

gjo:

ANNUAL REPORT 2017

Göteborg & Co AB
Corporate identity number
556428-0369

3	Preface
4	Visitor industry trends
5	Directors' report
13	Income Statement
14	Balance sheet
15	Cash flow statement
16	Notes

ANNUAL REPORT FOR THE FINANCIAL YEAR

1 JANUARY 2017–31 DECEMBER 2017

The Board of Directors and the CEO of Göteborg & Co AB
hereby submit the following Annual Report.

All amounts are in SEK unless otherwise stated.

MORE VISITORS AND MORE RESIDENTS ALL YEAR ROUND

Gothenburg is steadily growing. Today the metropolitan region of Gothenburg has over one million inhabitants, and nearly five million guest nights are spent in the city per year by visitors. There are fewer low seasons and more periods with high hotel coverage.

A summary of 2017 clearly shows that Gothenburg attracts visitors all year round. Although summer will always be the unrivalled high season, guest nights are now spread out more over all the seasons. Guest nights in Gothenburg increased by 17% during the Destination's business plan period for 2015–2017. This was significantly above target. International guest nights have increased at twice the rate of Swedish guest nights.

Many of the new visitors are visiting Gothenburg on business as a result of the buoyant local industry. However, there is a growing percentage of leisure visitors, which is indicated by the fact that hotels are almost full to capacity during the summer and certain bank holidays.

The meeting industry is booming and Gothenburg has been ranked as the world's leading destination for sustainable meetings in the Global Destination Sustainability Index for two years running. The city has firmly established its position as a sustainable meeting destination.

The events held here serve as an important showcase for the destination while offering local residents events and experiences in their home city. Hundreds of thousands of visitors come to Gothenburg year after year attracted by annually recurring events as well as festivals, concerts and cultural experiences. The Longines FEI European Championships in August was a fantastic event from a sports perspective. However, it made a financial loss which is still being investigated at the time of writing.

Looking forward, Gothenburg will host several major meetings and events in 2018. The Volvo Ocean Race, EuroPride together with the Gothenburg Culture Festival and Nordea Masters are just a few. This is also the year when the countdown to Gothenburg's 400th anniversary really starts, with only three years to go.

Our goal by 2021 is for Gothenburg to set an international example by constantly challenging every aspect of sustainability. This year we have prepared a separate sustainability report to describe the work we carry out to achieve our goals in this area. As a basis for the report, we conducted a stakeholder dialogue and materiality analysis to help establish concrete focus areas for sustainable development.

During the year we developed sustainability strategies for the Destination and the company which clarify our goals and support the implementation and follow-up of our sustainability efforts. This means that we also adhere to the Global Compact's ten principles for sustainable development.

Gothenburg faces many challenges ahead as many large and resource-intensive projects will be carried out simultaneously. However, stakeholders in the hospitality industry have strong confidence in the future, as is shown in the new strategic plan for the Destination that was drawn up in 2017 for the coming three years. "The City of Gothenburg's programme for the hospitality industry's development until 2030" is an important complement to the strategic plan.

The hospitality industry has a crucial role to play in building a better Gothenburg together. There are enormous opportunities for delivering even more benefits to residents, in addition to building the Destination's brand and boosting sustainable development and employment. It is this role that we aim to develop over the coming years in collaboration with the rest of the city, the region and the growing hospitality industry.

Thank you for a fantastic 2017. You have helped us pave the way to an even better 2018.


Camilla Nyman, CEO
Göteborg & Co



VISITOR INDUSTRY TRENDS

Gothenburg exceeded the goals set in the Destination's 2015–2017 business plan. In 2017, 4,800,000 guest nights were spent in hotels and hostels, an increase of 17% over the full three-year period. The hospitality industry is steadily growing because of a number of factors. Here are a few of them.

ATTRACTIVE BIG CITIES

More and more people are travelling to big cities. This trend is clear among European cities. Gothenburg builds its attractiveness as a destination on a combination of city, sea and nature, which few cities can offer. In addition to the major tourist attractions, visitors can experience genuine neighbourhoods, the archipelago and feel like temporary residents. A key factor in the appeal of the city is that it continues to develop and is perceived as dynamic with unique urban environments.

ATTRACTIONS AND EVENTS

The major meetings and events in Gothenburg attract hundreds of thousands of visitors every year. Liseberg and the Swedish Exhibition & Congress Centre are invaluable as visitor magnets. In addition, initiatives such as Autumn City and Gothenburg Christmas City create life and movement in the city, for both visitors and residents. Cafés, restaurants, cultural activities and shopping keep visitors in the city and make it come to life for visitors and residents alike.

EXPANSION OF TRADE AND INDUSTRY

The Gothenburg region is one of the fastest growing regions in Europe. Business is growing and employment is on the rise. This trend generates a large number of travellers from countries such as Norway, Germany, the US and especially from China. Demand for premises and hotel accommodation is growing.

ACCESSIBILITY

Most visitors arrive by land from Sweden and Norway. Visitors from further away most commonly arrive by air. The development of good rail connections as a sustainable alternative to other transportation methods, at the same time as Landvetter Airport is expanding with more direct flights, is essential for growth.

ECONOMIC REASONS

The strong economy in Sweden and internationally provides added incentive for visiting the region. When disposable income increases, people spend more time and money on travel and experiences. The favourable exchange rate also encourages visitors from abroad.

IMPORTANT MARKETS 2015–2017

Growth %

Sweden	14
Norway	15
Denmark	24
Germany	14
United Kingdom	30
USA	71
China	68

Source: Swedish Agency for Economic and Regional Growth/Statistics Sweden

SIX-YEAR OVERVIEW FOR THE DESTINATION

	2017	2016	2015	2014	2013	2012
Guest nights x 1,000	4,780	4,696	4,488	4,050	3,740	3,601
International guest nights x 1,000	1,397	1,438	1,352	1,107	990	919
Proportion Swedish/International	71/29	70/30	70/30	73/27	74/26	75/25
Occupancy hotel rooms	68%	67%	63%	61%	60%	61%
Market share	11.1	11.3	11	10.7	10.4	10.4
Employment	18,100	17,600	17,100	16,700	16,100	15,900
Tourism turnover SEKm	29,500	27,000	25,600	22,900	22,100	21,700

DIRECTORS' REPORT

Group and ownership

Göteborg & Co AB is wholly owned by Göteborgs Stadshus AB (*Reg. no. 556537-0888*) with its registered office in Gothenburg, which in turn is wholly owned by the City of Gothenburg.

Göteborg & Co AB owns 100% of the shares in Got Event AB (*Reg. no. 556015-9823*), Liseberg AB (*Reg. no. 556023-6811*) and Göteborgs Stadsteater AB (*Reg. no. 556016-7875*).

The Parent Company, Göteborgs Stadshus AB (*Reg. no. 556537-0888*), prepares the consolidated financial statements.

During the year a reverse merger was carried out in which Göteborg & Co Kommunintressent AB (*Reg. no. 556427-875*) merged with Göteborg & Co Träffpunkt AB, which after the merger changed its name to Göteborg & Co AB.

Information about operations

Göteborg & Co AB markets and takes part in the development of Gothenburg as a City of Tourism, Meetings and Events. Since 1991 it has been the city's company for coordinating and organising development of the hospitality industry in the Gothenburg region in close cooperation with the city, industry and academia.

The company recruits and arranges large meetings and events, as well as helps to create reasons for travel. The company generates commercial benefit for society by serving as a leading collaboration platform, driving Gothenburg's development as a destination, supporting sustainable growth in the hospitality industry and contributing to making destination attractive as a place to visit and work. Overall, this benefits Gothenburg's residents and raises their quality of life.

The Municipal Council budget is the overall and overarching policy document that states the goals and focus of the council for the mandate period and budget year. The mission and long-term focus of Göteborg & Co are governed by the Articles of Association and owner directive, as well as the various strategic programmes of the City of Gothenburg. In addition, the company's operations are governed by the Destination Gothenburg three-year business plan, which was formulated in collaboration with the hospitality industry, academia and other public stakeholders.

The company's sales fluctuate from year to year depending on the number of events and assignments.

The Board of Directors and the CEO consider that the business is managed in line with the municipality's intentions for ownership of the company and that the company has complied with the principles set out in paragraph 3 of the Articles of Association.

SIGNIFICANT EVENTS AND DEVELOPMENTS DURING THE FINANCIAL YEAR

The year was characterised by the continued strong economy and growth for the hospitality industry in Gothenburg, albeit not quite as strong as the immediately preceding years. The shortage of available housing capacity during periods of high demand is an important explanation. The hotel investments planned over the next few years will allow for further growth.

According to the 2017 forecast, almost 4.8 million guest nights were spent at hotels and hostels in the Gothenburg region. This achievement represents growth of about 2 per cent compared with the previous year. Gothenburg continues to attract a growing number of visitors from Sweden, Scandinavia and the rest of Europe. However, non-European guest nights have generally declined. It is too early to determine whether this is a break in the trend or just a temporary slowdown after three years of exceptional growth, but developments will be closely monitored in order to take any necessary measures.

During the year the company received new Articles of Association and a new owner directive, both of which reflect its role as a parent company in the Tourism, Culture and Events cluster, as well as its mandate as a destination development company. Along with the merger, this creates structural conditions for the cluster and ownership mandate to lead and coordinate work within the cluster on an overarching level, and to leverage the synergies arising among the cluster companies.

In 2016 the stakeholders of the hospitality industry adopted the ambitious objective of doubling tourism to Gothenburg by 2030. In 2017, the City of Gothenburg completed its programme for development of the hospitality industry by 2030. The programme describes the strategic areas in which the City of Gothenburg can clearly contribute to the objectives and, if adopted by the Municipal Council in 2018, will be a key tool for the future.

Destination Gothenburg 2015–2017 business plan period ended in 2017. Hospitality industry stakeholders collaborated to formulate the 2018–2020 business plan for the Destination. The Destination's aspirations for sustainability serve as the foundation of the plan, with the core values of the vision expressed as follows:

Contribute to a vibrant Gothenburg along with the five main strategies:

- Showcase Gothenburg globally
- Initiate and encourage new collaborative models
- Create innovation for the future
- Share a vibrant Gothenburg
- Improve accessibility

Based on the Destination's business plan, the company and industry stakeholders formulated business plans for each activity, each linked to the main strategies from their respective perspectives.

Municipal Council objective and mission

During the year the company contributed to the Municipal Council's goals that the board prioritised and delivered the projects assigned to the company in the Municipal Council's budget, and was responsible for the projects assigned from the 2016 owner dialogue with Göteborgs Stadshus AB.

Göteborg & Co is process owner for the Municipal Council objective "Opportunities for Gothenburg residents to be tourists in their own city will increase". Several collaborations with an initiative to create a more equal city, as well as with neighbourhoods and other process owners have been underway during the year in an effort to work together to find solutions and generate life and movement in the city.

Göteborg & Co has the task of managing, coordinating, promoting and monitoring the planning of Gothenburg's 400th anniversary in 2021. Most important in 2017 has been the continued effort to create conditions for delivery and thereby retain and strengthen the trust and confidence of the residents of Gothenburg regarding the city's ambitions for the 400th anniversary celebration. In addition to about 20 special anniversary initiatives, about one hundred participants have chosen to aim for 2021 to contribute to the development of the city in commemoration of the anniversary.

Planning for the actual celebration of the anniversary began in late 2017. A program committee was appointed to strengthen the anniversary organisation in an effort to involve and co-ordinate with the entire city, as well as with stakeholders and participants at regional, national and international levels.

Regional and national collaboration

Gothenburg is a city with surroundings that invite visitors to enjoy fabulous scenery, which is a competitive combination. Through cooperation agreements with the Gothenburg Region, Göteborg & Co has been tasked with working with the entire destination. A multi-year cooperation

agreement with the West Sweden Tourist Board and Visit Sweden is also in place to promote growth and to increase the number of international visitors. The aim is to coordinate resources in foreign markets to achieve the greatest possible impact from marketing initiatives.

During the year the company had the opportunity to submit opinions to the Government inquiry "A country to visit – a national strategy for a sustainable and thriving tourism and hospitality industry". The report, submitted to the Minister for Enterprise in November, includes proposals that can make a concrete contribution to the long-term development of the hospitality industry.

Meetings

Gothenburg will be a leading global destination for sustainable meetings. The Destination established this position in 2017 with a successful recruitment initiative and by taking first place in the Global Destination Sustainability Index for the second consecutive year.

Organisers are becoming increasingly interested in Gothenburg, which can be seen when the City of Meetings competes in international contexts. The trend has strengthened in recent years and continued into 2017. Gothenburg won a total of 46 major future meetings during the year, which will generate about 90,000 delegate days.

Examples of meetings won during the year:

- Paediatric Cardiology – AEPC 2020
- Sustainable Built Environment – WSBE 2020
- Spinal Diseases and Injuries – Eurospine 2021

Major strategic "site visits" and successful bids in 2017 included groups which in turn represent a large number of organiser companies and/or decision-makers. Such organisations included IAPCO and Kenes, which visited Gothenburg during the spring. At the end of the year Gothenburg also won the bid to host the 2019 Associations World Congress, whose members represent over 9,000 meetings per year.

Large meetings and scientific congresses attract decision-makers, talent and expertise to the Gothenburg region. The Swedish Exhibition & Congress Centre's major investments, high-quality centrally located meeting facilities and close collaboration involving academia, the city and industry enable Gothenburg to compete with the foremost meeting cities worldwide.

Organisers are becoming increasingly interested in holding their meetings in other cities that can compete with

efficient solutions that save both time and money. While Gothenburg is less well-known than many of its competitor cities, the region has a strong focus on research where both academia and a number of large international companies see great opportunities to increase their exchange externally and thereby expand their operations, create growth and attract talent.

Organisers recognise the growing importance of visibility and of making science accessible to the public, and meetings present ideal opportunities for spreading both knowledge and benefit. By working in close collaboration with the city, industry and academia, new concepts have been formulated to maximise the number of delegates and to arrange public events. The collaboration with Region Västra Götaland has been strengthened to provide opportunities for skills enhancement for healthcare personnel.

Looking forward, there is a clear focus on increasing the number of successful bids for major meetings with more than 2,000 delegates, as well as for meetings that make a positive contribution to sustainable development in Gothenburg. Work has begun on the Municipal Council's task to formulate a strategic plan within the City of Meetings in 2018.

Events

For the second year in a row, Håkan Hellström filled Ullevi stadium for two days. But much more than that happened in Gothenburg, the City of Events, in 2017. The main focus is on winning bids and then developing and carrying out selected events, as well as being a facilitator for ideas for new projects.

Gothenburg's events are a tremendous asset. Each year they attract hundreds of thousands of visitors and bring the city to life. In 2017, winning bids included Nordea Masters for 2018 and 2019, European Choir Games for 2019, and the 2020 European Championships in Trampoline.

Many events will be held next year, including Volvo Ocean Race, EuroPride at the same time as the Gothenburg Culture Festival, and Nordea Masters. The three major international events complement the annual events that form the base of the City of Events.

The goal for winning bids to host world events in 2017 has therefore been met. However, when it comes to initiating the process for hosting major international sporting events in Gothenburg in the coming years, the selection is limited. A preliminary study of the European Champion-

ships 2022 was terminated during the year, but if it should become possible to bid solely for the European Athletics Championships 2022 or 2024, Gothenburg may resume the process.

One of the biggest events of the year was the equestrian Longines FEI European Championships, where one objective was to make the event accessible to everyone, including large public areas without an admission fee. The event in general and Swedish riders in particular were successful. However, an economic deficit arose for which Göteborg & Co had to write down the value of its shares in the subsidiary by SEK 13.7 million. An external review of the event is underway and a final report is expected in the spring of 2018.

Events with the city as an arena are one of Gothenburg's strengths and interest from organisers is strong, at the same time that space for additional establishments is limited. Several concert venues within the city space, including the Garden Society of Gothenburg, Slottsskogsvallen Stadium and Bananpiren Pier received several inquiries for 2018. Renovations and road work in the city will further limit space, while increasing the pressure on already established sites. Consequently, one important task is to develop new venues suitable for concerts and similar arrangements.

Annual sport and cultural events are major assets and cooperation with them has been structured and become more efficient. Collaborations have been initiated with a view towards 2021, at which time each event should have reached a new level; for example, the Gothenburg International Film Festival aims to rank among the top five European film festivals.

The Gothenburg Culture Festival demonstrated once again how culture can build bridges between people and serve as a venue for social integration. For the third consecutive year, a superstar from the Arab world attracted a large audience to Götaplatsen square and the entire programme showed a wide range of cultural offerings from Gothenburg and Västra Götaland.

Gothenburg Christmas City and the Gothenburg Culture Festival are the most appreciated and visited events among the residents of Gothenburg according to the SOM survey conducted in 2017. To ensure that both events could be held, resources were reprioritised to secure financing of Gothenburg Christmas City. One consequence was that the Gothenburg Culture Festival was shortened by one day with somewhat fewer festival venues.

In 2018 the Gothenburg Culture Festival will be held at the same time as EuroPride in August. Discussions began

during the year concerning the format of the festival in the future, beginning in 2019.

Plans are beginning to firm up for a new arena in the event thoroughfare. This progress is extremely encouraging. A decision about a new arena will considerably increase the selection of potential events to host.

Leisure tourism

Gothenburg will be one of Europe's most innovative and sustainable destinations, by offering a unique combination of city and countryside.

Leisure travel to Gothenburg continues to increase at a rapid pace. For example, weekend occupancy is high, and highest in July. Although summer continues to be the strongest period by far, the trend is shifting towards more visits all year round. Consequently, there is an increased focus on developing reasons to visit Gothenburg in every season. For example, Liseberg has extended its seasons and the Anniversary initiative that will be built to the south of the park will play an important role. Nevertheless, development of city shopping, restaurants, entertainment and cultural opportunities all contribute to an attractive full-year selection of activities in the city and its surrounding countryside. Additions in recent years include Autumn City, with Halloween at Liseberg, which was a great success with an increase in the number of visitors.

Efforts to attract more international visitors were carried out in close collaboration with the West Sweden Tourist Board and Visit Sweden. In line with current trends, the major campaigns for the year were completely digital.

The Tourism Growth project, which began in 2016, is run in collaboration with the West Sweden Tourist Board and Business Region Göteborg. The goal is to achieve a collaborative model across administrative boundaries to strengthen growth and increase visibility for those active in the industry.

Identifying and mapping opportunities for new reasons to visit Gothenburg have been underway and evolved over the year. In close collaboration with Göteborg City Shopping and others, a new concept will begin in 2018 with a focus on periods when the city has the opportunity to increase occupancy.

The development of "Gothenburg Archipelago" continues. Common marketing materials have been developed, and most islands now have tourist info points as part of a collaborative effort with local businesses. Year-round regular ferry service from Stenpiren to the southern archipelago began during the year. The increasing number of visitors

to the archipelago also increases the challenges that the city must address, including waste management, services and toilet facilities.

The number of cruise ships remained at the same level as 2016, which is below the target for the three-year period. The reason is increased competition from port cities in Denmark and Norway.

Given the shift of the company's focus away from product orientation to the role of facilitator, the company will no longer offer the Gothenburg City Card beginning at year-end. In 2018 a private party will offer a similar product.

The Nordstan and Kungssportsplatsen tourist information offices have had about 400,000 visits during the year. As part of an effort to meet visitor expectations for Visitor Service, the Kungssportsplatsen tourist information office has been totally renovated.

Trade & Industry Group

In 2017 the Trade & Industry Group developed its business plan so that it complements the Destination business plan. Other initiatives include promoting young enterprise, as well as student and cultural activities. Integration is a consistent theme in all these initiatives.

The Trade & Industry Group (TIG), which the company co-ordinates, is a platform for collaboration between industry, organisations, municipalities and universities, where 26 member companies and organisations use joint financing to invest in development projects within three priority areas: Trade & Industry, Knowledge and Events/Culture.

The Trade & Industry Group supports Junior Achievement, the International Science Festival, the "Skarpt Läge" Jobs Fair, Sports Without Borders, the Gothenburg Culture Festival and Student Göteborg.

The Trade & Industry Group supported Future Skills, which was held for the first time during "Gymnasiedagar" (upper secondary school days) as a follow-up of the previous year's EuroSkills, the European Championship for young professionals.

Free access to culture was a focus area for the Trade & Industry Group. The members are extremely interested in helping to spread culture throughout the city and supported 14 different cultural activities this year. All projects that receive support are followed up with evaluations after the activity is completed.

In addition to financial support, during the coming three-year period the Trade & Industry Group will expand its focus by also offering access to the skills within the group in order to build long-term, sustainable structures.

Communication

Communication will improve and develop the Destination's image, convincing even more people to discover what Gothenburg has to offer. These efforts were successful in 2017 with a continued positive trend for goteborg.com, the social channels and substantial exposure in international media.

Looking towards 2021, Gothenburg will strengthen its image as open, sustainable, human and attractive through a strong focus on digital communication and by communicating a profile that is socially, financially and environmentally sustainable.

Internationally, the image of Gothenburg will be strengthened through focused PR work in collaboration with Visit Sweden. Visits were arranged during the year for almost 200 journalists, bloggers and influencers, mainly from Norway, Germany, the UK or the US. Along with regular press releases and newsletters, this publicity generated about SEK 250 million for the city. Common themes included food, cafes, lifestyle, music, city life or nature and the archipelago.

The company has improved its skills to facilitate the shift towards more digital communication. All production focuses on digital channels and platforms. Several of the company's event websites are produced in-house.

In connection with the "Green and grand city" focus year, a major initiative was carried out at goteborg.com with social channels under "Green experiences and Adventures". In that context it was natural to showcase tourism attractions in the Gothenburg region in the context of our collaboration with GR.

As part of the project for the European Equestrian Championships, the company was tasked with marketing, along with the added task of using the event as a platform for the Destination. There was an extensive programme for decorating the city, including a project in which fibreglass horses painted by a street art artist were displayed in urban environments. The project garnered considerable attention and evolved into a collaboration with several partners.

Digitisation affects how travellers find information and make reservations. A constant presence in social channels is becoming essential, with a continued focus on developing digital meeting places with content that many want to share.

The official visitor guide goteborg.com had 2.4 million visitors during the year, which exceeds the city's goal. This is a strong positive trend compared with the websites of many other destinations. Interaction and the number of followers in the Destination's own social channels have also increased sharply. However, a greater focus is needed on maintaining a presence in large established channels, as well as in niche digital channels where prospective visitors find inspiration.

Efforts are underway to shift communication in order to focus less on campaign periods and more on seasons and themes.

FUTURE OUTLOOK

By 2030, global travel is expected to increase by about 45%, according to the UN World Tourism Organization (UNWTO). This trend creates opportunities for increased growth, which needs to be sustainable and in the best interests of the residents of Gothenburg. In some of Europe's tourist-intensive major cities and in some Mediterranean regions, tourism is perceived as unsustainable, crowding out the local population and accompanied by congestion and extensive littering. Gothenburg does not face these challenges at this time. The company initiated a proactive analysis of the risks in 2018.

Industry is currently keen to invest, as reflected by the announced hotel investments. The ambition in the collective objective for 2030 and the business planning for the year, along with the decision taken by the City of Gothenburg about Liseberg's anniversary initiative and the arena enquiry, all contributed to a favourable outlook for the future.

RISKS

An annual risk analysis is conducted in relation to the company's overall and operational goals. Below is a presentation of some of the material risks and how they are handled.

Gothenburg's successful development model for the destination is based on interaction between industry, academia and public organisations. Collaboration generates commitment, brings together skills, creates venues for innovation and also includes joint financing of the company's activities by stakeholders. Prior to any new business planning period, there is always the risk that collaboration agreements cannot be met. Prior to the 2018–2020 business plan, agreements were reached with most of the company's stakeholders from industry.

In 2017, the Swedish Competition Authority criticised the City of Gothenburg's financing of the company's operations and believed that purchases should have been based

on procurement. The city has appealed to the Administrative Court of Appeal, which has not yet reached a decision. The case is of principal importance and affects the forms of the company's financing and the conditions for corresponding activities throughout the EU.

Gothenburg is facing major infrastructure projects that may entail limited accessibility at times in certain places. The image of an inaccessible city may be spread, which could mean that organisers and visitors choose not to visit Gothenburg. The company is monitoring the situation, contributing solutions to create accessibility, and informing organisers, meeting ambassadors and prospective visitors about the actual conditions and opportunities.

External risks associated with events around the world could have a major impact on the company's ability to achieve its goals. Such events include economic turmoil, political upheaval, terrorist acts or other situations beyond the control of the company. Risks are handled through proactive communication and continuous safety and security work in close collaboration with authorities and the City of Gothenburg.

PERSONNEL

Göteborg & Co aims to be an attractive place to work. The company wants to be seen as an innovative, creative and professional organisation that works proactively and has clear goals and values. Employee survey results show that the company's employees are engaged and motivated and feel they are doing meaningful work. Continued improvement in providing good conditions for employees and managers is important since it helps us to be an attractive employer and fulfil the mission and the objectives of the company.

Based on the coming three-year business plan for Destination Gothenburg and the company's business plan, the company needs to adapt the future organisation in order to address external factors and competition. The company has decided on its overall structure. Additional organisational changes will take place in 2018.

Staff turnover is higher than in previous years, partly due to a strong labour market and partly a consequence of changes in the operation.

The annual employee survey was carried out, including an analysis of the psychosocial work environment. The results from the employee and management survey show high or normal scores on all quality factors. The response rate was 88%. Absence due to illness is historically low, but shows a weakly increasing trend over the past two years. An increase in the number of employees on sick leave during the autumn

triggered efforts by the working environment committee, the company's management and union representatives to formulate a special working environment plan.

The City of Gothenburg conducts its joint employee and manager survey every autumn. Since the results are delivered in February of the following calendar year, all references relate to the results from 2016.

ENVIRONMENTAL TOPICS

The company shall strive, through long-term, integrated environmental and sustainability initiatives, to prevent and minimise negative impact from the business and to contribute positively as a collaborative platform to the development of the city and the region. The company was awarded its first environmental diploma in 2008. Göteborg & Co's operations are not subject to a permit or duty to give notice under other provisions of the Environmental Code.

Environmental initiatives are carried out systematically based on the Swedish Environmental Base national environmental management standard, with a focus on continual improvement.

Travel and transportation are crucial for the company's mission, but also play a substantial role from an environmental standpoint. The scope of this impact fluctuates from year to year depending on the number of recruitment processes, events and other assignments. The climate impact of business travel is offset by the City of Gothenburg's internal climate compensation.

All five events for which Göteborg & Co was responsible during the year qualified for an environmental diploma according to the Swedish Environmental Base (Svensk Miljöbas) national standard for events.

Göteborg & Co is not subject to the legal requirement to prepare a sustainability report. Nevertheless, the company has chosen to prepare a sustainability report in accordance with Global Reporting Initiative (GRI) standards for sustainability reporting (2016) at the "Core" level. The sustainability report is published in a separate document from the annual report and will not be externally certified for the 2017 financial year. Göteborg & Co will issue a sustainability report once a year.

FINANCIAL YEAR 1 JANUARY 2017 – 31 DECEMBER 2017

PERFORMANCE AND FINANCIAL POSITION

The following table shows the company's performance with regard to some central earnings measures and key ratios (amounts in SEK thousand):

	2017	2016	2015	2014	2013
Operating income	196,252	241,755	249,874	199,933	265,748
Profit after financial items	1,370	1,122	-1,166	1,237	427
Total assets	1,115,346	90,022	69,224	68,605	96,021
Equity/assets ratio*	95.5 %	21.2 %	26.7 %	28.6 %	19.7 %
Average number of employees	105	112	113	112	113
Sales per employee	1,869	2,159	2,211	1,780	2,349

*Equity + 78% of untaxed reserves/total assets

TOURISM DEVELOPMENT IN THE GOTHENBURG REGION

	2017	2016	2015	2014	2013	2012
Total tourist sales SEKm	29,500	27,700	25,600	22,900	22,100	21,700
Market share of commercial hotel and youth hostel nights	11.2 %	11.3 %	11.0 %	10.7 %	10.4 %	10.4 %
Number of guest nights, thousands	4,840	4,696	4,488	4,050	3,740	3,601
Number of employees in travel and tourism industries	18,100	17,600	17,100	16,700	16,100	15,900

Forecast figures for 2017. Outcome for other years.

PROPOSED APPROPRIATION OF PROFITS

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

Profit brought forward	1,056,874,527
Net profit for the year	921,732
	<hr/>
SEK	1,057,796,259

The Board of Directors proposes that the profits be appropriated so that:

dividend to shareholders	14,600,000
carried forward	1,043,196,259
	<hr/>
SEK	1,057,796,259

The company's performance during the year and financial position at year-end in other respects can be seen from the following income statement and balance sheet.

Intra-group transfers were paid to	SEK thousand
Göteborgs Stadshus AB	48,000
Got Event AB	29,800

Intra-group transfers were received from	SEK thousand
Liseberg AB	48,000
Göteborgs Stadshus AB	29,800

Shareholder contributions were paid to	SEK thousand
Liseberg	37,400

Shareholder contributions were received from	SEK thousand
Göteborgs Stadshus AB	37,400

EQUITY

	Share capital	Statutory reserve	Profit brought forward	Net profit for the year
Opening balance	3,000,000	1,208,540	11,755,498	507,164
Merger difference			1,007,211,864	
Appropriation of profit			507,164	-507,164
Dividend to shareholders				
Net profit for the year				921,732
Shareholder contribution			37,400,000	
Closing balance	3,000,000	1,208,540	1,056,874,527	921,732

INCOME STATEMENT	Note	2017	2016
Operating income	1, 2	196,252,470	241,755,386
Cost of services sold		-8,489,393	-25,493,207
Other external costs	3, 4	-106,316,317	-131,177,482
Personnel costs	5, 6	-79,704,783	-83,356,140
Depreciation of property, plant and equipment	7	-1,262,217	-596,631
Total operating expenses		-195,772,711	-240,623,460
Operating profit		479,759	1,131,926
Profit from shares in Group companies	8	910,000	0
Interest expense and similar profit/loss items		399	61
Interest expense and similar profit/loss items		-19,675	-9,855
Profit after financial items		1,370,483	1,122,132
Appropriations	9	52,020	-140,900
Tax on profit for the year	10	-500,771	-474,067
Net profit for the year		921,732	507,165

BALANCE SHEET	Note	31/12/2017	31/12/2016
ASSETS			
Property, plant and equipment			
Equipment	7	5,131,174	4,392,958
Financial assets			
Shares in Group companies	2, 11	1,032,151,120	0
Other non-current securities	12	146,000	146,000
Total non-current assets		1,037,428,294	4,538,958
Current assets			
Inventories, goods for resale		587,020	659,597
Current receivables			
Trade receivables		16,634,281	26,368,231
Receivables from companies within Gbg Stadshus AB		30,308,596	2,632,561
Tax assets		2,667,251	2,693,971
Other receivables		17,795,694	46,906,069
Prepaid expenses and accrued income	13	9,751,957	5,341,601
Total current receivables		77,157,779	83,942,433
Cash and bank balances	14	173,309	880,808
Total current assets		77,918,108	85,482,838
TOTAL ASSETS		1,115,346,401	90,021,796
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (30,000 shares, par value SEK 100/share)		3,000,000	3,000,000
Statutory reserve		1,208,540	1,208,540
		4,208,540	4,208,540
Non-restricted equity			
Merger difference	2	1,007,211,864	0
Profit brought forward		49,662,663	11,755,498
Net profit for the year	15	921,732	507,164
		1,057,796,259	12,262,662
Total equity		1,062,004,799	16,471,202
Untaxed reserves	2, 16	3,384,161	3,344,022
Current liabilities			
Trade payables		17,220,582	46,571,761
Liabilities to companies within Gbg Stadshus AB		15,103,210	2,324,055
Other current liabilities		2,244,853	1,389,679
Accrued expenses and deferred income	17	15,388,796	19,921,077
Total current liabilities		49,957,441	70,206,572
TOTAL EQUITY AND LIABILITIES		1,115,346,401	90,021,796

CASH FLOW STATEMENT	Note	2017	2016
Operating activities			
Profit after financial items		1,370,483	1,122,131
Adjustments for non-cash items		14,952,217	596,631
Tax paid		-478,517	-323,276
<i>Cash flow from operating activities before working capital changes</i>		15,844,183	1,395,486
<i>Working capital changes</i>			
Inventories		72,577	69,020
Current receivables		-21,568,844	-18,473,074
Current liabilities		-22,036,216	20,149,446
Cash flow from operating activities		-27,688,300	3,140,878
Investing activities			
Investment in equipment		-2,004,136	-3,625,940
Funds from the merger		1,528,502	0
Acquisition of shares in subsidiaries		- 25,000	0
Cash flow from investing activities		-500,634	-3,625,940
Financing activities			
Amortisation of debt		-1,200,000	0
Cash flow from financing activities		-1,200,000	0
Cash flow for the year		-29,388,934	-485,062
Cash and cash equivalents at beginning of the year, incl. Group account		46,070,935	46,555,997
Cash and cash equivalents at end of the year, incl. Group account	18	16,682,001	46,070,935

NOTES TO THE FINANCIAL STATEMENTS

General information

The consolidated financial statements are not prepared with reference to the exception to the Annual Accounts Act Chapter 7, § 2.

Accounting principles

Göteborg & Co complies with the Annual Accounts Act (1995:1554) and the general advice of the Swedish Accounting Standards Board, BFNAR 2012:1 *Annual Report and Consolidated Financial Statements* ("K3").

Intra-group transfers

Received and paid intra-group transfers are recognised as appropriations in the income statement. Shareholder contributions received are recognised directly against equity.

Shares in Group companies

Shares in subsidiaries are carried at cost. Dividends from subsidiaries are recognised as income when the right to the dividend is deemed secure and can be measured reliably. An impairment charge was taken for shares in subsidiaries because of the decline in value.

Depreciation

Depreciation according to plan is based on the original cost of the assets and is allocated over the estimated useful life. Equipment is written off at 20% per year as its useful life is estimated to be 5 years.

The difference between depreciation according to plan and book depreciation is shown as an appropriation.

Inventories

Inventories have been valued at the lower of cost or fair value. The FIFO method has been applied when determining cost. Fair value consists of estimated sales value less estimated selling expense.

Receivables

Receivables have been recognised at the amounts expected to be received. Other assets and liabilities are recognised at nominal amounts unless otherwise stated in the notes below.

Revenue

Payment for assignments from the City of Gothenburg is recognised the year the expenses arise that the payment relates to.

Revenue from sales of package tours is recognised as revenue on the booking date since all work relating to the transaction has then been carried out.

The company recognises revenue from fixed-price service assignments carried out on completion of the work. This means that ongoing service assignments are valued in the balance sheet at direct expenses accrued less invoiced part payments. The outcome of the mission is assessed in connection with the annual accounts. If there is reason to suspect that a loss has occurred, it is recorded in its entirety.

Other revenue is recognised when the income can be estimated reliably and when, on the whole, all the risks and rights associated with ownership have been transferred to the purchaser, which normally takes place when goods are delivered or services provided.

Taxes

The tax expense or tax income for the period consists of current and deferred tax. Current tax is the tax calculated on the taxable profit for the period. Deferred tax is calculated on the difference between the carrying amounts of the company's assets and liabilities and their tax base. The difference between these amounts is multiplied by the current tax rate, giving the amount of the deferred tax asset/liability. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that the amounts can be utilised against future taxable profit.

Leasing

All lease agreements are recognised as operating lease agreements, which means that the lease payments are allocated on a straight-line basis over the lease term.

Cash flow statement

The cash flow statement is prepared using the indirect method. The reported cash flow only includes transactions resulting in cash receipts or payments. Cash and cash equivalents refer to cash and bank balances. The balance in the Group account is reported as cash and cash equivalents.

Parent Company

Göteborg & Co AB is wholly owned by Göteborgs Stadshus AB (556537-0888).

Revenue amounted to 7% of income (2016: 6%) from other Göteborgs Stadshus companies and 8% (2016: 6%) of costs for "costs of services sold" and "other external costs" are assigned to other Göteborgs Stadshus companies.

Significant events after the balance sheet date

No significant events occurred after the balance sheet date.

Note 1 Operating income

	2017	2016
Payment for assignments from the City of Gothenburg	115,700,000	119,102,868
Income from sales of services	21,168,360	48,262,662
Marketing payment, project funds and other income from owners and stakeholders	59,384,110	74,389,856
	196,252,470	241,755,386

Note 2 Merger

As at 28 June 2017 Göteborg & Co Kommunintressent AB (556427-8751) merged with Göteborg & Co AB.

For the period prior to the registration of the merger Göteborg & Co Kommunintressent AB had net sales of SEK 2,500,000 and operating profit of SEK 633,538.

Balance sheet Göteborg & CO Kommunintressent AB prior to the merger	27/06/2017
Assets	1,011,668,271
TOTAL ASSETS	1,011,668,271
Untaxed reserves	92,159
Liabilities	1,983,775
Total liabilities och untaxed reserves	2,075,934

Note 3 Fee and reimbursement

	2017	2016
Audit assignment Ernst & Young AB	114,692	98,873
Audit assignment City audit	202,326	121,075
Other audit services		
By Ernst & Young AB	141,396	96,791

Audit assignment refers to the statutory audit of the annual accounts, the accounting records and the administration of the Board of Directors and the CEO. Other audit services refers to an audit of the administration or the financial information that is required by statute, articles of association, regulations or agreements and that results in a report or some other document in addition to the audit report, as well as guidance or other assistance occasioned by observations in connection with an audit assignment. Other services are services that do not relate to the audit assignment, other audit services or tax consultancy.

Note 4 Leasing

The essential leases refer to leases for the company's premises on Mässans Gata street and Kungssportsplatsen square. These agreements include indexation according to the CPI. The agreement for Mässans Gata runs through 2022 and will be extended for 36 months if it is not terminated. The agreement for Kungssportsplatsen runs through 2024 and will be extended for 36 months if it is not terminated. Other leases relate to equipment such as copying machines.

	2017	2016
Lease payments for the financial year	6,764,058	5,932,958
Future contracted lease payments:		
Within one year	6,577,285	6,615,858
Two to five years	9,511,689	9,273,688
More than five years	6,861,600	6,861,600

Note 5 Personnel

	2017	2016
Men	26	31
Women	79	81
	105	112

The average number of employees as above has been calculated in relation to the company's normal hours worked per year.

In order to give a more complete picture of employment in the company, the table below shows the number of permanent employees and fixed-term employees (project employment, seasonal employment, temporary employment or consultants) during the year.

	Number of full-time equivalent jobs 2017	Number of people 2017
Permanent employees	73	109
Fixed-term employees/Consultants	32	285
	105	394

Note 6 Wages, other remuneration and social security expenses

	2017	2016
Board, CEO and deputy CEO		
Wages and other remuneration	1,764,790	1,829,641
Social security expenses	1,162,998	1,187,592
Of which pension expenses	(487,149)	(500,159)
Other employees		
Wages and other remuneration	52,073,225	54,181,511
Social security expenses	21,976,101	22,665,641
Of which pension expenses	(4,770,340)	(4,932,658)
Total		
Wages and other remuneration	53,838,015	56,011,152
Social security expenses	23,139,099	23,853,233
Of which pension expenses	(5,257,489)	(5,432,817)

The company's CEO has a 6-month term of notice. If the company terminates the contract, the CEO is entitled to severance pay equivalent to 18 months' salary in addition to salary during the term of notice.

The CEO has a defined contribution pension plan, with no guaranteed final pension level.

Gender distribution in senior management

	2017		2016	
	Number	Of which men	Number	Of which men
Board members	7	43%	7	43%
Senior management	11	27%	11	27%

Note 7 Equipment

	31/12/2017	31/12/2016
Opening costs	15,909,231	12,800,806
Purchases	2,004,136	3,625,940
Sale/disposal	-2,621,670	-517,515
Closing costs	15,291,697	15,909,231
Opening depreciation according to plan	11,516,273	11,437,165
Depreciation according to plan	1,262,217	596,631
Sale/disposal	-2,617,967	-517,514
Closing depreciation according to plan	10,160,523	11,516,273
Closing residual value according to plan	5,131,174	4,392,958

Note 8 Profit from shares in Group companies

	2017	2016
Anticipated dividend	14,600,000	0
Impairment charge from shares in Group companies	-13,690,000	0
	910,000	0

Note 9 Appropriations

	2017	2016
Change in tax allocation reserve	307,600	571,800
Change in excess depreciation	-255,580	-712,700
Intra-group transfers received	77,800,000	0
Intra-group transfers paid	-77,800,000	0
	52,020	-140,900

Note 10 Tax on profit for the year

	2017	2016
Current tax	-500,771	-474,067
Deferred tax	0	0
Tax on profit for the year	-500,771	-474,067

Reconciliation of tax expense for the year

Recognised profit/loss before tax	1,422,503	981,231
Tax calculated at a tax rate of 22%	-312,951	-215,871
Tax effect of non-taxable expenses	-387,090	-259,344
Tax effect of impairment charges	-3,011,800	
Tax effect of non-taxable income	3,212,000	4,147
Deferred tax	0	0
Standard income on tax allocation reserves	-930	-2,999
Total	-500,771	-474,067

Note 11 Shares in Group companies

	2017	2016
Opening cost	0	0
Shares in subsidiary through merger	1,008,441,120	0
Shareholder permit	37,400,000	0
Impairment of shares	-13,690,000	
Closing cost	1,032,151,120	0

			31/12/2017	31/12/2016
	Number of shares	Equity %	Carrying amount	Carrying amount
Liseberg AB				
556023-6811, Göteborg	419,998	100.0%	975,188,000	0
Got Event AB				
556015-9823, Göteborg	15,000	100.0%	30,771,000	0
Göteborgs Stadsteater AB				
556016-7875, Göteborg	79,941	100.0%	26,192,120	0
			1,032,151,120	0

Note 12 Other non-current securities

	31/12/2017	31/12/2016
Svensk Turism AB, 556452-7157, Stockholm	146,000	146,000

The par value of the above shares is SEK 100/share and share capital totalled SEK 6,546,000 in 2016.

Note 13 Prepaid expenses and accrued income

	31/12/2017	31/12/2016
Staff related	124,450	118,295
Rental expenses	1,832,962	1,741,305
Project related	4,834,029	1,894,837
Other	2,960,516	1,587,164
	9,751,957	5,341,601

Note 14 Pledged assets

	31/12/2017	31/12/2016
Travel guarantee (Bank guarantee)	50,000	700,000

Note 15 Appropriation of profit

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

Profit brought forward	1,056,874,527
Net profit for the year	<u>921,732</u>
SEK	1,057,796,258

The Board of Directors proposes that the profits be appropriated so that:

Anticipated dividend	14,600,000
carried forward	<u>1,043,196,259</u>
SEK	1,057,796,259

Note 16 Untaxed reserves

	31/12/2017	31/12/2016
Accumulated excess depreciation	1,257,802	1,002,222
Allocation reserve assessment year 2011	0	1,065,600
Allocation reserve assessment year 2014	358,000	358,000
Allocation reserve assessment year 2015	200,000	200,000
Allocation reserve assessment 2015 from merged company	85,459	0
Allocation reserve assessment year 2016	718,200	718,200
Allocation reserve assessment 2016 from merged company	6,700	0
Allocation reserve assessment year 2017	758,000	0
	3,384,161	3,344,022

Note 17 Accrued expenses and deferred income

	31/12/2017	31/12/2016
Staff related	7,356,550	8,397,561
Project related	1,754,209	5,370,397
Other	6,278,037	6,153,119
	15,388,796	19,921,077

Note 18 Cash and cash equivalents

	31/12/2017	31/12/2016
Of this item, balance in Group account makes up	16,508,692	45,190,127

GOTHENBURG, 9 FEBRUARY 2018

Håkan Linnarsson, Chairman
Kia Andreasson
Monica Djurner
Eva Flyborg
Pär-Ola Mannefred
Anders Pettersson
Kerstin Billmark

Camilla Nyman, CEO

Our auditors' report was submitted on 4 April 2018.
Ernst & Young AB

Hans Gavin, Authorised Public Accountant

Our review report was submitted on 9 February 2018.

Annika Hofmann, lay auditor appointed by the Municipal Council.

Lars-Gunnar Landin, lay auditor appointed by the Municipal Council.

