020		2019	
Average	Total	of which women	Total	of which women
Sweden—parent company	11	1	14	3
Sweden—subsidiaries	118	45	145	57
Luxembourg	-	-	-	-
Germany	168	73	157	71
France	103	48	101	47
UK	53	29	41	20
Finland	40	11	40	13
Spain	34	16	34	15
Denmark	15	5	18	5
Baltics	8	2	11	3
Netherlands	23	5	13	3
Norway	2	-	4	1
Hong Kong	-	-	1	1
USA	2	1	2	1
Total	**577**	**236**	**581**	**240**

As of 31 December 2020, the number of Board members and Presidents totalled 179 (168), of whom 25 (21) were women. In several cases, these individuals are one and the same person, as such an individual may hold multiple directorships.

NOTE 11 REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Principles

Directors' fees are paid to the Chairman of the Board and Board members in accordance with the resolution of the Annual General Meeting. The following guidelines for remuneration to senior executives were adopted by the Annual General Meeting 2020:

These guidelines concern remuneration and other terms of employment for the members of Catella's Group Management for the period the guidelines apply, hereby jointly designated 'senior executives'. The guidelines also apply to other Board members with regard to remuneration in addition to the Directors' fees authorized by the Annual General Meeting. The guidelines apply for agreements entered after the AGM resolution, and for amendments to existing agreements after this date. The Board of Directors is entitled to depart from these guidelines, wholly or in part, if there are special reasons for this in individual cases, and such departure is considered necessary to satisfy the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.

The Company's operations are dependent on its ability to recruit and retain qualified employees. Total remuneration shall be on market terms and competitive, which is a prerequisite for the successful implementation of the Company's business strategy and protecting its long-term interests, including sustainability. Furthermore, remuneration shall be in relation to responsibilities and authority.

Remuneration to the Chief Executive Officer and other members of Group management consist of basic salary, variable salary, as well as pension and other benefits.

Variable remuneration is based on financial or non-financial results achieved in relation to individually defined qualitative and quantitative targets that consider the Company's business strategy, long-term goals and sustainability work.

The fulfilment of criteria for payment of variable cash remuneration shall be measured over a one-year period. Variable remuneration is subject to a maximum of 200 percent of fixed annual basic salary for the CEO and 100 percent of fixed annual basic salary for other senior executives. Additional variable cash remuneration may be payable in extraordinary circumstances, provided such extraordinary arrangements are limited in time and relate to individuals with the purpose of recruiting or retaining senior executives, or as remuneration for extraordinary work carried out additional to regular assignments. Such remuneration may not exceed an amount corresponding to 100 percent of fixed annual basic salary and may not be paid more than once per year and individual. Decisions relating to such remuneration shall be made by the Board following preparation by the Remuneration Committee.

Pension benefits, including healthcare insurance, shall be defined-contribution. Variable cash remuneration shall not be pensionable. Pension premiums for defined-contribution pension shall amount to a maximum of 30 percent of fixed annual basic salary.

Other benefits may include life insurance, health care insurance and company car. Such benefits may amount to a maximum of 10 percent of fixed annual basic salary.

Share-based incentive programs are subject to resolution by the shareholders' meeting and are not encompassed by these guidelines.

Upon termination of employment from the Company's side the notice period shall be a maximum of 12 months, and upon termination of employment by the employee the notice period shall be a maximum of 6 months. Severance pay and redundancy payments may not exceed 100 percent of fixed annual basic salary in total.

In addition, remuneration for non-compete undertakings may be payable. Such remuneration shall compensate any potential income shortfall and shall only be payable in cases where the former employee is not entitled to receive severance pay. Remuneration shall be based on fixed basic salary at the time of termination of employment and subject to a maximum of 60 percent of monthly income at the time of termination of employment and be payable during the period the non-compete undertaking applies, which shall be subject to a maximum of 9 months after termination of employment.

The Company is not contractually entitled to recover variable remuneration. According to statute or agreement, and considering any ensuing limitations thereof, the Board is entitled to wholly or partly recover variable remuneration paid on incorrect grounds.

Board of Directors and senior executives

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

In May 2020 at the AGM, all existing Board members, Johan Claesson, Johan Damne, Joachim Gahm, Anna Ramel and Jan Roxendal were re-elected and Tobias Alsborger was elected. Jan Roxendal was elected Chairman of the Board.

The composition of Group management changed in connection with Knut Pedersen leaving his assignment as CEO in spring 2020, and shortly after Marcus Holmstrand left his position as CFO. In May 2020, Johan Claesson was appointed interim CEO, Eva Bång interim CFO and Jan Roxendal interim Chairman. Christoffer Abramson was appointed CFO and member of Group management on 15 October.

Board fees, approved by the AGM on 26 May 2020, totalled SEK 570,000 (570,000) to the Chairman of the Board and SEK 350,000 (350,000) each to other Board members. In addition, the following remuneration is payable: SEK 130,000 (130,000) to the Chairman of the Audit Committee and SEK 100,000 (100,000) each to two other Committee members, and SEK 40,000 (40,000) to the Chairman of the Remuneration Committee and SEK 30,000 (30,000) to the Committee member. Board members are entitled to invoice their Board fee through privately owned companies provided this is permissible from a tax perspective and is cost neutral to Catella. Board members are then permitted to include social security expenses that would have been payable by Catella AB had the Board fee been paid directly to the Board member. In these cases, Board fees correspond to approved fees, plus invoiced social security expenses. In addition, statutory sales tax is payable.

Variable remuneration to senior executives and other employment terms in 2020

The Chief Executive Officer and other senior executives are entitled to receive performance-based bonuses. Entitlement to bonus payments and the calculation basis for bonuses are determined and re-evaluated annually by the Board. Bonuses are subject to a maximum amount corresponding to 24 months' salary (24) for the CEO and 12 months' salary (24) for other senior executives. The Company's cost for variable salary to Group management for 2020 amounted to SEK 0.5 M (2) including social security expenses. The maximum outcome would have cost the Company SEK 12 M including social security expenses.

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

A period of notice of six months applies between the company and the CEO if employment is terminated by the CEO and a period of notice of 12 months if the Company terminates employment. Severance pay and redundancy payments may not exceed 100 percent of fixed annual basic salary.

Share-based incentive program

See Note 12, Share-based payment.

Remuneration and other benefits in 2020

SEK K	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension cost	Other compensation	Total
Chairman of the Board						
Jan Roxendal	621					621
Other Board members						
Johan Claesson	500					500
Johan Damne	408					408
Joachim Gahm	350					350
Anna Ramel	450					450
Tobias Alsborger	204					204
Total compensation to board members	**2 533**	**-**	**-**	**-**	**-**	**2 533**
Chief Executive Officer						
Johan Claesson	-					0
Knut Pedersen	1 618	-	57	453		2 128
Other senior managers **	2 650	422	11	665		3 748
Total compensation to CEO and other members of Group management	**4 268**	**422**	**68**	**1 119**	**-**	**5 876**

* Other senior executives refer to Christoffer Abramson (CFO), Marcus Holmstrand (former CFO) and Johan Nordenfalk (former COO), where the two latter left their positions and Catella's Group management on 17 June 2020 and 18 March 2019 respectively.

Remuneration and other benefits in 2019

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

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

Shareholdings and other holdings

The Board of Directors' and Group Management's share and warrant holdings in Catella AB were as follows as of 31 December 2020 and 2019 respectively*:

	Class A shares		Class B shares		Options		Bonds, SEK	
No. / SEK	2020	2019	2020	2019	2020	2019	2020	2019
Board of Directors								
Johan Claesson, Board member (direct and indirect shareholdings)	-	1 100 910	-	40 797 171	-	1 766 667		-
Jan Roxendal, Chairman of the Board	-	-	129 554	129 554	-	-	2 000 000	2 000 000
Joachim Gahm, Board member	-	-	-	-	-	-		-
Anna Ramel, Board member	-	-	-	-	-	-		-
Johan Damne, Board member	-	-	150 000	150 000	-	-		-
Tobias Alsborger, Board member	-	-	22 000	-	-	-		-
Management								
Johan Claesson, act President and CEO	1 100 910	-	42 563 838	-	-	-		-
Christoffer Abramson, CFO	-	-	-	-	-	-		-
Knut Pedersen, former President and CEO	-	-	-	2 000 000	-	-		-
Marcus Holmstrand, former CFO	-	-	-	204 000	-	-		-
Total holdings	**1 100 910**	**1 100 910**	**42 865 392**	**43 280 725**	**0**	**1 766 667**	**2 000 000**	**2 000 000**

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

NOTE 12 SHARE-BASED INCENTIVES

In 2020, 2,066,667 warrants from the 2014 issue were utilised to subscribe for an equal number of Class B shares in Catella AB at a price of SEK 7.20 per share, and 100,000 warrants were repurchased from a key person. In addition, 266,667 warrants held in treasury expired without being utilised. There were no outstanding warrants remaining from previous year's issues after these transactions. In the Consolidated Accounts, the repurchase of warrants is reported under other contributed capital to the extent it comprises non-restricted equity.

The Extraordinary General Meeting in December 2020 decided to introduce a new incentive program through the issue of a maximum of 3,000,000 warrants distributed over two series: 2020/2024:A and 2020/2025:B. As of 31 December

2020, the total 3,000,000 warrants were held in treasury by one of the Group's subsidiaries, Aveca AB.

The Company's CEO is entitled to acquire 2,000,000 warrants, distributed over 1,000,000 warrants per series. In accordance with the Board's instructions, the remaining 1,000,000 warrants will be transferred to other senior executives and key individuals. Each warrant confers the holder the right to subscribe for one (1) new Class B share in the Company. The warrants can be utilised to subscribe for new shares in the following periods: warrants of series 2020/2024:A from 1 Jun 2024 to 15 June 2024 inclusive; warrants of series 2020/2025:B from 1 June 2025 to 15 June 2025 inclusive. The warrants shall be transferred on market terms at a price calculated on the basis of the Black & Scholes valuation model. The subscription price per share upon utilization of the warrant shall correspond to 120 percent for Class A and for Class B of the listed volume-weighted average price paid of the Catella share (Class B) on Nasdaq Stockholm over a period of 10 trading days from the day after the Board makes the offer to acquire warrants to individuals encompassed by the program. Upon full subscription and utilization of all 3,000,000 warrants, the Company's share capital may increase by a maximum of SEK 6,000,000, provided no remeasurement occurs under the terms of the warrants. This corresponds to dilution of some 3.4 percent of existing equity.

Change in the number of outstanding warrants:

No.	2020	2019
Opening balance as of 1 January	2 333 334	4 666 667
Newly issued	3 000 000	-
Exercise of options to subscribe for new shares	-2 066 667	-2 166 667
Expiry of unutilised warrants	-266 667	-166 666
As of 31 December	**3 000 000**	**2 333 334**
of which held by Catella	**3 000 000**	**166 667**

Outstanding warrants as of the reporting date:

Issue 2020

Year	Share of total outstanding share warrants, %	Total no. of outstanding share warrants	of which held by Catella
2024	50	1 500 000	1 500 000
2025	50	1 500 000	1 500 000
Total	**100**	**3 000 000**	**3 000 000**

NOTE 13 FINANCIAL ITEMS

SEK M	2020	2019
Interest income accordring to effective interest rate method		
Interest income on bank balances	0	0
Interest income on loan receivables	0	0
Other interest income	1	1
	1	**2**
Interest income other		
Interest income on financial assets at fair value through profit or loss	5	12
	5	**12**
Interest expenses		
Interest expenses to credit institutions	-4	-3
Interest expenses on bond loan	-31	-30
Interest expenses on contract liabilities	-11	-14
Other interest expenses	-1	-2
	-47	**-49**
Other financial income		
Capital gains on group companies	0	-2
Fair value gains on financial assets at fair value through profit or loss	22	2
Capital gains on financial assets at fair value through profit or loss	5	0
Exchange rate gains	50	14
	78	**15**
Other financial expenses		
Capital losses on group companies	-9	0
Fair value loss on financial assets at fair value through profit or loss	-59	-89
Capital losses on financial assets at fair value through profit or loss	-4	-11
Issue and loan guarantee expenses	-4	-3
Exchange rate losses	-70	-15
	-146	**-118**

NOTE 14 TAXES

SEK M	2020	2019
Current tax:		
Current tax on profit/loss for the year	-110	-135
Adjustments relating to previous years	2	0
Total current tax	**-108**	**-135**
Deferred tax:		
Origination and reversal of temporary differences	-43	0
Effect of change in tax rates	-	-
Total deferred tax	**-43**	**0**
Income tax	**-151**	**-135**

Income tax on the Group's profit differs from the theoretical amount that would have resulted from the use of a weighted average tax rate in the consolidated companies, as follows:

SEK M	2020	2019
Profit/loss before tax	285	284
Income tax calculated at domestic tax rates applicable to profit in the respective countries	-63	-77
Tax effects of:		
Utilized loss carry forwards, previously not recognized	23	2
Tax losses for which no deferred tax asset was recognised	-34	-28
Changed assessment of previously activated loss carry forwards	-70	-
Effect from temporary differences with non-recognized deferred tax asset	-13	-17
Non-deductible interest expenses	-7	-7
Non-taxable capital gains	-79	0
Other non-deductible/non-taxable items	-11	-14
Wealth tax	0	0
Share of profit from associated companies	102	6
Adjustments relating to previous years	2	0
Tax expense	**-151**	**-135**

Deferred tax assets and tax liabilities are allocated as follows:

SEK M	2020	2019
Deferred tax assets		
Estimated to be utilised after more than 12 months	14	72
estimated to be utilised within 12 months	7	5
Net recognised against deferred tax liabilities	0	0
	21	**78**
Deferred tax liabilities		
to be paid after 12 months	18	23
to be paid within 12 months	3	5
Net recognised against deferred tax assets	0	0
	20	**27**
Deferred tax assets/liabilities (net)	**1**	**50**

SEK M	2020 31 Dec	2019 31 Dec
Deferred tax assets		
Future deductible expenses	0	7
Tax deficit	21	70
Net recognised	-	-
Total	**21**	**78**
Deferred tax liabilities		
Fair value gains	0	2
Intangible assets	20	24
Un-taxed reserves	1	2
Net recognised	-	-
Total	**20**	**27**

SEK M	2020 31 Dec	2019 31 Dec
Deferred tax assets		
Opening balance	78	81
Change in temporary differences	0	-4
New tax loss carryforwards	21	0
Changed assessment of previously activated loss carry forwards	-70	-
Change through divestment	-7	0
Exchange rate differences	-1	0
Closing balance	**21**	**78**
Deferred tax liabilities		
Opening balance	27	29
Change in temporary differences	-3	0
Amortisation of acquisition values	-3	-4
Exchange rate differences	-1	1
Closing balance	**20**	**27**

According to IAS 12, "Income Taxes", deferred tax assets relating to tax loss carry-forwards are recognised to the extent it is probable that future taxable profits will be available. According to this standard, Catella recognises a deferred tax asset of SEK 21 M (78) the majority consists of tax loss carry-forwards which is based on a judgement of the Group's future utilisation of tax loss carry-forwards in the legal entities holding the loss carry-forwards. The tax income that arises on first-time reporting of new or already existing saved deficits as deferred tax assets has no impact on the Group's liquidity. The Group has total loss carry-forwards amounting to SEK 1,145 M (1,048). Loss carry-forwards for which no deferred tax asset is recognized in the Consolidated Balance Sheet amount to SEK 1,080 M (721).

The divestment of the majority holding in Catella Fondförvaltning has further decreased the potential for future tax offset in the Swedish operations which has led to the impairment of deferred tax receivables of SEK 70 M in 2020. At present, opportunities for tax offset only exist with the subsidiary EETI, which has taxable income in Sweden. In the Group's German units, restructuring during 2020 enabled the offset of existing loss carry-forwards against future taxable surpluses from the Property Investment Management business area from 2021 onwards. As of the reporting date deferred tax receivables attributable to this unit amount to SEK 20 M.

The loss carry-forwards reported in the Consolidated Balance Sheet relate to a forecast period of five years.

Tax relating to components in other comprehensive income amounts to SEK 20.4 M (-11.2) for the financial year 2020. The accumulated tax effect in other comprehensive income amounts to SEK 0 M (-20.4).

NOTE 15 EARNINGS PER SHARE

(a) Before dilution

Earnings per share before dilution is calculated by dividing the profit attributable to the Parent Company's shareholders by a weighted average number of outstanding ordinary shares in the period.

	2020	2019
Profi/loss from continued operations, mkr	134	148
Profi/loss from divestment group held for sale, mkr	-60	45
Profi/loss from total operations, mkr	**74**	**193**
Profit/loss attributable to Parent Company shareholders and on which earnings per share before dilution is calculated		
Profi/loss from continued operations, mkr	125	68
Profi/loss from divestment group held for sale, mkr	-60	45
Profi/loss from total operations, mkr	**65**	**113**
Weighted average number of ordinary shares	86 948 572	85 706 106
Earnings per share from continued operations, kr	1,43	0,80
Earnings per share from divestment group held for sale, kr	-0,69	0,52
Earnings per share from total operations, kr	0,75	1,32

(b) after dilution

For the calculation of earnings per share after dilution, the weighted average number of ordinary shares outstanding is adjusted for the dilution effect of all potential ordinary shares. The Parent Company has issued warrants that could result in ordinary shares. For warrants, a calculation is performed of the number of shares that could have been purchased at fair value (calculated as the average market price of the Parent Company's shares for the year) for an amount corresponding to the exercise price of the subscription rights linked to the outstanding warrants. The total number of shares calculated as described below is compared with the number of shares that would have been issued under the assumption that the warrants were exercised.

The dilution effect in 2020 was 1.6% (3.1).

	2020	2019
Profi/loss from continued operations, mkr	134	148
Profi/loss from divestment group held for sale, mkr	-60	45
Profi/loss from total operations, mkr	**74**	**193**
Profit/loss attributable to Parent Company shareholders and on which earnings per share after dilution is calculated		
Profi/loss from continued operations, mkr	125	68
Profi/loss from divestment group held for sale, mkr	-60	45
Profi/loss from total operations, mkr	**65**	**113**
Weighted average number of ordinary shares	86 948 572	85 706 106
Adjustments for:		
assumed conversion of share warrants	1 425 000	2 676 067
Weighted average number of ordinary shares for computation of earnings per share after dilution	88 373 572	88 382 173
Earnings per share from continued operations, kr	1,41	0,77
Earnings per share from divestment group held for sale, kr	-0,67	0,51
Earnings per share from total operations, kr	0,74	1,28

NOTE 16 DIVIDEND

The Board of Directors is proposing a dividend of SEK 0.90 per share which corresponds to SEK 79.5 M. The proposed dividend is included within the scope of the maximum permissible amount under the bond terms, SEK 80 M. Proposed payment of dividends on 1 June 2021.

No dividend was paid to Parent Company shareholders for the financial year 2019.

NOTE 17 INTANGIBLE ASSETS

SEK M	Goodwill	Trademark	Contractual customer relations	Software licenses and IT systems	Total
As of 1 January 2019					
Net carrying amount	**448**	**50**	**104**	**44**	**646**
Financial year 2019					
Acquired during the year			0	15	16
Cost in acquired companies	4				4
Disposals					0
Depreciation and amortisation	-2		-32	-25	-59
Exchange rate differences	15		6	0	21
Closing balance	**464**	**50**	**79**	**34**	**627**
At 31 December 2019					
Cost	486	50	137	128	801
Accumulated depreciation			-54	-46	-100
Accumulated impairment	-22		-4	-48	-73
Net carrying amount	**464**	**50**	**79**	**34**	**627**
Financial year 2020					
Acquired during the year				7	7
Disposals	-118		-4		-122
Depreciation and amortisation			-17	-18	-36
Impairment of goodwill	-8				-8
Exchange rate differences	-20		-6	0	-26
Closing balance	**318**	**50**	**52**	**23**	**443**
At 31 December 2020					
Cost	348	50	126	114	637
Accumulated depreciation			-71	-42	-113
Accumulated impairment	-29		-3	-49	-81
Net carrying amount	**318**	**50**	**52**	**23**	**443**

Reported goodwill at year-end 2020 relates to the acquisition of the Catella Brand AB Group in 2010 (SEK 111 M), the acquisition of IPM Informed Portfolio Management AB (IPM) in 2014 (SEK 39 M) and the acquisition of APAM Ltd in 2018 (SEK 168 M). The Catella trademark was valued at SEK 50 M on the acquisition of the Catella Brand AB Group. The carrying amount of contractual customer relationships as of 31 December 2020 of SEK 52 M relates to APAM Ltd in its entirety. The closing carrying amount of software licenses and IT systems was SEK 23 M, of which no part was acquisition related assets. All intangible assets were externally acquired.

Impairment testing of goodwill and other assets with indefinite useful lives

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

Assets with indefinite useful lives are tested annually for impairment. Catella's principle is to conduct impairment tests on assets with indefinite lives in the fourth quarter each year, based on their carrying amounts on 30 September. Catella's assets with indefinite useful lives consist of goodwill and brands. The impairment test for these assets has been carried out by operating segment, Corporate Finance, Property Investment Management and Equity Hedge and Fixed Income Funds and which is consistent with the level at which goodwill and other acquisition-related intangible assets are monitored internally, and in reporting to management and the Board of Directors. No impairment test has been carried out for the Banking business area in 2020 as all goodwill attributable to the business area, and other intangible assets attributable to the same business area, were impaired in previous years and operations were being wound down in 2020. Central management and shareholder-related expenses have been allocated to the relevant operating segment on the basis of the estimated proportion of resources utilised. For assets measured at fair value, no impairment test is conducted since these items are measured separately on each reporting date at market prices according to established principles. Catella's brand is reported under Other because it constitutes a shared asset for the Group. Impairment testing of Catella's brand is based on an established method for valuing brands "Relief-from-Royalty," and has been verified by an external valuer. The valuation indicates that the value in use of the brand exceeds book value significantly.

If an impairment test demonstrates that book value exceeds the recoverable amount, impairment is conducted at an amount that corresponds to the difference between book value and recoverable amount. The recoverable amount is the higher of net realisable value and value in use.

The value in use is the present value of estimated future cash flows. Cash flows were measured based on the financial plans prepared in each segment of operation, based on the business plan for the coming financial year that was adopted by Group Management and approved by the Board of Directors. As a rule, these financial plans cover a projection period of five years and include organic sales growth, the operating margin trend, as well as the change in operating capital employed. Cash flow, with the exception of the stated projection, was extrapolated using an assessed growth rate of 2% for both operating segments, which corresponds to the ECB's long-term inflation target within the Eurozone and the Swedish Central Bank's long-term inflation target for Sweden.

The measurement of value in use is based on several assumptions and judgements in addition to the growth rate beyond the projection period. The most significant relate to the organic growth rate, the progress of the operating margin, the change in operating capital employed and the relevant discount rate (WACC, weighted average cost of capital), which is used to discount future cash flows.

The testing described above indicated an impairment need for goodwill of SEK 8 M attributable to the Property Investment Management business area. In addition, other acquisition related intangible asset such as IT-system attributable to Systematic Funds, have been impaired by SEK 3 M. Impairment totalling SEK 11 M is reported as Depreciation and amortisation in the Consolidated Income Statement.

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

	WACC, %	
	2020	2019
Corporate Finance	11,4	12,0
Property Investment Management	11,4	12,0
Equity Hedge and Fixed Income Funds	11,4	12,0
Banking	-	-
Other	11,4	12,0

The calculation of WACC is based on external market data regarding the risk free interest rate and studies on market risk premiums for various European countries. A Beta factor of 1.5 was used for 2020 and 2019. Calculated WACC for 2020 was 11.4%. Catella has opted to apply the same WACC for all cash-generating units, as this has been judged to present a reasonable picture of the risk in the various cash-generating units.

A summary of the distribution of goodwill and brands by business area follows:

	2020		2019	
SEK M	Goodwill	Trademark *	Goodwill	Trademark *
Corporate Finance	62	-	63	-
Property Investment Management	218	-	245	-
Equity Hedge and Fixed Income Funds	39	-	157	-
Banking	-	-	-	-
Other	0	50	0	50
	318	**50**	**464**	**50**

* Catella registered trademark

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

NOTE 18 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

The Group leases a number of office premises, cars and other equipment on the basis of non-cancellable operating leases. The lease terms vary between one and ten years and most lease arrangements can be extended on market terms on expiry. Payments for short-term contracts and lease agreements of minor value are expensed on a straight-line basis in the Income Statement. Short-term contracts are defined as contracts with a lease term of 12 months or less. Agreements of minor value are defined as below SEK 0.1 M and includes IT and office equipment. During the year, new contract assets of SEK 24.8 M (5.1) arose, of which SEK 20.6 M (1.0) related to new rental contracts, SEK 2.2 M (4.1) related to leasing vehicles and SEK 2.0 M (0.0) related to other lease contracts.

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

SEK M	2020	2019
Contract assets		
Office buildings	146	176
Cars	8	7
Other equipments	2	0
	157	**183**
Contract liabilities		
Non-current liabilities	115	138
Current liabilities	48	52
	163	**190**

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

SEK M	2020	2019
Depreciation of contract assets		
Office buildings	51	55
Cars	6	4
Other equipments	0	1
	57	**60**
Interest expenses	11	14

Total cash flow relating to lease agreements in 2020 amounted to SEK 69 M (67).

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

SEK M	Furniture, fittings and equipment
As of 1 January 2019	
Net carrying amount	**29**
Financial year 2019	
Acquired during the year	5
Disposals	0
Depreciation and amortisation	-9
Exchange rate differences	0
Closing balance	**25**
At 31 December 2019	
Cost	96
Accumulated depreciation	-71
Net carrying amount	**25**
Financial year 2020	
Acquired during the year	16
Disposals	-1
Depreciation and amortisation	-9
Exchange rate differences	-1
Closing balance	**30**
At 31 December 2020	
Cost	106
Accumulated depreciation	-76
Net carrying amount	**30**

NOTE 20 HOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Holdings in subsidiaries

A list of the Group's subsidiaries is provided below. All subsidiaries are consolidated in the Group. The stated participating interests correspond to the share of equity and votes. Participating interests in addition to the participation which corresponds to the Group's holdings is for non-controlling interests. Holdings are ordinary shares. None of the Group's subsidiaries have issued preference shares.

As of 31 December 2020, Catella owns 53.2% of IPM Informed Portfolio Management BV (IPM BV), a holding company that in turn owns 75.4% of IPM Informed Portfolio Management AB (IPM AB). There is also a direct 20.5% holding in IPM AB. Total ownership as of 31 December 2020 thereby amounted to 60.6% of IPM AB.

Significant limitations

Some Group companies conduct operations subject to authorisation and regulated by the relevant financial supervisory authority of their country of domicile. This has implications including special requirements on liquidity and capital reserves within each company. Dividends and repayment of loans or advances are only permitted to the extent this is within the standards set by regulatory structures.

Group companies

			31 Dec 2020		31 Dec 2019	
Company	Corp. ID no.	City	Participating interest, %	Total no. of share	Participating interest, %	Total no. of share
Catella Holding AB*	556064-2018	Stockholm	100	1 000	100	1 000
Catella Bank SA*	B 29962	Luxembourg	100	8 780 000	100	8 780 000
IPM Informed Portfolio Management BV*	33200827	Amsterdam	53	10 070 220	53	10 070 220
IPM Informed Portfolio Management AB*	556561-6041	Stockholm	61	2 253 561	61	2 253 561
IPM Informed Portfolio Management UK Ltd*,**	10365981	London	-	-	61	100
IPM Informed Portfolio Management USA Inc**	35-2630034	New York	-	-	61	1 000
European Equity Trance Income Ltd*	44552	Guernsey	100	64	100	64
Catella Capital AB*	556886-9019	Stockholm	100	13 000	100	13 000
Catella Asia Ltd	2502446	Hong Kong	100	10 000	100	10 000
Catella Brand AB*	556690-0188	Stockholm	100	1 000	100	1 000
Catella Property Fund Management AB*	556660-8369	Stockholm	100	10 000	100	10 000
Catella Property Asset Management AB	559104-6551	Stockholm	100	16 667	100	16 667
Catella Real Estate AG*	HRB 169051	Munich	95	2 500 000	95	2 500 000
Catella Asset Management GmbH	HRB 237791	Munich	55	25 000	55	25 000
CRIM Holding GmbH	HRB 106179	Berlin	100	2	100	2
Catella Residential Investment Management Gmbh	HRB 220094	Berlin	100	25 000	100	25 000
APAM Ltd	7671308	London	75	11 000	75	11 000
Catella Corporate Finance AB	556724-4917	Stockholm	100	1 000	100	1 000
Catella Property Oy	669987	Helsinki	100	10 000	100	10 000
Catella Asset Management Oy	2214836-4	Helsinki	100	10 000	100	10 000
Pegasos Real Estate GP Oy	22911649	Helsinki	100	2 500	100	2 500
Catella Property Norway AS	986032851	Oslo	100	100	100	100
Catella Asset Management AS*	917354049	Oslo	51	100	51	100
Catella Property Management AS*	912800423	Oslo	51	1	51	1
Catella Investment Management Benelux B.V.	56049773	Maastricht	100	10 000	100	10 000
Catella Property Consultants GmbH	HRB 142101	Dusseldorf	100	25 000	100	25 000
Catella Property Valuation GmbH	HRB 106180	Dusseldorf	100	-	100	-
Living Circle GmbH	HRB 106183	Dusseldorf	100	100 000	100	100 000
Catella Project Management GmbH	HRB 76149	Dusseldorf	100	25 000	100	25 000
Catella Corporate Finance SIA	40003814194	Riga	60	2 850	60	2 850
Catella Corporate Finance Vilnius	300609933	Vilnius	60	100	60	100
OÜ Catella Corporate Finance Tallin	11503508	Tallin	60	1	60	1
Catella Property Denmark A/S	17981595	Copenhagen	54	555 556	60	555 556
Catella Investment Management A/S	34226628	Copenhagen	60	500 000	60	500 000
Kaktus 1 TopCo Aps	CVR 39195208	Copenhagen	93	7 485 510	93	7 485 510
Catella Mezzanine AG**	1303013556-9	Zürich	-	-	45	100 000
Catella France SAS	B 412670374	Paris	100	2 500	100	2 500
Catella Valuation Advisors SAS	B 435339098	Paris	67	4 127	67	4 127
Catella Property Consultants SAS	B 435339114	Paris	100	4 000	100	4 000
Catella Residential Partners SAS	B 442133922	Paris	66	4 000	66	4 000
Catella Logistic Europe SAS	B838433811	Paris	65	50 000	65	50 000
Catella Asset Management SAS	B 798456810	Paris	50	200 000	50	200 000
Catella Asset Management Partners	B 884561044	Paris	50	111 000	-	-
Catella Hospitality Europe SAS	B 851820084	Paris	51	50 000	51	50 000
Catella Property Spain S.A.	A 85333342	Madrid	90	60 102	80	60 102
Catella Asset Management Iberia S.L.	B87290813	Madrid	65	3 000	65	3 000
CCF Holding AB	559078-3238	Stockholm	60	10 000	60	10 000
Catella Corporate Finance Stockholm AB	559054-4234	Stockholm	60	10 000	60	10 000
CCF Holding Gbg AB	559089-0710	Göteborg	60	10 000	60	10 000
Catella Corporate Finance Göteborg AB	559084-9104	Göteborg	60	10 000	60	10 000
CCF Malmö Intressenter AB	556740-5963	Malmö	60	1 000	60	1 000
Catella Corporate Finance Malmö AB	556740-5666	Malmö	60	1 000	60	1 000
Aveca AB	556646-6313	Stockholm	100	5 000	100	5 000
Aveca Geshäftsführungs GmbH	HRB 106722	Dusseldorf	100	-	100	-
Infrahubs Fastighet 2 AB	559197-5270	Stockholm	100	500	-	-
Catella Fondförvaltning AB***	556533-6210	Stockholm	-	-	100	50 000
Catella Residential 01 GP Sarl	B 220094	Luxembourg	100	1 000	100	1 000
Winning Regions Europé GP Sarl	B 236957	Luxembourg	100	100	100	100

* Group companies included in Catella's consolidated financial situation, see also Note 40 Capital adequacy and consolidated financial situation.
** Group companies liquidated or merged in 2020.
*** Group companies where a majority holding was divested and the company reclassified to an associated company in 2020.

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

As of 31 December 2020, the total ownership of non-controlling holdings was SEK 185 M (214), of which SEK 152 M (191) relates to subsidiaries IPM Informed Portfolio Management AB, Catella Real Estate AG, Catella Asset management SAS, Catella Residential Partners SAS and Catella Property Denmark A/S.

Profit/loss relating to non-controlling interests amounted to SEK 34 M (103) for the financial year 2020. Of this amount, SEK 9 M (80) was reported as profit for the year attributable to non-controlling holdings and SEK 25 M (23) as personnel expenses and tax in the Income Statement. According to the Groups accounting principles, profit shares attributable to shareholders active in subsidiaries are reported as a personnel expense in the consolidated Income Statement. Of profit attributable to non-controlling interests totalling SEK 34 M (103), SEK 19 M (94) was attributable to the companies indicated below.

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

	IPM Informed Portfolio Management AB (participating interest 61 %)		Catella Real Estate AG (participating interest 94,5 %)		Catella Asset Management SAS (participating interest 50 %)		Catella Residential Partners SAS (participating interest 66 %)		Catella Property Denmark A/S (participating interest 54 %)	
Summarised balance sheet	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Non-current assets	119	153	24	32	58	40	2	4	47	35
Current assets	243	383	228	199	60	65	130	61	9	20
Total assets	**363**	**536**	**252**	**231**	**118**	**104**	**133**	**65**	**55**	**55**
Non-current liabilities	-1	-21	-5	-10	-42	-29	-30	0	-14	-13
Current liabilities	-108	-164	-114	-104	-22	-25	-76	-46	-15	-20
Total liabilities	**-108**	**-185**	**-119**	**-115**	**-64**	**-54**	**-106**	**-46**	**-29**	**-33**
Net assets	**254**	**351**	**134**	**116**	**54**	**51**	**26**	**19**	**27**	**22**
Net assets allocated to non-controlling interest	100	138	7	6	27	25	9	6	15	12
Summarised income statement and comprehensive income										
Income	245	576	663	571	89	83	211	176	28	51
Net profit for the year	3	193	54	37	6	7	27	19	6	15
Total comprehensive income for the year	3	193	49	38	4	8	25	19	4	15
Total comprehensive income allocated to non-controlling interest	1	76	3	2	2	4	9	6	2	6
Dividend paid to non-controlling interest	39	73	2	1	-	-	-	-	-	7
Summarised cash flow										
Cash flow from operating activities	69	309	85	58	36	4	30	14	0	16
Cash flow from investing activities	10	-40	-5	-21	-12	-34	0	-3	-11	-
Cash flow from financing activities	-105	-190	-37	-27	0	-4	13	-17	0	-17
Decrease/increase in cash and cash equivalents	**-26**	**79**	**43**	**9**	**24**	**-33**	**43**	**-6**	**-11**	**0**

Investments in associated companies reported in accordance with the equity method

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

During 2019, associated company Nordic Seeding GmbH and Grand Central Beteiligungs BmbH signed an agreement with German Property developer Consus RE AG (former CG Gruppe AG) regarding the divestment of the property development project Grand Central in Düsseldorf, Germany. The transaction was completed in 2020 and generated total profit after tax of some SEK 208 M for the Catella Group. Profit was divided between Principal Investments and Property Investment Management. The buyer also paid interest on outstanding amounts as a result of delays to the transaction. Catella's share of the interest income amounted to SEK 23 M.

The Group's total net investments in property development projects through associated companies and direct ownership amounted to SEK -67 M (96) and SEK 93 M (93) respectively as of 31 December 2020. The negative net investment in associated companies was due to dividends from Grand Central and Nordic Seeding totalling SEK 210 M in 2020. The recognized value of shares in associated companies, as of the same date, amounted to SEK 167 M (92), of which SEK 96 M (82) related to associated companies that invest in property development projects and SEK 60 M related to Catella's 30 percent holding in former subsidiary Catella Fondförvaltning AB. In addition, Catella issued loans to associated companies totalling SEK 61 M (13).

SEK M	2020	2019
As of 1 January	92	116
Investments	38	34
Sales	0	0
Share in profits, see Note 7 Other operating income	196	25
Share in profits, see Note 7 Other operating expense	-	-
Dividends paid	-217	-
Reclassification from participations in Group companies	60	-
Reclassification to shares in subsidiaries	-	-86
Exchange rate differences	-2	3
Closing book value	**167**	**92**

In 2020, dividend payments totalling SEK 217 M (-) were received from associated companies.

The assets, liabilities, income and profit/loss of associated companies, all of which are unlisted, are stated below, as well as the Group's participating interest in associated companies' equity including goodwill.

	Associated companies					Group		
	Country of registration	Assets, SEK M	Liabilities, SEK M	Income, SEK M	Profit/loss SEK M	Share of equity,%	Share of vote,%	Participating interest, SEK M
Nordic Seeding GmbH	Germany	338	141	74	62	45	49	88
Grand Central Beteiligungs GmbH	Germany	16	14	0	102	45	49	1
CatWave AB	Sweden	19	9	44	5	49	49	6
Infrahubs AB	Sweden	12	0	0	-3	33	33	4
Catella Fondförvaltning AB	Sweden	136	62	187	-2	30	30	60
Biblioteksparken	Denmark	11	0	0	0	20	20	11
Cholet Logistique SAS	France	4	8	0	-2	65	49	-3
Moussely Logistique SAS	France	6	9	0	-3	65	49	-2
Moussely Logistique II SAS	France	210	210	176	0	65	49	0
Roye Logistique SAS	France	93	92	53	0	65	49	0
MER Logistique SAS	France	9	9	5	0	65	49	0
Episo 5 Highway Holding Sarl	France	0	0	0	0	5	5	0
Bankfoot APAM Ltd	UK	2	1	4	1	0	0	0
								167

NOTE 21 DERIVATIVE INSTRUMENTS

	2020		2019	
SEK M	Assets	Liabilities	Assets	Liabilities
Currency forwards	12	-	14	1
	12	**0**	**14**	**1**
Less: long-term portion	–	–	–	–
Short-term portion	**12**	**0**	**14**	**1**

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

NOTE 22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

SEK M	2020	2019
Loan portfolios	96	120
Fund investments	107	120
Listed shares and bonds	8	60
Unlisted shares	54	71
Other	1	1
	267	**370**

SEK M	2020	2019
As of 1 January	370	451
Acquisition *	41	100
Avyttringar**	-42	-90
Decrease through business divestment	-49	-
Amortisation	-	-25
Fair value gains/losses on financial assets at fair value through profit or loss ***	-35	-80
Capitalised interest income	4	7
Reclassification	-17	0
Exchange rate differences	-6	6
As of 31 December	**267**	**370**
Less: long-term portion	-248	-261
Short-term portion	**19**	**110**

* Relates to the acquisition of shares in funds managed by IPM, shares in unlisted company Pamica 2 and listed bonds.
** Relates to the divestment of bonds and units.
*** Change in fair value of financial assets valued at fair value in the Income Statement is reported under Other financial items (Note 13). See also Note 3 for valuation and position in the fair value hierarchy.

Loan portfolios

The loan portfolios comprise securitised European loans with primary exposure in housing. The performance of the loan portfolios is closely monitored and revaluations are made on a continuous basis. Forecasts are conducted by the French investment advisor Cartesia S.A.S. The book value in Catella's Consolidated Accounts is determined based on the projected discounted cash flows. The remaining portfolios were discounted at discount rates of 5.3% and 30.0% as of 31 December 2020, giving a weighted average discount rate of 18.5% (16.3%) for the total loan portfolios. The weighted average duration for the portfolio amounted to 3.6 years (4.0) as of 31 December 2020.

Cash flows mainly comprise interest payments, but also repayments with a projected period up to and including 2027. The expected cash flows for the period amounted to SEK 177 M (200), which are discounted and recognised at SEK 96 M (120).

In 2020, loan portfolios were impaired by a total amount of SEK 24 M (80), of which the majority was attributable to Pastor 4, which was assigned a value of zero as of the reporting date.

According to the earlier forecast for the sub-portfolio **Pastor 2**, the issuer would exercise its clean-up call in the third quarter 2019, which did not occur. As of this date, the value of the underlying loan fell below 10% of the issued amount implying that Catella judges that a repurchase will take place at the latest in the fourth quarter 2022. Catella considers the credit risk to be low, although the precise timing of the exercise of the option is difficult to forecast as it is determined by several unknown factors relating to the issuer

The projected cashflows for the sub-portfolio **Lusitano 5** assume that the issuer will not utilize its time call. However, the discount rate has been increased to 30% to reflect the probability that the issuer will exercise its option to repurchase Lusitano 5 at the nominal value of some EUR 3.3 M. This probability is expected to increase in the second quarter of 2021. Should the option be exercised by the issuer, this would imply impairment of some EUR 2 M. Catella continuously monitors the issuing bank in order to evaluate the probability of the option being exercised.

No loan portfolios were divested in 2020. In previous years, via subsidiaries, Catella divested the Shield, Memphis. Semper, Ludgate and Minotaure loan portfolios. Through these sales, Catella has repaid its original investment with a good margin.

Summary of Catella's loan portfolios as of 31 December 2020*

SEK M Loan portfolio	Country	Forecast undiscounted cash flow	Share of undiscounted cash flow,%	Forecast discounted cash flow, %	Share of discounted cash flow,%	Discount rate, %	Duration, years
Pastor 2	Spain	50,2	28,3%	44,8	46,8%	5,3%	2,0
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4 **	Spain	-	-	-	-	-	-
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	127,1	71,7%	51,0	53,2%	30,0%	4,2
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Total cash flow * **		**177,3**	**100,0%**	**95,8**	**100,0%**	**18.5%**	**3,6**
Accrued interest				0,1			
Carrying amount				**95,9**			

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

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

SEK M Loan portfolio	Country	Forecast undiscounted cash flow *	Share of undiscounted cash flow,%	Forecast discounted cash flow, %	Share of discounted cash flow,%	Discount rate, %	Duration, years
Pastor 2	Spain	47,9	23,9%	45,9	0,4	5,7%	0,7
Pastor 3 **	Spain	-	-	-	-	-	-
Pastor 4	Spain	31,0	15,5%	13,4	0,1	10,7%	8,3
Pastor 5 **	Spain	-	-	-	-	-	-
Lusitano 3	Portugal	0,0	0,0%	0,0	0,0	0,0%	n/a
Lusitano 4 **	Portugal	-	-	-	-	-	-
Lusitano 5	Portugal	121,4	60,6%	50,4	0,5	27,5%	4,2
Sestante 2 **	Italy	-	-	-	-	-	-
Sestante 3 **	Italy	-	-	-	-	-	-
Sestante 4 **	Italy	-	-	-	-	-	-
Total cash flow * **		**200,3**	**100,0%**	**109,7**	**1,0**	**16.3%**	**4,0**
Accrued interest				9,9			
Carrying amount				**119,6**			

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

Actual and forecast cash flows of loan portfolios*

SEK M		Spain				Portugal		Italy	Netherlands		Germany		France	UK			
Loan portfolio		Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Memphis **	Shield **	Gems	Semper **	Minotaure **	Ludgate **	Outcome	Forecast	Diff
Outcome																	
Full year	2009	4,6	-	-	-	0,4	0,8	-	0,9	1,7	0,2	1,6	2,2	0,0	12,4	7,7	4,7
Full year	2010	7,8	-	-	-	2,7	0,0	-	3,3	6,1	0,7	5,8	8,8	0,5	35,6	35,7	-0,1
Full year	2011	9,8	-	-	-	11,1	0,0	0,6	3,3	4,4	0,9	5,7	6,9	0,4	43,1	28,4	14,7
Full year	2012	4,5	-	-	-	10,2	0,0	0,5	0,8	-	0,7	5,2	3,7	0,1	25,8	30,1	-4,3
Full year	2013	0,2	-	-	-	2,7	0,0	0,4	-	-	0,4	1,2	-	0,2	5,0	7,5	-2,5
Full year	2014	0,3	-	-	-	6,7	0,0	0,4	-	-	0,4	-	-	13,1	20,9	12,8	8,1
Full year	2015	0,1	-	-	-	3,7	0,0	0,5	-	-	0,3	-	-	16,9	21,5	23,2	-1,6
Helår	2016	0,1	-	-	-	8,3	-	0,5	-	-	46,7	-	-	14,7	70,3	66,8	3,5
Helår	2017	-	-	-	-	9,0	-	0,1	-	-	-	-	-	13,4	22,6	20,4	2,1
Q1	2018	0,0	-	-	-	3,1	-	-	-	-	-	-	-	-	3,1	2,6	0,5
Q2	2018	0,0	-	-	-	2,4	-	-	-	-	-	-	-	-	2,4	2,7	-0,3
Q3	2018	0,0	-	-	-	2,1	-	-	-	-	-	-	-	-	2,2	2,2	-0,1
Q4	2018	-	-	-	-	3,6	-	-	-	-	-	-	-	-	3,6	2,3	1,3
Q1	2019	0,0	-	-	-	1,9	-	-	-	-	-	-	-	-	1,9	2,2	-0,3
Q2	2019	0,0	-	-	-	4,3	-	-	-	-	-	-	-	-	4,3	2,3	2,0
Q3	2019	0,0	-	-	-	3,2	-	-	-	-	-	-	-	-	3,2	2,4	0,9
Q4	2019	-	-	-	-	16,8	-	-	-	-	-	-	-	-	16,8	16,1	0,7
Q1	2020	0,0	-	-	-	0,3	-	-	-	-	-	-	-	-	0,3	0,0	0,3
Q2	2020	0,0	-	-	-	0,0	-	-	-	-	-	-	-	-	0,0	0,0	0,0
Q3	2020	0,0	-	-	-	0,3	-	-	-	-	-	-	-	-	0,3	0,0	0,3
Q4	2020	0,0	-	-	-	0,0	-	-	-	-	-	-	-	-	0,0	0,0	0,0
Total		**27,2**	**0,0**	**0,0**	**0,0**	**92,8**	**0,8**	**3,0**	**8,4**	**12,2**	**50,4**	**19,4**	**21,7**	**59,3**	**295,2**	**265,4**	**29,7**
																Forecast	
Forecast																Year	Acc.
FY	2021						12,3									12,3	12,3
FY	2022	50,2					12,0									62,2	74,5
FY	2023						15,0									15,0	89,5
FY	2024						17,5									17,5	107,0
FY	2025						18,1									18,1	125,1
FY	2026						19,4									19,4	144,5
FY	2027						32,8									32,8	177,3
FY	2028															0,0	177,3
FY	2029															0,0	177,3
Total		**50,2**	**0,0**	**0,0**	**0,0**	**0,0**	**127,1**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**		**177,3**	

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

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

Method and assumptions for cash flow projections and discount rates

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

Cash flow projections

The portfolio is measured according to the fair-value method, according to the definition in IFRS. In the absence of a functioning and sufficiently liquid market for essentially all investments, as well as for comparable subordinated investments, the measurement is performed by using the 'mark-to-model' approach. This approach is based on forecasting cash flow until maturity for each investment on the basis of market-based credit assumptions. Projected cash flows have been produced by external investment advisor Cartesia. The credit assumptions produced by Cartesia are based on historical performance of the individual investments and a broad selection of comparable transactions. In the projected cash flows, an assumption is made of the potential weakening of the credit variables. These do not include the full effect of a scenario, with low probability and high potential negative impact, such as the dissolution of the Eurozone, where one of the countries in which EETI has its underlying investments, leaves the European monetary union or similar scenarios. Cartesia believes that this credit assumption is reasonable and equivalent to that applied by other market operators. The projected cash flows were prepared by Cartesia using proprietary models. These models have been tested and improved over the years and have not shown any significant discrepancy from models used by other market operators. Adjustments to cash flows impact the value and are recognised in a sensitivity analysis in Note 22 and on Catella's website.

Method for discount rates

The discount rates applied are set internally, and are based on a rolling 24-month index of non-investment grade European corporate bonds as underlying assets (iTraxx). The discount rates per portfolio were also determined relative to other assets in the absence of market prices for the assets held by EETI. Each quarter, the Board of EETI evaluates forecast cash flows and assumptions in combination with market pricing of other assets, in order to make potential adjustments to discount rates in addition to index variations. Adjustments of the discount rates impact the value and are recognised in a sensitivity analysis in Note 22 and on Catella's website.

Sensitivity analysis for Catella's loan portfolios

The recognized effects below should be viewed as an indication of an isolated change in the stated variable. If more factors differ simultaneously, the impact on earnings may change.

Time call and Clean-up call

The description below relates to the large payments at the end of each portfolio's projected cash flow, which is presented in the table in Note 22 and on Catella's website.

Time call

The time call affects sub-portfolio Lusitano 5 and constitutes an option held by the issuer that enables the repurchase of the sub-portfolio at a specific point in time, and from time to time subsequently.

Clean-up call

A clean-up call is an option held by the issuer entitling the issuer to re-purchase the sub-portfolio when the outstanding loans have been repaid and are less than 10% of the issued amount. Administration of the portfolio is usually not profitable when it is less than 10% of the issued amount. This structure enables the issuer to avoid these extra costs. The structure also means that the investor avoids ending up with small, long-term cash flows until the portfolio has been repaid. The clean-up call affects all sub-portfolios.

Other information

The valuation of the loan portfolios is available on Catella's website: www.catella.com.

Value adjustments per portfolio on adjustment of discount rate (SEK M)

	Spain	Portugal	
Discount rate per portfolio	Pastor 2	Lusitano 5	Total
3,5%	48,5	111,0	159,5
5,3%	47,7	103,8	151,4
7,5%	46,7	96,1	142,8
10,3%	45,5	87,4	132,9
15,0%	43,6	75,4	119,1
20,0%	41,8	65,4	107,2
30,0%	40,8	51,0	91,8
Discounted cash flow	**47,7**	**51,0**	**98,7**

Cash flow per portfolio in relation to discounted value

	Spain	Portugal	
Discount rate per portfolio	Pastor 2	Lusitano 5	Total
3,5%	1,0x	1,1x	1,1x
5,3%	1,1x	1,2x	1,1x
7,5%	1,1x	1,3x	1,2x
10,3%	1,1x	1,5x	1,3x
15,0%	1,2x	1,7x	1,4x
20,0%	1,2x	1,9x	1,6x
30,0%	1,2x	2,5x	1,9x
Multipel	**1,1x**	**2,5x**	**1,8x**

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

	Spain	Portugal		
Percentage change in cash flow	Pastor 2	Lusitano 5	Total	Delta
170%	76,1	86,7	162,9	70%
165%	73,9	84,2	158,1	65%
160%	71,7	81,6	153,3	60%
155%	69,4	79,1	148,5	55%
150%	67,2	76,5	143,7	50%
145%	64,9	74,0	138,9	45%
140%	62,7	71,4	134,1	40%
135%	60,5	68,9	129,3	35%
130%	58,2	66,3	124,5	30%
125%	56,0	63,8	119,7	25%
120%	53,7	61,2	115,0	20%
115%	51,5	58,7	110,2	15%
110%	49,3	56,1	105,4	10%
105%	47,0	53,6	100,6	5%
100%	**44,8**	**51,0**	**95,8**	**0%**
95%	42,5	48,5	91,0	-5%
90%	40,3	45,9	86,2	-10%
85%	38,1	43,4	81,4	-15%
80%	35,8	40,8	76,6	-20%
75%	33,6	38,3	71,8	-25%
70%	31,4	35,7	67,1	-30%
65%	29,1	33,2	62,3	-35%
60%	26,9	30,6	57,5	-40%
55%	24,6	28,1	52,7	-45%
50%	22,4	25,5	47,9	-50%
45%	20,2	23,0	43,1	-55%
40%	17,9	20,4	38,3	-60%
35%	15,7	17,9	33,5	-65%
30%	13,4	15,3	28,7	-70%

Business-related investments

The business-related investments mainly consist of IPM's and Catella Real Estate's holdings of participations in funds managed in-house and APAM's co-investments with customers. Business-related investments also include holdings of listed and unlisted shares. The book value of the holdings, also market value, was SEK 183 M (230) as of 31 December 2020.

Other securities

As of 31 December 2020, there were no other securities.

NOTE 23 PROPERTIES HELD FOR DEVELOPMENT AND PROJECT PROPERTIES

Catella has investments in various property development projects through subsidiaries and associated companies. The projects owned through subsidiaries and which are fully consolidated in the Group are indicated below. The projects held for development with the aim of divestment as soon as commercially advantageous, are valued at the lower of cost and net realizable value.

SEK M	2020	2019
Kaktus	577	336
Infrahubs Fastighet 2	58	-
	634	**336**

SEK M	2020	2019
As of 1 January	336	-
Investments	320	57
Sales	-	-
Income from contracts with a customer	-	-
Reclassification from investments in associated companies	-	289
Exchange rate differences	-22	-9
As of 31 December	**634**	**336**

Kaktus

Residential project of 25,000 m^2 including 495 micro-living apartments in central Copenhagen. Construction started in August 2019 and continues as planned with expected completion in June 2022. For more information, see Contingent liabilities in Note 33 and Borrowing and loan liabilities in Note 29.

Infrahubs Fastighet 2

Infrahubs designs and builds efficient logistics facilities for retail and distribution. The Company has acquired a land parcel of 170,000 m^2 in Norrköping, Sweden, and is constructing a logistics property of some 70,000 m^2. The property has been fully let to Postnord and the rental agreement spans 10 years. Construction is proceeding as planned with expected completion in January 2022. For more information, see Contingent liabilities in Note 33 and Borrowing and loan liabilities in Note 29.

NOTE 24 ACCOUNTS RECEIVABLE

SEK M	2020	2019
Accounts receivable	278	322
Less: provision for doubtful debt	-11	-4
	267	**318**

The fair value of accounts receivable is as follows:

SEK M	2020	2019
Accounts receivable	267	318
	267	**318**

The age analysis of past due accounts receivable follows:

SEK M	2020	2019
Less than 1 month	75	92
1 to 2 months	4	10
2 to 3 months	2	10
3 to 6 months	5	7
More than 6 months	30	27
	116	**145**

Catella Group applies the 'simplified approach' to calculate expected credit losses. The method implies that expected losses during the receivables full term are used as a starting point for accounts receivable.

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

Based on this, the provisions for doubtful debt are as follows:

SEK M	2020	2019
As of 1 January	-4	-3
Provision for doubtful debt	-6	-4
Recovered bad debt losses	2	1
Receivables written off during the year that are not recoverable	0	1
Changes reserv losses, according to IFRS 16	-3	0
Reversed unutilised amount	0	0
Exchange rate differences	0	0
As of 31 December	**-11**	**-4**

Provisions for, and reversal of, reserves for doubtful debt are included in the item "Other external expenses" in the Income Statement. The amounts recognised in the provision for depreciation are usually derecognised when the Group is not expected to be able to recover any further cash and cash equivalents.

The maximum exposure for credit risk on the reporting date is the carrying amount of each category of receivables stated above.

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

NOTE 25 OTHER NON-CURRENT RECEIVABLES

SEK M	2020	2019
As of 1 January	6	6
Additional receivables	0	0
Repaid receivables	0	0
Exchange-rate differences	0	0
As of 31 December	**6**	**6**

SEK M	2020	2019
Rent guarantees	6	6
Other	-	-
	6	**6**

NOTE 26 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	2020	2019
Accrued management fees and card income	42	168
Accrued interest income	0	0
Other accrued income	14	25
Prepaid rental charges	7	10
Other prepaid expenses	25	38
	88	**242**

NOTE 27 CASH AND CASH EQUIVALENTS AND OVERDRAFT FACILITIES

Cash and cash equivalents comprise bank balances and include funds deposited in blocked accounts totalling SEK 49 M (44). See also Note 32.

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

NOTE 28EQUITY

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

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

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

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

In 2020, 2,066,667 warrants were utilised to subscribe for an equal number of shares at a price of SEK 7.20 per share, and 100,000 warrants were repurchased from a former key person. As a result of this, the Parent Company's registered share capital increased by SEK 4 M to SEK 177 M and other contributed capital increased by net SEK 9 M to SEK 289 M.

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

The item "Retained earnings including net profit for the year" corresponds to the total accumulated gains and losses generated in the Group. Retained earnings may also be impacted by transactions with non-controlling interests. In addition, profit brought forward is also reduced by dividends paid to shareholders of the Parent Company. For the financial year 2020, the Board of Directors is proposing a dividend of SEK 0.90 per share which corresponds to SEK 79.5 M. The proposed dividend is included in the maximum permissible amount under the Bond covenants, SEK 80 M. No dividend was paid to Parent Company shareholders for the financial year 2019.

See also Note 52 Equity of Parent Company.

NOTE 29 BORROWINGS AND LOAN LIABILITIES

SEK M	2020	2019
Bank loans for financing operations	553	213
Bond issue	751	747
	1 303	**960**
Less: long-term portion	-1 303	-960
Short-term portion	**0**	**0**

Deposits from credit institutions mainly relate to the subsidiary Kaktus 1 TopCo ApS' financing of ongoing property development projects. The amount also includes Covid-19 loans received by the Group's French and Spanish subsidiaries from government-backed credit institutions on favourable terms. Bond loans relate to Catella AB.

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

SEK M	2020	2019
Less than 3 months	-	-
Between 3 and 12 months	-	-
Between 1 and 3 yrs.	1 294	747
Between 3 and 5 yrs.	9	-
More than 5 yrs.	-	213
Without maturity	-	-
	1 303	**960**

Fair value of borrowing and loan liabilities is as follows:

SEK M	2020	2019
Borrowing from credit institutions	553	213
Bond issue	751	747
	1 303	**960**

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

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

NOTE 30PROVISIONS

SEK M	Earnout acquired company	Other	Total
As of 1 January 2019	43	10	53
Additional provisions		4	4
Utilised during the year		-5	-5
Reversed unutilised amount			0
Reclassification		6	6
Exchange rate differences	3	0	3
At 31 December 2019	**46**	**15**	**61**
Additional provisions	4	12	16
Utilised during the year		-4	-4
Reversed unutilised amount		-4	-4
Reclassification		-2	-2
Exchange rate differences	-4	0	-5
At 31 December 2020	**46**	**17**	**63**

A majority of provisions relates to the purchase consideration of the remaining 25% of shares in the subsidiary APAM Ltd. Catella and the two minority owners of APAM have entered into a call and put option agreement under which Catella is being granted a call option to acquire the shares of the minority owners and the minority owners are being granted a put option to sell their shares to Catella after the end of 2025 at a price to be calculated through a pre-set formula depending on future profit trends.

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

NOTE 31 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2020	2019
Holiday pay liability	36	41
Accrued personnel costs	61	61
Accrued audit expenses	6	6
Accrued legal expenses	3	1
Accrued bonus	217	302
Accrued interest expenses	1	1
Accrued rental charges	0	7
Accrued commission expenses	102	100
Other accrued expenses	39	35
	468	**554**

NOTE 32 PLEDGED ASSETS

SEK M	2020	2019
Cash and cash equivalents	49	97
Other pledged assets	18	19
	67	**116**
Of which pledged assets related to divestment groups held for sale:		
Cash and cash equivalents	0	53
Other pledged assets	18	19
	18	**72**

Cash and cash equivalents include cash funds in accordance with minimum retention requirements, funds that are to be made available at all times for regulatory reasons as well as frozen funds for other purposes.
Other assets pledged relate to security Catella Bank has issued to Mastercard and Visa.

NOTE 33 CONTINGENT LIABILITIES

SEK M	2020	2019
Other contingent liabilities	783	341
	783	**341**
Of which contingent liabilities related to divestment groups held for sale:		
Other contingent liabilities	3	5
	3	**5**

Other contingent liabilities include Catella AB's guarantee to credit institutes as collateral for approved credit lines to subsidiary Kaktus 1 HoldCo ApS. In addition, Catella AB is party to a guarantee commitment with PostNord relating to the subsidiary Infrahubs Fastighet 2 AB's commitments, for more information see Transactions with related parties.
Other contingent liabilities also relate to guarantees which were provided for rental contracts with landlords.

Other legal proceedings

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

NOTE 34 COMMITMENTS

SEK M	2020	2019
Investment commitments	15	24
Other commitments	0	0
	15	**24**
Of which commitments related to divestment groups held for sale:		
	0	**0**

Investment commitments relate to the unlisted holding in Pamica 2 AB.

NOTE 35CASH FLOW

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

SEK M	2020	2019
Interest received	2	6
Interest paid	-47	-52
Of which attributable to contract liabilities	*-11*	*-14*
Net interest paid	**-45**	**-46**

Reconciliation of liabilities derived from financing operations in cash flow:

SEK M	Opening balance	Cash flows	Loan arrangement expenses	Reclassification	Exchange rate differences	Closing balance
Bond issue 2017	747	-	4			751
Real estate project	213	319		-60	-18	454
Other borrowings	0	103			-4	99
Total	**960**	**422**	**4**	**-60**	**-22**	**1 303**

NOTE 36 ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

Acquisitions and divestments in 2020

In November 2020, Catella acquired shares in the subsidiary Infrahubs Fastighet 2 AB, which is constructing a logistics property in Norrköping which has been fully let to Postnord TPL AB. In connection with this, Catella and partners invested SEK 60 M each in the company. Furthermore, Catella acquired shares from non-controlling interests in Catella Property Spain SA.

Furthermore, in 2020 Catella divested 70 percent of the shares in Catella Fondförvaltning to Athanase Industrial Partner ("Athanase") for a cash purchase consideration of SEK 140 M. The total profit effect after tax and transaction expenses was SEK -9 M. In January 2022, Catella is entitled to divest and Athanase is entitled to acquire the remaining 30 percent of the shares for a purchase consideration of SEK 60 M. Catella's remaining 30 percent holding in the mutual funds company has been reported as a holding in an associated company from 30 September 2020.

SEK M	2020
Cash-settled purchase price for 70 percent of the shares	140
Option to sell 30 percent of the shares for a fixed purchase price of	60
	200
Acquisition costs	-15
Net sales value	**185**
Divested net assets;	
Fixed assets	37
Cash and cash equivalents	49
Other current assets	46
Current liabilities	-56
Net assets	**76**
Non-controlling interests	-
Goodwill	118
Divested net assets	**194**
Capital loss	-9
Cash flow;	
Cash-settled purchase price for 70 percent of the shares	140
Acquisition costs	-15
Cash and cash equivalents in divested subsidiaries	-49
Change in the Group's cash and cash equivalents from divestment	**76**

Acquisitions in 2019

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

NOTE 37 SUBSEQUENT EVENTS

Catella divests Property Asset Management operations in France

In January 2021, Catella divested its 50.1 percent holdings in French subsidiary Catella Asset Management SAS for a cash purchase consideration of SEK 154 million. The divestment will have a positive effect on profit after tax and transaction costs of approximately SEK 122 million during the first quarter of 2021.

Christoffer Abramson new CEO and President

Catella's Board appointed Christoffer Abramson as new CEO and President of the Catella Group. Christoffer took up his position on 13 April 2021. The appointment is subject to approval from the supervisory authority CSSF in Luxembourg. Christoffer had previously held the position of CFO since 15 October 2020. Mattias Brodin took up his position as interim CFO on 29 March 2021.

Catella updates profit/loss for Q4 2020 with increase in equity

Catella Bank, which is in the process of being wound down, has had a holding of Class A preference shares in Visa Inc. The holding has been converted to Class A shares, which have since been divested in March 2021. The capital gains from the sale amounted to SEK 87 M. Additional information as of the reporting date relating to the holding of Class A preference shares in Visa Inc., has elicited a revised assessment of the value leading to a positive value adjustment of SEK 81 M. The adjustment was reported under Other comprehensive income in Q4 2020 and affects Group equity as of 31 December 2020.

NOTE 38 RELATED PARTY TRANSACTIONS

Related party transactions

Related party transactions with significant influence encompass Catella Board members and Group Management, including family members, and companies in which these individuals have Board assignments or hold positions as senior executives and/or have significant shareholdings. For senior executives' ownership of Catella and subsidiaries, see Note 11

There are also some key individuals active in subsidiaries in the Corporate Finance and Property Asset Management operations, which in some cases are shareholders of these subsidiaries. Special conditions apply to such partnerships. In accordance with the Group's accounting policies, non-controlling interests attributable to these shareholdings are reported as a personnel cost.

Related party transactions

2020

In November 2020, Catella acquired shares in the subsidiary Infrahubs Fastighet 2 AB, which is constructing a logistics property in Norrköping which has been fully let to Postnord TPL AB. In connection with this, Catella and partners invested SEK 60 M each in the company. Catella guarantees the fulfilment of the rental agreement in relation to Postnord. Catella's main owner, CA Fastigheter AB, has issued a free-of-charge, unconditional undertaking to invest the requisite capital in Infrahubs Fastighet 2 AB in exchange for shares in the company commensurate with the investment. The guarantee may be utilised in the event that no other financing can be found for the project.

Catella holds shares in associated companies Nordic Seeding GmbH and Grand Central Beteiligungs GmbH, whose other owners are the Claesson & Anderzén group and the management of Catella Project Management GmbH. Dividends received from both companies exceeded Catella's total investments in the companies by SEK 78 M as of 31 December 2020. For more information, see Note 20.

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

2019

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

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

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

NOTE 39 DISPOSAL GROUP HELD FOR SALE

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

In May 2020 the Board of Catella AB (publ) decided to conclude the liquidation of operations in Catella Bank with the aim of returning the banking license to the supervisory authority in the first half of 2021.

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

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

Total income was SEK 26 M (58), and profit/loss for the year was SEK -60 M (44). Profit/loss for the period includes the final element of the additional purchase consideration from Advanzia Bank of SEK 30 M, and commission expenses of SEK 4 M. Profit was affected by anticipated termination costs relating to winding down operations in Catella Bank. In the previous year, the figure included income from the transfer of the Bank's Wealth Management operations in Luxembourg and Sweden, and income from the transfer of the card issuing operations in Luxembourg to Advanzia Bank, totalling SEK 307 M.

The holding of Class C Visa preference shares was impaired by SEK 53 M in 2020, as a result of adjusted conversion prices to Class A shares in accordance with guidelines from Visa Inc. Furthermore, the holding in Class A preference shares in Visa has been converted to Class A shares, which have been written up by SEK 81 M as of 31 December 2020. The Class A shares were divested in March 2021, generating capital gains of SEK 87 M. The positive net value adjustment of SEK 27 M as of the reporting date was recognized in Other comprehensive income. In addition, deferred tax relating to the Visa holding was reassessed. The reassessment resulted in a reversal of deferred tax liabilities totalling SEK 32 M, of which SEK 20 M were recognized in Other comprehensive income and SEK 12 M in the Income Statement.

SEK M	2020	2019
Total income	26	58
Other expenses	-137	-297
Financial items—net	41	340
Profit/loss before tax	-70	101
Tax	10	-56
Net profit/loss for the year from divestment group held for sale	**-60**	**45**

Of which wind down expenses		
Personnel costs	0	0
Other expenses	-27	-24
Tax	-	-26
	-27	**-50**

Assets	2020	2019
Financial assets at fair value through other comprehensive income	138	112
Loan receivables	-	0
Cash and cash equivalents	374	497
Other assets	27	149
Assets in divestment group held for sale	**539**	**759**

Liabilities		
Borrowings and loan liabilities	2	71
Other liabilities	102	218
Liabilities in disposal group held for sale	**105**	**289**

Cash flows		
Cash flow from operating activities	-212	-2 381
Cash flow from investing activities	128	266
Cash flow from financing activities	0	0
Cash flow for the year from divestment group held for sale	**-84**	**-2 115**

NOTE 40 CAPITAL ADEQUACY AND CONSOLIDATED FINANCIAL SITUATION

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

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

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

According to the Swedish Annual Accounts Act for Credit Institutions and Firms Act, ÅRKL, (1995:1559), consolidated accounts must be prepared for a consolidated financial situation. Catella applies this requirement through the information provided in this Note on a consolidated financial situation's accounts according to ÅRKL. Accounting policies indicated in Note 2 were applied when preparing these accounts, which comply with ÅRKL. Otherwise, please refer to the Catella's consolidated accounts and Notes 1–39 and Note 42 of these Annual Accounts for other information, comments and analysis. For this reason, no complete annual accounts with supplementary disclosures have been prepared for the consolidated financial situation.

The following tables present extracts from the accounts of the consolidated financial situation.

Summary Income Statement

SEK M	2020 Jan–Dec	2019 Jan–Dec
Net sales	1 042	1 390
Other operating income	16	19
Total income	**1 058**	**1 409**
Direct assigment costs and commission	-473	-492
Income excl. direct assignment costs and commission	**585**	**917**
Operating expenses	-588	-640
Operating profit/loss	**-3**	**276**
Financial items—net	733	-109
Profit/loss before tax	**730**	**167**
Appropriations	0	11
Tax	-97	-81
Net profit for the year from continuing operations	**633**	**97**
Operations held for sale:		
Net profit/loss for the year from divestment group held for	-60	45
Net profit for the year	**573**	**142**
Profit/loss attributable to:		
Shareholders of the Parent Company	**569**	**64**
Non-controlling interests	**4**	**78**
	573	**142**
Average no. of employees	182	260

Summary financial position

SEK M	2020 31 Dec	2019 31 Dec
Non-current assets	1 675	1 196
Current assets	1 259	1 282
Assets in divestment group held for sale	539	759
Total assets	**3 473**	**3 236**
Equity	2 261	1673
Liabilities	1 107	1 274
Liabilities in disposal group held for sale	105	289
Total equity and liabilities	**3 473**	**3 236**

Capital adequacy

The company Catella AB is a parent financial holding company in the Catella Group and accordingly publishes disclosures on capital adequacy for the consolidated financial situation.

SEK M	2020 31 Dec	2019 31 Dec
Common Equity Tier 1 capital	1 237	892
Additional Tier 1 capital	0	0
Tier 2 capital	0	0
Own funds	**1 237**	**892**
Total risk exposure amount	**5 823**	**3 922**
Capital adequacy and buffers		
Own funds requirements Pillar 1	**466**	**314**
of which own funds requirements for credit risk	267	130
of which own funds requirements for market risk	61	12
of which own funds requirements for operational risk	138	171
of which own funds requirements for credit valuation	0	0
Own funds requirements Pillar 2	175	118
Institution-specific buffer requirements	146	153
Internal buffer	58	39
Total own funds and buffer requirements	**845**	**623**
Capital surplus after own funds and buffer requirements	393	269
Capital surplus after regulatory required own funds and buffer	451	308

Capital ratios, % of total risk exposure amount	2020 31 Dec	2019 31 Dec
Common Equity Tier 1 capital ratio	21,3	22,8
Tier 1 capital ratio	21,3	22,8
Total capital ratio	21,3	22,8
Own funds and buffers, % of total risk exposure amount		
Own funds requirements Pillar 1	8,0	8,0
Own funds requirements Pillar 2	3,0	3,0
Institution-specific buffer requirements	2,5	3,9
of which requirement for capital conservation buffer	2,5	2,5
of which requirement for countercyclical capital buffer	0,0	1
Internal buffer	1,0	1,0
Total own funds and buffer requirements	**14,5**	**15,9**
Capital surplus after own funds and buffer requirements	6,7	6,9
Capital surplus after regulatory required own funds and buffer requirements	7,7	7,9

Catella AB's consolidated financial situation satisfies minimum capital base requirements. The capital base does not include profit/loss for the full year 2020, but includes proposed dividend for the financial year 2020.

Own funds, SEK M	2020 31 Dec	2019 31 Dec
Common Equity Tier 1 capital		
Share capital and share premium reserve	455	440
Retained earnings and other reserves	1 806	1233
Less:		
Intangible assets	-138	-274
Price adjustments	-13	-15
Deferred tax assets	0	-72
Qualifying holdings outside the financial sector	-114	-186
Positive results not yet verified by the Annual General Meeting	-569	-
Proposed dividend	-80	-80
Other deductions	-109	-153
Total Common Equity Tier 1 capital	**1 237**	**892**
Additional Tier 1 capital	-	-
Tier 2 capital	-	-
Own funds	**1 237**	**892**

SEK M	2020 31 Dec		2019 31 Dec	
Specification of risk-weighted exposure amounts and own funds requirement Pillar 1	**Risk exp. amount**	**Own funds requirements Pillar 1**	**Risk exp. amount**	**Own funds requirements Pillar 1**
Credit risk according to the Standardised Approach				
Exposures to institutions	237	19	211	17
Exposures to corporates	10	1	11	1
Retail exposures	0	0	3	0
Exposures secured by mortgages on immovable property	0	0	0	0
Exposures in default	86	7	108	9
Items associated with particular high risk	1 327	106	178	14
Exposures in the form of covered bonds	0	0	0	0
Exposures in the form of collective investment undertakings (CIU)	1	0	33	3
Equity exposures	803	64	517	41
Other items	873	70	565	45
	3 338	**267**	**1 625**	**130**
Market risk				
Interest risk	0	0	0	0
Foreign exchange risk	757	61	154	12
	757	**61**	**154**	**12**
Operational risk according to the Basic Indicator Approach	**1 728**	**138**	**2 143**	**171**
Credit valuation adjustment risk	**0**	**0**	**0**	**0**
Total	**5 823**	**466**	**3 922**	**314**

NOTE 41 APPLICATION OF KEY PERFORMANCE INDICATORS NOT DEFINED BY IFRS, AND TERMS AND EXCHANGE RATES

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

Definitions

Non-IFRS performance measures	Description	Reason for using the measure
Equity per share	Equity at the end of the period divided by the number of shares at the end of the period.	Provides investors with a view of equity as represented by a single share.
Equity per share attributable to parent company shareholders	Equity attributable to parent company shareholders divided by the number of shares at the end of the period.	Provides investors with a view of equity attributable to parent company shareholders as represented by a single share.
Earnings per share attributable to parent company shareholders before dilution.	Profit for the year attributable to parent company shareholders divided by the average number of shares in the year	Provides investors with a view of profit attributable to parent company shareholders before dilution as represented by a single share.
Earnings per share attributable to parent company shareholders after dilution	Profit for the year attributable to parent company shareholders divided by the average number of shares considering outstanding warrants (excluding warrants held in treasury) and any newly issued shares in the year.	Provides investors with a view of profit attributable to parent company shareholders after dilution as represented by a single share
Return on equity*	Total profit in the period for the most recent four quarters divided by average equity attributable to parent company shareholders in the most recent five quarters.	The company considers that the performance measure provides investors with a better understanding of return on equity attributable to parent company shareholders.
Operating margin	Operating profit excluding amortization of acquisition-related intangible assets divided by total income for the period.	Provides investors with a view of the company's profitability.
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	Earnings Before Interest, Taxes, Depreciation and Amortization	Provides investors with a view of the company's profitability.
Equity/Asset ratio	Equity divided by total assets.	The performance indicator is used because Catella considers it relevant to investors and other stakeholders wanting to evaluate Catella's financial stability and long-term viability.
Interest coverage ratio	Profit before tax plus reversals of interest expenses and adjustments to changes in fair value of financial assets, divided by interest expenses.	Provides investors with a view of the company's ability to cover its interest expenses.
Capital employed	Non-interest bearing fixed and current assets less non-interest bearing non-current and current liabilities.	The performance indicator illustrates the company's capital employed.
Net debt/Net cash	Net of interest-bearing provisions and liabilities less interest- bearing financial assets including cash and cash equivalents and investments in loan portfolios. If the amount is negative, it is designated as net cash.	The performance measure illustrates the company's ability to repay interest-bearing liabilities using interest-bearing assets including cash and cash equivalents.
Cash flow per share	Cash flow for the year divided by the number of shares at the end of the period.	Provides investors with a view of cash flow as represented by one share.
Dividend per share	Dividend divided by the number of shares at the end of the period.	Provides investors with a view of the company's dividend over time.

Non-IFRS performance measures	Description	Reason for using the measure
Dividend yield, %	Dividend per share divided by the share price at the end of the period.	Provides investors with a view of dividend for the year in relation to the share price.
Profit margin	Profit for the period divided by total income for the period.	The measure illustrates profitability regardless of the rate of corporation tax.
Price/Earnings (P/E)	Market capitalization for all shares at the end of the period divided by profit for the year.	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market.
Price/Book (P/B)	Market capitalisation of all shares at the end of the period divided by equity.	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market.
EV/EBITDA	Enterprise Value divided by EBITDA	The performance indicator is used because Catella considers that it provides investors with a better understanding of the pricing of the company's share in relation to similar companies listed on the stock market.
Number of employees at the end of the period	Number of employees at the end of the period expressed as full-time positions.	Provides investors with a view of the number of employees in the company over time.
Average number of employees	Average number of employees at the end of the four quarters of the financial year.	Provides investors with a view of the average number of employees in the company in the period.
Property transaction volumes in the period	Property transaction volumes in the period constitutes the value of underlying properties at the transaction dates.	An element of Catella's income in Corporate Finance is agreed with customers on the basis of the underlying property value of the relevant assignment. Provides investors with a view of what drives an element of Catella's income.
Assets under management at year end	Assets under management constitutes the value of Catella's customers' deposited/invested capital.	An element of Catella's income in Asset Management and Banking is agreed with customers on the basis of the value of the underlying invested capital. Provides investors with a view of what drives an element of Catella's income.

* See below for basis of calculation

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

GROUP	2020 Dec	2020 Jul-Sep	2020 Apr-Jun	2020 Jan-Mar	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun
Net profit/loss for the period, SEK M *	-8	220	-147	0	47	-83	38	111	-133	-13	13	22	67	59	33
Equity, SEK M *	1 612	1 564	1 381	1 577	1 522	1 487	1 543	1 603	1 442	1 578	1 587	1 625	1 729	1 628	1 578
Return on equity, %	4	8	-12	0	7	-4	0	-1	-7	5	10				

CORPORATE FINANCE	2020 Dec	2020 Jul-Sep	2020 Apr-Jun	2020 Jan-Mar	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun
Net profit/loss for the period, SEK M *	23	1	-8	-16	27	2	11	-16	12	1	7	-5	29	15	0
Equity, SEK M *	97	33	35	39	57	29	27	17	35	44	42	115	120	90	78
Return on equity, %	-1	10	14	69	70	25	21	8	21	40	52				

ASSET MANAGEMENT AND BANKING	2020 Dec	2020 Jul-Sep	2020 Apr-Jun	2020 Jan-Mar	2019 Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Dec	2017 Jul-Sep	2017 Apr-Jun
Net profit/loss for the period, SEK M *	33	71	-49	36	27	17	36	138	-137	6	43	33	30	51	49
Equity, SEK M *	1 267	1 303	1 500	1 624	1 545	1 533	1 578	1 568	1 389	1 093	1 095	1 022	931	968	941
Return on equity, %	6	6	2	7	14	4	3	4	-5	11	16				

** Attributable to shareholders of the Parent Company.*

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

GROUP	2020 Oct-Dec	2020 Jul-Sep	2020 Apr-Jun	2020 Jan-Mar	2019 Oct-Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun
Net profit/loss for the period, SEK M *	-33	215	-71	13	54	-73	87	1	9	25	50	43	114	60	37
Equity, SEK M *	1 062	1 100	884	990	943	893	948	973	940	1 141	1 118	1 133	1 236	1 106	1 050
	13	22	-8	9	7	2	12	8	11	20	24				

CORPORATE FINANCE	2020 Oct-Dec	2020 Jul-Sep	2020 Apr-Jun	2020 Jan-Mar	2019 Oct-Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun
Net profit/loss for the period, SEK M *	23	1	-8	-16	27	2	11	-16	12	1	7	-5	29	15	0
Equity, SEK M *	97	33	35	39	57	29	27	17	35	44	42	115	120	90	78
	-1	10	14	69	70	25	21	8	21	40	52				

ASSET MANAGEMENT	2020 Oct-Dec	2020 Jul-Sep	2020 Apr-Jun	2020 Jan-Mar	2019 Oct-Dec	2019 Jul-Sep	2019 Apr-Jun	2019 Jan-Mar	2018 Oct-Dec	2018 Jul-Sep	2018 Apr-Jun	2018 Jan-Mar	2017 Oct-Dec	2017 Jul-Sep	2017 Apr-Jun
Net profit/loss for the period, SEK M *	8	66	27	50	34	26	85	28	12	41	79	55	79	52	49
Equity, SEK M *	796	839	1 003	1 036	967	940	983	937	887	656	626	530	438	445	414
	16	18	14	20	18	17	20	22	30	47	54				

** Attributable to shareholders of the Parent Company.*

Terms

Borrowing
Loans from credit institutions.

Debt
Loans from non-credit institutions

WACC
Weighted Average Cost of Capital.

EV
Enterprise Value

Exchange rates
The average exchange rates of the Group's currencies in relation to the SEK on the reporting date were as follows:

Exchange rates 2020

Currency	Average rate	Closing day rate
CHF	9,798	9,254
DKK	1,407	1,349
EUR	10,487	10,038
HKD	1,187	1,056
GBP	11,798	11,087
NOK	0,979	0,955
USD	9,204	8,189

Exchange rates 2019

Currency	Average rate	Closing day rate
CHF	9,519	9,573
DKK	1,418	1,397
EUR	10,589	10,434
HKD	1,207	1,197
GBP	12,066	12,215
NOK	1,075	1,058

Parent Company Income Statement

SEK M	Note	2020 Jan–Dec	2019 Jan–Dec
Net sales		14,3	17,6
Other operating income		16,2	0,3
		30,5	**17,8**
Other external expenses	43	-46,8	-31,3
Personnel costs	44	-32,4	-30,0
Depreciation and amortisation		-0,9	-0,4
Other operating expenses		0,0	0,0
Operating profit/loss		**-49,6**	**-43,9**
Profit/loss from participations in group companies	45	0,0	22,0
Interest income and similar profit/loss items	46	33,6	0,0
Interest expenses and similar profit/loss items	47	-35,1	-54,7
Financial items		-1,5	-32,7
Profit/loss before tax		**-51,2**	**-76,6**
Appropriations	48	-	63,7
Tax on profit/loss for the year	49	0,2	0,0
Net profit for the year		**-51,0**	**-13,0**

Parent Company Statement of Comprehensive Income

SEK M	Note	2020 Jan–Dec	2019 Jan–Dec
Net profit for the year		-51,0	-13,0
Other comprehensive income			
Other comprehensive income for the year, net of tax		0,0	0,0
Total comprehensive income for the year		**-51,0**	**-13,0**

Parent Company Cash Flow Statement

SEK M	Note	2020 Jan–Dec	2019 Jan–Dec
Cash flow from operating activities			
Profit/loss before tax		-51,2	-76,6
Adjustments for non-cash items:			
Depreciation and amortisation		0,9	0,4
Dividend from subsidiaries	45	-	-22,0
Financial items		4,0	3,4
Cash flow from operating activities before changes in working capital		**-46,3**	**-94,8**
Cash flow from changes in working capital			
Increase (–)/decrease (+) of operating receivables		35,3	-13,8
Increase (+) / decrease (–) in operating liabilities		-6,4	3,8
Cash flow from operating activities		**-17,4**	**-104,8**
Cash flow from investing activities			
Investment in intangible assets		-0,5	-3,7
Cash flow from investing activities		**-0,5**	**-3,7**
Cash flow from financing activities			
New share issue	52	14,9	18,2
Borrowings	53	-	-5,0
Group contribution received		2,9	181,3
Dividends paid		-	-103,5
Cash flow from financing activities		**17,8**	**90,9**
Cash flow for the year		**-0,1**	**-17,5**
Cash and cash equivalents at beginning of year		0,3	17,8
Exchange rate differences in cash and cash equivalents		0,0	0,0
Cash and cash equivalents at end of year		**0,2**	**0,3**

Parent Company Balance Sheet

SEK M	Note	2020 31 Dec	2019 31 Dec
Assets			
Non-current assets			
Intangible assets	50	3,0	3,3
Tangible assets		0,0	0,1
Participations in Group companies	51	1 052,6	1 052,6
Deferred tax assets		-	-
		1 055,6	**1 056,0**
Current assets			
Accounts receivable		0,1	-
Receivables from group companies		225,7	246,6
Tax assets		0,2	0,0
Other current receivables		7,0	24,1
Prepaid expenses and accrued income		3,0	3,4
Cash and cash equivalents		0,2	0,3
		236,3	**274,4**
Total assets		**1 291,9**	**1 330,4**
EQUITY AND LIABILITIES			
Equity	52		
Restricted equity			
Share capital		176,7	172,6
Statutory reserve		249,9	249,9
		426,6	**422,5**
Non-restricted equity			
Share premium reserve		81,4	70,6
Retained earnings		63,2	76,2
Net profit for the year		-51,0	-13,0
		93,6	**133,8**
Total equity		**520,1**	**556,3**
Liabilities			
Long-term loan liabilities	53	750,6	746,6
		750,6	**746,6**
Current liabilities			
Accounts payable		2,0	1,9
Liabilities to group companies		0,1	0,3
Tax liabilities		-	0,2
Other current liabilities		9,3	16,2
Accrued expenses and deferred income	54	9,8	8,9
		21,2	**27,6**
Total liabilities		**771,7**	**774,2**
Total equity and liabilities		**1 291,9**	**1 330,4**

Parent Company Statement of Changes in Equity

		Restricted equity		Non-restricted equity			
SEK M	Note 51	Share capital	Statutory reserve	premium reserve	Retained earnings	Net profit for the year	Total equity
Equity 1 January 2018		168,2	249,9	56,7	36,3	143,4	654,6
Appropriation of profits					143,4	-143,4	0,0
Dividend					-103,5		-103,5
Total comprehensive income for the year, January - December 2019							
Net profit for the year						-13,0	-13,0
Other comprehensive income, net of tax						0,0	0,0
Total comprehensive income for the year						**-13,0**	**-13,0**
New share issue		4,3		13,9			18,2
Equity 31 December 2019		**172,6**	**249,9**	**70,6**	**76,2**	**-13,0**	**556,3**
Appropriation of profits					-13,0	13,0	0,0
Dividend							0,0
Total comprehensive income for the year, January - December 2020							
Net profit for the year						-51,0	-51,0
Other comprehensive income, net of tax						0,0	0,0
Total comprehensive income for the year						**-51,0**	**-51,0**
New share issue		4,1		10,7			14,9
Equity 31 December 2020		**176,7**	**249,9**	**81,4**	**63,2**	**-51,0**	**520,1**

Parent Company Notes

NOT 42 PARENT COMPANY ACCOUNTING POLICIES

The Parent Company's financial statements were prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 Accounting for legal entities. Accordingly, the Parent Company applies the same accounting policies as the Group wherever applicable, except for the cases stated below.

The Parent Company utilises the terms Balance sheet and Cash flow statement for the statements that the Group names statement of financial position and statement of Cash flows respectively. The Parent Company's income statement and Balance sheet have been prepared in accordance with the presentation format stipulated in the Swedish Annual Accounts Act, while the statement of comprehensive income, statement of changes in equity and the cash flow statement are based on IAS 1 Presentation of financial statements and IAS 7 Statement of Cash flows respectively.

Participations in group companies

The Parent Company recognises all of its holdings in Group companies at cost less deductions for any accumulated impairment.

Group contributions

Group contributions received as well as paid are recognised as an appropriation in the Income Statement.

Shareholder contribution

Shareholder contributions paid are recognised as an increase in the item 'Participations in Group companies" in the Balance Sheet. An impairment test on these participations is conducted subsequently.

Anticipated dividend

Anticipated dividend is reported in the Income Statement as profit from shares in Group companies and receivables on Group companies in the Balance Sheet in cases where the company has decided on the size of the value transfer and is entitled to decide autonomously on the size of the dividend.

Lease arrangements

The Parent Company reports all lease arrangements as operating leases

Financial instruments

Considering the relationship between accounting and taxation, financial assets or liabilities are not reported at fair value. Financial non-current assets are recognised at cost less potential impairment and financial current assets are recognised according to the principle of lower of cost or market. Financial liabilities are recognised at cost.

In addition, the Parent Company applies the exemption in RFR 2 for not applying the rules of IAS 39 for financial guarantees relating to guarantee agreements in favour of subsidiaries and associated companies. In these cases, the rules of IAS 37 are applied, which imply that financial guarantee agreement should be reported as a provision in the Balance Sheet when Catella has a legal or informal commitment resulting from a previous event, and it is likely that an outflow of resources will be necessary to settle this commitment. In addition, a reliable measurement of the value of the commitment must be possible.

NOTE 43 OTHER EXTERNAL COSTS

Remuneration to auditors

SEK M	2020	2019
PwC		
Audit assignment *	1,7	2,5
Audit activities other than audit assignment	-	-
Tax advisory **	0,2	0,2
Other services ***	3,0	0,7
Total	**4,9**	**3,4**

Total cost is to the Parent Company Auditor PricewaterhouseCoopers AB.

* Audit assignment means fees for the statutory audit, i.e. work necessary to present the Audit Report, and audit-related advisory services rendered coincident with the audit assignment.
** Tax advice relates to fees for transfer pricing documentation.
** Other services include fees for due diligence and other advisory services in connection with the divestment of the majority holding in Catella Fondförvaltning, as well as fees for review of regulatory reporting (the Long Form Report) to CSSF in Luxembourg for Catella's consolidated financial situation.

Operating leases including rent

SEK M	2020	2019
Expense for the year for operating lease arrangements including rent amount to	3,0	2,6

Future lease payments for non-cancellable operating leases with remaining durations exceeding one year are allocated as follows:		
Due for payment within one year	3,0	1,8
Due for payment after more than one year but less than five years	5,3	0,1
Due for payment after more than five years	0,0	0,0
Total	**8,3**	**2,0**

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

NOTE 44 PERSONNEL

Salaries, other remuneration and social security expenses

	2020		2019	
SEK M	Salaries and other compensation (of which bonus)	Social security contributions (of which pension costs)	Salaries and other compensation (of which bonus)	Social security contributions (of which pension costs)
Board of Directors	2,5	0,5	2,4	0,5
	(0,0)	(0,0)	(0,0)	(0,0)
Chief Executive Officer	1,1	0,7	3,1	1,9
	(0,0)	(0,4)	(0,8)	(0,9)
Other employees, Sweden	14,9	7,4	10,9	7,1
	(3,5)	(3,0)	(-1,2)	(3,6)
Total	**18,5**	**8,6**	**16,4**	**9,5**
	(3,5)	**(3,4)**	**(-0,4)**	**(4,5)**

There were no pension commitments for the CEO or senior managers. For more information about remuneration to the Board and CEO, see Note 11.

Average number of full-time employees

	2020		2019	
SEK M	Total	of which women	Total	of which women
CEO and senior managers	2	-	2	-
Other employees	10	2	12	3
Total	**12**	**2**	**14**	**3**

NOTE 45 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

SEK M	2020	2019
Anticipated dividends	-	22
Total	**0,0**	**22,0**

NOTE 46 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2020	2019
Interest	0,0	0,0
Capital gain on derivatives	32,3	-
Exchange rate gains	1,3	-
Total	**33,6**	**0,0**

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

NOTE 47 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

SEK M	2020	2019
Interest	-31,1	-29,9
Loan arrangement expenses	-4,0	-3,3
Capital gain on derivatives	-	-21,3
Exchange rate losses	0,0	-0,2
Total	**-35,1**	**-54,7**

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

NOTE 48 APPROPRIATIONS

SEK M	2020	2019
Group contribution received	-	63,7
Total	**0,0**	**63,7**

NOTE 49 TAX ON NET PROFIT/LOSS FOR THE YEAR

SEK M	2020	2019
Deferred tax expense/ income relating to tax losses carryforwards	-	-
Deferred tax expense/ income relating to timing differences	-	-
Adjustments relating to previous years	0,2	-
Total	**0,2**	**0,0**

Tax loss carry-forwards for the year totalled SEK 15.0 M (2019: surplus of SEK 0.2 M). The Parent Company's remaining loss carry-forwards as of 31 December 2020 amounted to SEK 17.8 M (2.8). No deferred tax receivable was recognized in the Parent Company as of the reporting date.

NOTE 50 INTANGIBLE ASSETS

SEK M	2020	2019
Opening book value	3,3	0,0
Purchases	0,5	3,7
Disposals	-	-
Amortisation of acquisition values	-0,8	-0,4
Closing book value	**3,0**	**3,3**

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

NOTE 51 PARTICIPATIONS IN GROUP COMPANIES

				Carrying amount, SEK M	
Company	Share of equity,%	Share of vote,%	No. of participations	2020	2019
Catella Holding AB	100%	100%	1 000	1 052,6	1 052,6
Total				**1 052,6**	**1 052,6**

Subsidiary corporate identity numbers and registered offices:

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

Participations in Group companies	2020	2019
Opening book value	1 052,6	1 052,6
Shareholders' contribution paid	-	-
Closing book value	**1 052,6**	**1 052,6**

NOTE 52 EQUITY

As of 31 December 2020, the share capital amounted to SEK 176.7 M (172.6) divided between 88,348,572 (86,281,905) shares. The quotient value per share is 2. The share capital is divided between two share classes with different voting rights: 2,530,555 Class A-shares with five votes per share, and 85,818,017 Class B-shares with one vote per share. There are no other differences between the share classes.

In 2020, 2.066.667 warrants were utilized to subscribe for an equal number of newly issued shares at a price of SEK 7.20 per share. Catella repurchased 100,000 warrants from a former key person and 266,667 warrants held in treasury expired without being utilised. There were subsequently no warrants from older programs remaining in Catella AB.

The Articles of Association include the right for holders of Class A shares to convert these shares to the same number of Class B shares. No Class A shares were converted to Class B shares in 2020.

There were no outstanding convertible debentures that could dilute share capital as of 31 December 2020.

The Extraordinary General Meeting in December 2020 decided to introduce a new incentive program through the issue of a maximum of 3,000,000 warrants distributed over two series: 2020/2024:A and 2020/2025:B. As of 31 December 2020, the total of 3,000,000 warrants outstanding were held in treasury, as described in more detail in Note 12.

The Board is not authorised to re-purchase or issue shares. No treasury shares were held by the company itself or its subsidiaries.

Shareholders with more than 10% of the votes

The largest individual shareholders at 31 December 2020 were the Claesson & Anderzén Group ((with related parties) 49.4% (48.6) of the capital and 48.8% (48.0) of the votes, followed by SIX SIS AG representing owners, with a holding of 2.7% (2.4) of the capital and 3.6% (3.4) of the votes.

Dividend

The Board of Directors is proposing a dividend of SEK 0.90 per share which corresponds to a total of SEK 79.5 M. The proposed dividend is included in the maximum permissible amount under the Bond terms, SEK 80 M. No dividend was paid to Parent Company shareholders for the financial year 2019.

Restricted reserves

Restricted reserves may not be reduced through dividends.

Statutory reserve

The purpose of the statutory reserve is to save a portion of net profit that is not utilised to cover losses brought forward. Amounts contributed to the share premium reserve prior to 1 January 2006 were transferred to, and are included in, the statutory reserve. Share premium reserves arising after 1 January 2006 are recognised as non-restricted equity in the Parent Company.

The Extraordinary General Meeting in December 2020 decided to dissolve statutory reserves and effect a transfer to non-restricted equity.

Non-restricted equity

The following reserves, combined with net profit for the year, comprise non-restricted equity, meaning the amount available as dividends to shareholders.

Share premium reserve

When shares are issued at a premium, meaning that a price is to be paid for the shares that exceeds the quotient value of the share, an amount corresponding to the amount received in excess of the quotient value must be transferred to the share premium reserve. Amounts transferred to the share premium reserve from 1 January 2006 are included in non-restricted equity.

Retained earnings

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

NOTE 53LOAN LIABILITIES

SEK M	2020	2019
Bond issue	750,6	746,6
	750,6	**746,6**
Less: long-term portion	-750,6	-746,6
Short-term portion	**0,0**	**0,0**

The Parent Company has issued a total of SEK 750 M in unsecured bonds which accrue variable interest of 3-month STIBOR plus 400 b.p.

The bond is listed on NASDAQ Stockholm and matures in June 2022.

Financing is also conditional on a minimum Group equity requirement of SEK 800 M from time to time. Otherwise, there are no restrictions on dividend. Annual dividend to Parent Company shareholders is subject to a maximum of SEK 80 M or 60 percent of profit for the year attributable to Parent Company shareholders. These covenants were satisfied in the year and as of 31 December 2020.

In March 2021, Catella AB issued a new unsecured bond totalling SEK 1,250 M with a term of 4 years. The new bond loan accrues floating-rate interest at 3-month Stibor plus 475 b.p. In connection with this, the existing bond was repurchased /redeemed at a price of 101.3 percent of the nominal amount. The bond will be listed on NASDAQ Stockholm.

NOTE 54 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2020	2019
Holiday pay liability	0,9	1,6
Accrued salaries	3,5	2,3
Social security expenses	1,3	1,1
Accrued interest expenses	1,4	1,3
Accrued audit fees	0,5	0,3
Accrued directors' fees	0,8	0,8
Other items	1,5	1,4
Total	**9,8**	**8,9**

NOTE 55 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Catella AB has issued a guarantee to a credit institute of SEK 323.8 M (335.2) as security for approved credit lines to the Danish subsidiary Kaktus 1 HoldCo ApS. In addition, the Parent Company is party to a guarantee commitment with PostNord relating to the Group company Infrahubs Fastighet 2 AB's commitments of SEK 455.0 M (-), see also Note 38 Transactions with related parties.
As of 31 December 2020, there were no pledged assets.

NOTE 56 RELATED PARTY TRANSACTIONS

The Parent Company has a close relationship with its subsidiaries. Transactions between the Parent Company and subsidiaries are priced on commercial terms. During 2020, Catella AB rendered a number of intra-group services to most subsidiaries, at market price. No dividends or Group contributions were received from subsidiaries in 2020.

For benefits for senior managers, see the information presented for the Group in Note 11 of the consolidated accounts and Note 43.

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

NOTE 57 FINANCIAL RISK MANAGEMENT

The Parent Company applies IAS 39 financial instruments: Recognition and Measurement, with the exceptions stated in Note 42. Recognition and measurement. Catella AB (publ) is a holding company for the Group, where Group Management and other central Group functions are gathered. The Parent Company's assets largely comprise shares in subsidiaries and receivables from Group subsidiaries. In May 2018, the Parent company commenced currency hedging with derivative instruments. The purpose of the hedging of EUR 60 M was to reduce the exchange rate risk in Catella's Net assets in EUR. Normally, derivative instruments have a term of less than three months. This matured in February 2021 when the position was closed. Group management is currently evaluating the need for hedging of the Group's translation risk. Catella AB has no other investments in financial instruments. The Parent Company has also arranged SEK-denominated loan finance at variable interest to finance its own business operations. Against this background, the legal entity Catella AB (publ) is mainly exposed to interest rate risk and liquidity risk. Following the closing of derivative positions, market risk has been eliminated. Exposure to other financial risks such as credit risk and exchange rate risk etc. is limited.

Interest rate risk

Interest rate risk is the risk that the Parent Company's net profit/loss is affected as a result of variations in general interest rate levels. The Parent Company analyses and continuously monitors its exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that within a defined period, Catella AB (publ) is unable to re-finance its existing assets, or is unable to satisfy increased need for liquidity. Liquidity risk also includes the risk that the Parent Company is compelled to borrow at unfavourable interest, or must sell assets at a loss to be able to fulfil its payment obligations. The Parent Company continuously analyses and monitors its liquidity risk exposure. When required, the Parent Company may utilize subsidiaries' surplus liquidity through internal loans. Intra-group loans have no predetermined maturity date.

Market risk

Market risk includes the risk of loss or reducing future income due to fluctuations in interest rates, exchange rates and share prices, including price risk relating to the sale of assets or closure of positions. To reduce the market risk, the Parent Company divests its investments in derivatives on a quarterly basis.

Currency risk

There were no receivables or liabilities in foreign currency as of 31 December 2020.

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

Credit risk

Credit risk related to receivables from subsidiaries was considered and assessed as being insignificant. Cash and cash equivalents are invested in well established banks with high credit ratings, and impairment tests for these are not considered necessary.

NOTE 58 SUBSEQUENT EVENTS

Changes to Catella AB's (publ) management

Catella's Board appointed Christoffer Abramson as new CEO and President of the Catella Group. Christoffer took up his position on 13 April 2021. The appointment is subject to approval from the supervisory authority CSSF in Luxembourg. Christoffer had previously held the position of CFO since 15 October 2020. Mattias Brodin took up his position as interim CFO on 29 March 2021.

NOTE 59 PROPOSED APPROPRIATION OF PROFIT

The following non-restricted reserves and earnings in the Parent Company are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	81 356 057
Retained earnings	63 197 672
Net profit for the year	-50 994 285
	93 559 445

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

SEK	
dividend paid to shareholders, 0.90 per share, in total	79 513 715
carried forward (of which 14 045 730 allocated to share premium reserve)	14 045 730
	93 559 445

The Board of Directors is proposing a dividend of SEK 0.90 per share which corresponds to a total of SEK 79.5 M. The proposed dividend is included in the maximum permissible amount under the Bond terms, SEK 80 M.
No dividend was paid to Parent Company shareholders for the financial year 2019.

The Board of Directors and Chief Executive Officer declare that these Annual Accounts have been prepared in accordance with generally accepted accounting policies in Sweden and that the Consolidated Accounts have been prepared in accordance with the international accounting standards IFRS as endorsed by the EU. The Annual Accounts and the Consolidated Accounts give a true and fair view of the Parent Company's and the Group's financial position and profit/loss. The Board of Director's Report for the Parent Company and the Group provide a fair overview of the performance of the Parent Company's and the Group's operations, financial position and profit/loss, and describe the material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Parent Company's and the Group's income statements and Balance sheets will be subject to adoption at the Annual General Meeting on 25 May 2021.

As stated above, the Annual Accounts and the Consolidated Accounts were approved for issue by the Board and Chief Executive Officer Stockholm, Sweden, 21 April 2021.

Jan Roxendal
Chairman of the Board

Johan Damne Board member

Joachim Gahm
Board member

Anna Ramel,
Board member

Tobias Alsborger
Board member

Johan Claesson
Board member

Christoffer Abramson
CEO

Our Audit Report was presented on 21 April 2021 PricewaterhouseCoopers AB

Daniel Algotsson
Authorised Public Accountant

Audit Report

To the Annual General Meeting of Catella AB, Corporate identity number 556079-1419

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Catella AB for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 44–103 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and the financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

OUR AUDIT APPROACH

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our Catella audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Our audit includes

- For the most significant reporting units in Sweden, Denmark, Finland, France, Luxembourg, UK and Germany including the parent company and consolidation, we have audited the financial closings, reviewed the interim report as 30 September 2020 and validated key controls for financial reporting on the basis of Catella's self-assessments; and
- For other units, we have performed analytical procedures in connection with audit of the consolidated accounts and where required the statutory audits. In most cases, the statutory audit has been completed before the audit report for the Group has been signed.

In addition to the information outlined above, the Auditor in Charge and member of the Group Audit team have had meetings with entities and operations in Luxembourg and Denmark with the aim of gaining a better understanding of operations, as well as routines and controls in order to evaluate compliance with Catella's framework for internal control and to review the financial reporting on the basis of the Group's accounting principles.

As Catella pursues broad-based operations in several countries, we have tailored our audit accordingly. We focused especially on areas where the Managing Director and Board of Directors have made subjective judgements, such as key accounting estimates made on the basis of assumptions and forecasts regarding future events, which are of an uncertain nature. This mainly relates to valuation of assets and contingent liabilities in Catella Bank and valuation of securitised loan portfolios. These areas are described in more detail below in the 'Key audit matters' section.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Valuation of assets and contingent liabilities of disposal group held for sale (Catella Bank)

We refer to the Board of Directors' Report and notes: 4 Critical estimates and judgements and Note 39 Disposal group held for sale.

A proportion of the Group's total assets and contingent liabilities relate to the disposal group Banking. As of 31 December 2020, assets in Banking correspond to 13% of the Group's total assets and 4% of the Group's total liabilities.

As the Company has described in Note 39, a decision has been made to divest the operations of Catella Bank with the aim of returning the banking license to the supervisory authority in the first half of 2021. As of 2020, the Banking disposal group posted a loss which includes the final element of the additional purchase consideration from the sale of the card operations can take into account all anticipated costs associated with finalizing the winding down of the operations in Catella Bank. Considering that the valuation of assets and contingent liabilities are associated with estimates and judgements, and as a result of Catella Bank's effect on financial reporting, the valuation of assets and contingent liabilities In Catella Bank constitutes a key audit matter.

How our audit addressed the key audit matter

Our audit focused on auditing Catella Bank's financial reporting. In addition, we have monitored the progress and the ongoing divestment of Catella Bank. The purpose is to evaluate its impact on reported assets and existing contingent liabilities. As part of this audit, we have conducted the following procedures:

- A substantive audit approach to ascertain the financial reporting.
- The audit team has held meetings with the parties responsible for Catella Bank's financial reporting where key assumptions and judgements have been discussed, mainly relating to remaining commitments and assessment of reserves, as well as binding commitments and undertakings to employees and suppliers.
- Assessment of other effects of the recognised assets and potential commitments as a consequence of the ongoing divestment.

The valuation of assets and contingent liabilities in operations undergoing divestment is based on estimates and is naturally associated with inherent uncertainties. Future measures, outcome and new decisions could potentially lead to additional need for impairment and provisions.

Measurement of securitised loan portfolios

We refer to the following Notes: 3 Financial risk management, 4 Critical estimates and judgements, 22 Financial assets at fair value through profit or loss.

As of 31 December 2020, the value of Catella's securitized loan portfolio totalled SEK 96 M. The holdings in securitized loan portfolios constitute a significant part of the Catella Group's Balance Sheet.

Catella's securitized loan portfolios are financial assets recognized at fair value including value changes through profit or loss.

The assets are classified as current assets to the extent that relates to the coming 12-month forecast cash flows, while the remaining portion of loan portfolios are reported as non-current assets. In accordance with IFRS 7, the assets are classified at level III, i.e. specific measurement techniques are applied where several key input data are not based on observable market information and the valuation is therefore considered to constitute a key audit matter.

The valuation of Catella's loan portfolios is based on a large number of parameters including estimated future discounted cash flows. The valuation model for the portfolios is complex. The market for these loan portfolios, subordinated securities with collateral in the form of assets, is by its nature illiquid. Many of Catella's investments are hence illiquid. As a result, Catella's valuation model includes a number of parameters that comprise non- observable market data, which lead to significant uncertainty. Changes in the assessments that underlie the chosen parameters could result in changes to the fair value of Catella's loan portfolios in the consolidated Income Statement and Statement of Financial Position, and such changes could be significant. It is not possible to quantify the probability in the event that assumptions made prove inaccurate and would thereby imply an inaccurate valuation of the portfolio.

Regarding the discount rates, Catella determines the discount rates for the securitized loan portfolios internally, proceeding from a rolling 24-month index based on underlying assets comprising noninvestment grade European corporate bonds (iTraxx). The discount rates per portfolio were also determined relative to other assets in the absence of market prices for the assets held by EETI. Each quarter, the Board of EETI evaluates forecast cash flows and assumptions in combination with market pricing of other assets, in order to make potential risk adjustments to discount rates in addition to index variations. As described in Note 22, the issuing bank has exercised its option to repurchase the loan portfolio for Lusitano 5, which has affected the assumptions regarding discount rate and the valuation of Lusitano 5. As the Note indicates, a repurchase from the issuer would imply impairment of the value.

The accounting of loan portfolios is based on management's assessment of future cash flows and selected discount rates. Management has appointed an external advisor, Cartesia, to prepare forecasts of future cash flows for the portfolios. Fair value measurement for this type of portfolio is based on assumptions regarding future development, as there is no active market for trading in these instruments. These assessments include a significant element of subjectivity.

In our audit of Catella's loan portfolios, we have used PwC's valuation specialists. Our audit has also ensured that the model used complies with IFRS.

We have carried out sample tests on selected portfolios and obtained explanations and supporting data for the parameters and input data used for forecast future cash flows. Our audit has focused on key parameters of greatest significance and materiality for valuation and value growth. Furthermore, wherever possible, we have compared the outcome with current and similar portfolio transactions on the market and, for certain market data, ensured that the input data used in the models corresponds to official data and macroeconomic statistics in the relevant countries. We have also audited, compared and evaluated historical data and forecasts to assess the forecast accuracy relating to the portfolios.

Furthermore, we have examined and evaluated management's assumptions regarding the used discount rate. As Catella has chosen to determine discount rates from a rolling 24-month index based on underlying assets comprising non-investment grade European corporate bonds (iTraxx) , we have examined the correlation with variation against this official index. We have evaluated the information presented in Catella's Annual Report to ensure that external parties receive complete information regarding how valuations have been performed.

The valuation of securitised loan portfolios is associated with uncertainty by definition.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-19, 30 and 42-43. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and to issue an and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Catella AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

PricewaterhouseCoopers AB was appointed auditor of Catella AB by the Annual General Meeting on 26 May 2020 and has been the company's auditor since 25 May 2011.

Stockholm, Sweden, 21 April 2021
PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant

CATELLA AB (PUBL)

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