# RATOS
# ANNUAL REPORT 2018






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## REVIEW OF OPERATIONS



## COMPANIES



## DIRECTORS' REPORT



## ADDITIONAL INFORMATION

# The year in brief

Portfolio companies Gudrun Sjödén Group and Jøtul were divested in 2018, and by the end of 2018, Ratos's company portfolio consisted of 12 companies.

During the year, Ratos presented new financial targets and new investment criteria. Changes were made in Ratos's central organisation, adding new resources with valuable operational experience. We also reviewed our corporate governance and the composition of the boards of several of our portfolio companies.

In addition to these initiatives, important activities have been carried out in the portfolio companies.

Read more about this eventful year on ▶ pages 4–5 and about the performance of our company portfolio on ▶ pages 6–7.


**12** companies

SEK **32** billion in sales

SEK **1.4** billion in EBITA

**12,300** employees

**2** company divestments

SEK **0.50** proposed dividend

| Earnings trend, SEKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Profit/loss before tax | -69 | 658 | -890 | 892 | 1,367 |
| of which, Profit/share of profits from companies | 604 | 679 | 295 | 664 | 392 |
| of which, Capital gains portfolio companies | 62 | 596 | 1,672 | 1,101 | 1,390 |
| of which, Impairment portfolio companies | -600 | -550 | -1,895* | -565 | -250 |
| Earnings per share after dilution | -1.40 | 0.72 | -1.79 | 1.29 | 3.22 |
| Equity *(attributable to owners of the parent)* | 8,701 | 9,660 | 11,283 | 12,882 | 14,027 |

* *Attributable to owners of the parent.*

# This is Ratos

Ratos, founded by the Söderberg family in 1866, is an active Nordic owner that invests in and develops companies. Ratos is a listed company that invests capital from its balance sheet and has a flexible ownership horizon in the companies. We act as we feel is best for each individual company.

**Listed investment company**

**1866 — Founded by the Söderberg family**

**Flexible ownership horizon**

**Focus on companies headquartered in the Nordics.**

### Ratos's portfolio

Ratos's portfolio consists of 12 unlisted medium-sized Nordic companies. The companies operate independently but can be divided into six sectors based on the industries in which they operate. The largest segments in terms of the companies' combined sales within each industry are Construction, Industrials and Consumer goods/Commerce. A detailed description of each company is presented on pages 28–39.

### Sales breakdown by segment

HEALTHCARE 2%

TFS

BUSINESS SERVICE 2%

SPEED

TECHNOLOGY, MEDIA, TELECOM 14%

Bisnode, KVD

CONSTRUCTION 32%

HENT, airteam

INDUSTRIALS 28%

aibel, Diab, HL, LEDiL

CONSUMER GOODS/COMMERCE 21%

PLANTASJEN, OASE OUTDOORS

### Ratos's business model

#### ACQUISITIONS

A central acquisitions team at Ratos is responsible for evaluating and carrying out new acquisitions. It is not uncommon for companies and themes to be pursued over an extended period. Direct contact is established with the owners and management of interesting companies, which we sometimes monitor for several years.

In addition to the company meeting Ratos's investment criteria and there being clear potential for growth and profitability, we create the optimum capital structure in the acquired company to support the company's operational and transformative development.

#### DEVELOPMENT

Ratos's target as an owner is to create long-term value in our companies, focusing on improved profitability and sales growth, on an ongoing and transformative basis. Together with each company's executive management, we establish the companies' strategies, and we are clear in our demands and serve as facilitators to ensure they are implemented and produce the desired results.

As an active owner, we lend the innovativeness, experience, expertise, contacts and capital needed by the companies in which we invest.

#### DIVESTMENT

We retain our companies as long as we consider ourselves to be the best owner and as long as it generates shareholder value for Ratos.

CEO's comments

# Focusing on existing holdings and new targets for the future

Having recently taken over as CEO, I wrote in my comments in the 2017 Annual Report, "A concerted effort that leverages our actual positions of strength will produce results in the long term." Thinking "long term" is not only about the time it takes to reverse a negative earnings trend at Ratos. Adopting a long-term approach is part of the very definition of Ratos's ownership strategy and thus is one of Ratos's actual positions of strength. We invest capital from our own balance sheet and can therefore own companies for as long as we consider ourselves to be the best owner. Long-term ownership was also the starting point for Ratos's new financial targets presented in June 2018. Under our three new financial targets:

– our former IRR target has been replaced by a target for annual EBITA growth in the company portfolio.
– a new indebtedness target was established that will be achieved through higher earnings in our companies, together with a long-term sustainable capital structure. This will free up distributable funds from the company portfolio that are required to provide a favourable share dividend in Ratos without the need to sell portfolio companies.
– the aforementioned will enable Ratos's share to outperform the index for Nasdaq Stockholm over time.

The basis for our work in 2018 has been:

– Focus on the development of our company portfolio
– Define criteria for our long-term holdings
– Define criteria for future investments

2018 was characterised by the intensive efforts executed in our company portfolio. There were no new investments outside our company portfolio. Our holdings in two companies, Jøtul and Gudrun Sjöden Group, were divested as they did not meet the criteria for our long-term ownership.

### Performance of the company portfolio during the year

Work in Ratos's company portfolio has focused on ensuring Stability, Profitability and Growth in each company – and in that order. I am well aware that for some types of companies, in some markets during certain periods, growth can be prioritised over profitability. However, stability must always be our primary concern.

Achieving stability is something that often has a negative earnings impact in the short term. Activities such as replacing management, investing in new production equipment, and depreciation of machinery, equipment, systems and processes are costly. As a long-term owner, one cannot avoid these costs as this type of measure in a turnaround situation is one prerequisite for long-term value creation.

A number of measures have been taking during the year, not least in the fourth quarter. Three companies – Diab, Kvdbil and Speed Group – initiated and carried out a change of CEO. Diab and HL Display streamlined their production systems. A more results-oriented organisation was established in several companies, including TFS, towards the end of the year. New chairmen have been appointed in three companies. Ratos currently holds chairman positions in two of its companies. Several other prioritised value-creating initiatives were carried out, the effects of which I expect as early as 2019.

In all, I feel that Aibel, airteam, Bisnode, Diab and HL Display have performed well during the year, though this is not yet evident in Diab's figures. LEDiL continues to deliver excellent profitability in its segment. In terms of Plantasjen and Speed Group, we still face major challenges. The trend in Plantasjen resulted in a lower valuation, which meant an impairment of our book value. However, this does not mean that we have lowered our ambition for profitability though it may take longer than planned to reverse the trend. Plantasjen also operates in a retail market that is currently being overhauled. The company has a strong brand in a growing market that focuses on customer experience. The fourth quarter's major project impairments in HENT are obviously very worrisome and the result of a thorough review of the project portfolio in a company that has experienced extremely rapid growth in recent years.

### Changes in Ratos AB

In early 2018, changes were implemented to Ratos's investment organisation. We reduced the size of the organisation, changed the mix of skills and redistributed the roles. We relocated physically to ensure faster communication and decision-making. We also changed the incentive model in the short and long term to align it with the new financial targets and link these to the performance of the Ratos share.

At the end of 2018, two steps were taken in the development of Ratos and our corporate governance. The new organisation that took effect on 1 March 2019 has been further trimmed in order to streamline the way we work, which means that our companies have divided into three business areas.

- *Consumer & Technology:*
  Bisnode, Kvdbil, Oase and Plantasjen
- *Construction & Services:*
  Aibel, airteam, HENT and Speed Group
- *Industry:*
  Diab, HL Display, LEDiL and TFS

The three business areas are responsible for ensuring that we have the right management in the companies and that prioritised value-creating initiatives are identified, prioritised and implemented under the portfolio company's management with help from the company's resources, which can occasionally be bolstered with competences from Ratos.

Two new functions have been added: Investments & Ownership Excellence and Talent Management.

Nothing is more important for our value creation than making sure that we have the right management in our companies. Being CEO of a Ratos company entails complete responsibility for the income statement and balance sheet within a defined capital structure. To ensure that we secure the best candidates, the CEO and other key individuals are invited to invest in the company in order to take part of the company's future value creation.

### Sustainability

We are convinced that there is a strong connection between sustainability and long-term value creation. Our sustainability agenda is based on the UN Global Compact's (UNGC) ten principles for responsible business. It is through the portfolio companies' operations that we have the greatest impact through our exercise of ownership. Through our corporate governance, we endeavour to ensure that the boards of our companies have an integrated sustainability agenda, to increase the share of climate-reporting companies and to ensure that the companies prioritise diversity and equal opportunities.

### Commitment and capability

I have on numerous occasions emphasised that the remaking of Ratos will take time. A corporate director knows that there will always be events that were impossible to foresee. But I believe that we will be able to see, as early as 2019, some results of what has been achieved by the dedicated and talented employees in our portfolio companies and in Ratos AB. It all comes down to the commitment and ability of people.

Finally, I would like to thank all our loyal and patient shareholders who, via the Board of Directors, have entrusted me to lead Ratos in 2018. This is an important task and I am convinced that we will succeed by working together.

*Jonas Wiström*
*CEO*

2018 in 5 minutes

# An active year

In 2018, Ratos presented new financial targets and completed two company divestments. In addition, the level of activity in each company was high.

## AIRTEAM EXPANDS TO SWEDEN

airteam is strengthening its market position by expanding to Sweden through the acquisition of Luftkontroll Energy. Luftkontroll Energy has approximately 35 employees and offices in Örebro. The company offers efficient ventilation and energy solutions, including after-sales and maintenance services. Luftkontroll Energy has a strong market position, a competent management team and is a good fit for airteam's business model.

## HENT DIVESTS RESIDENTIAL DEVELOPMENT OPERATIONS

HENT sold most of its residential development operations, HENT Eiendomsinvest, during the year. The sale generated a capital gain of NOK 84m. HENT Eiendomsinvest made up the majority of HENT's residential development operations and comprises some 1,200 planned apartments in which HENT's average holding was nearly 50%. In a short period of time, HENT has established itself as a player in the Norwegian residential development market, with the intention of a long-term commitment. Fredensborg Bolig's offer was very attractive and the company represents a buyer with significant competence to develop the operations going forward.

## AIBEL AWARDED NEW CONTRACT FOR THE JOHAN SVERDRUP FIELD

Equinor (Statoil) has awarded Aibel a letter of intent for engineering, procurement and construction of the deck for a process platform on the Johan Sverdrup field. The estimated value of the contract is approximately NOK 8 billion. The contract, which will be the largest in Aibel's history and one of the largest-ever individual contracts awarded on the Norwegian continental shelf, includes engineering, procurement and construction (EPC) for a process platform (P2) in phase 2 of the development of the Johan Sverdrup field. The platform will consist of three modules, two of which will be built at Aibel's yard in Haugesund and the third at Aibel's yard in Thailand. Work will start immediately while construction activities will commence in 2019. The finished platform deck, weighing around 23,000 tonnes, is scheduled for delivery to Statoil in 2022. At its peak, the project will involve some 3,500 employees.

## RATOS DIVESTS JØTUL

At the beginning of 2018, Ratos divested all of its shares in the subsidiary Jøtul A/S (Jøtul) for NOK 364m (enterprise value). The sale generated a positive earnings effect of SEK 26m. In recent years, the company's focus has been on enhancing the efficiency of the operations to improve profitability, which yielded results as the company reported growth and higher adjusted EBITA. Ratos has owned Jøtul since 2006 and this was an appropriate time for the company to develop further under a new owner.

*Illustration: RATIO/Statsbygg*

## HENT SIGNS CONTRACT WORTH APPROXIMATELY NOK 1 BILLION

Statsbygg has commissioned HENT to build parts of the new life sciences building at Oslo University. The order value amounts to approximately NOK 1 billion. The new faculty is a partnership project that covers about 66,700 square meters. The contract relates to the so-called partnership phase and entails that HENT, Statsbygg and other stakeholders will be included in the planning of the construction project.

## RATOS DIVESTS ITS SHARES IN GUDRUN SJÖDÉN GROUP

During the year, Ratos sold all of its shares, corresponding to a holding of 30%, in the associated company Gudrun Sjödén Group to the company's founder and CEO Gudrun Sjödén. Gudrun Sjödén resumed full ownership of the company in conjunction with the transaction. Ratos received SEK 225m, compared with its investment in the company of SEK 160m.

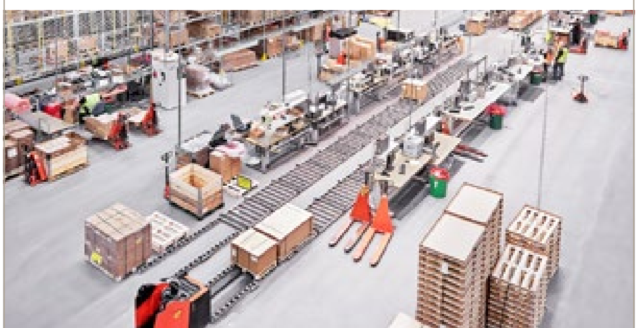

## RATOS PRESENTS NEW FINANCIAL TARGETS

In 2018, Ratos presented new financial targets that focus on the earnings trend of the company portfolio, Ratos's debt ratio and the total return on the share.

1. The earnings of the company portfolio should increase each year
2. A conservative leverage in the portfolio companies with an aggregate debt ratio including Ratos AB (Net debt/EBITDA) of less than 2.5x
3. The total return on Ratos shares should, over time, outperform the average on Nasdaq Stockholm

## SPEED GROUP ACQUIRES SAMDISTRIBUTION, STRENGTHENING ITS MARKET POSITION

In 2018, Speed Group acquired Bonnier Books' subsidiary Samdistribution Logistik. Samdistribution Logistik Sverige AB is currently the leading logistics partner for the Swedish book market and operates in 22,000 square metres in Rosersberg in northern Stockholm. The acquisition in Rosersberg means that Speed Group now has significant logistics operations in strategic locations such as Borås, Gothenburg and Stockholm. The acquisition has also allowed Speed Group to strengthen its position as a prominent national logistics player.



## SPEED GROUP DIVESTS SPEED PRODUCTION TO STREAMLINE ITS OPERATIONS

Speed Group has divested Speed Production AB. The reason for the sale is to refine Speed Group's offering, focusing on logistics, staffing, recruitment and training.

Vision, business concept, investment strategy and financial targets

# Ratos's framework

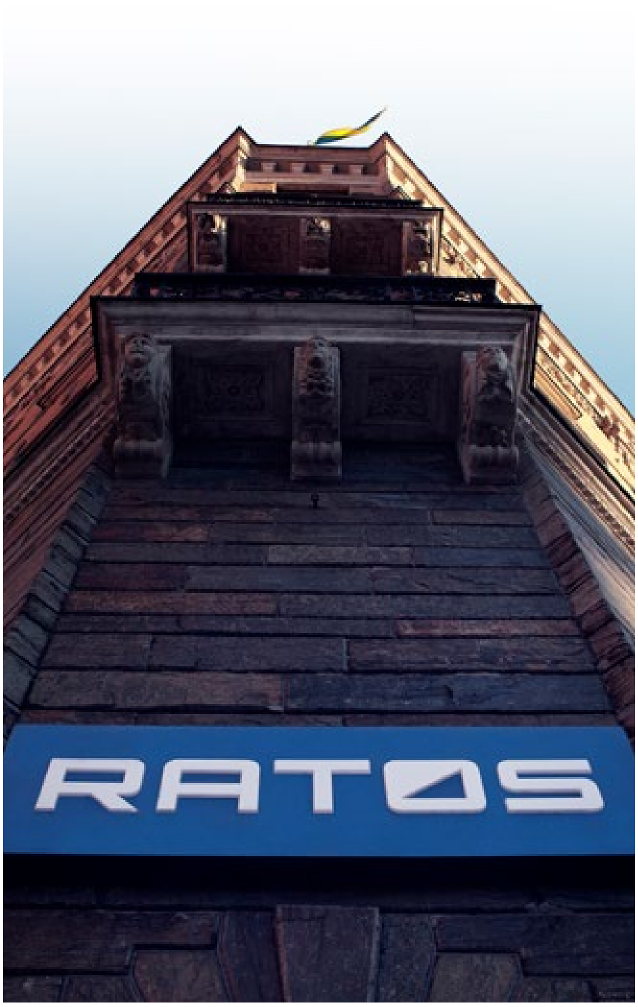
Ratos is an investment company whose business comprises the acquisition and development of preferably unlisted Nordic enterprises. Over time, Ratos is to generate the highest possible shareholder value as an active owner by realising the potential of a number of selected companies.

### Vision

Ratos is to be the first choice as an owner for developing companies.

### Business concept

Ratos is an investment company whose business comprises the acquisition and development, of preferably unlisted Nordic enterprises. Over time, Ratos is to generate the highest possible shareholder value by actively exercising its ownership to realise the potential of a number of selected companies.




### Financial targets

New financial targets were presented in 2018. The targets focus on the earnings trend of the company portfolio, Ratos's debt ratio and the total return on the Ratos share.

- The earnings of the company portfolio should increase each year
- A conservative leverage in the portfolio companies with an aggregate debt ratio including Ratos AB (Net debt/EBITDA) of less than 2.5x
- The total return on Ratos shares should, over time, outperform the average on Nasdaq Stockholm


### 2018 target fulfilment

- In 2018, the company portfolio realised EBITA, adjusted for the size of Ratos's holding, of SEK 804m, compared with SEK 1,048m* in 2017
- Ratos's debt ratio amounted to 3.4x
- The total return on the Ratos share was -30% compared with -4% for Nasdaq Stockholm

### Our criteria for new investments

In 2018, Ratos updated its criteria for new investments. Companies within the Ratos Group are to:

- Be headquartered in the Nordics
- Have good profitability compared with peer companies
- Have >SEK 50m in EBITA
- Have cash flow and leverage that facilitate dividends to Ratos
- Have strong management and corporate culture

Ratos has no fixed exit date for its companies but is instead a long-term owner that adopts a flexible ownership horizon since it invests capital from its own balance sheet. Ratos strives to be the majority owner in its companies but may also choose to co-invest with other owners.

** Refers to the result for Ratos's company portfolio at 31 December 2017, including Jøtul and Gudrun Sjödén Group.*

Ratos as owner

# Ratos's business model

## ACQUISITIONS

A central acquisitions team at Ratos is responsible for evaluating and carrying out new acquisitions. We also work with industrial advisors who lend sector expertise and support our acquisition work by evaluating the investment themes and specific acquisition opportunities. Acquisition ideas are often discussed directly with other owners and entrepreneurs who are looking for a new partner to realise their visions. It is not uncommon for companies and investment themes to be pursued over an extended period. Direct contact is established with the owners and management of interesting companies, which we sometimes monitor for several years, even in situations where they are not ready for a new partner/owner.

In addition to the company meeting Ratos's investment criteria and there being a clear potential for growth and profitability, we create the optimal capital structure in the acquired company to support the company's operational and transformative development.

## DEVELOPMENT

Ratos's target as an owner is to create long-term value in our companies, focusing on improved profitability and sales growth, on an ongoing and transformative basis. Together with each company's executive management, we establish the companies' strategies, and we are clear in our demands and serve as facilitators to ensure they are implemented and produce the desired results.

As an active owner, we contribute with innovativeness, experience, expertise, contacts and capital in the companies in which we invest.

We help recruit key people and supply capital that enables the companies to invest in product development, improved customer offerings and inroads in new markets. We offer a far-reaching network that can share best practices and new ideas for long-term company development. Active ownership may even entail making add-on acquisitions that provide revenue and cost synergies, or investments in new production technology to improve effectiveness and productivity.

## DIVESTMENT

We retain our companies as long as we consider ourselves to be the best owner and as long as it generates shareholder value for Ratos.

# A committed and active owner

Through our ownership, we drive those initiatives we deem will generate the most value for each individual company. Even though each company operates strategically, operationally and financially independent of each other, there are common denominators for our activities. Our development model rests on three cornerstones that define Ratos's ownership in terms of creating long-term value in our companies.


## 1. Ownership and governance

One of Ratos's foremost priorities as owner is to appoint the right CEO and executive management in each portfolio company. Each portfolio company's management has clear and complete operational mandate and responsibility. A close collaboration between the executive management and Ratos's owner executive is established through an agreed long-term plan, and defined value-creating initiatives are followed up regularly.

The CEO and executive management of the portfolio companies are offered incentives for value creation in the company in order to foster a sense of responsibility and a situation in which each company's CEO and management can benefit from the company's success.

A distinct and transparent structure for corporate governance is introduced in the companies in which we invest. In terms of the composition of the board, we apply what we feel will generate the most value for each company, which may mean that Ratos itself assumes the role of board chairman, or that the board chairman is recruited externally. The size of the board is also determined from company to company.

In addition to the board work that we perform in our companies, we work with teams made up of the CEO, board chairman and Ratos's owner executive that effectively prepare central issues and accelerate rapid decision-making and activities in each company.

## 2. Basic requisites for creating long-term value

Ratos applies a number of basic requirements, which we refer to as the Ratos Basics, and ensures compliance with these requirements within the companies. These are built on:

Clear *profitability management* of the company and thereby a deep understanding of the company's profitability-based key figures.

*Competitive benchmarking* against their competitors in order to understand the company's sector-related results and what, from a results perspective, can be deemed "best in class".

*Customer satisfaction* and the ability to understand and promote the attractiveness of the company's offering from a long-term perspective.

*Personnel development and incentives* to attract, retain and develop personnel and managers. Ratos's companies are to put a premium on developing talent and working to create the best prerequisites for their employees.

## 3. Tool box

Ratos's organisation contains experience accumulated in such areas as strategy processes, business analysis, acquiring and divesting companies, financing, accounting, law, communication and purchasing/sourcing, which contributes to the companies' development. We have a number of industrial advisors associated with Ratos. They lend their expertise in operational development and transactions. We also provide functional contacts between portfolio companies to enhance the intercompany benefits of being part of a large group.

# airteam – *growing into the leading ventilation company in the Nordics*

*"We were looking for a partner that could help airteam to grow further and realise the companys full potential, and we saw Ratos as an established, responsible investor with a strong primary owner in the Söderberg family."*

POUL PIHLMANN, CEO OF AIRTEAM

## OPPORTUNITY

***Capable management. Scalable business model.***

airteam stood out in the market due to its leading market position, competent management and organisation, high technical expertise, and sector-leading profitability. Equally attractive was airteam's tried-and-tested scalable business model with a flexible cost structure and a broad client and project portfolio. In partnership with the founders, Ratos invested in a 70% holding in airteam in 2016, with a mutual goal to consolidate the company's strong position in Denmark and expand further in the Nordic countries, with Sweden as the first step. A number of key individuals were also invited to invest in the company.

## VALUE CREATION

***A close collaboration. An exciting journey of growth.***

By combining airteam's industry expertise with Ratos's background of supporting growth companies with a clear strategic agenda, the market was searched to find appropriate add-on acquisitions. The first add-on acquisition in 2016 was the Danish company Ventek, which reinforced airteam's market position in North Jutland. At the beginning of 2018, airteam took a strategically important first step into Sweden through the acquisition of Luftkontroll Energy in Örebro. Luftkontroll fit perfectly with airteam's business model, and thereby created opportunities for growth in Sweden. At the beginning of 2018, the journey continued with the signing of the acquisition of Creovent and Thorszelius. airteam has thus established a strong market position in the expansive Mälardalen region. In parallel with acquisition activities, airteam has strengthened its organisational platform and established Airteam Academy to ensure its continued expansion. And most importantly, throughout its journey of expansion, the company has retained its profitability focus, a central component of airteam's DNA.

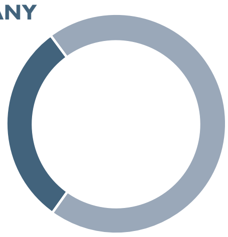
## RESULTS

***A Nordic player. Synergy effects realised.***

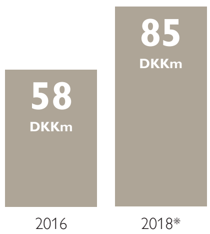
The add-on acquisitions that airteam has made so far share certain qualities such as stable track records, strong management teams and healthy market positions. The companies' customer offerings and ways of working have also matched airteam's business model. Significant synergies from the acquisition of Ventek have already been realised within, for example, procurement. In terms of the Swedish acquisitions, the journey toward integration and benefiting from each other's expertise in the future is under way.

**MANAGEMENTS SHARE IN THE COMPANY**

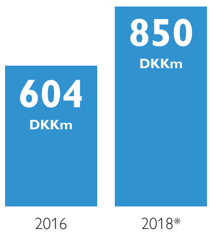
**30%**



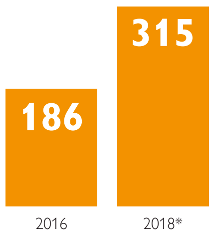
**ADJUSTED EBITA**




**SALES**




**EMPLOYEES**




** Includes acquisition of Creovent and Thorszelius.*

# Sustainable value creation

Signatory of: PRI Principles for Responsible Investment

THE GLOBAL COMPACT WE SUPPORT

Ratos generates value by driving positive development in its companies. We are convinced that there is a strong connection between sustainability and long-term value creation. As a responsible investor and owner, it is Ratos's ambition to promote sustainable development and awareness related to sustainability issues in the company's own organisation as well as in the portfolio companies.

For Ratos, sustainable value creation means active and responsible ownership that includes sustainability issues. Our sustainability work is based on the UN Global Compact's (UNGC) ten principles for responsible business as well as the UN Principles for Responsible Investment (PRI). Since 2015, Ratos has been reporting in accordance with the Global Reporting Initiative (GRI) and this year's report follows the GRI Standards, Core application level (see ▶ page 124 for GRI index). As of 2015, Ratos submits its sustainability report to the Global Compact as its Communication on Progress (COP). Throughout the year, Ratos has explored how it can contribute to and develop in line with the UN's Sustainable Development Goals (SDGs) by identifying the most relevant SDGs for Ratos's operations.

## Important events in 2018

- Update of Ratos's general sustainability goals divided into the investment process, corporate governance and the parent company
- Determination of how Ratos can contribute to the UN's SDGs
- To prevent discrimination and promote equal opportunities, Ratos's Code of Conduct has been updated and issues concerning victimisation have been included in Ratos's employee satisfaction survey
- Review of the portfolio companies' work on sustainability, compliance and risk initiatives (questionnaire)
- Quality assurance of the portfolio companies' sustainability reports and their concordance with the parent company's sustainability report
- Arrangement of Sustainability Day for the portfolio companies' sustainability managers
- Offering of a framework agreement to the portfolio companies for whistleblowing systems, climate reporting systems and protection against child sexual abuse material on computers (NetClean Proactive)

## Significant sustainability aspects and our stakeholders

Ratos's most significant sustainability issues are identified through intelligence gathering, industry analysis, risk mapping and stakeholder dialogues. Combined, these analyses and dialogues form Ratos's materiality analysis. Based on the most significant aspects, Ratos defines goals and action plans to drive and develop the sustainability agenda and strengthen long-term value creation.

Stakeholder dialogues involve discussions between Ratos and the most important stakeholders during which they are asked to prioritise those aspects that Ratos deems are highly relevant for the operations and value creation.

Ratos's latest materiality analysis was carried out in 2016 and it was discussed among Ratos's management group in 2018. The materiality analysis was largely found to be relevant, with an elevated prioritisation of the aspects "equal opportunities and diversity" and "portfolio company climate impact". At Ratos, we are convinced that an active agenda addressing climate impact, equal opportunities and diversity leads to more innovation, profitability and stronger competitiveness.

Ratos's significant sustainability aspects that have the highest priority can be summarised as follows:

### Top three significant aspects

- Ensure transparent and sound corporate governance and do business with good business ethics and proactive anti-corruption initiatives
- Drive corporate responsibility in the portfolio companies, focusing particularly on climate impact, equal opportunities and diversity
- Attract, develop and engage the parent company's employees through a healthy, equal-opportunities workplace with increased diversity

Our ambition during the next year is to review the materiality analysis as part of ensuring that it and our sustainability strategy are relevant.

## Ratos's general targets

Based on the prioritisation of the most significant sustainability aspects, Ratos defines its general targets as a responsible investor, owner and parent company. The goals are then made tangible in action plans and follow-up activities.

In 2018, Ratos's management group updated Ratos's general targets, and added equal opportunities and diversity as targets for both its own organisation and the portfolio companies. Ratos's general targets for 2018 are presented in the table *General targets for Ratos as a responsible owner* on ▶ page 13.

## GENERAL TARGETS FOR RATOS AS A RESPONSIBLE OWNER

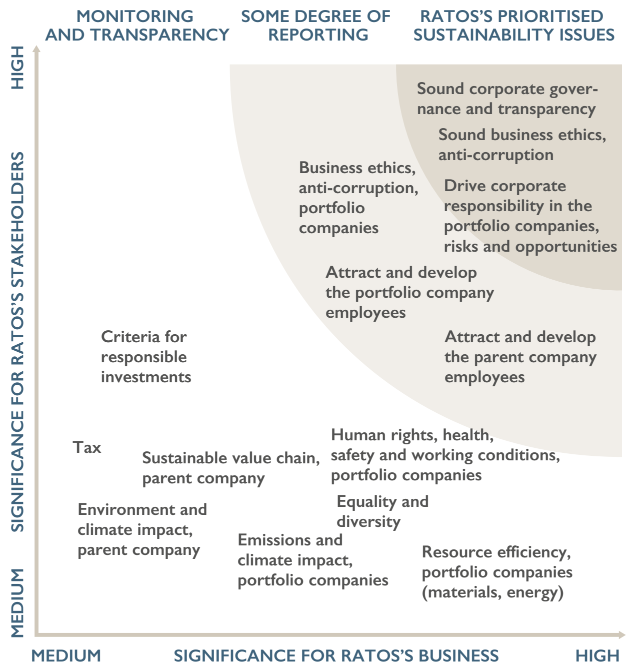
| General targets | Status |
|---|---|
| **Investment process** | |
| ■ Investments are adapted in line with Ratos's exclusion criteria<br>■ Sustainability aspects are a part of a thorough acquisition analysis<br>■ Sustainability is an important and integrated part of future value creation | ▶ No acquisitions of new portfolio companies made in 2018 |
| **Corporate governance** | |
| ■ All company boards have defined sustainability goals and follow up on the initiatives at least once a year<br>■ Sustainability report in accordance with GRI (Ratos's majority-owned large companies)<br>■ Increase the share of climate-reporting companies<br>■ Ratos's companies must be attractive employers and aim for greater diversity and equal opportunities | ▶ In all our companies, the board has presented and discussed the companies' sustainability agenda during the year<br>▶ Seven companies out of twelve prepare climate reports in line with GRI Standards, Core application level<br>▶ 42% of Ratos's companies prepare climate reports<br>▶ Ratos aims to ensure that all companies follow up and prioritise this |
| **Ratos's parent company** | |
| ■ Committed and motivated employees. A healthy workplace that promotes diversity and equal opportunities<br>■ Sustainability report in accordance with GRI<br>■ Climate reporting | ▶ Ratos follows up and prioritises this<br>▶ Sustainability report in accordance with GRI Standards, Core application level since 2015<br>▶ Climate reporting performed since 2016 |

## Stakeholder dialogues

| Stakeholders | Method of interaction [1] |
|---|---|
| Employees at Ratos | ■ Interviews with representatives in connection with stakeholder dialogues in 2016<br>■ Staff meetings, performance reviews<br>■ Structured discussion groups focusing on Ratos's values, corporate culture, processes and future development |
| Employees of Ratos's companies | ■ Interviews with representatives in connection with stakeholder dialogues in 2016<br>■ Meetings within Ratos's annual functional forum (CEO, CFO, HR, Sustainability, etc.) |
| The companies' management groups and board members | ■ Interviews with representatives in connection with stakeholder dialogues in 2016<br>■ Group-wide assessment of the work of the boards |
| Owners and investors | ■ Interviews with representatives in connection with stakeholder dialogues in 2016<br>■ Participation in surveys from/or dialogues with organisations such as CDP, RobecoSAM, Vigeo and Sustainalytics<br>■ General meetings<br>■ Dialogues and individual meetings |
| Experts | ■ Interviews in connection with stakeholder dialogues in 2016<br>■ Discussions as needed |

[1] *A total of 17 were interviewed during stakeholder dialogues in 2016.*

## Materiality analysis (2016) *




* *The "Attract and develop the right parent company employees" aspect is relevant within the organisation. The remaining aspects are relevant within and outside the organisation.*


## Ratos's work related to the UN Sustainable Development Goals

Throughout the year, Ratos has examined how it can contribute to the UN Sustainable Development Goals (SDGs) as part of promoting sustainable development. The SDGs were adopted in 2015 by all United Nations Member States and are a call for action to end extreme poverty, reduce inequality, tackle climate change, and promote peace and justice in the world by 2030.

Based on Ratos's highest prioritised significant aspects, we have identified the SDGs and targets where Ratos can make the greatest contribution and realise the greatest business opportunities. See the table below. As an aid in the identification process, we used *An Analysis of the Goals and Targets* compiled by GRI and the UN Global Compact, among other publications.

### RATOS'S PRIORITISED SUSTAINABLE DEVELOPMENT GOALS AND TARGETS

| Significant aspects – Top three | SDG | SDG target |
|---|---|---|
| Ensure transparent and sound corporate governance and do business with good business ethics and proactive anti-corruption initiatives | 16 | **16.4** Combat organised crime and illicit financial and arms flows<br>**16.5** Combat corruption and bribery |
| Drive corporate responsibility in the portfolio companies, focusing particularly on climate impact, equal opportunities and diversity | 5 10 12 13 | **5.1** End all forms of discrimination against women and girls<br>**5.5** Ensure women's full participation in leadership at all levels of decision-making<br>**10.3** Ensure equal opportunity for all and eliminate discrimination<br>**12.2** Sustainable management and use of natural resources<br>**12.6** Encourage companies to adopt sustainable practices and sustainability reporting<br>**13.1** Strengthen resilience and adaptive capacity to climate-related disasters<br>**13.3** Improve awareness and capacity to manage climate changes |
| Attract, develop and engage the parent company's employees through a healthy, equal-opportunities workplace with increased diversity | 5 10 | **5.1** End all forms of discrimination against women and girls<br>**5.5** Ensure women's full participation in leadership at all levels of decision-making<br>**10.3** Ensure equal opportunity for all and eliminate discrimination |

# Ratos as a responsible investor and owner

Ratos's work as a responsible investor and owner has high priority since the direct impact in the parent company is slight in relation to the portfolio companies' impact. Sustainability is an integrated part of Ratos's investment process and of how we exercise our ownership role.

Ratos's work as a responsible investor and owner is based on a number of relevant policies and guidelines established by Ratos's Board of Directors, primarily comprising the Code of Conduct, the Policy for Sustainability and Responsible Investments, and the Environmental Policy (see Ratos's website). The policy framework is based on the UN Global Compact's ten principles for responsible business as well as the UN Principles for Responsible Investment (PRI). The Code of Conduct and the Policy for Sustainability and Responsible Investments was updated and adopted by Ratos's Board of Directors during the year.

## Investment process

Sustainability aspects are a part of Ratos's thorough pre-acquisition analysis. As is evident in our Policy for Sustainability and Responsible Investments, the following exclusion criteria and policies are involved in our assessment of potential acquisitions:

### Ratos's exclusion criteria

*Ratos does not invest in companies that*
- Operate in the arms industry
- Cause serious environmental damage
- Produce or are actively involved in the supply of pornography
- Produce tobacco products

### Ratos's policies

*As guidance in the assessment of new investments and in its work with existing companies, Ratos has policies for*
- Breaches of international conventions
- How Ratos is to exercise climate consideration

Due diligence is performed during the investment process to assess Ratos's potential investment object's risks, potential and maturity within sustainability. The company's risks and activities in relation to key sustainability areas are investigated, which entails an identification of risks and potential in the company's operations or value chain connected to employees, respect for human rights, business ethics, and counteracting corruption. The analysis also includes reviewing the company's current and preventive initiatives in terms of identified risks.

A compiled due diligence is part of Ratos's final decision material ahead of the investment decision and constitutes a recommendation for the continued corporate governance. No portfolio company acquisitions were made in 2018.

## Corporate governance

Ratos's CEO has the overall responsibility for the Group-wide strategy and sustainability initiatives as well as responsible investments. All company executives at Ratos are responsible for ensuring that sustainability is included on the agenda of each portfolio company's management and board. The CEO and management of each portfolio company have operational responsibility for the company's sustainability efforts through direct delegation from Ratos's management.

Ratos invests in several industries and our portfolio companies are affected by many different sustainability-related risks and opportunities. Ratos therefore has common requirements for the portfolio companies. Ratos's expectations in terms of the company's sustainability efforts are based on relevant legislation, recognised international conventions, Ratos's Policy for Sustainability and Responsible Investments, the Environmental Policy and the Code of Conduct. An assessment of risks associated with violations of human rights and social conditions, labour laws, the environment, corruption and irregularities is conducted regularly as part of Ratos's annual risk mapping. All portfolio companies are expected to have a process for mapping and managing each company's major risks.

**Share of our companies that have a code of conduct in line with Ratos's Code: 100%**

Each portfolio company's board is ultimately responsible for ensuring the company complies with applicable sustainability laws, guidelines and policies. One of Ratos's goals through corporate governance is for all companies to have defined sustainability goals and follow up on the initiatives at least once a year. All companies send a status update on their sustainability efforts to Ratos's CEO annually. In 2018, we interacted with 100% of our portfolio companies on environmental, social and economic issues.

To facilitate the companies' efforts, Ratos offers framework agreements for whistleblowing systems, protection against child sexual abuse material on computers (NetClean Proactive) and climate reporting systems. Every year, Ratos also organises network meetings for various functions, during which the Sustainability Forum serves as a platform for sharing knowledge and experience within sustainable business development.

As part of the work to further develop the companies' sustainability reporting in line with the Swedish Annual Accounts Act, Ratos introduced a requirement in 2017 with respect to sustainability reporting in accordance with the Global Reporting Initiative (GRI) for all large majority-owned companies. In 2018, seven out of 12 companies in Ratos's portfolio prepared climate reports in line with GRI Standards, Core application level.

# Sustainability in Ratos's portfolio companies

A summary of the companies' sustainability efforts is presented below. See ▶ pages 28–39 for comments on each company's significant sustainability issues.

### Responsibility for environmental and climate impact

All of Ratos's companies are to identify their respective environmental impact and implement an Environmental Policy/Environmental Plan. The companies' sustainability reports contain a compilation of energy consumption (kWh), relative energy consumption, waste management and water consumption. Measurement and follow-up of greenhouse gas emissions is a key tool for reducing climate impact. One of Ratos's general goals is to increase the share of climate-reporting companies, and framework agreements for climate reporting systems are offered to all portfolio companies to facilitate their work. 42% of the companies owned by Ratos on 31 December 2018 report their $CO_2$ in accordance with the Greenhouse Gas (GHG) Protocol.

A number of Ratos's companies have risks relating to environmental and climate issues, for example, through adjustments to a climate-neutral economy, having operations in areas with a rising frequency of extreme weather (such as flooding) or having operations aimed at customers in the field of fossil fuel extraction.

**Share of companies that have $CO_2$ reporting:**

**42%**

**Share of companies that have systematic environmental processes: ***

**67%**

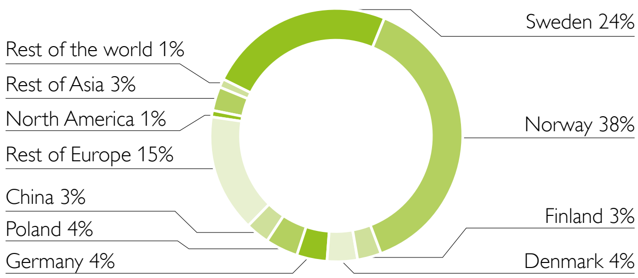
** Environmental Policy or ISO 14001-certified production units.*

### Assuming responsibility for employees in our companies

The Ratos Group has 12,300 employees who all contribute to the implementation of Ratos's development plans in each company. Competent and committed employees in good health are a prerequisite for the implementation of Ratos's ownership agenda and sustainable value creation. Most (92%) of the employees work in the Nordic countries and the rest of Europe, while 6% are employed in Asia, primarily China. Several of Ratos's companies have operations that put employees at a greater risk of personal injury. Other risks relevant to Ratos's companies comprise psychosocial health and the risk of discriminatory behaviour. Certain companies have risks related to future talent supply and high employee turnover. Based on identified risks, the companies implement relevant guidelines and processes, and pursue a systematic and preventive work environment agenda.

A healthy, safe work environment, talent development as well as equal opportunities and diversity are prioritised issues for Ratos. The companies are to implement a code of conduct in line with Ratos's Code of Conduct, which stipulates that recognised international conventions, human rights and employee rights and conditions must be respected. The annual sustainability reports contain, for example, information on the share of women in senior positions and the implementation of whistleblowing systems.

**Group employees per geographic area 2018**




**Share of women in senior positions in subsidiaries:**

(based on the average number of employees in the Group in 2018)

**39%**

### Social responsibility and respect for human rights

Social responsibility comprises several areas, including making demands on and monitoring sub-contractors in such areas as respect for human rights, absence of forced labour and reasonable working conditions. Several of Ratos's companies have suppliers and partners in other countries where there is an elevated risk of violations of human rights or employee rights, which is why these issues are prioritised areas in the companies' supply chains. Other risks related to Ratos's companies include violation of integrity offences and lack of quality and safety in products or services that can result in accidents or personal injury.

Respect for recognised international conventions, human rights and employee rights and conditions must be stipulated in the companies' own codes of conduct, and in the work and demands relating to suppliers and other parties in the value chain.

### Sound business ethics and proactive anti-corruption efforts

The code of conduct that Ratos's companies implement contains written business ethics and anti-corruption instructions. Ratos's instructions governing sustainability, compliance and risk contain principles for the companies' work on anti-corruption and the development of anti-corruption programmes. All companies are to perform corruption risk analyses as part of their comprehensive risk mapping and management, and establish preventive routines and processes that are risk-specific. Preventive work includes guidelines for employees, training programmes for persons in positions of risk, and imposing demands and following up on business partners. During the year, all (100%) of Ratos's portfolio companies were analysed for corruption risks. Six (50%) of Ratos's companies are considered to have an elevated risk of corruption, such as bribery, solely based on their presence in geographic markets with an elevated risk (according to Transparency International) or through operations in exposed industries. As of 2016, Ratos's general rule is that all companies are to have implemented a whistleblowing system to guarantee anonymity and full integrity. On 31 December 2018, 100% of the companies that Ratos owns had implemented such a system.

**Share of companies that have whistleblowing systems:** **100%**

## *Diab reduces $CO_2$ footprint and separates growth from $CO_2$*

Diab

*Diab's composite material is used for applications in the wind power, transport, marine and aviation industries. The lightweight, strong core composite materials are used to manufacture low-energy vehicles, boats, airplanes and, above all, effective wind turbine blades.*

Diab has resolved to reduce the company's $CO_2$ footprint and to do so at the pace required by climate science – by measuring itself against science-based targets. The organisation sciencebasedtargets.org examines whether a company's proposed $CO_2$ emission reduction plan is aligned with how much a certain segment needs to reduce its $CO_2$ emissions into the atmosphere in order to limit global warming to less than 2 degrees Celsius. The company's plans to realise the targets were approved in September 2018 after Diab's science-based targets had been reviewed.

Highly tangible and explicit, the plan builds on three areas: to improve the utilisation of raw materials, streamline the utilisation of natural gas and electricity and, based on local conditions, switch to renewable sources if possible, without extra costs.

To this end, Diab has swapped the Swedish organisation's natural gas for biofuel (wood chips), resulting in cost-savings and a radical reduction of its $CO_2$ footprint, which corresponds to around 5 percent for the entire Diab Group. This was possible through an agreement with the power company Adven AB, thereby making Diab's Laholm-based production plant 100% fossil free in 2019. Hot water and heat will be generated by biofuel instead of fossil natural gas, a measure expected to reduce the company's carbon footprint by 6,000 tonnes of carbon dioxide annually.

*"When we evaluated our climate impact, it became clear that a large part of our carbon footprint could be linked to energy use in our factories. With the new energy solution in Laholm, we are taking a big step forward in our effort to deliver products for a future sustainable society,"* says Per Hökfelt, EVP Sustainability & EHSQ at Diab.

The energy conversion is not only climate friendly but also cost effective since wood chips cost less per kilowatt hour than natural gas.


# Ratos as a responsible parent company

Being a responsible parent company requires, above all, that we ensure transparent and sound corporate governance, that we do business with good business ethics, that we work proactively with anti-corruption initiatives and that we attract, develop and engage our employees. Ratos's policies, including the Code of Conduct, guidelines for share transactions, and processes for ethics and regulatory compliance are the foundation for this.

When they are hired, Ratos's General Counsel presents Ratos's Code of Conduct, Work Environment Policy, Employee Manual, Environmental Policy and other related policies to the new employees. Through Ratos's external whistleblowing systems, which guarantee anonymity for the whistleblower, deviations from the policies and other irregularities are followed up. Both Ratos's employees and external stakeholders can use the channel to report any incident of corruption or other irregularities in contravention with Ratos's Code of Conduct. During the year, Ratos also installed a system to protect against child sexual abuse material on all of Ratos's computers (NetClean Proactive). Ratos had no reported violations of the Code of Conduct, including no reported cases of discrimination in 2018. Nor has Ratos been fined or received any other sanctions due to violations of laws or regulations. No whistleblowing reports were filed during the year.

Ratos's purchases include services and products for its office operations in Stockholm and consultancy services in conjunction with acquisition and sales processes as well as development procedures. These suppliers operate primarily in the Nordic countries.

Two sustainability aspects that rose in priority in Ratos's parent company in 2018 are climate impact and equal opportunities and diversity. In addition to supporting the portfolio companies in these issues, it is particularly important for Ratos to serve as a good role model. For information about our work on equal opportunities and diversity, see ▶ page 21.

## Climate impact

Ratos's environmental agenda is based on the precautionary principle and is governed by our Environmental Policy and related environmental plan. The CEO is responsible for continuously monitoring these efforts. Ratos's main environmental impact stems from business travel and mainly comprises emissions from air travel. As part of following up the effect of the policy and initiatives, Ratos annually reports its climate impact in accordance with the GHG Protocol. Measuring and following up greenhouse gas emissions creates awareness about Ratos's impact and an understanding of effective measures, thereby generating opportunities to further reduce Ratos's climate impact. Ratos is actively examining ways to optimise business travel through, for example, video conference systems and guidelines when choosing means of transport. Climate compensation has been paid for all air travel since 2014. Energy consumption is also an issue that we are studying in order to minimise our climate impact. As of 2016, Ratos only uses electricity with the "good environmental choice" label. Ratos has saved 148,704 kWh since 2016, which corresponds to a reduction in $CO_2$ of around 37% per year. Ratos's total emissions for the parent company amounted to 155 tonnes $CO_2e$ for 2018, after climate compensation.

| Total emissions, tonnes of $CO_2e$/yr | 2018 | 2017 | 2016 |
|---|---|---|---|
| Business trips (Scope 3) | 135 | 232 | 254 |
| *of which, air travel* | 124 | 216 | 230 |
| Head office, building (Scope 2) [1] | 16 | 16 | 20 |
| *of which, electricity consumption (Scope 2)* | 2.7 | 3 | 3 |
| Other [2] *(incl. annual report calculated from a general LCA perspective)* | 4 | 6 | 2 |
| **Total before climate compensation** | **155** | **255** | **276** |
| **Total after climate compensation** | **0** | **0** | **46** |

*[1] Electricity and heat consumption.*
*[2] District heating, paper and printed materials, electricity consumption.*

# People make the difference

In all business operations, value is created by people. Attracting, developing and retaining skilled employees and talent is imperative to Ratos and to our companies' ability to realise long-term success. Therefore, a major priority for us is that we and our companies are attractive employers.

The Ratos Group has about 12,300 employees worldwide who work for one of the 12 companies that make up Ratos's company portfolio or in Ratos's own organisation. Ratos's parent company has 24 employees. In addition, eight Industrial Advisors are associated with the Ratos's operations. Ratos's CEO and management group are responsible for the employees' work situation and talent development.

### Focus on the right skills

The organisation is staffed with people who have extensive experience in operational development and strategic analysis, people who often have a background as management consultants or from operative roles. They are continuously involved in investment processes and lead the work in the portfolio companies together with each company's board and management. Each portfolio company has a team that normally consists of two Ratos employees, one of whom is company executive, with one or more as a member of the company's board.

Ratos's organisation also includes people with expertise in communication, legal matters, financing and accounting who support the company teams and companies in matters related to each area.

Every year, Ratos conducts a number of initiatives to provide information, boost awareness and share best practices between Ratos's portfolio companies, including Network Days, a Chairman Forum, CEO Summit, CFO Summit, CR Forum and HR Forum. In 2019, Ratos will launch an Executive Management Program aimed at focusing more on talent development in our portfolio companies, strengthening corporate cohesion and improving the transfer of knowledge between the companies. Each portfolio company will be represented by up to two candidates and the program will run for one year.

### Network with Nordic business experience

Our Industrial Advisors assist Ratos and our portfolio companies in matters concerning operational development and transactions and may serve as board members or the chairman of our companies. Our network is made up of highly qualified individuals who have long-standing business experience from all the Nordic countries. They act as Ratos's representatives and lend their general expertise, knowledge of the local business community, sector-specific insights, experience and contacts.

### The Ratos spirit

Ratos's actions are based on our core values – entrepreneurial, committed and responsible. Through good business ethics, we ensure that those with whom we do business will be able to trust us, want to choose us and return to us. These values define how we work and interact with each other and our stakeholders.

### Employer branding

As a part of our efforts to find and attract future employees, but also to strengthen Ratos's brand, we offer students a six-month internship at Ratos.

The analysts who are offered internships work in

Ratos's values


***Entrepreneurial*** *since we encourage original approaches, curiosity and harness opportunities, conduct business and build companies.*


***Committed*** *and dedicated in our businesses, companies and the people who lead and work at Ratos and its companies.*


***Responsible*** *since we have high demands on business ethics and weigh in the consequences of the decisions we are involved in for people and the environment.*

the investment organisation but may also be assigned tasks from other departments. In 2018, we offered a total of three internships at Ratos.

In addition, we actively participate in training programs, lectures and seminars held mainly at the Stockholm School of Economics with which we have a close cooperation.

### Involved in community development

Ratos's community involvement is founded in our over 150-year history where long-term responsibility is a natural part of our operations. Through an established cooperation with Inkludera Invest, which takes social innovations to market through strong social entrepreneurs, and the Stockholm School of Economics, we focus our community involvement on organisations close to our business and from which we gain a mutual exchange.

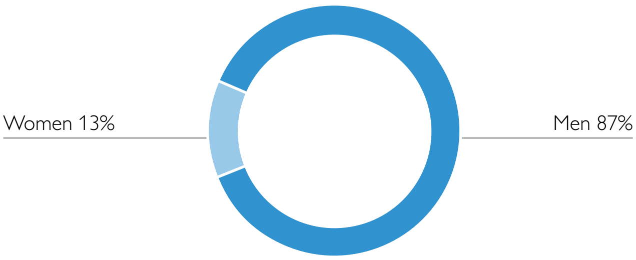
### A responsible, committed and entrepreneurial workplace

Ratos must be an attractive employer that attracts, develops and retains talented and innovative thinkers to be successful in the long term. To this end, Ratos takes an active and systematic approach to our employees' work environment and talent development.

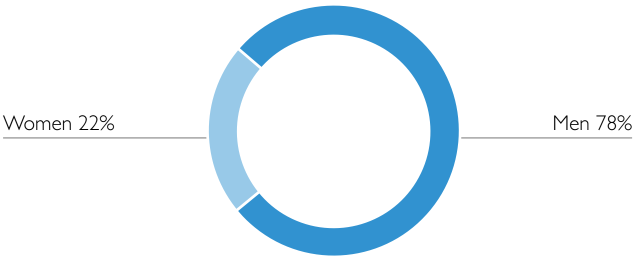
As stipulated in Ratos's Work Environment Policy, recently adopted by the management group in 2018, Ratos's systematic work environment agenda involves examining, implementing and following up operations in such a way as to prevent ill health and work-related accidents, and to achieve a satisfactory work environment. This extends to all physical, psychological and social conditions of significance in the work environment. Ratos's CEO is ultimately responsible for the work environment. The day-to-day work environment agenda is carried out by the work environment team comprising, among others, Ratos's Finance Manager and General Counsel in collaboration with employers and employees. The work environment is a standing item for discussion during Ratos's monthly management group meetings. Ratos distributes an employee satisfaction survey every year. In 2018, Ratos updated the employee satisfaction survey with questions regarding the employees' psychosocial work environment, discrimination and harassment. The updated version of the employee satisfaction survey will be distributed during 2019.

During periods of high workloads, Ratos's employees can be exposed to negative stress that may lead to stress-related illnesses. A key element for Ratos in fostering an attractive, sound workplace involves working

**Distribution, investment organisation 2018**




**Distribution, the companies' boards 2018**
(excluding Ratos employees and employee representatives)



proactively against stress-related illnesses. Ratos encourages health-promoting activities, for example, by offering fitness subsidies, medical and health insurance, and preventive health exams. Ratos also endeavours to provide a good work-life balance. For example, employees have the option to structure their working hours to achieve a work-family life balance along with additional possibilities to work from home. Ratos encourages parental leave for both men and women, and actively works to make the return to work after parental leave smooth and straightforward. In 2018, of those on parental leave, men were on leave for an average of 2.2 months and women for 1.4 months.

**Sick leave is generally low and in 2018 was: 0.14%**

Based on individual and collective needs, Ratos offers its employees regular talent development and leadership programs. The need for these programs is determined through formal performance reviews. In 2018, performance reviews were held with 24 (100%) Ratos employees.

### Equal opportunities and diversity

Ratos is convinced that equal opportunities and diversity are – beyond legal and democratic perspectives – key to strengthening Ratos's profitability and competitiveness. A central part of creating an attractive workplace is to safeguard equal opportunities and diversity in all areas of Ratos's operations, both operationally and within the governing and management body. Efforts addressing equal opportunities and diversity are based primarily on the guidelines in Ratos's Diversity Policy for the Board of Directors (see Ratos's Corporate Governance Report ▶ page 49) and our updated Code of Conduct. For example, Ratos endeavours to recruit solely on the grounds of merits and skills, and to ensure equal pay for equal work. Ratos also analyses and transparently reports key figures related to equal opportunities and diversity. Another important part of our equal opportunity and diversity efforts involves inclusion and fostering a work environment that allows everyone the chance to realise their full potential. This is something we endeavour to achieve through our performance reviews.

### Employees, type and function at Ratos's head office as of 31 December 2018

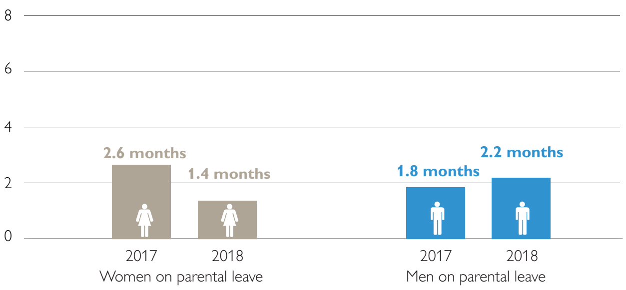
Number and proportion based on the type of employment in relation to gender. The information below has been obtained from Ratos's salary system.

| | Women | % | Men | % | <30 years | 30–50 years | >50 years |
|---|---|---|---|---|---|---|---|
| Permanent employment [1] | 10 | *42%* | 14 | *58%* | 3 | 12 | 9 |
| Management group | 1 | *17%* | 5 | *83%* | | 3 | 3 |
| Investment organisation [2] | 1 | *13%* | 7 | *87%* | 1 | 7 | |
| Business support [3] | 8 | *80%* | 2 | *20%* | 2 | 4 | 4 |
| **Total** | **10** | | **14** | | | | |
| Ratos's Board of Directors | 2 | *33%* | 4 | *67%* | | | 6 |
| Boards in the companies, excluding Ratos's investment organisation | 9 | *22%* | 32 | *78%* | | | |
| Employees who have resigned | 4 | | 6 | | | 10 | |
| New employees | 3 | | 4 | | 1 | 3 | 3 |

*[1] All full-time employees but one. During the year, Ratos had three interns with a fixed-term contract of around six months.*
*[2] At the start of 2019, three people resigned.*
*[3] At the start of 2019, one person resigned.*

### Average parental leave 2018

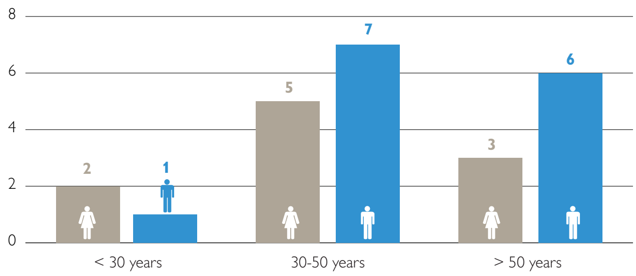
Number of months of parental leave (rolling 12 months, mean), Ratos head office




*100% of Ratos's employees were entitled to parental leave in 2018. Ratos does not hire employees who are not employed for a considerable part of the company's operations.*

### Age distribution 2018

Number of permanently employed per age category, Ratos head office



# Ratos share data

Ratos shares decreased -35% with a total return (price development including reinvested dividends) of -30% compared with the SIX Return Index, which was -4%.

**BRIEF FACTS 2018**

| | |
|---|---|
| Share listing | Nasdaq Stockholm |
| Total number of shares | 324,140,896 |
| Number of shares outstanding | 319,014,634 |
| Closing price, 28 Dec 2018 | SEK 23.28 (Ratos Class B) |
| Highest/lowest quotation, | SEK 38.58 / 21.92 (Ratos Class B) |
| Market capitalisation, 28 Dec 2018 | SEK 8 billion |

## Share price performance

Performance for Ratos Class B shares was -35% compared with the OMXSPI, which was -8% in the same period. The highest quotation during the year (SEK 38.58) occurred in January and the lowest (SEK 21.92) in December. The closing price on 28 December was SEK 23.28. The total return (price development including reinvested dividends) for Ratos Class B shares in 2018 amounted to -30% compared with the SIX Return Index, which was -4% during the same period.

## Dividend

The Board of Directors proposes an ordinary dividend for the 2018 financial year of SEK 0.50 per Class A and B share and a total distribution of SEK 160m. Dividend yield amounts to 2.1% based on the closing price at year-end.

## Ownership structure

The ten largest shareholders accounted for 77% of the voting rights and 48% of the share capital. The proportion of shares owned by physical or legal entities outside Sweden amounted to 16%. The US, the UK, France and Luxembourg account for the largest shareholdings outside Sweden.

## Employee ownership in Ratos

Key people at Ratos are encouraged to have a shared outlook with the company's shareholders, which is achieved through well-balanced option programmes. Read more in the Director's Report on ▶ pages 46–49 and on Ratos's website.

## Repurchase of treasury shares

The 2018 Annual General Meeting renewed the mandate for the company to acquire treasury shares. The holding of treasury shares may not exceed 7% of the total number of shares in the company. There were no repurchases of treasury shares in 2018. At year-end, Ratos owned 5,126,262 Class B shares (corresponding to 1.6% of the total number of shares) with an average purchase price of SEK 68.

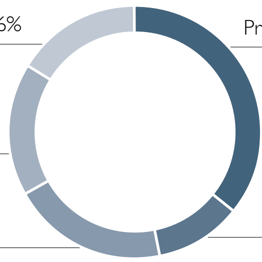
| Shareholder statistics Number of shares | Number of shareholders | Share of capital, % |
|---|---|---|
| 1–500 | 33,489 | 1.76 |
| 501–1,000 | 8,729 | 2.20 |
| 1,001–5,000 | 11,927 | 8.78 |
| 5,001–10,000 | 1,978 | 4.57 |
| 10,001–15,000 | 600 | 2.35 |
| 15,001–20,000 | 340 | 1.90 |
| 20,001 | 846 | 78.44 |
| **Total** | **57,909** | **100** |

**Breakdown by class of share**

| Share classes | Number of shares | % of voting rights | % of capital |
|---|---|---|---|
| Class A | 84,637,060 | 77.9 | 26.1 |
| Class B | 239,503,836 | 22.1 | 73.9 |
| **Total** | **324,140,896** | **100** | **100** |

*Source: Euroclear Sweden*

**Breakdown of Ratos's shareholders, % of capital**




*Source: Euroclear Sweden*

## Issue of Class B shares

Since the 2009 Annual General Meeting there has been a decision that Ratos, in connection with acquisitions, may issue Class B shares in Ratos – through set-off, non-cash or for cash payment. This mandate was renewed at the 2018 Annual General Meeting and applies for a maximum of 35 million Class B shares.

## Analysts who monitor Ratos

A current list of analysts who monitor Ratos is available on the website under Investor Relations/Share information/Analysts.

| Data per share* | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Earnings per share before dilution, SEK | -1.40 | 0.72 | -1.79 | 1.29 | 3.22 |
| Dividend per Class A and B share, SEK | 0.50[1)] | 2.00 | 2.00 | 3.25 | 3.25 |
| Dividend per Class C share (preference share), SEK | | | 100 | 100 | 100 |
| Dividend per Class A and B shares as % of earnings | neg.[1)] | 278 | neg. | 252 | 101 |
| Dividend per Class A and B shares as % of equity | 2[1)] | 7 | 6 | 9 | 8 |
| Equity, SEK [2)] | 27 | 30 | 31 | 36 | 39 |
| Closing market price, Class B share, SEK | 23.28 | 35.84 | 43.14 | 48.83 | 47.07 |
| Market price/equity, % | 85 | 118 | 139 | 135 | 121 |
| Dividend yield, Class B share, % | 2.1[1)] | 5.6 | 4.6 | 6.7 | 6.9 |
| Total return, Class B share, % | -30 | -13 | -6 | +9 | -15 |
| P/E-ratio | neg. | 49.9 | neg. | 37.9 | 14.6 |
| Highest/lowest price paid, Class B share, SEK | 38.58/21.92 | 48.7/35.1 | 52.6/35.9 | 65/44.40 | 67.45/43.21 |

| Key figures* | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Market capitalisation, SEKm [3)] | 7,530 | 11,723 | 16,252 | 17,563 | 17,103 |
| Number of shareholders | 57,909 | 59,526 | 66,057 | 61,740 | 58,554 |
| Average number of Class A and B shares outstanding before dilution | 319,014,634 | 319,014,634 | 319,014,428 | 319,012,617 | 319,009,126 |
| Number of outstanding Class A and B shares at year-end | 319,014,634 | 319,014,634 | 319,014,634 | 319,013,290 | 319,009,789 |
| Average number of traded Ratos shares/day, (Nasdaq Stockholm) | | 883,000 | 790,000 | 774,000 | 768,000 |
| Dividend, SEKm [4)] | 160[1)] | 638 | 723 | 1,111 | 1,120 |

** Relates to Class B shares unless specified otherwise.*
*1) Proposed dividend.*
*2) Equity attributable to owners of the parent divided by the number of outstanding ordinary shares at the end of the period.*
*3) Refers to shares outstanding (including preference shares from 2014–2016).*
*4) Dividend refers to ordinary shares and to preference shares in 2014–2016.*

| Ratos's shareholders | Number | | Share of | |
|---|---|---|---|---|
| 31 Dec 2018 | Class A shares | Class B shares | capital, % | votes, % |
| Söderberg family with companies, etc. | 45,917,886 | 14,537,824 | 18.65 | 43.63 |
| Ragnar Söderberg Foundation | 17,235,241 | 13,399,909 | 9.45 | 17.11 |
| Torsten Söderberg Foundation | 12,056,186 | 16,063,900 | 8.68 | 12.58 |
| Spiltan fonder | 0 | 9,009,143 | 2.78 | 0.83 |
| Avanza Pension | 62,628 | 6,756,759 | 2.10 | 0.68 |
| State Street Bank and Trust CO, W9 | 0 | 6,773,297 | 2.09 | 0.62 |
| Societe Generale Paris | 0 | 4,540,218 | 1.40 | 0.42 |
| RoosGruppen | 0 | 4,009,625 | 1.24 | 0.37 |
| JPM Chase NA | 0 | 3,391,313 | 1.05 | 0.31 |
| SEB Investment Management | 0 | 3,205,996 | 0.99 | 0.30 |
| Treasury shares | 0 | 5,126,262 | 1.58 | 0.47 |
| Others | 9,365,119 | 152,689,590 | 49.99 | 22.68 |
| **Total** | **84,637,060** | **239,503,836** | **100** | **100** |

# Our companies

# Companies overview

Ratos's company portfolio is made up of 12 companies that together employ some 12,300 employees with combined sales of approximately SEK 32 billion and EBITA of approximately SEK 1.4 billion on an annual basis, not adjusted for Ratos's holding. The companies are active in different sectors, and operate strategically, operationally and financially independent of each other. Information about the companies' operations, market position, financial key figures and growth potential can be found on pages 28–39.

### Development of the company portfolio

For full-year 2018, sales in the company portfolio increased 6%, while EBITA declined 23% from SEK 1,038m to SEK 804m, pro forma and adjusted for Ratos's holdings.

**Sales breakdown by segment**

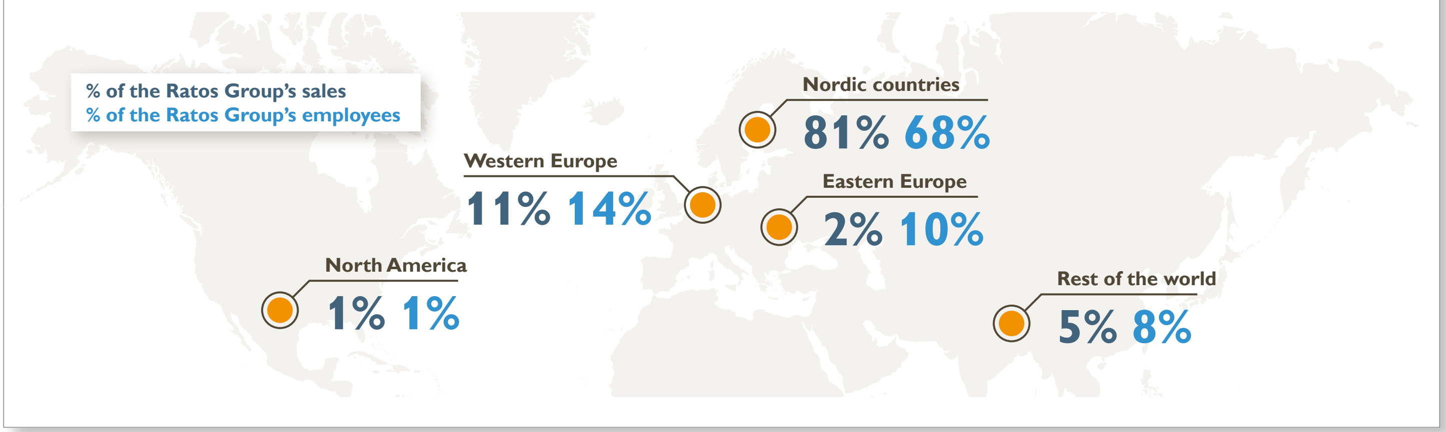

**Summary of Ratos's companies**

| SEKm | Net sales in the portfolio | | EBITA in the portfolio | | Cash flow from operations in the portfolio[A)] | Interest-bearing net debt in the portfolio | Ratos's holding |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 31 Dec 2018 | 31 Dec 2018 | 31 Dec 2018 |
| Aibel | 2,695 | 2,992 | 183 | 102 | -31 | 861 | 32 |
| airteam | 638 | 570 | 62 | 54 | 49 | 58 | 70 |
| Bisnode | 2,583 | 2,484 | 329 | 277 | 265 | 963 | 70 |
| Diab | 1,437 | 1,382 | -149 | 1 | -65 | 855 | 96 |
| HENT | 6,124 | 5,300 | 113 | 190 | 78 | -519 | 73 |
| HL Display | 1,531 | 1,424 | 94 | 42 | 95 | 441 | 99 |
| Kvdbil | 332 | 346 | 8 | 30 | 16 | 37 | 100 |
| LEDiL | 290 | 256 | 72 | 70 | 63 | 199 | 66 |
| Oase Outdoors | 330 | 321 | 28 | 42 | 4 | 214 | 78 |
| Plantasjen | 4,184 | 3,963 | 76 | 217 | -75 | 2,406 | 99 |
| Speed Group | 517 | 359 | -9 | 17 | -36 | 49 | 70 |
| TFS | 504 | 529 | -4 | -4 | -12 | 43 | 60 |
| **Total adjusted for Ratos's holding** | **21,165** | **19,927** | **804** | **1,038** | **349** | **5,606** | |
| **Change** | **6%** | | **-23%** | | | | |

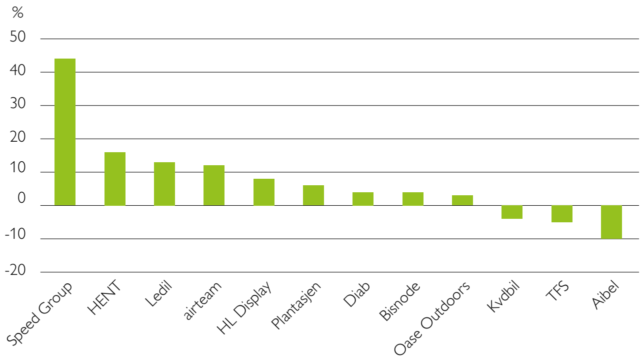
All figures in the above table are based on Ratos's holdings. In order to facilitate comparisons between years and provide a comparable structure, where appropriate some holdings are reported pro forma.

A) *Cash flow from operations, excluding paid tax and interest, but including investments and divestments of intangible assets and property, plant and equipment, respectively.*
B) *Excluding Ratos employees and employee representatives.*
C) *Systematic environmental processes refers to the Environmental Policy or ISO 14001-certified production units.*
D) *$CO_2$ indicators for each company can be found on pages 28–39.*

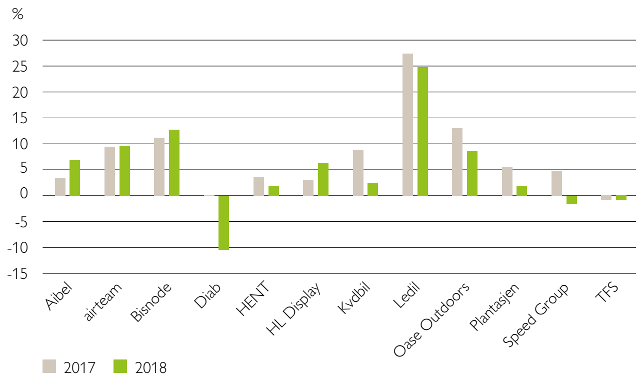
### Sales breakdown and employees by geographic market




### Sales development




### EBITA margin




### Sustainability indicators

| | Average number of employees | Share of women on the Board[B)] | Systematic environmental processes[C)] | $CO_2$ reporting[D)] | Code of conduct in line with Ratos's | Whistle-blowing system | Sustainability Report in accordance with GRI Standards, Core application level |
|---|---|---|---|---|---|---|---|
| Aibel | 3,405 | 0% | Yes | No | Yes | Yes | Yes |
| airteam | 230 | 25% | No | No | Yes | Yes | No |
| Bisnode | 2,045 | 0% | Yes | Yes | Yes | Yes | Yes |
| Diab | 1,294 | 0% | Yes | Yes | Yes | Yes | Yes |
| HENT | 940 | 33% | Yes | Yes | Yes | Yes | No |
| HL Display | 1,023 | 100% | Yes | No | Yes | Yes | Yes |
| Kvdbil | 193 | 0% | Yes | Yes | Yes | Yes | No |
| LEDiL | 122 | 20% | Yes | No | Yes | Yes | No |
| Oase Outdoors | 88 | 33% | No | No | Yes | Yes | No |
| Plantasjen | 1,178 | 67% | No | Yes | Yes | Yes | Yes |
| Speed Group | 1,171 | 0% | Yes | No | Yes | Yes | Yes |
| TFS | 660 | 33% | No | No | Yes | Yes | Yes |
| **Total adjusted for Ratos's holding** | **12,349** | | | | | | |

### Financial performance in accordance with IFRS

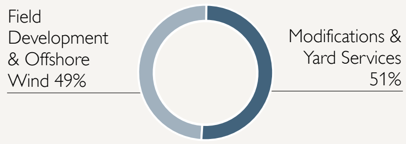
The Ratos Group's net sales for 2018 amounted to SEK 23,125m (23,059) and operating profit totalled SEK 320m (1,081). To facilitate a comparison between periods and enable follow-up of the ongoing performance of Ratos's company portfolio, the companies overview includes certain financial information that is not defined in accordance with IFRS.
For a reconciliation of the alternative performance measures used in this report with the most directly reconcilable IFRS measures, refer to www.ratos.se.

### The companies' customers and end users

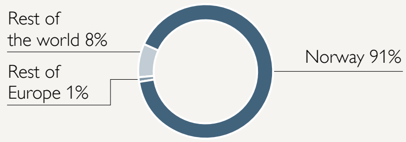
The portfolio companies' customers include global companies in the industrial sector operating in the oil and gas, aerospace, wind power industries as well as LED lighting. The companies' customers also include construction contractors operating in the construction and ventilation segments, companies that gather decision-supporting data as well as companies that offer warehouse and logistics services. In the Healthcare sector, assignments are carried out on commission from the pharmaceutical and medical device industries. The end users of the companies' products also include consumers through the sale of plants, camping and outdoor equipment, and brokerage of second-hand vehicles and products for in-store brand promotion.

# Aibel

### SALES BY OPERATING AREA




### SALES BY MARKET




Aibel is a leading service company within the oil and gas, and offshore wind power industries. The company provides optimal and innovative solutions in engineering, construction, modifications and maintenance throughout the entire life cycle. Aibel's skilled employees are located close to its customers at the company's eight offices in Norway and South East Asia. Aibel also operates two yards, one in Haugesund (Norway) and one in Laem Chabang (Thailand) with complete prefabrication and construction capabilities. Aibel has a strong market position based on the company's integrated business model that covers the entire value chain, including front-end engineering design (FEED), engineering, procurement, construction and installation.

### Market

The market for maintenance and modification services for oil and gas production platforms has improved during the year, and the market for future expansion of offshore wind power, both wind farms and offshore power generation, is good. The market for electrification from land of oil and gas offshore fields is growing due to the environmental benefits.

### Sustainability

Aibel focuses on the company's social and environmental responsibility, and sustainability in general by being an attractive, safe and inspiring workplace for its employees, showing respect for the environment and its surroundings, working against corruption in all its forms, and creating value for its owners and clients. Aibel's sustainability policy, Code of Conduct and environmental policies constitute its top governing documents and are based on the UN Global Compact's principles for responsible business.

### Better efficiency and competitiveness

Aibel has steadily worked to strengthen its competitiveness through enhanced productivity, digitisation and regular process reviews aimed at ensuring high-quality deliveries of existing project portfolios and a competitive advantage to win new contracts in the oil, gas and wind segments – which was also achieved during the past year. Aibel has a market-leading position, long-term customer relations and core expertise coupled with a strong business model in a market that has potential for growth.

| **FINANCIAL FACTS,** NOKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | 7,907 | 9,081 | 10,679 | 7,385 | 8,554 |
| EBITA | 537 | 309 | 46 | 267 | 20 |
| Cash flow from operations | -92 | 575 | 1,041 | - | - |
| Interest-bearing net debt | 2,634 | 2,211 | 2,453 | 4,060 | 4,553 |

| **SUSTAINABILITY INDICATORS** | 2018 | 2017 | Target |
|---|---|---|---|
| Sick leave | 3.8% | 4.0% | *3.5% sick leave in 2018* |
| No. of serious incidents (per million working hours) | 0.2 | 0.6 | *0.3 serious incidents (per million working hours) in 2018* |
| No. of integrity due diligences (IDD) conducted at suppliers | 231 (12)* | 281 | |
| Share of employees who have completed the Code of Conduct certification | 85% | 89% | *90%* |
| Sorting of waste | 88% | | *>80%* |

| **OTHER KEY FIGURES** | 2018 |
|---|---|
| Ratos's holding | 32% |
| Co-owners: Ferd 49%, Sixth AP Fund (represented by Ratos) 17%, Management and Board of Directors 2% | 68% |
| Net invested amount, SEKm | 2,040 |
| Time of acquisition | 2013 |

** Number of new suppliers than have undergone an IDD process: 231 with minimal and low risk; 12 with high risk, for which on-site audits have been performed.*

**www.aibel.com**

# airteam

airteam offers high-quality, effective ventilation solutions in Denmark and Sweden. The company focuses on project development, project management and procurement where the projects, to a large extent, are carried out by a broad network of quality-assured subcontractors. Furthermore, airteam offers maintenance and service of its installed ventilation solutions. Its customers are often major construction contractors in both renovation and new builds.

## Market

The Nordic construction market has structural growth potential based on increased demand for effective, high-quality ventilation solutions. There is an underlying need for large-scale renovation projects and new builds in which ventilation plays an increasingly important role. Intensified regulation and specific requirements for energy efficiency and better indoor climate are also expected to drive new business opportunities. The Danish ventilation market is fragmented and airteam is one of the leading players in its niche.

## Sustainability

airteam's sustainability agenda is deeply embedded in its business operations through the development of environmentally sustainable, energy-efficient ventilation solutions that contribute to a healthy and improved indoor climate. Accordingly, the energy efficiency of the company's products and customer health and safety are key sustainability issues for airteam. airteam's employees are the company's most important asset and the focus areas in relation to the company's employees include performance and career development, safety on building sites as well as work environment and conditions.

## Focus on expansion

airteam has a leading market position and an attractive business model coupled with a strong, customer-oriented corporate culture and dedicated employees. There is continued potential to develop the business further through organic growth in existing markets and through acquisitions and international expansion, such as the year's acquisition of Swedish Luftkontroll Energy, an installer of ventilation solutions in the Mälardalen region.

| **FINANCIAL FACTS,** DKKm | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| Net sales | 667 | 633 | 604 | 501 | 322 |
| EBITA | 64 | 60 | 37 | 75 | 42 |
| Cash flow from operations | 51 | 88 | 39 | - | - |
| Interest-bearing net debt | 61 | 72 | 153 | - | -53 |

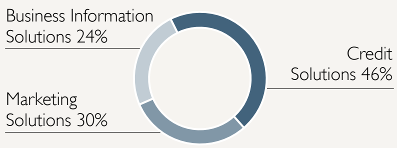
| **SUSTAINABILITY INDICATORS** | **2018** | **2017** | **Target** |
|---|---|---|---|
| Number of work-related accidents with absence | 6 | 3 | *To reduce the number of work-related accidents leading to absence* |
| Employee turnover | 21% | 22.3% | *Reduce employee turnover and retain employees for longer* |
| Percent sick leave (total number of sick-leave hours in relation to the potential total number of work hours) | 2% | 3.3% | *To reduce sick leave compared with the preceding year* |
| Percentage of employees receiving regular performance and career development reviews | 72% | | *To increase the percentage who receive development reviews* |

| **OTHER KEY FIGURES** | **2018** |
|---|---|
| Ratos's holding | 70% |
| Co-owners: Management and Board of Directors | 30% |
| Net invested amount, SEKm | 335 |
| Time of acquisition | 2016 |

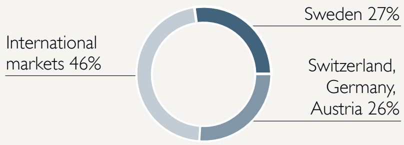
**www.airteam.dk**

# Bisnode

SALES BY OPERATING AREA




SALES BY MARKET




Bisnode's core business is to support corporate processes in terms of credit and business decisions as well as marketing information through the use of data-driven products, making it easier for the company's customers to make smart decisions. Bisnode uses local and global data of the highest quality from more than 550 data sources. Abstract data is analysed and interpreted into relevant material for business decisions. Bisnode operates in 18 European countries, and supplies local and global quality data to companies, government agencies, organisations and municipalities through its strategic partner Dun & Bradstreet.

### Market

The European data and analysis market is growing in both B2B and B2C. The total European market is estimated to be around EUR 6 billion. It is expected to continue to grow as digitisation, globalisation and new technologies facilitate faster and more cost-effective processing of large volumes of data.

### Sustainability

In pace with the digital transformation, digital sustainability has been identified as Bisnode's most significant sustainability issue taking into account Bisnode's business model. Digital sustainability includes data security, data protection and personal integrity. In 2018, Bisnode pursued the transition to renewable energy supply in its offices and servers. Bisnode is convinced that diversity and a cohesive workplace drives innovation and attracts talent. Consequently, the company endeavours to increase the share of women in the company, particularly in executive positions. This commitment to sustainability is regulated in our Code of Conduct, which is based on the UN Global Compact.

### Digital transformation and growth potential

Bisnode is undergoing a value-creating transformation and has significant potential to continue to develop its business based on the company's local expertise and global resources within a growing market and credit information segment. The digital transformation that has begun will be important going forward. Focus on creating economies of scale and synergies remains a priority. Moreover, the company has strategic initiatives that strengthen the organisation, develop the offering and expand operations in order to boost competitiveness and gain market shares.

| **FINANCIAL FACTS,** SEKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | 3,696 | 3,555 | 3,458 | 3,535 | 3,502 |
| EBITA | 471 | 397 | 228 | 275 | 298 |
| Cash flow from operations | 380 | 397 | 177 | - | - |
| Interest-bearing net debt | 1,378 | 1,566 | 1,745 | 1,896 | 1,983 |

| **SUSTAINABILITY INDICATORS** | 2018 | 2017 | Target |
|---|---|---|---|
| $CO_2$ emissions, $CO_2e$, 1,000 tonnes (Scope 2 and business trips) | 4.8 | 6.1 | *General targets: 100% renewable energy for Bisnode's office and servers. Reduce emissions related to air and road travel.* |
| $CO_2$/FTE, tonnes | 2.3 | 3.0 | |
| Share of women among employees | 45.1% | 46.2% | |
| Number of incidents reported concerning GDPR* | 12 | | *Zero GDPR incidents* |

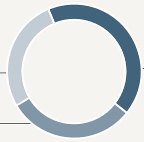
** Reported to the Swedish Data Protection Authority*

| **OTHER KEY FIGURES** | 2018 |
|---|---|
| Ratos's holding | 70% |
| Co-owners: Bonnier | 30% |
| Net invested amount, SEKm | 644 |
| Time of acquisition | 2004 |

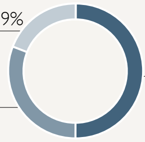
**www.bisnode.com**

# Diab

**SALES BY OPERATING AREA**




**SALES BY MARKET**




Diab is a global company that develops, manufactures and sells core materials for sandwich composite structures used in, among other objects, leisure boats, wind turbine blades and components for aircraft, trains, industrial applications and buildings. The core materials have a unique combination of characteristics such as low weight, high strength, insulation properties and chemical resistance. The company has production units for material in Sweden, Italy, the US and China. Material processing takes place in the production units as well as in Lithuania and Ecuador.

## Market

The market for core material is growing due to the underlying demand for energy efficiency, which is leading to a greater need for high-strength, lightweight solutions. Wind turbines, leisure boats and various applications requiring the combination of light weight and high strength are the main application areas for the material.

## Sustainability

At Diab, significant focus is given to safety. When Diab's employees feel safe, the company is able to achieve increased productivity, and establish efficient lead times and deliveries to customers. Ethical business is also a core focus for Diab. Therefore, the company has policies, processes and activities in place to manage the risk of corruption and fraud.

Sandwich structures compensate for their carbon footprint in many applications during their life cycle.

Diab is the first company in the world within the field of composite materials whose science-based climate targets have been approved to lower its carbon footprint by 2050.

## Restructuring and profitability improvements

Diab is undergoing a restructuring plan to implement the long-term measures needed for the company to realise stability and profitability. Our assessment is that Diab has long-term potential for growth and improved profitability. The company's growth profile is driven by the need for strong and lightweight structures paired with a sustainability perspective.

| **FINANCIAL FACTS,** SEKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | 1,496 | 1,439 | 1,516 | 1,450 | 1,157 |
| EBITA | -155 | 1 | 109 | 154 | -4 |
| Cash flow from operations | -68 | 23 | 7 | - | - |
| Interest-bearing net debt | 890 | 773 | 890 | 796 | 800 |

| **SUSTAINABILITY INDICATORS** | 2018 | 2017 | TARGET |
|---|---|---|---|
| $CO_2$/product (tonnes) | 20 | 8 | |
| Lost-time accident rate (per million worked hours) | 20 | 14.3 | *0 lost-time accidents* |
| Whistleblowing incidents (number investigated) | 1 | 3 | *The number of whistleblowing incidents will remain low* |

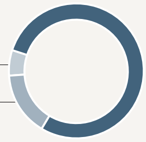
| **OTHER KEY FIGURES** | 2018 |
|---|---|
| Ratos's holding | 96% |
| Co-owners: Management and Board of Directors | 4% |
| Net invested amount, SEKm | 1,034 |
| Time of acquisition | 2001/2009 |

**www.diabgroup.com**

# HENT

HENT

**SALES BY REGION**




HENT is a leading construction company that mainly focuses on new construction of public and commercial real estate. HENT focuses on project development, project management and purchasing. To a large extent, its projects are carried out by a broad network of quality-assured subcontractors. HENT conducts projects throughout Norway and has over the past years expanded within selected segments into Sweden and Denmark.

### Market

The total construction market in Norway amounts to approximately NOK 310 billion of which newbuild public and commercial real estate accounts for approximately NOK 50–60 billion. The newbuild market is cyclical but has historically shown good structural growth. The Norwegian construction market is highly fragmented and HENT is one of the leading players in the market.

### Sustainability

HENT's most important asset – and its most important sustainability consideration – is its people. The company therefore focuses on issues such as health and safety, working conditions, and employee satisfaction and development opportunities. Being a contributor to ethical business in its industry is also a key priority and goal for HENT. Prequalification of subcontractors, procedures for quality management and on-site inspections are some of the means used to achieve this goal. By reducing its environmental footprint in production, the company aims to limit its impact while at the same time leveraging business opportunities by producing sustainable buildings.

### Long-term growth initiative

HENT's business model is built on a comprehensive tender process in which estimates and procurement are weight-bearing components. The company focuses on negotiated contracts and partnership contracts within selected segments. HENT's operations have grown substantially under Ratos's ownership and it now imperative to strengthen the platform in order to improve risk management and increase efficiency.

| **FINANCIAL FACTS,** NOKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | 7,855 | 7,034 | 7,834 | 5,462 | 4,466 |
| EBITA | 145 | 253 | 234 | 180 | 146 |
| Cash flow from operations | 99 | 132 | 172 | - | - |
| Interest-bearing net debt | -694 | -663 | -695 | -504 | -464 |

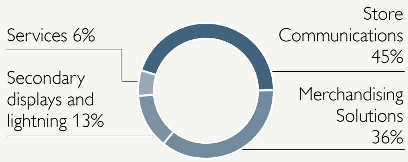
| **SUSTAINABILITY INDICATORS** | 2018 | 2017 | TARGET |
|---|---|---|---|
| Sick leave, % (Number possible workdays/ Total sick leave x 100) | 3.2% | | *<3.5%* |
| GHG emissions, tonnes (Scope 1) | 2,432 | 1,573 | *Reduce GHG emissions by 20% between 2017 and 2022* |
| Frequency of work-related accidents resulting in at least one day's absence from work (H1) | 29 | | *≤3.6* |
| Recycled waste (%) | 87.6% | | *85% recycled waste* |
| Employee turnover (%) | 11.6% | | *≤8% employee turnover* |

| **OTHER KEY FIGURES** | 2018 |
|---|---|
| Ratos's holding | 73% |
| Co-owners: Management | 27% |
| Net invested amount, SEKm | -64 |
| Time of acquisition | 2013 |

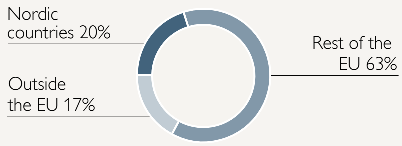
**www.hent.no**

# HL Display


**SALES BY OPERATING AREA**




**SALES BY MARKET**




HL Display is an international supplier of store solutions for improved customer experience, profitability and sustainability. The three key customer segments are retail food, brand manufacturers and retail non-food. HL Display helps its customers to create an attractive store environment which increases sales and helps customers to reduce costs by increasing in-store efficiency. The company's products include datastrips, shelf management systems, printed in-store communication, merchandising stands, frames, bulk food dispensers, lighting systems and digital signage.

## Market

The global and regional development of the retail sector is crucial for demand for HL Display's products. Newly opened stores and store re-profiling, the launch of new store concepts and improved store efficiency and productivity are key growth drivers, as are the campaigns and profiling ambitions of brand manufacturers. The company operates in a fragmented sector with many local competitors. HL Display is one of the largest international players in its niche.

## Sustainability

The main environmental impacts of HL Display's production are related to plastic waste, use of plastic raw materials and energy consumption. HL Display's sustainability efforts are therefore focused on increasing the share of recycled material used, developing new materials and reducing the use of water in the company's operations. Other goals include safe workplaces that provide a good work environment. HL Display also defines environmental requirements for its suppliers in the company's purchasing policy.

## Focus on profitable growth

Over the past year, HL Display has reviewed its production structure, relocated logistics hubs closer to the markets and implemented a cost-cutting programme, which all combined improved the competitiveness of HL Display's product range. In recent years, the company has also worked actively to create its own market through concept sales, more structured activities for global customers and continued product innovation, which resulted in growth during the year. The focus has also been on initiatives to strengthen profitability, which has had positive impact on earnings.

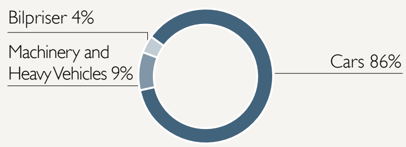
| **FINANCIAL FACTS,** SEKm | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| Net sales | 1,554 | 1,445 | 1,417 | 1,488 | 1,509 |
| EBITA | 96 | 43 | 67 | 8 | 60 |
| Cash flow from operations | 97 | 49 | 70 | - | - |
| Interest-bearing net debt | 447 | 503 | 569 | 627 | 635 |

| **SUSTAINABILITY INDICATORS** | **2018** | **2017** | **TARGET** |
|---|---|---|---|
| Recycled non-hazardous waste, tonnes | 1,570 | 1,968 | *Maximise internal recycling of waste from production* |
| Number of work-related accidents with absence | 9 | 7 | *Eliminate all work-related accidents leading to absence* |
| Share of business partners and key suppliers to have undergone sustainability screening | 100% | 100% | *100% of business partners and key suppliers have undergone sustainability screening* |
| Share of production units with ISO 14001 certification, % | 75% | | *100% production units with ISO 14001 certification by 2020* |
| Annual water consumption, ($m^3$) | 366,631 | | *Reduce annual water consumption by 20% by 2020* |

| **OTHER KEY FIGURES** | **2018** |
|---|---|
| Ratos's holding | 99% |
| Co-owners: Management and Board of Directors | 1% |
| Net invested amount, SEKm | 472 |
| Time of acquisition | 2001/2010 |

**www.hl-display.com**

# Kvdbil




Kvdbil is Sweden's largest independent online marketplace offering valuation and broker services for second-hand vehicles (company cars and private cars) as well as sales of related products and services. Every week more than 500 second-hand cars are sold on online auctions through kvdbil.se. Kvdbil is an independent broker that handles the entire transaction from client order to end customer and guarantees the quality of the brokered item through testing. Sweden's leading car valuation company, bilpriser.se, and machines and heavy vehicles broker Kvdpro are also part of the Kvdbil Group.

### Market

The market for company cars is stable, with car dealers comprising the largest competing channel for sales to end customers. Kvdbil's market share is approximately 10% in Sweden, with strong growth in the private cars segment. Competitors in brokerage of private cars are primarily traditional car dealers and private sales to another private individual.

### Sustainability

By offering an effective, independent and well-functioning marketplace for both a second-hand and third-hand market for second-hand cars, Kvdbil contributes to more efficient use of resources and sustainable societal development. Kvdbil's growth ambitions are based on creating satisfied return customers through its transparent and reliable selling process and by offering new and existing employees an attractive work environment. Customers' willingness to recommend Kvdbil and employee satisfaction are thus key factors for the company's development. Kvdbil endeavours to reduce its operations' environmental impact in the form of greenhouse gas emissions and its target is to achieve a 20% reduction from the 2016 level by 2020.

### Market initiatives and streamlining

Kvdbil has a highly competitive business model with vast potential for growth, primarily within privately owned cars, where the market share is small and there is a demand for this service from both private buyers and sellers. Developing strategic partnerships, automating processes, adding new add-on services and streamlining the operations are other focus areas. During the year, a new IT platform was launched aimed at improving the customer experience.

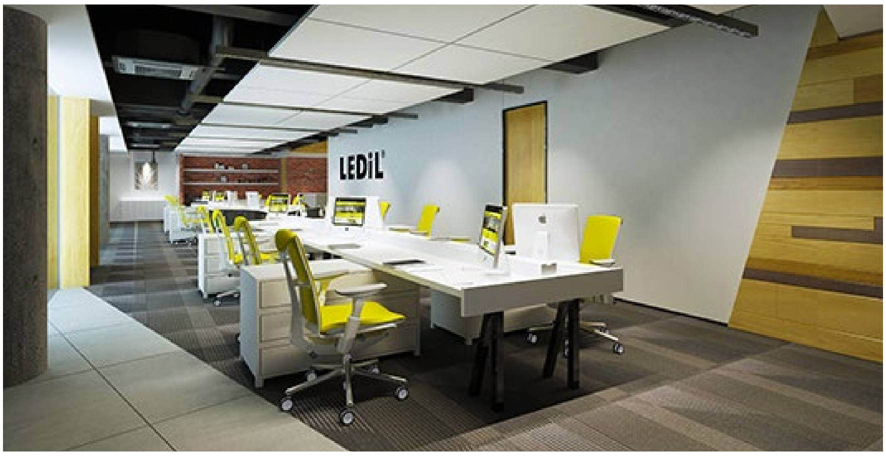
| **FINANCIAL FACTS,** SEKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | 332 | 346 | 321 | 317 | 315 |
| EBITA | 8 | 30 | 37 | 29 | 44 |
| Cash flow from operations | 16 | 20 | 27 | - | - |
| Interest-bearing net debt | 37 | 141 | 143 | 159 | 176 |

| **SUSTAINABILITY INDICATORS** | 2018 | 2017 | TARGET |
|---|---|---|---|
| Recommendation willingness, buying customers (scale of -100 to +100) | +26 | +32 | *Recommendation willingness, buying customers 2018: +32* |
| Recommendation willingness, selling customers (scale of -100 to +100) | +35 | +15 | *Recommendation willingness, selling customers 2018: +15* |
| $CO_2$ emissions, $CO_2$e tonnes (Scope 1+2 and business trips) | 264 | 228 | |
| $CO_2$ emissions, $CO_2$e tonnes/employee (Scope 1+2 and business trips) | 1.4 | 1.5 | *Reduce $CO_2$ emissions by 20% by 2020 based on gross level for $CO_2$ emissions in 2016* |
| Employee sick leave (%) | 4.1% | | |

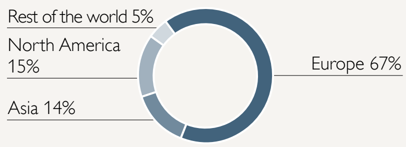
| **OTHER KEY FIGURES** | 2018 |
|---|---|
| Ratos's holding | 100% |
| Net invested amount, SEKm | 325 |
| Time of acquisition | 2010 |

**www.kvd.se**

# LEDiL



**SALES BY MARKET**




LEDiL designs, develops and sells secondary optics to lighting manufacturers globally. Development and design is carried out in Salo, Finland. Products are sold worldwide through the company's own sales force, agents and distributors. Most production is performed by subcontractors in Finland, China and the US. The company's products are found exclusively in commercial applications, such as retail stores, offices and street lighting.

## Market

The global lighting market has annual sales of approximately SEK 900 billion, with LED market penetration amounting to approximately 20%. Underlying growth is driven by a rising population, continued urbanisation and an increased demand for lighting. LED technology has revolutionised the lighting market through light quality, design flexibility, lower energy consumption, environmental friendliness and superior operating life.

## Sustainability

Enhancing the efficiency and performance of LED lighting, and thereby further reducing its climate impact, is a top priority in LEDiL's operations. The company's optical solutions help provide light that enhances the well-being and safety of people and results in lower energy consumption in LED lighting. From LEDiL's perspective, sustainability entails responsible operations throughout the supply chain. The entire organisation and the company's subcontractors apply the company's Code of Conduct and related policies, thereby laying the foundation for LEDiL's sustainable performance. Employee satisfaction and safety are a high priority at LEDiL.

## Global expansion and organic growth

LEDiL is a fast-growing, profitable and innovation-focused company that has built up a strong market position within its niche. Initiatives have been taken to establish the company in new markets and reinforce the organisation through, among other things, investments in areas such as product development and the subsequent launch of new, innovative products.

| **FINANCIAL FACTS,** EURm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | 42.8 | 40.3 | 38.6 | 31.7 | 26.8 |
| EBITA | 10.6 | 11.1 | 11.1 | 10.2 | 6.8 |
| Cash flow from operations | 9.3 | 6.2 | 9.9 | - | - |
| Interest-bearing net debt | 29.3 | 37.1 | 12.8 | 19.9 | 19.9 |

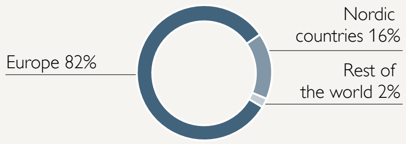
| **SUSTAINABILITY INDICATORS** | 2018 | 2017 | TARGET |
|---|---|---|---|
| Share of subcontractors who have subscribed to LEDiL's Code of Conduct | 71% | 67% | *80% of subcontractors are to subscribe to the Code of Conduct* |
| Share of employees who have participated in sustainability training | 99% | 97% | *100% of employees are to participate in sustainability training* |
| Cumulative energy saving by products sold annually, 3 TWh | 4.2 | 2.8 | *3 TWh cumulative energy saving by products sold annually* |
| Employee sick leave (%) | 1.6% | | *Employee sick leave <3%* |

| **OTHER KEY FIGURES** | 2018 |
|---|---|
| Ratos's holding | 66% |
| Co-owners: Company founder, management and Board of Directors | 34% |
| Net invested amount, SEKm | 291 |
| Time of acquisition | 2014 |

**www.ledil.com**

# Oase Outdoors

**SALES BY MARKET**




Oase Outdoors designs, produces and supplies innovative camping and outdoor equipment under three strong brands, namely Outwell®, Easy Camp® and Robens®. Oase Outdoors offers a broad product range mainly comprising tents, camping furniture, sleeping bags and other outdoor equipment. The three independent brands clearly cater to different target groups – for example families, beginners, festival goers and experienced adventurers – who have different requirements in terms of quality and price, and who want to enjoy the outdoors with high-quality equipment.

## Market

The camping equipment and outdoor products market is attractive, stable and growing with many latent growth trends. New products and material technologies, as well as consumers' increasing desire for close-to-nature experiences and outdoor recreation, are a few of the trends fuelling demand for high-quality, user-friendly equipment.

## Sustainability

Given that Oase Outdoors operates in elevated-risk markets, preventive anti-corruption and social compliance initiatives are key sustainability issues. Oase Outdoors has implemented an anti-corruption policy and is expanding its work on business environment and social compliance initiatives and extending its due diligence processes relating to the company's business partners. Corporate culture and engagement are also important, making employee satisfaction a pivotal sustainability issue – one that is measured through targeted employee satisfaction surveys.

## Geographic expansion and continued product development

Oase Outdoors has a strong consumer-driven corporate culture that focuses on innovation and quality, which has generated a solid market position in Europe. Ratos sees potential to continue to develop the organisation through geographic expansion, growth initiatives in the organisation, add-on acquisitions and continued product development. An e-commerce channel was launched in 2018.

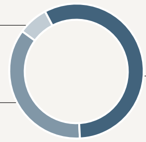
| **FINANCIAL FACTS,** DKKm | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| Net sales | 306 | 316 | 332 | 265 | 255 |
| EBITA | 26 | 41 | 37 | 29 | 29 |
| Cash flow from operations | 3 | 26 | 35 | - | - |
| Interest-bearing net debt | 198 | 210 | 220 | - | 45 |

| **SUSTAINABILITY INDICATORS** | **2018** | **2017** | **TARGET** |
|---|---|---|---|
| Share of relevant employees who have completed and received a passing grade on the anti-corruption e-training course | 0% | 0% | *At least 90% of the relevant employees are to have completed and received a passing grade on the anti-corruption e-training course* |
| High-risk suppliers (determined through internal evaluation) to be evaluated according to the environmental criteria defined by the Business Environmental Performance Initiative (BEPI) | 1 | 0 | *Minimum of one high-risk supplier evaluated according to BEPI in 2018/2019* |
| High-risk suppliers (determined through internal evaluation) to be included in the Business Social Compliance Initiative (BSCI) | 7 | 0 | *Minimum of ten high-risk suppliers included in BSCI in 2018/2019* |
| Employee satisfaction – Trust Index for 2017 | 85% | 86% | *Minimum Trust Index of 80%* |

| **OTHER KEY FIGURES** | **2018** |
|---|---|
| Ratos's holding | 78% |
| Co-owners: Company CEO Henrik Arens and other key individuals | 22% |
| Net invested amount, SEKm | 161 |
| Time of acquisition | 2016 |

**www.oase-outdoors.dk**

# Plantasjen




Plantasjen is the Nordic region's leading chain for sales of plants and gardening accessories with more than 140 stores in Norway, Sweden and Finland and a primary focus on consumers.

### Market

The market for plants and gardening accessories has stable growth and underlying positive trends in the form of increased interest in cultivation, gardening and interior design. The Nordic market for plants and accessories is estimated at approximately EUR 3.3 billion and steady annual growth rate of around 2–3%.

### Sustainability

With its core operations in plants and gardening accessories, Plantasjen endeavours to integrate sustainability issues into its operations. Plants are extremely important to both Plantasjen's operations and the community in general. Plantasjen's ambition is that its products will contribute in a positive way to both human well-being and biodiversity.

Plantasjen focuses its sustainability agenda on working with social sustainability and auditing stakeholders in the supply chain as well as streamlining operations in Plantasjen's stores, transportation and offices. For those stores built as greenhouses, there is potential to optimise energy consumption. A prerequisite for Plantasjen's success in the long term is that the company conducts itself as a good employer that attracts, develops and retains talented employees.

### Better customer satisfaction initiative

Plantasjen's leading market position, strong brand and industry-leading supply chain in a non-cyclical market with stable growth are highly attractive. The company is currently working to sharpen its focus on its range of plants and accessories to meet the increased interest in gardening, cultivation and interior decorating with plants, which we consider to be a successful strategy for continued growth in value. Particular focus is also being given to efforts to improve customer satisfaction in the stores and the launch of the company's own e-commerce channel.

| **FINANCIAL FACTS,** NOKm | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| Net sales | 3,961 | 3,881 | 3,624 | 3,517 | 3,503 |
| EBITA | 72 | 213 | 228 | 247 | 275 |
| Cash flow from operations | -71 | 359 | 264 | - | - |
| Interest-bearing net debt | 2,376 | 2,100 | 2,262 | - | 2,560 |

| **SUSTAINABILITY INDICATORS** | **2018** | **2017** |
|---|---|---|
| Sale of plant products/total sales | 53.7% | 54.9% |
| Employee Satisfaction Index (ESI) total | 74 | 74 |
| Employee Satisfaction Index (ESI) leadership index | 75 | 75 |
| Share of suppliers* in risk countries** that have been socially audited | 84.8% | 70.5% |
| $CO_2$ emissions from energy consumption, tonnes | 27,747 | |

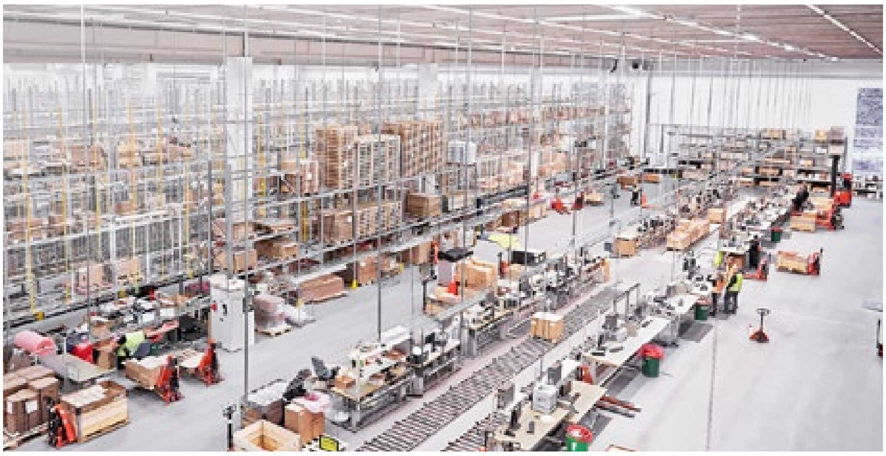
| **OTHER KEY FIGURES** | **2018** |
|---|---|
| Ratos's holding | 99% |
| Co-owners: Management | 1% |
| Net invested amount, SEKm | 1,385 |
| Time of acquisition | 2016 |

** Suppliers that produce Plantasjen's products under a private label.*

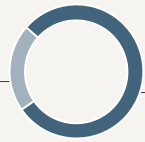
*** Definition of risk countries according to Business Social Compliance Initiative (BSCI).*

**www.plantasjen.no**

# Speed Group



**SALES BY SEGMENT**




Speed Group is a Swedish supplier of logistics and staffing services, with complementary services in recruitment and training. The company's staffing service offers both blue and white-collar personnel as well as external recruitment of skilled professionals. Logistics services include full-scale warehouse management.

## Market

Demand for efficient logistics and production services is steadily increasing in pace with the growth in e-commerce, escalating outsourcing, the centralisation of warehouses in strategic locations and the rising complexity of logistics systems. Customers also have a greater need for flexible solutions requiring specialised and skilled personnel. The market for outsourcing of logistics has grown the past years and is expected to continue to report annual growth of approximately 5–7%.

## Sustainability

A healthy and safe work environment is an important strategic issue for Speed Group. The company works systematically to minimise the risk of work-related accidents and to prevent work-related ill health. Motivated, committed and competent employees are a requirement for Speed Group's success. The company therefore works towards building an organisation characterised by sustainability and equality in order to ensure that Speed Group is perceived as an attractive employer.

Speed Group's environmental and climate impact are primarily attributable to its energy consumption. Consequently, the company endeavours to be energy efficient and to adapt its properties and operations to make them more environmentally friendly.

## Efficiency in customer contracts

Speed Group's customer-oriented corporate culture and strong market position in automated warehouse solutions entails continued development potential to expand organically, both with existing and new customers. The market for efficient logistics solutions and the need for flexible solutions are still expanding. Samdistribution, a leading logistics partner for book distribution, was acquired during the year, allowing Speed Group to expand its operations into the Stockholm region. Speed Group's focus is to improve the efficiency of existing contracts and thereby increase profitability for the company.

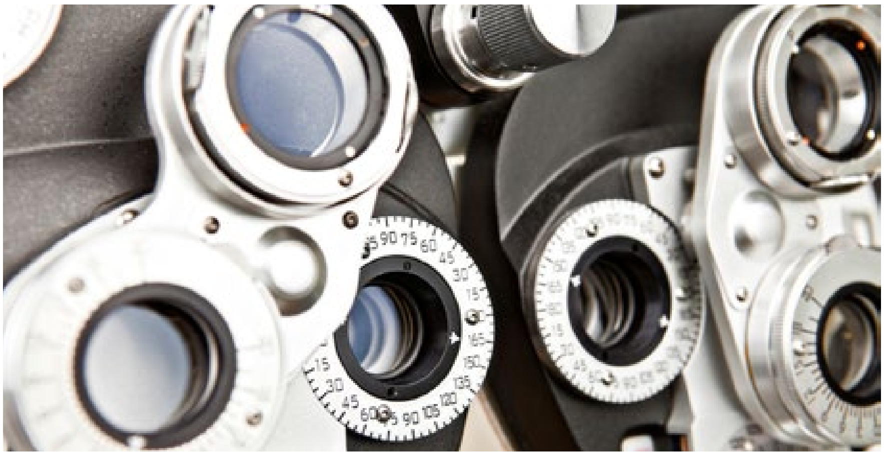
| **FINANCIAL FACTS,** SEKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | 738 | 513 | 562 | 536 | 413 |
| EBITA | -12 | 24 | 34 | 25 | 57 |
| Cash flow from operations | -52 | -3 | 105 | - | - |
| Interest-bearing net debt | 69 | -28 | -50 | 41 | - |

| **SUSTAINABILITY INDICATORS** | 2018 | 2017 | TARGET |
|---|---|---|---|
| Serious work-related accidents | 2 | 3 | *A maximum of one serious work-related accident* |
| Share of managers who are women | 12% | 23% | *Long-term target: Share of women managers is to reflect the share of women employees. New, short-term target to be determined in 2019* |
| Energy intensity, district heating, kWh/sqm | 1.93 | 1.85 | *Target 2018: 1.85 kWh/sqm* |
| Energy intensity, electricity consumptionm kWh/SEK thousand | 19.55 | 22.57 | *Target 2018: 21.44 kWh/SEK thousand* |

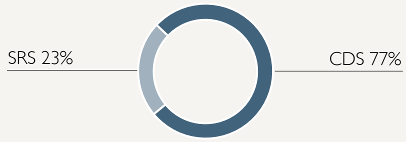
| **OTHER KEY FIGURES** | 2018 |
|---|---|
| Ratos's holding | 70% |
| Co-owners: Company founders Jarl Ternander, Daniel Johansson and Jesper Andersson | 30% |
| Net invested amount, SEKm | 281 |
| Time of acquisition | 2015 |

**www.speedgroup.se**

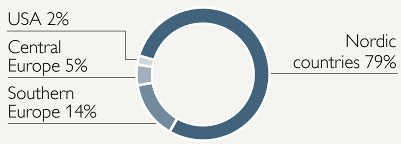
# TFS



**SALES BY SEGMENT**




**SALES BY REGION**




TFS is contract research organisation (CRO) that offers services for the pharmaceutical, biotechnology and medical device industries as well as associated industries. TFS offers broad medical competence and niche expertise, and provides clinical trials and services within pharmacovigilance to its customers in a regulated and safe manner all over the world. TFS has offices in Europe and North America and conducts clinical trials in a total of 40 countries.

### Market

The estimated value of the global CRO market is about USD 35 billion. The expanding market is driven by pharmaceutical companies increasingly focusing on their core operations (R&D) as well as the need to adhere to the increasing requirements and complexity of the regulatory frameworks. TFS's core expertise lies in serving pharmaceutical, biotechnology and medical device companies where there is a growing outsourcing trend for clinical trials. The CRO market is expected to grow annually by approximately 6–8%.

### Sustainability

The most important sustainability issues for TFS involve equal opportunities, talent development, patient safety and data integrity, compliance with regulations, business ethics and anti-corruption. Patient safety and data integrity are TFS's top priorities. TFS's employees are its most valuable resources and in order to retain and attract talent, TFS focuses on creating a work environment based on mutual respect and trust where people can develop. TFS makes active efforts to ensure that no corrupt practices take place within the TFS Group.

### Restructuring process to realise profitability

The company is in a restructuring phase, focused on building up two main operations; Strategic Resources & Solutions (SRS) and Clinical Development Services (CDS). SRS is focusing on establishing a long-term partnership with the customers, while CDS is developing an offering that includes total responsibility for all or parts of a clinical trial – primarily targeting small and medium-sized pharmaceutical and biotechnology companies.

| **FINANCIAL FACTS,** EURm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net sales | 82.0 | 91.6 | 83.7 | 73.7 | 58.8 |
| - Services | 55.9 | 58.6 | 60.2 | 52.9 | 45.1 |
| - Reimbursable expenditure | 26.0 | 33.0 | 23.5 | 20.7 | 13.7 |
| EBITA | -0.6 | -0.7 | 6.7 | 4.8 | 1.3 |
| Cash flow from operations | -2.0 | 1.2 | 1.4 | - | - |
| Interest-bearing net debt | 7.0 | 4.0 | 0.4 | – | 0.2 |

| **SUSTAINABILITY INDICATORS** | 2018 | 2017 | TARGET |
|---|---|---|---|
| Percentage of employees receiving regular performance and career development reviews | 100% | 100% | *100%* |
| Percentage of women in the organisation | 75% | 76% | *50%* |
| Percentage of employees who have received anti-corruption training | 99% | 78% | *100%* |

| **OTHER KEY FIGURES** | 2018 |
|---|---|
| Ratos's holding | 60% |
| Co-owners: Company founder Daniel Spasic | 40% |
| Net invested amount, SEKm | 259 |
| Time of acquisition | 2015 |

**www.tfscro.com**


H&S
1939

# Financial statements

# Directors' report

The Board of Directors and the CEO of Ratos AB (publ) 556008-3585 hereby submit the 2018 Annual Report for the parent company and the Group. The registered office of the Board is in Stockholm, Sweden.

## The company's activities

Ratos is an investment company whose business comprises the acquisition and development of preferably unlisted Nordic enterprises. Over time, Ratos is to generate the highest possible shareholder value by actively exercising its ownership to realise the potential of a number of selected companies.

Ratos has its roots in Söderberg & Haak – Sweden's first wholesaler for iron and iron products – which was formed on 5 May 1866. In 1934, the assets were placed in an investment company under the name Ratos, as in Ragnar and Torsten Söderberg. Ratos was listed in 1954. The business direction has changed a few times over the years, but the connecting thread throughout Ratos's history is entrepreneurship, business development and community involvement.

At 31 December 2018, 24 people worked at Ratos.

Ratos owned 12 portfolio companies in the Nordic region at 31 December 2018.

| Portfolio companies | Ratos's holding, 31 December 2018 |
|---|---|
| Aibel | 32% |
| airteam | 70% |
| Bisnode | 70% |
| Diab | 96% |
| HENT | 73% |
| HL Display | 99% |
| Kvdbil | 100% |
| LEDiL | 66% |
| Oase Outdoors | 78% |
| Plantasjen | 99% |
| Speed Group | 70% |
| TFS | 60% |

## Financial targets

New financial targets were presented in 2018. The targets focus on the earnings trend of the company portfolio, Ratos's debt ratio and the total return on the Ratos share.

1. The earnings of the company portfolio should increase each year
2. A conservative leverage in the portfolio companies with an aggregate debt ratio including Ratos AB (Net debt/EBITDA) of less than 2.5x
3. The total return on Ratos shares should, over time, outperform the average on Nasdaq Stockholm

## Criteria for new investments

In 2018, Ratos updated its criteria for new investments. Companies within Ratos are to:

- Be headquartered in the Nordics
- Have good profitability compared with peer companies
- Have >SEK 50m in EBITA
- Have cash flow and leverage that facilitate dividends to Ratos
- Have strong management and corporate culture

Ratos has no fixed exit date for its companies but is instead a long-term owner that adopts a flexible ownership horizon since it invests capital from its own balance sheet. Ratos strives to be the majority owner in its companies but may also choose to co-invest with other owners.

## Events during the year

Peter Wallin was appointed CFO of Ratos and took up his position in December 2018.

In 2018, Ratos presented new financial targets that focus on the earnings trend of the company portfolio, Ratos's debt ratio and the total return on the share.

During the first quarter, Ratos implemented changes to its management group and investment organisation that meant a total of five people left their positions.

### Acquisitions

Ratos acquired no portfolio companies in 2018.

### Divestments

During the year, Ratos divested all of its shares in the subsidiary Jøtul A/S (Jøtul) for NOK 364m (enterprise value). The sale generated a positive earnings effect of SEK 26m. In recent years, the company's focus has been on enhancing the efficiency of the operations to improve profitability, which yielded results as the company reported growth and higher adjusted EBITA. Ratos has owned Jøtul since 2006 and this was an appropriate time for the company to develop further under a new owner.

During the year, Ratos sold all of its shares, corresponding to a holding of 30%, in the associated company Gudrun Sjödén Group to the company's founder and CEO Gudrun Sjödén. Gudrun Sjödén resumed full ownership of the company in conjunction with the transaction. Ratos received SEK 225m, compared with its investment of SEK 160m.

### Dividends from portfolio companies

HENT issued a dividend of NOK 150m, of which Ratos's share totalled NOK 106m.

### Capital contributions

Ratos provided a capital contribution of SEK 100m to Kvdbil and a capital contribution of SEK 20m to Diab.

### Events in portfolio companies

airteam strengthened its market position by expanding to Sweden through the acquisition of Luftkontroll Energy. Luftkontroll Energy has approximately 35 employees and offices in Örebro. The company offers efficient ventilation and energy solutions, including after-sales and maintenance services. The company has a strong market position and competent management team and is a good fit for airteam's business model.

Equinor has awarded Aibel a letter of intent for engineering, procurement and construction of the deck for a process platform on the Johan Sverdrup field. The estimated value of the contract is approximately NOK 8 billion. The contract, which will be the largest in Aibel's history and one of the largest-ever individual contracts awarded on the Norwegian continental shelf, includes engineering, procurement and construction (EPC) for a process platform (P2) in phase 2 of the development of the Johan Sverdrup field. The platform will consist of three modules, two of which will be built at Aibel's yard in Haugesund and the third at Aibel's yard in Thailand. Work will start immediately while construction activities will commence in 2019. The finished platform deck, weighing around 23,000 tons, is scheduled for delivery to Equinor in 2022. At its peak, the project will involve some 3,500 employees.

HENT sold most of its residential development operations, HENT Eiendomsinvest, during the year. The sale generated a capital gain of

NOK 85m. HENT Eiendomsinvest made up the majority of HENT's residential development operations and comprises some 1,200 planned apartments in which HENT's average holding was nearly 50%. In a short period of time, HENT has established itself as a player in the Norwegian residential development market, with the intention of a long-term commitment. Fredensborg Bolig's offer was very attractive and the company represents a buyer with significant competence to develop the operations going forward.

In 2018, Speed Group acquired Bonnier Books' subsidiary Samdistribution Logistik. Samdistribution Logistik Sverige is currently the leading logistics partner for the Swedish book market and operates in 22,000 square metres in Rosersberg in northern Stockholm. The acquisition in Rosersberg means that Speed Group now has significant logistics operations in strategic locations such as Borås, Gothenburg and Stockholm. The acquisition has also allowed Speed Group to strengthen its position as a prominent national logistics player.

Statsbygg has commissioned HENT to build parts of the new life sciences building at Oslo University. The order value amounts to approximately NOK 1 billion. The new faculty is a partnership project that covers about 66,700 square meters. The contract relates to the so-called partnership phase and entails that HENT, Statsbygg and other stakeholders will be included in the planning of the construction project.

Speed Group divested Speed Production AB. The reason for the sale was to refine Speed Group's offer, focusing on logistics, staffing, recruitment and training.

## Environmental impact

Operations that require a permit under the Environmental Protection Act are conducted within some subsidiaries. Permits relate to environmental impact in the form of emissions of solvents to air as well as dust, effluent and noise. Ratos's direct environmental and climate impact is limited.

## Sustainability

We are convinced that there is a strong connection between sustainability and long-term value creation. As a responsible investor and owner, it is Ratos's ambition to promote sustainable development and awareness related to sustainability issues in the company's own organisation as well as in the portfolio companies. Ratos's work as a responsible investor and owner has high priority since the direct impact in the parent company is slight in relation to the portfolio companies' impact. Sustainability is an integrated part of Ratos's investment process and of how we exercise our ownership role. Ratos's work as a responsible investor and owner is based on a number of relevant policies and guidelines established by Ratos's Board of Directors, primarily comprising the Code of Conduct, the Policy for Sustainability and Responsible Investments, and the Environmental Policy (see Ratos's website). The policy framework is based on the UN Global Compact's ten principles for responsible business as well as the UN Principles for Responsible Investment (PRI). Ratos's CEO has overall responsibility for the Group-wide strategy and sustainability initiatives as well as responsible investments. All company executives at Ratos are responsible for ensuring that sustainability is included on the agenda of each portfolio company's management and board. The CEO and management of each portfolio company have operational responsibility for the company's sustainability efforts through direct delegation from Ratos's management.

For more information, see ▶ page 126 for page references to the statutory sustainability report in accordance with the Swedish Annual Accounts Act.

## Consolidated result

EBITA for full-year 2018 amounted to SEK 978m (1,741). EBITA included capital gains totalling SEK 62m (596) from the sale of companies. Profit/share of profit from the companies of SEK 1,030m (1,196), with major changes compared with the year-earlier period comprising Diab SEK -156m, Plantasjen SEK -143m and HENT SEK -106m. At the same time, Aibel reported an earnings improvement compared with the year-earlier period of SEK 183m.

Profit before tax for full-year 2018 amounted to SEK -69m (658), of which impairment of portfolio companies accounted for SEK -600m (-550). Profit/share of profit from the companies amounted to SEK 604m (679).

Ratos's operating management costs amounted to SEK -117m (-153). The decline in costs was primarily attributable to lower personnel costs and other management costs.

## Consolidated cash flow

Cash flow for the period was SEK -485m (-494), of which cash flow from operating activities accounted for SEK 732m (1,299). Plantasjen and Diab accounted for most of the negative change, while HL Display developed positively in terms of cash flow. Cash flow from investing activities amounted to SEK -256m (1,135) and cash flow from financing activities to SEK -962m (-2,928).

## Financial position and leverage

The Group's cash and cash equivalents at the end of the period amounted to SEK 3,404m (3,881) and interest-bearing net debt totalled SEK 3,549m (3,324).

The portfolio's aggregate debt ratio, including the parent company, amounted to 3.4x (2.4x). Ratos's aim is to have a conservative leverage in the portfolio companies with an aggregate debt ratio, including the parent company, that falls below 2.5x on a long-term basis (Net Debt/EBITDA). With the implementation of IFRS 16 *Leases*, the new leasing standard that came into force on 1 January 2019, interest-bearing net debt in the Group will increase approximately SEK 4 billion to almost SEK 8 billion as of 1 January 2019. The aggregate debt ratio will therefore increase, so Ratos's objective of an aggregate debt ratio of 2.5x will be reviewed, in light of this changed accounting principle.

## Credit facilities and new issue mandate

The parent company has a credit facility of SEK 1 billion including a bank overdraft facility. The purpose of the facility is to be able to use it when bridge financing is required for acquisitions and to be able to finance dividends and day-to-day running costs in periods with few or no exits. The parent company should normally be unleveraged. The credit facility was unutilised at the end of the period. In addition, there is also a mandate from the 2018 Annual General Meeting to issue a maximum of 35 million Ratos Class B shares in conjunction with agreements on acquisitions.

## Parent company

The parent company posted an operating loss of SEK -114m (-172). The parent company's loss before and after tax amounted to SEK -239m (1,491), of which SEK -836m (-533) pertained to impairment of shares in subsidiaries. The parent company's cash and cash equivalents totalled SEK 1,734m (2,226).

## Events after the reporting period

Ratos's subsidiary airteam signed a contract to acquire Creovent AB (Creovent) and Thorszelius Ventilation & Service AB (Thorszelius), leading installers of climate and ventilation solutions in the Stockholm and Uppsala regions. Pro forma sales in 2017 for both companies amounted to approximately SEK 235m and adjusted EBITA to SEK 24m. The acquisition was completed in the first quarter of 2019 and is being financed by airteam.

Ratos acquired the remaining shares (40%) in the subsidiary Trial Form Support International AB (TFS) from partner and founder Daniel Spasic for an equity value of EUR 11m. After the acquisition, Ratos's ownership share totals 100%.

In January, Ratos implemented changes to its management group and investment organisation. As a result, two individuals left their positions.

A capital contribution of NOK 200m was made to Plantasjen in January 2019.

## Future outlook

2018 was characterised by intensive efforts with the company portfolio. There were no new investments outside our company portfolio. Work in Ratos's company portfolio has focused on ensuring stability and profitability followed by growth in each company. A number of measures were taken during the year, including a change of CEO, streamlining production and changes to the composition of the boards of certain portfolio companies. In June, new financial targets and investment criteria were presented. Ratos has further streamlined its central organisation, thereby lowering its administration costs. A concerted effort to reverse the profitability trend in the existing portfolio followed by a more effective central Ratos organisation has laid the foundation for a more stable development moving forward. At the close of 2018, Ratos had cash of SEK 1.7 billion at its disposal.

## Risks and uncertainties

Ratos's value and internal rate of return depends on developments in the companies which Ratos acquires and the ability to realise the value in these companies. The success and value development of the companies depend on how skilled the company executives and each company's management group and board are at implementing improvements. Value is also dependent on external factors such as the general macroeconomic climate as well as on how the markets develop in which the companies are active. If this does not meet expectations, there is a risk that the value of individual investments can fall, which can result in the return being less favourable than expected. Ratos performs an annual mapping and risk assessment and risk management of the companies and Ratos's parent company which is aggregated, compiled and assessed by Ratos's management and Board. Risk efforts have a broad perspective and include external, strategic, financial, operational risks and risks related to compliance and sustainability. Also refer to Ratos's Corporate Governance Report.

It is also essential that Ratos has the ability to attract and retain employees with the right skills, experience and values. A high level of expertise in operational development, transactions and financing are essential in Ratos's business.

Ratos and the portfolio companies are from time to time party to legal processes, the outcome of which may be uncertain. Current disputes, and provisions attributable to them, are continuously monitored and followed up by Ratos's Audit Committee and the Board of Directors.

The Group through its activities is exposed to various types of financial risks related to trade receivables, trade payables, loans and derivative instruments. The financial risks consist of liquidity risk, interest rate risk, credit risk and currency risk. Ratos's Board approves the financial strategy for the parent company while the subsidiaries' boards adopt financial strategies for each company. The parent company's financial policy, which provides guidelines for management of financial risks, is adopted annually by Ratos's Board. The Board evaluates and where necessary proposes changes to the financial policy. Although the Group has no central treasury management function, Ratos's head office assists the subsidiaries with overall financial matters. Subsidiaries' financial policies are adopted by each company's board. For further information, refer to Note 25 Financial risks and risk policy.

## The work of the Board of Directors

The Corporate Governance Report includes a report on the work of the Board. See ▶ pages 47–57.

## The Board's proposal to the 2019 Annual General Meeting for decision on guidelines for remuneration to senior executives

The Board proposes that the Annual General Meeting resolves, for the period until the 2020 Annual General Meeting, to adopt the following guidelines for remuneration to senior executives. The proposed guidelines are essentially unchanged compared with the guidelines resolved at the 2018 Annual General Meeting.

The incentive system for the company's business organisation is of major strategic importance for Ratos. Against this background, a remuneration and incentive system has been drawn up designed to offer competitive terms at the same time as the company's employees are motivated to work in the interests of the shareholders. The incentive system comprises a number of components – basic salary, variable salary, pension provisions, warrants and convertible debentures – and rests on five basic principles.

- Ratos's employees shall be offered competitive terms of employment in an industry where competition for qualified employees is intense.
- Both individual efforts and the Group's performance must be linked to clear targets set by the Board.
- Variable cash salary that is to be paid to senior executives is to be linked to joint and individual targets set annually. The targets are both quantitative and qualitative and aim to fulfil Ratos's long-term strategy and earnings trend that benefit the shareholders.
- Each year the Board sets a limit for the total variable salary, which shall amount to a maximum of approximately 0.6% of the company's equity at the start of the financial year.
- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through reasonably balanced incentive programme where employees can share in price rises.

With regard to the costs for proposed incentive programmes, refer to the Board's proposal for decision on the long-term incentive programme 2019/2024.

As far as possible, pension benefits shall be defined-contribution pension solutions, but certain pension benefits that follow the ITP plan are defined-benefit. There is no agreed retirement age.

In the event of the CEO's employment being terminated, a mutual six-month (6) notice period will apply. There is no agreement regarding severance pay.

In the event of notice being given by the company or by the senior executive, a period of notice of three (3) to six (6) months normally applies. There is no agreement regarding severance pay in employment contracts.

All remuneration approved earlier that has not yet been disbursed remain within the guidelines established earlier.

The Board shall be entitled to deviate from these guidelines if special circumstances should prevail in an individual case.

## Ratos share data

| | |
|---|---|
| Total number of Class A shares at year-end | 84,637,060 |
| Total number of Class B shares at year-end | 239,503,836 |
| Total number of shares | 324,140,896 |

Class A shares carry entitlement to one vote per share and Class B shares to one-tenth of a vote per share. Class A shares can be issued in a maximum number that corresponds to 27% of the share capital and Class B shares in a number that corresponds to 100% of the share capital, Class C shares in a number that corresponds to 10% of the share capital and Class D shares in a number that corresponds to 10% of the share capital. At year-end, the Söderberg family with companies owned shares corresponding to 18.65% of the capital and 43.63% of the voting rights. The Ragnar Söderberg Foundation had 9.45% of the capital and 17.11% of the voting rights. The Torsten Söderberg Foundation has 8.68% of the capital and 12.58% of the voting rights.

The company knows of no agreements between shareholders that might lead to restrictions in the right to transfer shares.

### Holdings of treasury shares

The 2018 Annual General Meeting renewed the mandate that the company may repurchase Class A and Class B shares. Acquisition may take place on one or more occasions prior to the next Annual General Meeting. Acquisition shall take place on Nasdaq Stockholm at a price within the price band prevailing on Nasdaq Stockholm on each occasion. A maximum number of shares may be acquired so that the company's holding at any time does not exceed 7% of all the shares in the company.

No Class A or B shares were repurchased in 2018. At year-end, the company held 5,126,262 Class B shares, corresponding to 1.6% of the total number of shares with a quota value of SEK 3.15 per share. A total of SEK 355m was paid for the shares at an average price of SEK 68.

## Proposed distribution of profit

| | SEK |
|---|---|
| Premium reserve | 128,695,169 |
| Retained earnings | 6,685,161,899 |
| Loss for the year | -238,649,900 |
| Total | 6,575,207,168 |

The Board of Directors proposes the following distribution of profit:

| | |
|---|---|
| Dividend to holders of Class A and B shares SEK 0.50 per share [1] | 159,507,317 |
| To be carried forward | 6,415,699,851 |

[1] *Based on the number of shares outstanding on 2 April 2019. The number of treasury shares on that date was 5,126,262 and may change during the period until the record date for dividends.*

# Chairman's letter

We have now made significant progress in implementing the changes I described in my Chairman's letter from last year. Ratos is to be a super-effective, modern managed owner company that operates logically and concentrates on the value growth of its holdings.

We now have our team in place and I believe Ratos, in 2018, acquired the management it needs for the future. Our improvement efforts continued throughout the year as we divested businesses we should not have in our portfolio, streamlined our organisation, accelerated the pace of all of our activities and, more importantly, enhanced our expertise with the right leaders.

A new Ratos is being formed, based on long-term company development with a focus on operations, customers and employees. Above all, we are now focused on taking the right actions, reducing complexity and shortening our decision-making processes. We have turned away from a focus on transactions as a model for value creation.

Our philosophy is to overcome fluctuations in the market at a reasonable level of risk. However, it is important to be knowledgeable about the individual company's market and, not least, the company's strength relative to it competitors. We are driven by the will to be the best and to continually, every day, develop our employees and operations.

We should be pleased with the companies that continued to perform well during the year. It is gratifying that the negative earnings trend has been reversed in some of our underachieving companies. One key component in this improvement is the changes that we made to the management teams and boards of our holdings. Today, we have a clear picture of our position in each holding and we are now implementing the right measures.

In terms of earnings, this is unfortunately a painful, but necessary, process that resulted in major costs in our financial statements for 2017 and 2018, but the foundation has now been laid for a clearer, more stable and profitable future for Ratos.

We have also chosen to adapt our dividend to the Group's underlying profitability, as previously announced. When earnings improve in the future, dividends will follow. We are saving our cash to reduce the risk associated with our strict action programme, but primarily to enable future growth from a stable foundation.

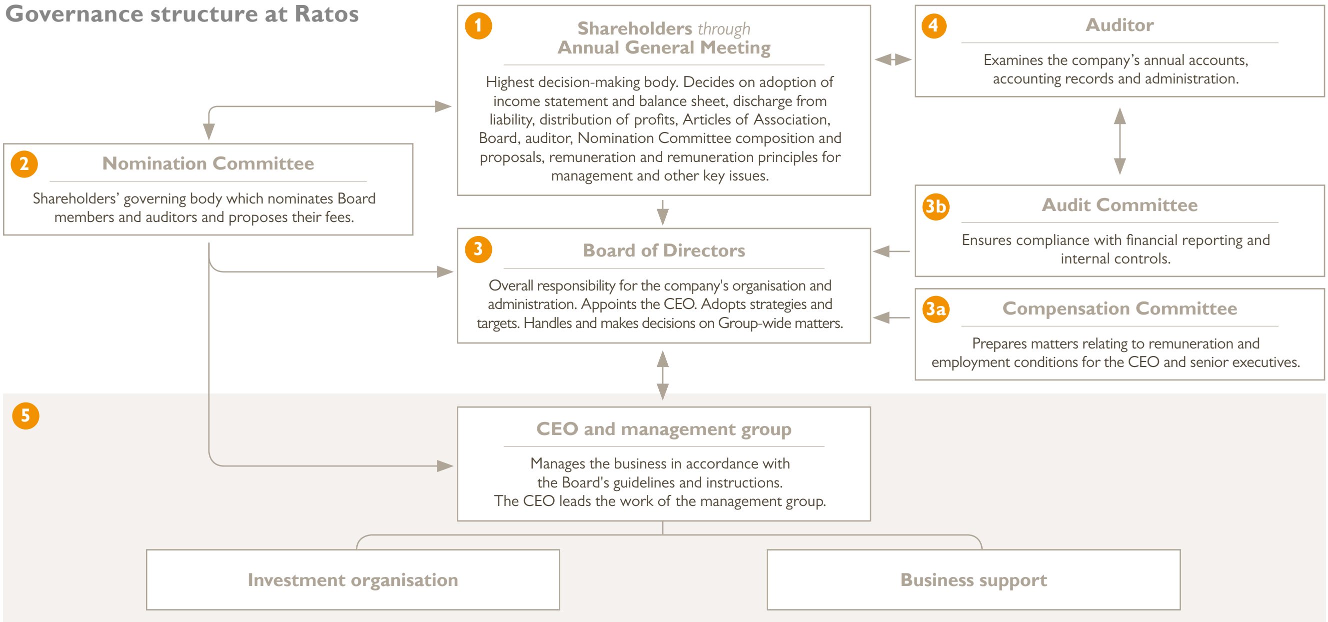
One year has passed since I took over as Chairman and the work we have carried out has been highly stimulating and exciting. I am convinced that, after several years of disappointment followed by the strong efficiency measures implemented by Jonas and the management team, we will soon witness a clear improvement. Confidence within the organisation is considerably stronger.

I would like to thank all of you who continue to believe in Ratos, and I feel very optimistic moving forward now that a new Ratos is being created. We have hopefully learnt from history in order to face the future.

Per-Olof Söderberg
*Chairman of the Board*

# Corporate Governance Report

## Governance structure at Ratos



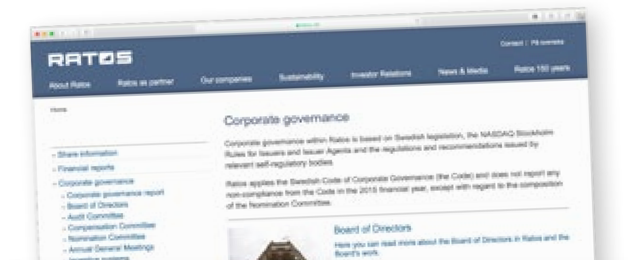

## Corporate governance in Ratos

Ratos AB is a public limited company and the basis for governance of Ratos is both external and internal regulations. In order to establish guidelines for the company's activities, the Board has prepared and adopted policy documents. These provide guidance to the organisation and employees based on the basic values and principles that must characterise the operations and conduct.

Ratos applies the Swedish Code of Corporate Governance (the Code) and did not report any non-compliance with the Code in the 2018 financial year, except with regard to the composition of the Nomination Committee (see Nomination Committee on ▶ page 48).

This Corporate Governance Report seeks to avoid repetition of information that is included in applicable regulations and primarily to describe corporate governance for Ratos AB.

The company's auditors have performed a statutory examination of the Corporate Governance Report.




### Read more about Ratos's corporate governance

*Read more about Ratos's corporate governance on our website under About Ratos/Corporate governance:*

- Corporate governance reports from previous years
- Articles of association
- Information from general meetings in previous years
- Nomination Committee
- The Board and its committees
- Incentive systems
- Auditor

### Key external rules

- Swedish Companies Act
- Accounting legislation and recommendations
- Nasdaq Stockholm's Rule Book for Issuers
- Swedish Corporate Governance Code

### Key internal rules and documents

- Articles of association
- Rules of procedure for the Board of Directors and Board Committees
- Decision-making procedures/authorisation instructions
- President and CEO and reporting instructions
- Internal guidelines, policy documents and manuals which provide guidelines for the Group's operations and employees, such as Ratos's information policy, owner policy, code of conduct, and policy for corporate responsibility and responsible investments

## 1 Shareholders and general meetings

### Share capital and shareholders

Ratos has been listed on Nasdaq Stockholm since 1954. At year-end the share capital amounted to SEK 1,021m divided among a total of 324,140,896 shares, of which 84,637,060 Class A shares and 239,503,836 Class B shares. The company's Class A shares carry entitlement to one vote per share while Class B shares carry entitlement to one-tenth of a vote per share. Class A and B shares carry the same right to a share of the company's assets and to the same amount of dividend. The Annual General Meeting decides on dividends.

At year-end, Ratos had a total of 57,909 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 76.9% of the voting rights and 48.4% of the share capital. More information about Ratos's shares and shareholders is provided on ▶ pages 22–23.

### General meetings

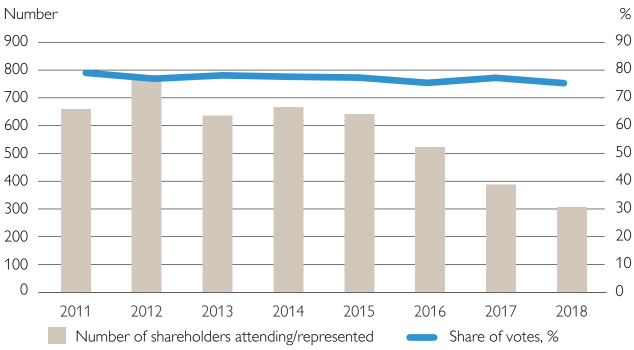
The general meeting is the highest decision-making body in Ratos and it is through attendance that Ratos's shareholders exercise their influence on the company. Normally, one general meeting is held each year, the Annual General Meeting of Shareholders, which is convened in

Stockholm before the end of June. Notice is published in the form of an announcement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on Ratos's website. Publication of the notice is announced in Svenska Dagbladet. All documentation required ahead of the Meeting is available on the website in Swedish and English.

A shareholder with at least one-tenth of the votes in Ratos is entitled to request an extraordinary general meeting. The Board and Ratos's auditor can also convene an extraordinary general meeting.

In order to have a matter considered at an Annual General Meeting, a shareholder must submit a written request to the Board in good time so that the matter can be included in the notice of the meeting, normally approximately seven weeks before the Annual General Meeting. The closing date for such requests is stated on Ratos's website.

**Attendance at Annual General Meetings**




# 57,909

## shareholders in Ratos

Shareholders who are registered on Euroclear Sweden's list of shareholders and who have notified their attendance to the company in due time are entitled to attend the Meeting, in person or through a proxy, and to vote for their holding of shares. Shareholders may bring an assistant to the meeting provided they have notified the company.

The following business shall be resolved at the Annual General Meeting:
- adoption of the income statement and balance sheet
- discharge from liability for the Board and CEO
- disposition of the company's profit or loss
- determination of fees to be paid to the Board of Directors and auditor
- election of the Board of Directors and auditor
- guidelines for remuneration to senior executives
- amendments to the Articles of Association.

### Annual General Meeting 2018

The 2018 Annual General Meeting was held on 3 May at Skandiascenen, Cirkus, in Stockholm, Sweden. The Meeting was attended by 306 shareholders, proxies and assistants, who together represented 75.3% of the voting rights and 46.5% of the capital.

All Board members, who were elected at the Annual General Meeting (except Ulla Litzén), as well as Ratos's CEO and auditor, were present at the Meeting. Minutes and information about the 2018 Annual General Meeting, in both Swedish and English versions, as well as the CEO's address to the Meeting are published on www.ratos.se.

*Decisions at the 2018 Annual General Meeting included the following:*
- Dividend of SEK 2.00 per Class A and B share, a total of SEK 638m.
- Fees of SEK 970,000 to the Chairman of the Board and SEK 485,000 to each member of the Board as well as fees to auditors
- Re-election of Board members Ulla Litzén, Annette Sadolin, Jan Söderberg, Karsten Slotte, Per-Olof Söderberg and Jonas Wiström. Charlotte Strömberg declined re-election. Election of Per-Olof Söderberg as Chairman of the Board
- Re-election of audit firm PricewaterhouseCoopers (PwC)
- Adoption of guidelines for remuneration to senior executives
- Offer to CEO and other key people in Ratos to acquire convertibles and warrants in Ratos
- Authorisation for the Board to acquire Ratos shares up to 7% of all shares
- Authorisation for the Board to decide on a new issue of a maximum of 35 million Class B shares to be used for acquisitions

### Annual General Meeting 2019

The 2019 Annual General Meeting (AGM) will be held on 8 May at 2:00 p.m. at Skandiascenen, Cirkus, in Stockholm, Sweden.

For matters related to the Nomination Committee and the Annual General Meeting, refer to Ratos's website. For further information about the Annual General Meeting, see page 128.


## 2 Nomination Committee

The 2016 Annual General Meeting decided on the principles for how the Nomination Committee should be appointed, and which should apply until otherwise decided by the Meeting. The Nomination Committee will comprise a minimum five members together with the Chairman. The Nomination Committee's members will be appointed by the largest shareholders in terms of voting rights, or group of shareholders in the Euroclear Sweden system (such a group is considered one shareholder), based on Euroclear Sweden AB's shareholder statistics at 31 August the year before the Meeting. If a shareholder waives the entitlement to appoint a member, the shareholder who is the next largest owner in terms of voting rights shall appoint a member. The majority of members of the Nomination Committee shall be independent in relation to the company and management. The Nomination Committee's mandate period extends until a new Nomination Committee has been appointed. If a member resigns from the Nomination Committee, the owner that appointed the member is entitled to appoint a replacement. If the owner who the member of the Nomination Committee represents considerably reduces its shareholding in the company, the Nomination Committee can offer another shareholder the opportunity to appoint a replacement.

The current composition of the Nomination Committee was announced on Ratos's website and disclosed through a press release on 27 September 2018. The Nomination Committee comprises:

- Ragnar Söderberg, appointed by the Ragnar Söderberg Foundation and related parties' holdings, Chairman of the Nomination Committee
- Jan Söderberg, own and related parties' holdings
- Maria Söderberg, nominated by the Torsten Söderberg Foundation, and own holdings
- Erik Brändström, appointed by Spiltan Fonder AB
- Håkan Roos, appointed by Roosgruppen AB
- Per-Olof Söderberg, Chairman of Ratos's Board

Combined, the Nomination Committee represents 60.4% of the voting rights for all the shares in the company.

### The work of the Nomination Committee

The duties of the Nomination Committee include:

- evaluating the composition and work of the Board
- preparing a proposal to the Meeting regarding election of the Board and the Chairman of the Board
- preparing a proposal, in cooperation with the company's Audit Committee, to the Meeting regarding election of auditor
- preparing a proposal to the Meeting regarding fees to the Board, divided between the Chairman and other members, as well as any remuneration for committee work, and auditor
- preparing a proposal to the Meeting regarding a chairman for the Meeting
- where necessary, recommendation of changes to the principles for composition of the next Nomination Committee

### Nomination Committee's work ahead of the 2019 Annual General Meeting

Ahead of the 2019 Annual General Meeting, the Nomination Committee held six minuted meetings and was in regular contact in between. In its work, the Nomination Committee has taken note of the internal evaluation of the Board's work, taken the Chairman's account of the Board's work and the CEO's account of the company's strategies. The Nomination Committee Chairman has also interviewed individual Board members.

Ratos is an investment company that invests in, owns and develops unlisted companies primarily in the Nordic region. In 2018, Ratos established new financial targets for its operations. This means that strict requirements are placed on the Board to be able to both evaluate acquisition and divestment opportunities and participate in operating and developing companies in different industries and phases of development. Annette Sadolin declined re-election. In the search for a new Board member, it has been important for the Nomination Committee to find an individual with good leadership qualities who has both a broad industrial background and a documented ability to further develop operations. The Nomination Committee is of the opinion that Eva Karlsson has demonstrated these abilities. It is the assessment of the Nomination Committee that Eva Karlsson can devote the time and commitment that is required of a Board member.

All in all, the Nomination Committee deems that the proposed members have broad and complementary experience that meets the requirements placed on them. The Nomination Committee is also of the opinion that the proposed composition of six members is suitable and appropriate.

The requirement for independence is also assessed as having been met.

The Nomination Committee has continued to discuss requirements for diversity based in part on the Code's requirement for stipulating how the diversity policy has been applied and has chosen to use Rule 4.1 of the Code, which states that the Board is to exhibit diversity and breadth of qualifications, experience and background, and strive for an equal gender balance. Following deliberation by the Nomination Committee regarding, for example, the Board members' background and experience, it is noted that the gender balance will be unchanged compared with previous years as the members proposed include two women and four men, resulting in a gender distribution of 33.3%/66.7% for the proposed Board. According to the Nomination Committee, this is in accordance with the requirement for an equal gender balance.

Proposals regarding fees to the members of the Board as well as remuneration for committee work have been prepared by the four members of the Nomination Committee who are not members of Ratos's Board.

Shareholders have been informed that proposals to the Annual General Meeting can be submitted to the Nomination Committee.

The Nomination Committee's proposals, an account of the work of the Nomination Committee ahead of the 2019 Annual General Meeting as well as complementary information on proposed members of the Board will be announced in conjunction with the Notice of the Meeting and be presented at the 2019 Annual General Meeting.

### Deviations/violations

Ratos deviates from the Code's rule 2.4, second paragraph, which states that if more than one Board member sits on the Nomination Committee, a maximum of one of them may be non-independent in relation to the company's major shareholders. Per-Olof Söderberg (also the Chairman of the Board) and Jan Söderberg are members of the Nomination Committee and regarded as non-independent in relation to the company's major shareholders. Against the background of these persons' extensive experience of Board work, their in-depth knowledge of Ratos and roots in the ownership group, and their network in Swedish industry, it was deemed beneficial to the company to deviate from the Code on this point. No violations of Nasdaq Stockholm's Rule Book for Issuers or good practice in the stock market have occurred.

## 3 Board of Directors

### Composition of the Board

Ratos's Board shall comprise a minimum of four and a maximum of nine members with a maximum of three deputies. The Board is appointed by the shareholders at each Annual General Meeting. The mandate period is thereby one year.

The 2018 Annual General Meeting resolved that the Board shall consist of six members, a reduction of one member, and no deputies. The Meeting re-elected Ulla Litzén, Annette Sadolin, Karsten Slotte, Jan Söderberg, Per-Olof Söderberg and Jonas Wiström. Charlotte Strömberg declined re-election. Per-Olof Söderberg was elected as Chairman of the Board. The CEO is part of the Board and attends Board meetings. The composition of the Board and an assessment of each Board member's independence is presented in more detail on ▶ pages 56–57.

### Responsibilities and duties of the Board

The Board has overall responsibility for Ratos's organisation and management of its affairs, in the interests of both the company and its shareholders. The Board adopts financial targets, decides on the company's strategy and business plan, and ensures good internal control, risk management and an adequate sustainability programme. The work of the Board is regulated by, among other things, the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board for its work. The Board's overarching responsibility cannot be delegated but the Board may appoint committees tasked to prepare and evaluate issues ahead of a decision by the Board.

Each year, the Board adopts a formal work plan for its work designed to ensure that the company's operations and financial circumstances are controlled in an adequate manner. The formal work plan describes the special role and duties of the Chairman of the Board, decision-making procedures, instructions for Ratos's CEO and reporting as well as areas of responsibility for the committees. Furthermore, the Board also adopts annually a number of policy documents for the company's operations and ensures that there is satisfactory control of the company's compliance with laws, rules and internal guidelines. The Board ensures compliance through various tools including Ratos's annual risk management process and assurance mapping – in which responsibility for and validation of internal processes and identified risks are clarified – and through the committees comprising senior executives, which address a number of important matters related to insider issues and personal data issues.

The main duty of the Chairman of the Board is to lead the work of the Board and ensure that Board members carry out their respective duties. Other areas of responsibility include the following:

- ensuring that the work of the Board is carried out effectively
- ensuring that decisions are made on requisite matters and that minutes are kept
- convening meetings and ensuring that requisite decision material is sent to Board members
- acting as a contact and maintaining regular contact with the CEO and management
- acting as a contact with the owners regarding ownership issues
- maintaining regular contact with the auditor and ensuring that the auditor is summoned to attend a meeting in conjunction with the interim report for June and the year-end report
- ensuring that the Board continuously updates and deepens its knowledge about the operations
- ensuring that the Board's work is evaluated by the Board members annually

### Work of the Board in 2018

During 2018, a total of 15 minuted Board meetings were held: six ordinary meetings, one statutory meeting, and eight extra Board meetings. Board meetings have a recurrent structure with established key items. Information and documentation for decision ahead of Board meetings are usually sent out approximately one week before each meeting. Ratos's General Counsel has taken the minutes at the Board meetings.

Extra Board meetings normally examine acquisition and divestment issues as well as financing, and are held when such matters requiring a Board decision arise. 2018 was a year characterised by the divestment of companies, the preparation of new financial targets, capital contributions and other financing issues. Senior executives at Ratos attended Board meetings to present specific issues.

### Evaluation of the Board

The Board annually evaluates the work of the Board in a structured process where members are given an opportunity to express their opinions on working methods and efficiency, Board material, the performance of the members and the scope of the assignment in order to develop the Board's working methods. For the 2018 financial year, the evaluation was performed internally with the members answering an anonymous questionnaire and the results of the evaluation have been presented by the Chairman with subsequent discussion on the Board. Furthermore, the Chairman of the Nomination Committee held individual interviews with each Board member. The results of the evaluation have been reported to the Nomination Committee. The evaluation indicates that the Board work is deemed to function well.

### Committees

The Board has established a Compensation Committee and an Audit Committee in order to structure, improve efficiency and assure the quality of work, and to prepare the Board's decisions within these areas. The members of these committees are appointed annually at the statutory Board meeting.

### 3a Work of the Compensation Committee

At Ratos, structured work with remuneration principles has been ongoing for many years. The Compensation Committee has both an advisory function (follow-up and evaluation) and a preparatory function for decision matters prior to their examination and decision by the Ratos Board.

The following matters are handled by, among others, the Compensation Committee:

- the CEO's terms of employment, and terms for management and employees directly subordinate to the CEO
- follow and evaluate variable remuneration programmes for company management
- matters of principle concerning pension agreements, severance pay, notice periods, bonus/earnings-related remuneration, fees, benefits, etc.
- prepare matters relating to the incentive systems for Ratos and the companies for decision by the board and/or the General Meeting
- the Board's proposal to the Annual General Meeting on guidelines for remuneration to senior executives

The Compensation Committee works in accordance with an adopted formal work plan. Normally, early in the autumn, an examination is carried out to see whether there are any major remuneration-related issues of principle to prepare. If such issues exist, they are addressed ahead of a final proposal at the ordinary meetings in January and February. In 2018, the Compensation Committee made a thorough evaluation of Ratos's remuneration structures and incentive programme, which resulted in proposals from the committee to modify calculations and criteria for variable cash salary for 2018, and to propose to the 2018

## COMPOSITION OF THE BOARD

| | | | | | Attendance at meetings 2018 | | |
|---|---|---|---|---|---|---|---|
| **Name** [1] | **Elected year** | **Independent of the company** | **Independent of major shareholders** | **Total fee**[2]**, SEK thousand** | **Compensation Committee meetings** | **Audit Committee meetings** | **Board meetings** |
| Per-Olof Söderberg | 2000 | Yes | No | 1,120 | 11/11 | 4/4 | 15/15 |
| Jan Söderberg | 2000 | Yes | No | 635 | 11/11 | 3/3 [5] | 14/15 |
| Ulla Litzén | 2016 | Yes | Yes | 635 | – | 4/4 | 15/15 |
| Annette Sadolin | 2007 | Yes | Yes | 585 | – | 3/3 [5] | 14/15 |
| Karsten Slotte | 2015 | Yes | Yes | 635 | 7/7 [4] | 3/3 [5] | 15/15 |
| Jonas Wiström [3] | 2016 | No | Yes | 0 | – | – | 14/15 |
| **Total** | | | | **3,610** | | | |

*[1] Charlotte Strömberg declined re-election at the 2018 AGM.*
*[2] Relates to fees for the Annual General Meeting year 2018/2019.*
*[3] Jonas Wiström received no fee for the role of ordinary Board member.*
*[4] Elected as member of the Compensation Committee at the statutory Board meeting on 3 May 2018.*
*[5] Elected as member of the Audit Committee at the statutory Board meeting on 3 May 2018.*

Annual General Meeting a new long-term incentive programme in the form of a warrants and convertible debenture programme instead of the synthetic options and call options programme formerly proposed. Certain minor modifications in the remuneration guidelines are proposed ahead of the 2019 Annual General Meeting. The Compensation Committee also prepares and processes guidelines for the structure of general salary development for the years ahead and conducts an annual review of Ratos's long-term incentive systems, of which Ratos's Board of Directors then submit an account of no later than three weeks before the Annual General Meeting on the company's website (www.ratos.se).

During 2018, Per-Olof Söderberg (Chairman of the Board and of the Compensation Committee), Jan Söderberg and Karsten Slotte (as of 3 May 2018) were members of the Compensation Committee.

The Compensation Committee held 11 minuted meetings in 2018 and in between has been in regular contact. Ratos's General Counsel has taken the minutes of the Committee. The Compensation Committee provides continuous oral reports to the Board and submits proposals on issues that require a Board decision. Minutes are made available to all members of the Board. The CEO and senior executives normally participate in the meetings of the committee as rapporteur concerning certain issues.

## 3b Work of the Audit Committee

During 2018, Charlotte Strömberg (Chairman), Per-Olof Söderberg and Ulla Litzén were members of the Committee. After the 2018 Annual General Meeting, Ulla Litzén took over as Chairman of the Committee. With effect from the 2018 Annual General Meeting, the Audit Committee is made up of Ulla Litzén (Chairman), Annette Sadolin, Karsten Slotte, Jan Söderberg and Per-Olof Söderberg. The company's auditor participated in five Audit Committee meetings in 2018. The Audit Committee held five minuted meetings. Ratos's Finance Manager took the minutes of the Committee.

The Audit Committee has both an advisory and preparatory function for decision matters prior to review and decision by Ratos's Board.

Each year, the Audit Committee adopts a fiscal cycle for its working duties and areas for which the Audit Committee is responsible. In 2018, only minor adjustments were made to the Audit Committee's fiscal cycle and formal work plan. The Audit Committee is responsible for and monitors according to an adopted schedule, among other things, accounting and reporting, audit, internal control, corporate governance, risk management, purchases of non-audit-related services, tax payment, the parent company's guarantee and equity commitments, IT security, insurance, disputes and strategic accounting issues as well as compliance with rules and regulations and certain policy documents adopted by Ratos's Board. Furthermore, the Audit Committee oversees Ratos's externally operated whistleblowing system. The Audit Committee's work follows Ratos's interim reporting and Ratos's work on valuation issues and impairment testing, with five regular meetings held every year where the auditor participates in all Committee meetings. Specific issues addressed in 2018 included valuation and impairment issues, follow-up of bank terms, commitments concerning capital contributions and disputes. The CEO and senior executives normally participate in the meetings of the Committee as rapporteur.

The main duties of the Audit Committee are as follow:

- monitor the financial reporting and submit recommendations and proposals to secure the accuracy of the reports
- with regard to the financial reporting, monitor the efficiency of the company's internal control, internal audit and risk management.
- consider valuation issues and assessments in closing accounts
- keep itself informed about the audit of the annual accounts and consolidated financial statements and the Supervisory Board of Public Accountants' quality control as well as review the audit process
- review and monitor the auditor's impartiality and independence and thereby give particular attention as to whether the auditor provides the company with other services than audit services
- issue guidelines for services other than audits that are provided by the auditor and, when applicable, approve such services in accordance with such guidelines
- assist with preparation of a proposal for a general meeting resolution on election of auditors as well as decision relating to fees to auditors
- ensure that the Group's six-month report is reviewed by the Group's auditor
- discuss and prepare Board decisions regarding risk and internal control

The Audit Committee provides continuous oral reports to the Board and submits proposals on issues that require a Board decision. Minutes are made available to all members of the Board. The Chairman of the Committee maintains regular contact with the company's auditor.

### Remuneration to the Board of Directors

The 2018 Annual General Meeting resolved that remuneration to the ordinary members of the Board should be paid in an amount of SEK 485,000 per member and year. Remuneration to the Chairman of the Board should amount to SEK 970,000 per year. It was decided to pay an additional SEK 150,000 per year to the Chairman of the Audit Committee and SEK 100,000 per year to other members of the Committee. It was decided to pay SEK 50,000 per year to the Chairman of the Compensation Committee and SEK 50,000 per year to other members of the Committee.

## 4 Auditor

Ratos's auditor is appointed annually by the Annual General Meeting. Nominations are made by the Nomination Committee. The auditor is tasked on behalf of shareholders to examine the company's annual accounts and consolidated financial statements as well as the administration of the company by the Board and the CEO and the corporate governance work. The review work and auditor's report are presented at the Annual General Meeting.

At the 2018 Annual General Meeting, the audit firm PricewaterhouseCoopers was elected as auditor until the next Annual General Meeting. PwC has appointed Peter Clemedtson as Senior Auditor. In addition to his assignment in Ratos, Peter Clemedtson is senior auditor for, among others, Nordea and SKF. At the 2019 Annual General Meeting, the audit firm EY was proposed as the company's auditor until the next Annual General Meeting.

### Auditor's fees

Remuneration is paid to the company's auditor in accordance with a special agreement on this matter in accordance with a resolution at the Annual General Meeting. For a specification of audit fees and fees for other assignments, see Note 8. Ratos's policy for the purchase of non-audit-related services, which took effect on 1 January 2017, is continuously monitored by the Audit Committee, which also evaluates the content of both auditing and consulting services.

## 5 Governance in Ratos

### Ratos's principles for active ownership and the exercise of its ownership role

Ratos is an investment company whose business comprises the acquisition and development of preferably unlisted Nordic enterprises. Over time, Ratos is to generate the highest possible shareholder value by actively exercising its ownership to realise the potential of a number of selected companies. Ratos's owner policy includes specific strategic foundations that provide a basis for how we choose to act as an owner and how we view corporate governance. One of these foundations is that Ratos's companies must be independent of each other, strategically, operationally and financially. As an owner, Ratos shall add and create value but value creation and governance are therefore not identical in all situations. Having a clear division of responsibility between owner, board and CEO is important for the governance of Ratos's companies as well as for the parent company Ratos AB and is therefore a key part of the business model and for Ratos's success as an owner. Read more about Ratos's exercise of its ownership role on ▶ pages 10–13.

### Investment decisions and evaluation of existing companies

The decision-making procedures for Ratos's Board and the CEO relating to investment activities stipulate that all significant acquisitions of, and add-on investments in, companies that are to be included in Ratos's company portfolio must be decided by the Board. This also applies to the sale, wholly or partially, of a company. An evaluation of all the companies is performed every year in which an analysis of holding strategy, results and forecasts for future years are presented.

### CEO and management group

The CEO is appointed by the Board and is responsible together with the management group for daily operations in Ratos in accordance with the Board's instructions. The CEO provides the Board with regular updates on operations and ensures the Board members receive information on which to base well-considered decisions.

Jonas Wiström became the new CEO of Ratos as of 13 December 2017.

At the beginning of 2018, the management group at Ratos consisted of the CEO, three Senior Investment Directors, the Finance Manager and the General Counsel. As of April 2018, following changes in the organisation implemented during the year, the management group consists of the CEO, Finance Manager, two Vice Presidents, General Counsel and the Head of IR and Press, and as of December 2018 also the CFO, as the Finance Manager left the management group. The role of the management group is to prepare and implement strategies, manage corporate governance and organisational issues, and monitor Ratos's financial development and Ratos's sustainability programme.

The development of events in the companies and an update of active investment processes are addressed at monthly meetings.

After completion of due diligence, a basis for decision is sent to Ratos's Board ahead of a decision regarding a possible investment. (Read more about the development model in the section Ratos as owner).

### Remuneration to senior executives

Guidelines for remuneration to senior executives were approved at the 2018 Annual General Meeting. More information about basic and variable salary is provided in Note 7 on ▶ pages 84–88.

## Evaluation of the need for an internal audit

Ratos is an investment company that acquires, develops and divests Nordic companies. At the close of the year, Ratos had 12 companies that operate in different industries with various risks. Ratos's company portfolio and its composition show significant differences over time.

With regard to Ratos and the need for an internal audit, it has been judged more suitable to discuss and decide for each individual company according to need, size and complexity, rather than from parent company or Group level.

Ratos's annual review of risk and assurance mapping provide a foundation that enhances the Board's understanding of the operations' risk management and follow-up.

Ratos performs an annual review of risks where significant risks in the companies are summarised and discussed in Ratos's management and Board. The process is intended to give Ratos's management and Board of Directors an understanding of the Group's greatest risks. Each company's CEO and management have operational responsibility for having an appropriate risk process in place which is approved by the company's board. Ratos's risk management process is supplemented with an assurance mapping, meaning a clarification of responsibilities and validation of internal processes linked to identified risks. Ratos's management and Board can use this as a basis to identify a need for a closer look at/development of certain areas, the opportunity to identify areas that need to be centralised/strengthened, and to provide guidance to the Audit Committee for audit priorities for the portfolio companies.

In addition, the audit measures carried out by the auditor for the parent company and Group, including an audit of internal controls, are

## RECOMMENDED RISK MANAGEMENT PROCESS FOR RATOS'S SUBSIDIARIES


1 **IDENTIFICATION:** Ratos recommends a broad process where all relevant operational, strategic, financial and legal areas are covered in order to identify the companies' biggest risks. Each company should identify and discuss risks at a suitable level in the organisation in a company-adapted process.

2 **CLASSIFICATION:** Classification and ranking of identified risks based on probability, degree of impact, type of risk and time perspective.

3 **MANAGEMENT:** A plan for how identified risks should be managed should be drawn up with activities and means to eliminate/reduce/monitor the risk and specifying who is responsible.

4 **REPORTING:** The risk assessment and management plans are presented and discussed in each company's board at least once a year.

5 **REPORT TO OWNER:** A report that summarises the biggest risks at Ratos and the companies is compiled and presented to the Ratos Board annually.


important instruments for identifying shortcomings and providing a basis for more in-depth measures/follow-up and the basis for decision regarding future audit priorities for the portfolio companies.

With 24 employees at the beginning of 2019, the parent company Ratos AB is a relatively small company which lacks complex functions that are difficult to analyse. The need to introduce an internal audit function for the parent company Ratos AB must therefore be regarded as negligible. Against this background, the Audit Committee has decided, as in previous years, not to establish an internal audit function at Group level or for the parent company Ratos AB.

## Internal control

The Board has overarching responsibility for ensuring that Ratos internally has an effective and adequate process for risk management and internal control. The purpose is to provide reasonable assurance that operations are conducted in an appropriate and effective manner, that external reporting is reliable and that laws as well as internal rules and policy documents are complied with. This work is conducted through structured Board work as well as by tasks being delegated to management, the Audit Committee and other employees. In addition, a dialogue with the Group's auditors is maintained about their regular observations and the annual audit of internal control completed during the third quarter and presented by Ratos's auditors to the Audit Committee. Responsibility and authority are also defined in Ratos's assurance mapping, which is part of Ratos's risk management process, and in instructions for powers of authorisation, policy documents and manuals which provide guidelines and guidance for the Group's operations and employees. As a complement to the portfolio companies' financial reporting and sustainability reporting, Ratos sends an annual compliance survey to the CFOs all of the portfolio companies. The findings are compiled and reported by the General Counsel to the Audit Committee, providing a basis for, among other things, decisions regarding future audit priorities for the portfolio companies.

Furthermore, the board of each subsidiary is responsible for ensuring that the company in question complies with laws and regulations as well as for compliance with internal policy documents

## RATOS'S INTERNAL RISK PROCESS

*Ratos's internal risk process takes into account a broad spectrum of risks, including external events, strategic, operational and financial risks as well as risks related to violations of laws and rules, including internal policy documents (compliance and sustainability issues).*

### Q1 Jan–Mars

- Collection of risk reports from subsidiaries established and approved by each subsidiary's board, confirmed by the chairman of the board to Ratos's CEO
- Each holding team presents and discusses subsidiaries' risk analysis

### Q2 Apr–Jun

- An overall Group risk report is aggregated and compiled
- Discussion and adoption of final risk report in Ratos's management group
- Risk report is discussed and then adopted by Ratos's Board

### Q3 Jul–Sep

- Follow-up of items from Board discussion
- Relevant items are included where necessary in Ratos's as well as the subsidiaries' strategy discussions
- Review of risk process based on feedback from the Board

### Q4 Oct–Dec

- Focus on major changes in the risk map and status update action plan for Group-wide risks and guidelines. Over the years, a procedure has gradually been implemented to strengthen the follow-up of these matters.

### Ratos's risk management process

Ratos performs an annual review of risks where significant risks in its own operations and the companies are summarised and discussed in Ratos's management and Board.

As part of good corporate governance, the companies are expected to have a continuous process for identifying, assessing and managing their risks. Each company's CEO and management have operational responsibility for having an appropriate risk management process in place which is approved by the company's board. All subsidiary chairmen are asked every year to confirm to Ratos's CEO that the company concerned has implemented an appropriate process and internal control for management of the company's risks.

Ratos continuously works to strengthen the internal and subsidiary risk processes. Ratos has supplemented the risk management process to include an assurance mapping, meaning a clarification of responsibilities and validation of internal processes and identified risks. Ratos's greatest risks are summarised in the Directors' report on ▶ pages 42–45.

Ratos supports the subsidiaries with structures, models and so forth for work with risk management; see the illustration on ▶ page 53.

### Internal control of financial reporting

Internal control of financial reporting is based on how operations are conducted and how the Ratos organisation is built up. Each company is independent of other companies owned by Ratos and has a dedicated holding team that consists of two Ratos employees, one of whom is company executive. The team works actively in the companies' boards.

Internal control of financial reporting is designed to be appropriate in Ratos AB, as well as in the companies, and is evaluated and decided by each board and management.

Authority and responsibility within Ratos are communicated and documented in internal guidelines, policy documents and manuals. This applies, for example, to the division of work between the Board and the CEO and other bodies set up by the Board, instructions for powers of authorisation as well as accounting and reporting instructions. This also serves to reduce the risk of irregularities and inappropriate favouring of a third party at the company's expense.

Ratos's holding teams evaluate reporting from the companies from an analytical viewpoint. Performance and risks that are identified are communicated monthly by the company executive to the CEO who, where appropriate, in turn reports to the Board. Ahead of an acquisition, a due diligence assessment of the company is performed which includes an analysis of accounting effects, a review of capital structure and a financial risk analysis.

The companies' application of IFRS in their reporting and how they comply with the principle choices Ratos has made are followed up regularly.

Accounts relating to acquisitions and investments as well as major transactions and accounting issues are discussed and regularly reconciled with Ratos's auditor. Impairment testing is performed for each company during the fourth quarter, which is also reviewed by Ratos's auditors.

### Quality assurance for financial reporting

It is the opinion of the Board that the quality of a company's reporting is primarily determined by the organisation's competence in accounting matters as well as how the accounting, reporting and finance functions are staffed and organised. At Ratos, the entire investment organisation is deeply involved in the reporting from the companies. This means that the quality of the accounting and reporting of the companies is continuously examined and developed. Through the Audit Committee, the Board oversees the internal control and the accuracy of the financial reporting and evaluates recommendations for improvement. The Audit Committee submits proposals on issues that require a Board decision.

Ratos's Accounts function is organised and manned on the basis of the need to ensure that the Group maintains a high accounting standard and complies with IFRS and other standards within accounting. Working duties include preparing regular accounts mainly for the parent company and preparing closing accounts for both the parent company and the Group. A total of five people are employed within the function headed by the company's Finance Manager. The employees have long professional experience in reporting and accounting. The Debt Management function comprises one person with many years of experience of banking and finance issues. As of December 2018, Ratos has also appointed a CFO.

Ratos's mission includes investing in and developing wholly or partly owned companies. The aim is not that these companies' systems and reporting should be integrated into the Ratos Group, but resources are used for follow-up and development of financial reporting from subsidiaries and associates. Ratos's aim, as part of the value-creating work with the companies, is to create independent and high-quality organisations with a quality of financial reporting that corresponds to that of a listed company.

## PROCESS FOR FINANCIAL REPORTING


### 1 REPORTING FROM COMPANIES

According to a set timetable, the companies report an income statement and balance sheet every month and an extended reporting package every quarter. Complementary information is provided within several areas in conjunction with the annual accounts.

The reporting constitutes the basis both for the legal consolidated financial statements and for Ratos's analysis of all portfolio companies. Normally, the financial information is the same, but in some cases, the companies report an adjusted profit, so-called pro forma, to achieve comparable periods and comparable results.

The financial reporting is designed to follow the applicable laws and regulatory frameworks such as IFRS. Reporting is entered into a Group-wide electronic consolidated reporting system. As support to the companies for this reporting, Ratos has a number of supporting instructions and documents. The companies' accounting and finance functions are invited once a year to seminars organised by Ratos which mainly examine year-end reporting, other financial information and other reporting to Ratos, but also pending accounting changes and other relevant and topical issues.

### 2 RATOS ACCOUNTS' ANALYSIS AND ASSESSMENT

Ratos Accounts acts as financial controllers in the analysis and assessment of each company's reporting. The material reported by the companies is examined analytically and evaluated regarding completeness, accuracy and compliance with Ratos's accounting principles. Ratos Accounts has an active dialogue with each company. Any deviations noted in the legal and operational follow-up as well as the analysis and reconciliation are corrected both in the legal consolidated financial statements and in the information presented at company level following a dialogue with the company concerned.

### 3 THE INVESTMENT ORGANISATION'S ANALYSIS AND ASSESSMENT

The investment organisation acts as business controllers in the analysis and assessment of each company's reporting.

In parallel with Ratos Accounts, the reported material is analysed on the basis of the knowledge available on each company, including based on information provided to the companies' boards, to understand each company's financial development. The investment organisation writes a monthly report per company where activities in the company and the company's development are described and analysed. The report is submitted to Ratos's management each month and to Ratos's Board each quarter.

### 4 RATOS ACCOUNTS' PROCESSING AND CONSOLIDATION

Ratos Accounts prepares both a legal consolidated financial statement according to IFRS and various analyses of Ratos's portfolio companies combined, such as the table of companies found on ▶ pages 26–27.

Consolidation includes a number of reconciliation controls. Reconciliation includes contributions to total equity per company and checking that changes in equity are in accordance with completed transactions.

### 5 REPORTING TO BOARD AND MANAGEMENT

Every month, Ratos Accounts prepares a report to management and the Board regarding the development in Ratos's portfolio companies combined, focusing on the development of sales, EBITA, adjusted EBITA and EBITA margins, and a formal result for the Ratos Group every month in accordance with IFRS.

In addition to the above, the Board receives a quarterly follow-up report concerning the development of each individual portfolio company.

### 6 AUDIT

The company's auditors present the auditor's report as per December concerning the consolidated financial statement and management of the Ratos Group.

The auditors also perform a review of the interim report and the holding's closing accounts which will be performed as per June.

The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

### 7 AUDIT COMMITTEE'S ROLE

The Audit Committee receives an audit report from Ratos's auditor, both in conjunction with the second-quarter accounts and the year-end accounts. Ratos's auditors then also present an oral audit report to the Audit Committee and there is then an opportunity for Ratos's Audit Committee to ask complementary questions. Ratos's CEO, CFO and Finance Manager attend these meetings. Ratos's auditors attend all Audit Committee meetings. The Audit Committee can also put questions to the auditor without management being present.

### 8 EXTERNAL REPORTING

Ratos publishes its interim and year-end reports as well as an annual report through press releases and publication on the website. Earlier reports can be downloaded from the website. The annual report is available in Swedish and English, and is printed in Swedish and sent to those who wish to receive it. In addition, financial information about the companies is published on Ratos's website.

# Board of Directors and CEO

Board's and CEO's holdings at 31 December 2018

## Per-Olof Söderberg, Chairman

Dependent (on major shareholders)
Chairman of the Board since December 2017.
MSc Econ, SSE. MBA Insead. Born 1955, Swedish.
Chairman of Söderberg & Partners, Stockholm City Mission and Inkludera Invest. Deputy Chairman of the Stockholm Chamber of Commerce and Stockholm School of Economics, among others.

*Shareholding in Ratos (own and related parties):*
16,634,396 Class A shares, 150,000 Class B shares

## Ulla Litzén

Independent Board member since 2016.
MSc Econ and MBA. Born 1956, Swedish.
Board member of Electrolux, Epiroc, Husqvarna and NCC.
Formerly CEO of W Capital Management AB (wholly owned by the Wallenberg Foundations). Senior positions and member of the management group of Investor AB.

*Shares in Ratos (own):* 20,000 Class B shares
*Options in Ratos issued by Ratos's principal owner:* 85,000

## Annette Sadolin

Independent Board member since 2007.
LL.B. Born 1947, Danish.
Chairman of Østre Gasværk Teater. Board member of Blue Square Re NL, DSB, DSV, Ny Carlsberg Glyptotek and Topdanmark.
Formerly Deputy CEO of GE Frankona Ruck 1996-2004, CEO of GE Employers Re International 1993-96, Deputy CEO of GE Employers Re International 1988-93.

*Shares in Ratos (own):* 8,264 Class B shares
*Options in Ratos issued by Ratos's principal owner:* 42,500

## Karsten Slotte

Independent Board member since 2015.
MSc Econ. Born 1953, Finnish.
Board member of Antti Ahlströms arvingar, Conficap, Royal Unibrew and Scandi Standard.
Formerly President and CEO of the Karl Fazer Group 2007–2013.
CEO of Cloetta-Fazer 2002–2006.

*Shares in Ratos (own):* 8,600 Class B shares
*Options in Ratos issued by Ratos's principal owner:* 42,500

## Jan Söderberg, Deputy Chairman

Dependent (on major shareholders)
Deputy Chairman of the Board since December 2017.
MSc Econ. Born 1956, Swedish.
Chairman of Söderbergföretagen. Board member of Blinkfyrar, Elisolation, Henjo Plåtteknik, NPG, ProVia, SEAB and My Special Day. Member of the Lund School of Economics Management Advisory Board.

*Shareholding in Ratos (own and related parties):*
14,975,580 Class A shares, 2,897,800 Class B shares

## Jonas Wiström, CEO

CEO and independent Board member since 2017.
MSc Eng. Born 1960, Swedish.
Deputy Chairman of Business Sweden.

*Shares in Ratos (own):* 120,000 Class B shares
*Warrants in Ratos:* 100,000
*Convertibles in Ratos:* 100,000
*Options in Ratos issued by Ratos's principal owner:* 260,000

## Auditor

At the 2018 Annual General Meeting, the auditing firm PricewaterhouseCoopers AB, with authorised public accountant Peter Clemedtson as Senior Auditor, was elected for the period until the 2019 Annual General Meeting has been held.

## Secretary to the Board

Magnus Stephensen, General Counsel, Ratos.

# Financial statements

## Consolidated income statement

| **SEKm** | Note 2, 4 | **2018** | **2017** |
|---|---|---|---|
| Net sales | 3 | 23,125 | 23,059 |
| Other operating income | | 115 | 79 |
| Change in inventories of products in progress, finished goods and work in progress | | -1 | -16 |
| Work performed by the company for its own use and capitalised | | 128 | 70 |
| Raw materials and consumables | | -13,084 | -12,123 |
| Employee benefit costs | 7, 22 | -6,107 | -6,098 |
| Depreciation and impairment of property, plant and equipment and intangible assets | 11, 12 | -1,167 | -1,163 |
| Other costs | 8, 26 | -3,010 | -3,467 |
| Capital gain from sale of Group companies | 5 | 104 | 559 |
| Impairment and capital gains for investments recognised according to the equity method | 5 | 44 | 161 |
| Share of profits from investments recognised according to the equity method [1)] | 6, 13 | 171 | 19 |
| **Operating profit** | | **320** | **1,081** |
| Financial income | 9 | 62 | 77 |
| Financial expenses | 9 | -450 | -500 |
| **Net financial items** | | **-388** | **-423** |
| **Profit/loss before tax** | | **-69** | **658** |
| Income tax | 10 | -155 | -234 |
| Share of tax from investments recognised according to the equity method [1)] | 10 | -38 | -17 |
| **Profit/loss for the year** | | **-262** | **407** |
| *Attributable to* | | | |
| Owners of the parent | | -448 | 268 |
| Non-controlling interests | | 186 | 139 |
| Earnings per share, SEK | 21 | | |
| Basic earnings per share | | -1.40 | 0.72 |
| Diluted earnings per share | | -1.40 | 0.72 |

*[1)] Tax attributable to share of profit before tax, from investments recognised according to the equity method, is presented on a separate line.*

# Consolidated statement of comprehensive income

| SEKm | Note | 2018 | 2017 |
|---|---|---|---|
| **Profit/loss for the year** | | **-262** | **407** |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | 22 | | |
| Remeasurement of defined benefit pension obligations, net | | -15 | 8 |
| Tax attributable to items that will not be reclassified to profit or loss | 10 | 1 | 2 |
| | | **-14** | **10** |
| **Items that may be reclassified subsequently to profit or loss** | 19 | | |
| Translation differences for the year | | 209 | -29 |
| Change in hedging reserve for the year | | -10 | -1 |
| Tax attributable to items that may be reclassified subsequently to profit or loss | 10 | 2 | 0 |
| | | **201** | **-30** |
| **Other comprehensive income for the year, net after tax** | | **187** | **-20** |
| **Total comprehensive income for the year** | | **-75** | **387** |
| *Total comprehensive income for the year attributable to* | | | |
| Owners of the parent | | -307 | 248 |
| Non-controlling interests | | 232 | 139 |

# Consolidated statement of financial position

| SEKm | Note 4 | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Goodwill | 11 | 11,274 | 11,583 |
| Other intangible assets | 11 | 1,761 | 1,841 |
| Property, plant and equipment | 12 | 1,586 | 1,827 |
| Investments recognised according to the equity method | 13 | 1,092 | 1,204 |
| Shares and participations | 16 | 8 | 10 |
| Financial receivables | 16 | 83 | 84 |
| Other receivables | 32 | 30 | 25 |
| Deferred tax assets | 10 | 486 | 478 |
| **Total non-current assets** | | **16,320** | **17,053** |
| **Current assets** | | | |
| Inventories | 17 | 1,060 | 1,136 |
| Tax assets | | 71 | 73 |
| Trade receivables | 16, 25 | 2,657 | 2,432 |
| Prepaid expenses and accrued income | | 452 | 303 |
| Financial receivables | 16 | 17 | 34 |
| Other receivables | 32 | 821 | 411 |
| Cash and cash equivalents | 16, 30 | 3,404 | 3,881 |
| **Total current assets** | | **8,483** | **8,270** |
| **Total assets** | | **24,803** | **25,323** |
| EQUITY AND LIABILITIES | | | |
| Share capital | 18, 19 | 1,021 | 1,021 |
| Other capital provided | | 417 | 417 |
| Reserves | | -223 | -374 |
| Retained earnings including profit/loss for the year | | 7,486 | 8,596 |
| **Equity attributable to owners of the parent** | | **8,701** | **9,660** |
| **Non-controlling interests** | 20 | 1,929 | 1,886 |
| **Total equity** | | **10,630** | **11,546** |
| **Liabilities** | | | |
| Non-current interest-bearing liabilities | 16, 25 | 4,938 | 5,819 |
| Other non-current liabilities | 32 | 171 | 179 |
| Financial liabilities | 16 | 285 | 177 |
| Provisions for pensions | 22 | 524 | 486 |
| Other provisions | 23 | 21 | 61 |
| Deferred tax liabilities | 10 | 429 | 500 |
| **Total non-current liabilities** | | **6,368** | **7,222** |
| Current interest-bearing liabilities | 16, 25 | 1,591 | 1,019 |
| Financial liabilities | 16 | 0 | 4 |
| Trade payables | 16 | 2,279 | 2,284 |
| Tax liabilities | | 225 | 126 |
| Other liabilities | 32 | 1,955 | 1,098 |
| Accrued expenses and deferred income | | 1,050 | 1,369 |
| Provisions | 23 | 705 | 656 |
| **Total current liabilities** | | **7,805** | **6,555** |
| **Total liabilities** | | **14,173** | **13,777** |
| **Total equity and liabilities** | | **24,803** | **25,323** |

For information about the Group's pledged assets and contingent liabilities, see Note 27.

# Consolidated statement of changes in equity

| SEKm | Note 18, 19, 20 | Share capital | Other capital provided | Reserves | Retained earnings incl. profit / loss for the year | Total | Non-controlling interests | Total equity provided |
|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the parent | | | | | | |
| **Opening equity, 1 January 2017** | | **1,024** | **1,842** | **-364** | **8,780** | **11,283** | **2,003** | **13,286** |
| Adjustment[1] | | | | 16 | -17 | 0 | 0 | 0 |
| **Adjusted equity** | | **1,024** | **1,842** | **-348** | **8,764** | **11,283** | **2,004** | **13,286** |
| Profit for the year | | | | | 268 | 268 | 139 | 407 |
| Other comprehensive income for the year | | | | -27 | 7 | -20 | 0 | -20 |
| **Comprehensive income for the year** | | | | **-27** | **275** | **248** | **139** | **387** |
| Dividend | | | | | -659 | -659 | -90 | -749 |
| Non-controlling interests' share of capital contribution, new issue and impaired equity | | | | | | | 27 | 27 |
| Net effect, purchase/redemption of treasury shares | | -3 | -1,425 | | 128 | -1,300 | | -1,300 |
| Option premiums | | | | | 1 | 1 | | 1 |
| Put options, future acquisitions from non-controlling interests | | | | | -3 | -3 | -2 | -5 |
| Acquisition of shares in subsidiaries from non-controlling interests | | | | | -1 | -1 | -6 | -6 |
| Disposal of shares in subsidiaries to non-controlling interests | | | | | 1 | 1 | 6 | 6 |
| Non-controlling interests in disposals | | | | | | | -101 | -101 |
| Adjustment, non-controlling interests | | | | | 91 | 91 | -91 | 0 |
| **Closing equity, 31 December 2017** | | **1,021** | **417** | **-374** | **8,596** | **9,660** | **1,886** | **11,546** |
| **Opening equity, 1 January 2018** | | **1,021** | **417** | **-374** | **8,596** | **9,660** | **1,886** | **11,546** |
| Adjustment[2] | | | | 0 | -29 | -29 | -17 | -46 |
| **Adjusted equity** | | **1,021** | **417** | **-374** | **8,567** | **9,631** | **1,869** | **11,500** |
| Loss for the year | | | | | -448 | -448 | 186 | -262 |
| Other comprehensive income for the year | | | | 150 | -10 | 141 | 46 | 187 |
| **Comprehensive income for the year** | | | | **150** | **-457** | **-307** | **232** | **-75** |
| Dividend | | | | | -638 | -638 | -42 | -680 |
| Non-controlling interests' share of capital contribution, new share issue and impaired equity | | | | | | | 9 | 9 |
| Value of conversion option for convertible debenture | | | | | 2 | 2 | | 2 |
| Option premiums | | | | | 1 | 1 | | 1 |
| Put options, future acquisitions from non-controlling interests | | | | | 8 | 8 | -114 | -106 |
| Acquisition of shares in subsidiaries from non-controlling interests | | | | | 3 | 3 | -15 | -12 |
| Disposal of shares in subsidiaries to non-controlling interests | | | | | 1 | 1 | 5 | 6 |
| Non-controlling interests at acquisition | | | | | | | 0 | 0 |
| Non-controlling interests in disposals | | | | | | | -15 | -15 |
| **Closing equity, 31 December 2018** | | **1,021** | **417** | **-223** | **7,486** | **8,701** | **1,929** | **10,630** |

1) *Refers to adjustment of translation reserve in Bisnode.*

2) *Adjustments for 2018 pertain to changes to the valuation of an associated company to Aibel which Aibel has reclassified from assets held for sale to investments recognised according to the equity method.*

# Consolidated statement of cash flows

| SEKm | Note 30 | 2018 | 2017 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | | 320 | 1,081 |
| Adjustment for non-cash items | | 1,042 | 522 |
| | | 1,362 | 1,602 |
| Income tax paid | | -147 | -251 |
| **Cash flow from operating activities before change in working capital** | | **1,215** | **1,351** |
| Cash flow from change in working capital | | | |
| Increase (-)/Decrease (+) in inventories | | -73 | -26 |
| Increase (-)/Decrease (+) in operating receivables | | -730 | 232 |
| Increase (+)/Decrease (-) in operating liabilities | | 321 | -258 |
| **Cash flow from operating activities** | | **732** | **1,299** |
| **Investing activities** | | | |
| Acquisitions, Group companies | | -82 | -365 |
| Disposals, Group companies | | 92 | 709 |
| Acquisitions, investments recognised according to the equity method | | 0 | -16 |
| Disposals, investments recognised according to the equity method | | 233 | 1,065 |
| Acquisitions, other intangible assets/property, plant and equipment | | -521 | -578 |
| Disposals, other intangible assets/property, plant and equipment | | 11 | 6 |
| Investments, financial assets | | 0 | 0 |
| Disposals, financial assets | | 1 | 288 |
| Interest received | | 10 | 25 |
| **Cash flow from investing activities** | | **-256** | **1,135** |
| **Financing activities** | | | |
| Non-controlling interests' share of issue/capital contribution | | 9 | 41 |
| Purchase/redemption of treasury shares | | | -1,300 |
| Repurchase/final settlement options | | -10 | -24 |
| Option premiums paid | | 7 | 19 |
| Acquisition and disposal of shares in subsidiaries from non-controlling interests | | -11 | 0 |
| Dividend paid | | -638 | -677 |
| Dividends paid, non-controlling interests | | -55 | -90 |
| Borrowings | | 2,542 | 662 |
| Amortisation of loans | | -2,475 | -1,199 |
| Interest paid | | -301 | -330 |
| Amortisation of financial leasing liabilities | | -31 | -30 |
| **Cash flow from financing activities** | | **-962** | **-2,928** |
| **Cash flow for the year** | | **-485** | **-494** |
| Cash and cash equivalents at the beginning of the year | | 3,881 | 4,389 |
| Exchange differences in cash and cash equivalents | | 7 | -46 |
| Increase (-)/Decrease (+) in cash and cash equivalents classified as Assets held for sale | | | 32 |
| Cash and cash equivalents at the end of the year | | 3,404 | 3,881 |

# Parent company income statement

| SEKm | Note | 2018 | 2017 |
|---|---|---|---|
| Other operating income | | 22 | 10 |
| Other external costs | 8 | -55 | -81 |
| Personnel costs | 7, 22 | -77 | -98 |
| Depreciation of property, plant and equipment | 12 | -4 | -3 |
| **Operating loss** | | **-114** | **-172** |
| Profit/loss from investments in Group companies | 5 | -108 | 883 |
| Profit from investments in associates | 5 | | 778 |
| Result from other securities and receivables accounted for as non-current assets | 9 | 2 | |
| Other interest income and similar profit/loss items | 9 | 12 | 24 |
| Interest expenses and similar profit/loss items | 9 | -29 | -21 |
| **Profit/loss after financial items** | | **-239** | **1,491** |
| Income tax | 10 | 0 | |
| **Profit/loss for the year** | | **-239** | **1,491** |

# Parent company statement of comprehensive income

| SEKm | Note 19 | 2018 | 2017 |
|---|---|---|---|
| **Profit/loss for the year** | | **-239** | **1,491** |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Change in fair value reserve for the year | | -7 | |
| **Other comprehensive income for the year** | | **-7** | |
| **Comprehensive income for the year** | | **-245** | **1,491** |

# Parent company balance sheet

| SEKm | Note | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 59 | 61 |
| Financial assets | | | |
| Participations in Group companies | 29 | 6,931 | 8,267 |
| Investments in associates | 14 | | |
| Receivables from Group companies | 15, 16 | 5 | 12 |
| Other securities held as non-current assets | 16 | 0 | 0 |
| **Total non-current assets** | | **6,995** | **8,340** |
| **Current assets** | | | |
| Current receivables | | | |
| Receivables from Group companies | 15, 16 | 5 | 2 |
| Other receivables | | 19 | 11 |
| Prepaid expenses and accrued income | | 2 | 2 |
| Cash and bank balances | 16, 30 | 1,734 | 2,226 |
| **Total current assets** | | **1,760** | **2,240** |
| **Total assets** | | **8,755** | **10,581** |
| EQUITY AND LIABILITIES | | | |
| **Equity** | 18, 19 | | |
| Restricted equity | | | |
| Share capital (number of Class A shares 84,637,060, number of Class B shares 239,503,836) | | 1,021 | 1,021 |
| Statutory reserve | | 289 | 289 |
| Unrestricted equity | | | |
| Share premium reserve | | 129 | 129 |
| Fair value reserve | | 0 | 7 |
| Retained earnings | | 6,685 | 5,829 |
| Profit/loss for the year | | -239 | 1,491 |
| **Total equity** | | **7,885** | **8,765** |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | | | |
| Convertible debentures | 16 | 16 | |
| Liabilities to Group companies | 16 | 572 | 306 |
| Financial liabilities | 16 | 48 | 30 |
| Non-interest bearing liabilities | | | |
| Other liabilities | | 6 | 18 |
| **Total non-current liabilities** | | **643** | **354** |
| **Current provisions** | | | |
| Other provisions | 23 | 140 | 140 |
| **Total current provisions** | | **140** | **140** |
| **Current liabilities** | | | |
| Interest-bearing liabilities | | | |
| Liabilities to Group companies | 16 | | 13 |
| Financial liabilities | 16 | 0 | |
| Non-interest bearing liabilities | | | |
| Liabilities to Group companies | 16 | 33 | 1,250 |
| Trade payables | 16 | 4 | 7 |
| Other liabilities | | 4 | 7 |
| Accrued expenses and deferred income | 24 | 45 | 46 |
| **Total current liabilities** | | **87** | **1,322** |
| **Total equity and liabilities** | | **8,755** | **10,581** |

For information about the Parent Company's pledged assets and contingent liabilities, see Note 27.

# Parent company statement of changes in equity

| SEKm | Note 18, 19 | Restricted equity: Share capital | Restricted equity: Statutory reserve | Unrestricted equity: Share premium reserve | Unrestricted equity: Fair value reserve | Unrestricted equity: Retained earnings | Unrestricted equity: Profit/loss for the year | Total equity provided |
|---|---|---|---|---|---|---|---|---|
| **Opening equity, 1 January 2017** | | **1,024** | **286** | **1,556** | **7** | **6,671** | **-312** | **9,232** |
| Other disposition of earnings | | | | | | -312 | 312 | |
| Profit for the year | | | | | | | 1,491 | 1,491 |
| **Comprehensive income for the year** | | | | | | | **1,491** | **1,491** |
| Dividend | | | | | | -659 | | -659 |
| Purchase of Class C shares (preference shares) | | -3 | 3 | -1,428 | | 128 | | -1,300 |
| Option premiums | | | | | | 1 | | 1 |
| **Closing equity, 31 December 2017** | | **1,021** | **289** | **129** | **7** | **5,829** | **1,491** | **8,765** |
| **Opening equity, 1 January 2018** | | **1,021** | **289** | **129** | **7** | **5,829** | **1,491** | **8,765** |
| Other disposition of earnings | | | | | | 1,491 | -1,491 | |
| Loss for the year | | | | | | | -239 | -239 |
| Change in fair value reserve for the year | | | | | -7 | | | -7 |
| **Comprehensive income for the year** | | | | | **0** | | **-239** | **-245** |
| Dividend | | | | | | -638 | | -638 |
| Option premiums | | | | | | 2 | | 2 |
| Conversion option | | | | | | 2 | | 2 |
| Deferred tax on conversion option | | | | | | 0 | | 0 |
| **Closing equity, 31 December 2018** | | **1,021** | **289** | **129** | **0** | **6,685** | **-239** | **7,885** |

# Parent company cash flow statement

| SEKm | Note 30 | 2018 | 2017 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/loss before tax | | -239 | 1,491 |
| Adjustment for non-cash items | | 254 | -1,463 |
| | | 16 | 27 |
| Income tax paid | | - | - |
| **Cash flow from operating activities before change in working capital** | | **16** | **27** |
| Cash flow from change in working capital | | | |
| Increase (-)/Decrease (+) in operating receivables | | 0 | -19 |
| Increase (+)/Decrease (-) in operating liabilities | | -61 | -69 |
| **Cash flow from operating activities** | | **-45** | **-61** |
| **Investing activities** | | | |
| Acquisitions, shares in subsidiaries | | -120 | -422 |
| Disposals, shares in subsidiaries | | 62 | |
| Liabilities to Group companies [1)] | | 236 | 1,228 |
| Disposals, shares in associates | | | 781 |
| Acquisition, property, plant and equipment | | -2 | 0 |
| **Cash flow from investing activities** | | **177** | **1,587** |
| **Financing activities** | | | |
| Repurchase/redemption of treasury shares | | | -1,300 |
| Option premiums paid | | | 4 |
| Repurchase/final settlement options | | -3 | -16 |
| Convertible debentures | | 18 | |
| Dividend paid | | -638 | -677 |
| **Cash flow from financing activities** | | **-623** | **-1,989** |
| **Cash flow for the year** | | **-491** | **-463** |
| Cash and cash equivalents at the beginning of the year | | 2,226 | 2,677 |
| Exchange differences in cash and cash equivalents | | -1 | 12 |
| Cash and cash equivalents at the end of the year | | 1,734 | 2,226 |

1) *Liability to centrally administered Group companies that arose in conjunction with divestments of Group companies.*

# Index to the notes

# Notes to the financial statements

## Note 1 Accounting principles

### Compliance with standards and laws

Ratos's consolidated financial statements are prepared in accordance with the Swedish Annual Accounts Act (1995:1554), RFR 1 Complementary Accounting rules for groups, International Financial Reporting Standards (IFRS) and interpretations of the standards (IFRIC) as endorsed by the EU. The parent company applies the same accounting principles as the Group except in cases specified in the section Parent company's accounting principles on page 77.

### Changed accounting principles due to new or amended IFRS

As of 2018, Ratos applies IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The following changes have been made with respect to the application of the new standards. In all other respects, reporting and measurement principles are unchanged compared with those applied in Ratos's 2017 Annual Report.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 is to be applied from 2018 and addresses the recognition of revenue from contracts with customers and the sale of certain non-financial assets. It has replaced IAS 11 *Construction Contracts*, and IAS 18 *Revenue* and related interpretations. The new standard introduces a new model for revenue recognition based on the core principle that revenue is to be recognised when control over goods or services has been passed to the customer and in an amount that reflects the consideration to which the company is entitled in exchange for those goods or services.

Ratos has chosen to apply the full retrospective approach during the transition using the practical solutions contained in the standard, although no material practical solutions have been used. The transition to IFRS 15 has not had any material impact on the Ratos Group's financial earnings or position. No comparative figures have therefore been restated and no disclosures regarding the transition are presented.

#### IFRS 9 Financial Instruments

IFRS 9 is to be applied from 2018 and has replaced IAS 39 *Financial Instruments:* Recognition and Measurement. For the Ratos Group, IFRS 9 does not entail any changes with respect to recognition in and derecognition from the statement of financial position. However, changes will occur with respect to the classification and measurement of financial instruments. On initial recognition, all financial instruments are to be measured at fair value, which complies with IAS 39. After initial recognition, financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income. The classification of financial assets is determined based on the company's business model and the contractual cash flows the company will receive from the financial asset.

The category of amortised cost includes trade receivables, financial receivables and cash and cash equivalents. The category of fair value through profit or loss includes derivatives not used as hedging instruments, synthetic options, contingent considerations and other securities held as non-current assets. The Ratos Group has no financial assets in the category of fair value through other comprehensive income. The measurement of financial liabilities is largely unchanged compared with IAS 39.

Under IFRS 9, the impairment requirement for receivables is to be determined based on expected credit losses, which for the Ratos Group mainly impacts the recognition of bad debts. The Group's bad debts have been non-material, and remain so after the transition to the new standard. Each portfolio company applies its own impairment model for trade receivables based on assumptions and historical information. All portfolio companies have chosen to apply a simplified impairment model.

With respect to hedge accounting, IFRS 9 has had no impact on the Ratos Group's financial position and earnings. The comparative figures for 2017 are based on earlier principles and have not been restated. The transition to IFRS 9 has not had any impact on opening balance.

### New IFRS that have not yet come into force

Several new standards, amendments and improvements to existing standards and interpretations have not come into force for the 2018 financial year and have thus not been applied in the preparation of this financial report. New standards expected to have an impact on Ratos's financial reports when they come into force, or which are otherwise deemed important to address, are presented below.

#### IFRS 16 Leases

IFRS 16 *Leases* replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease* and related rules as of 2019. Under the new standard, the lessee is required to recognise all contracts that meet the definition of a lease as a right-of-use asset and financial liability in the statement of financial position.

The standard entails no difference for the lessee between operating and finance leases. Leases that currently comprise operating leases will subsequently be recognised in the balance sheet, which entails that the current operating expense, corresponding to the leasing charges for the period, will be replaced by depreciation and interest expense in the income statement. Payment of short-term contracts and leases of low value will be expensed on a straight-line basis in income statement. Short-term leases are leases with a term of 12 months or less. For the Ratos Group's financial statements, this will entail improved operating profit before depreciation, higher depreciation, weaker net financial items and increased total assets. Cash flow from leases will be moved from operating activities to financing activities (amortisation and interest paid).

To make it easier for the reader, Ratos will include certain key figures excluding IFRS 16 in its interim reports for 2019. This is to ensure comparability between years.

The effect of IFRS 16 will be reported in the opening balance as of 1 January 2019. IFRS 16 is expected to entail that interest-bearing net debt in the Group will increase approximately SEK 4 billion to almost SEK 8 billion at the start of 2019. The increase is mainly attributable to Plantasjen, whose lease liability is expected to increase by around SEK 3 billion. The table below shows the preliminary effect on the opening balance as of 1 January 2019.

**Preliminary impact on opening balance 2019**

| SEK billion | Change 1 Jan 2019 |
|---|---|
| **ASSETS** | |
| Right-of-use assets | 4 |
| Deferred tax assets | 0 |
| Current receivables | -0 |
| **Total assets** | **4** |
| **EQUITY AND LIABILITIES** | |
| Equity | -0 |
| **LIABILITIES** | |
| Financial lease liability (interest-bearing) | 4 |
| Provisions | -0 |
| **Total equity and liabilities** | **4** |

Ratos has chosen to apply the modified retrospective approach during the transition to IFRS 16 using the practical solutions provided in the standard. This means the accumulated effect of the application of IFRS 16 will be recognised in retained earnings in the opening balance as of 1 January 2019 without restating comparative figures. 2017 and 2018 in this Annual Report are therefore based on earlier principles and have not been restated. Leases of low value as well as leases with a term of 12 months or less, referred to as short-term leases, or that end within 12 months from the transition date, will not be included in the lease liability but rather will continue to be expensed on a straight-line basis during the lease term.

The Group has chosen to value the opening lease liability and opening right-of-use asset for most of its leases at the same amount on 1 January 2019, with the right-of-use asset and adjustments for prepaid lease payments recognised in the balance sheet as of 31 December 2018. For leases classified as finance leases in accordance with IAS 17, the recognised carrying amount for right-of-use asset and lease liability according to IFRS 16 will, as of 1 January 2019, correspond to the recognised carrying amount of the lease asset and lease liability in accordance with IAS 17 immediately prior to the transition to IFRS 16. For loss-making agreements, the Group has chosen to reduce the value of right-of-use asset by the amount recognised as provisions as of 31 December 2018. The effect on equity is therefore limited.

When determining the value of the right-of-use assets and financial lease liability, the most critical assessments are the following:

- Lease payments have been discounted by the incremental borrowing rate. The change in Plantasjen's financial borrowings account for 70% of the Group's change. Plantasjen has used an incremental borrowing rate of 4.1%–6.7%.
- Options to extend and terminate contracts have been taken into account for the leases when it is considered reasonably certain that these will be exercised.
- Historical information has been used when assessing the term of a lease in cases when an option exists to extend or terminate a contract.

The preliminary effect of IFRS 16 is shown in the table below.

**Preliminary effect of transition from IAS 17 Leases to IFRS 16 Leases**

| SEK billion | 2018 |
|---|---|
| Future payments for operating leases at 31 December 2018 | 6 |
| Less contracts classified as | |
| Short-term leases | -0 |
| Leases for which the underlying asset is of low value | -0 |
| Service agreements and thereby not covered by IFRS 16 | -0 |
| | **5** |
| Discounted by the incremental borrowing rate | -1 |
| Financial lease liability at 31 December 2018 | 1 |
| Adjustments due to other handling of options to extend or terminate a contract | 0 |
| Currency translation and other adjustments | -0 |
| **Financial lease liability at 1 January 2019** | **5** |
| **Right-of-use assets at 1 January 2019** | **4** |
| **Impact on equity after deferred tax during transition to IFRS 16** | **-0** |

### IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies how current tax assets and liabilities are to be recognised and measured when uncertainties exist about the tax treatment. An uncertain tax treatment is deemed to exist when there is uncertainty about whether the treatment will be approved by the tax authority. The interpretation is not expected to entail any material impact on Ratos's financial statements.

## Conditions for preparation of the financial statements of the parent company and the Group

The parent company's functional currency is Swedish kronor (SEK), which also comprises the presentation currency for the parent company and the Group. This means that the financial statements are presented in Swedish kronor.

Amounts are presented in SEK million (SEKm) unless otherwise stated. Rounding may apply in tables and calculations, which means that the stipulated total amounts are not always an exact amount of the rounded amounts.

Measurement of assets and liabilities is based on historical cost except for the following assets and liabilities which are measured in another manner:

- Financial assets and liabilities can be measured at either fair value or amortised cost.
- Associates and joint ventures are reported in accordance with the equity method.
- Valuation of deferred tax assets and liabilities is based on how carrying amounts for assets and liabilities are expected to be realised or settled. Deferred tax is calculated applying current tax rates.
- Assets held for sale are recognised at the lower of the prior carrying amount and fair value with deduction for selling costs.
- Inventories are measured at the lower of cost and net realisable value.
- Provisions are measured at the amount required to settle an obligation, with any present value calculation.
- A net obligation relating to defined benefit pension plans is measured at the present value of an estimate of the future benefit earned by the employees with deduction for any plan assets linked to the respective pension plan, measured at fair value.

The Group's accounting principles, summarised below, are applied consistently to all periods presented in the Group's financial statements. These principles are also applied consistently to reporting and consolidation of parent companies, subsidiaries and associates.

## Estimations and assessments

Preparation of the financial statements in accordance with IFRS requires assessments and estimations to be made as well as assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. The final outcome can deviate from the results of these estimations and assessments.

The estimations and assumptions are reviewed on a regular basis. Changes in estimations are reported in the period in which the changes are made.

When applying IFRS, assessments which have a material effect on the financial statements, such as estimations made that may result in substantial adjustments to the following year's financial statements are described in greater detail in Note 31.

## Classification

Non-current assets essentially comprise amounts expected to be recovered or paid after more than 12 months from the end of the reporting period, while current assets essentially comprise amounts that are expected to be recovered or paid within 12 months from the end of the reporting period.

Non-current liabilities essentially comprise amounts that the Ratos Group has an unconditional right to choose to pay later than 12 months from the end of the reporting period. If such a right does not exist at the end of the reporting period or if the liability is expected to be regulated within the normal business cycle, the liability amount is recognised as a current liability.

*Note 1, cont.*

## Consolidation principles and business combinations

The consolidated financial statements are prepared in accordance with IFRS 10 Consolidated Financial Statements and IFRS 3 Business Combinations. Subsidiaries are consolidated by applying the acquisition method. Associates and joint ventures are consolidated by applying the equity method.

### Subsidiaries

Subsidiaries are companies over which Ratos exercises control. Control exists when the Group is exposed to or is entitled to a variable return from its holding in the company and is able to affect the return through its controlling influence in the company. Subsidiaries are included in the consolidated financial statements with effect from the date when control is transferred to the Group.

### Potential voting rights

Consolidation is normally carried out on the basis of the current ownership interest. Potential voting rights relate to votes that may be added after the exercise of, for example, convertibles and options. Potential shares carrying voting rights that can be utilised or converted without delay are taken into account when assessing whether a significant influence or control exists. The existence of all such potential voting rights is taken into account, i.e. not only those related to the parent or owner company.

### Acquisition method

Subsidiaries are reported according to the acquisition method. This method means that acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. In the purchase price allocation (PPA), the fair value on the acquisition date is identified of acquired identifiable assets and assumed liabilities as well as any non-controlling interests. For business combinations, there are two alternative methods for recognising goodwill, either a proportionate share of or full goodwill. Full goodwill means that a non-controlling interest is recognised at fair value. The choice between these two methods is made individually for every acquisition.

Acquisition-related costs, with the exception of costs attributable to the issue of an equity instrument or debt instrument, are recognised directly in profit or loss for the year. In step acquisitions goodwill is identified on the date control is obtained. If the company already owned an interest in the acquired subsidiary this is remeasured at fair value and the change in value recognised in profit or loss for the year. In business combinations where the consideration transferred, any non-controlling interest and fair value of the previously owned interest exceed the fair value of acquired assets and assumed liabilities, the difference is recognised as goodwill. When the difference is negative, called a "bargain purchase," the difference is recognised directly in profit or loss for the year. Payments that relate to settlement of an earlier business commitment are not included in the PPA but recognised in profit or loss. Contingent considerations are recognised at fair value on the date of acquisition. If the contingent consideration is classified as a financial liability, this is remeasured at fair value on each reporting date. The change in value is recognised in profit or loss for the year. If the contingent consideration, on the other hand, is classified as an equity instrument no remeasurement is performed and adjustment is made within equity.

### Acquisitions and divestments in subsidiaries where the controlling interest is unchanged

Acquisitions and divestments of interests in subsidiaries where Ratos has an uninfluential control of in the transaction are recognised as a transaction within equity, meaning between owners of the parent and non-controlling interests.

### Put options issued to owners with non-controlling interests

Put options issued to owners with non-controlling interests refer to agreements that give the owner the right to sell interests in the company, either at a fixed price or a fair value at a future period in time. The amount that may be paid if the option is exercised is initially recognised at the present value of the strike price applicable at the period in time when the option can first be exercised as financial liability with a corresponding amount directly in equity. Ratos has chosen to firstly recognise non-controlling interests in equity and, if this is insufficient, in equity attributable to owners of the parent. The liability is adjusted to the strike price applicable on the date when the option can first be exercised. If the option is not exercised by maturity, the liability is derecognised and a corresponding adjustment of equity made.

### Disposal of subsidiaries

Subsidiaries are excluded from the consolidated financial statements with effect from the date when control ceases to exist, which occurs when the Group no longer has a controlling interest. At that point in time, every remaining holding is measured at fair value. The change in value is recognised in profit or loss for the year. The fair value is used as the first carrying amount and provides the basis for future recognition of the remaining holding as an associate, joint venture or financial asset. All amounts relating to the sold subsidiaries which were previously recognised in other comprehensive income, are recognised as if the Group directly sold the attributable assets or liabilities, meaning that amounts previously recognised in Other comprehensive income are reclassified to profit or loss.

### Associates and joint ventures – equity method

Associates are companies over which Ratos exercises a significant influence. A significant influence means the possibility of participating in decisions concerning the company's financial and operating strategies, but does not imply control or joint control. Normally, ownership corresponding to not less than 20% and not more than 50% of the voting rights means that a significant influence exists. Circumstances in individual cases may lead to a significant influence even with ownership of less than 20% of the votes.

A joint venture is a joint arrangement through which the parties have joint controlling influence over the arrangement and are entitled to net assets from the arrangement. Joint controlling influence exists when joint exercise of the controlling influence over an operation is contractually stipulated. It exists only when it is required that the parties sharing the controlling influence must give their consent regarding operations-related decisions.

Associates and joint ventures are recognised according to the equity method. The equity method means that the book value in the Group of the shares in associates corresponds to the Group's share of equity in associates, and any residual values on consolidated surplus and deficit values minus any intra-group profits. In the consolidated income statement, the Group's share of associates' profits after financial income and expenses reduced by depreciation of acquired surplus values and where applicable dissolution of intra-group profit is reported as "Share of profits from investments recognised according to the equity method". The Group's share of associates' recognised taxes is reported on a separate line. Dividends received from associates reduce carrying amounts.

Acquisition-related costs, with the exception of costs attributable to the issue of an equity instrument or debt instrument, are included in acquisition cost.

When the Group's share of recognised losses in the associate exceeds the carrying amount of the interests in the Group, the value of these interests is reduced to zero. Future losses are thus not recognised unless the Group has provided guarantees to cover losses arising in the associate. The equity method is applied until the date on which the significant influence ceases.

If the ownership interest in a joint venture or associate is reduced but joint control (JV) or significant influence (associates) is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

### Transactions eliminated on consolidation

Intra-group receivables and liabilities, income and expenses, and unrealised gains or losses arising from intra-group transactions between Group companies, are eliminated in their entirety.

Unrealised gains arising from transactions with associates are eliminated to an extent that corresponds to the Group's ownership in the company. Unrealised losses are eliminated in the same manner as unrealised gains, but only if there is no indication of impairment.

## Foreign currency

### Transactions

Transactions in foreign currency are translated into the functional currency at the exchange rate that prevails on the transaction date.

Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate prevailing at the end of the reporting period.

Exchange differences that arise on translation are recognised in profit or loss for the year. Changes in value due to currency translation relating to operating assets and liabilities are recognised in operating profit.

Non-monetary assets and liabilities recognised at historical costs are translated at the exchange rate on the transaction date. Non-monetary assets recognised at fair value are translated to the functional currency at the rate that prevails on the date of fair value measurement.

### Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated into Swedish kronor at the exchange rate prevailing at the end of the reporting period. Income and expenses in a foreign operation are translated into Swedish kronor at an average rate that comprises an approximation of the rates on each transaction date. Translation differences that arise on translation of foreign operations are reported in other comprehensive income and accumulated in the translation reserve in equity.

If the foreign operation is not wholly owned, the translation differences are allocated to non-controlling interests on the basis of its proportional ownership. At disposal of a foreign operation the accumulated translation differences attributable to the operation are recognised whereby they are reclassified from the translation reserve to profit or loss for the year. In the event a disposal is made but control remains, a proportionate share of accumulated translation differences is transferred from other comprehensive income to non-controlling interests.

### Net investment in foreign operations

Monetary non-current receivables to a foreign operation for which settlement is not planned and will probably not take place in the foreseeable future, are in practice part of net investment in foreign operations. An exchange difference that arises on the monetary non-current receivable is recognised in other comprehensive income and accumulated in the translation reserve in equity.

When a foreign operation repays monetary non-current receivables or provides a dividend and the parent company has the same participating interest as previously, Ratos has chosen not to transfer the accumulated translation differences from the translation reserve in equity to profit or loss for the year. At disposal of a foreign operation, the accumulated exchange differences attributable to monetary non-current receivables are reclassified from the translation reserve in equity to profit or loss for the year.

## Revenue recognition

Revenue recognition in accordance with IFRS 15 shall take place in the manner that best reflects the transfer of promised goods or services to the customer, based on a five-step model stipulated in the standard. To apply the model, a company must identify a contract that includes a performance obligation to transfer a good or service to the customer at a fixed transaction price (selling price). The transaction price consists of the amount of consideration to which a company expects to be entitled in exchange for transferring promised goods or services to a customer. When the transaction price is determined, it must be allocated to the performance obligations in the contract. Revenue is recognised when the performance obligation is satisfied. Revenue is recognised either over time or at a point in time, depending on when control is transferred to the customer. A company satisfies a performance obligation over time if one of the following criteria is met:

1) the customer immediately receives the benefits when the obligation is satisfied
2) the company's performance creates or enhances an asset that the customer controls
3) the company's performance does not create an asset with an alternative use for the company and the company has the right to payment for performance completed to date.

For more information about revenue recognition, refer to Note 3.

## Operating leases

Costs for operating leases are recognised in profit or loss on a straight-line basis over the lease term. Benefits received in conjunction with signature of a lease are recognised in profit or loss as a reduction of leasing charges on a straight-line basis over the term of the lease. Variable charges are recognised as an expense in the period in which they arise.

## Financial income and expenses

Net financial items include dividends, interest as well as costs for raising loans, calculated using the effective interest method, and exchange-rate fluctuations relating to financial assets and liabilities. Dividend income is recognised when the right to receive dividends is established.

Capital gains or losses that arise in conjunction with divestments of financial assets and impairment of financial assets are also reported in net financial items, as are unrealised and realised changes in value relating to financial assets measured at fair value through profit or loss. Changes in the value of derivative instruments for which hedge accounting is not applied are recognised in net financial items.

In addition, payments relating to finance leases are divided between interest expense and amortisation. Interest expense is recognised as a financial expense.

Exchange gains and exchange losses are recognised net.

## Intangible assets

### Goodwill

Goodwill is measured at cost minus any cumulative impairment losses. Goodwill is not amortised but is tested annually for impairment or when there is an indication that the asset has declined in value. Goodwill that arose at acquisition of associates or joint ventures is included in the carrying amount for investments.

### Research and development

Research expenditure is recognised as an expense as incurred. In the Group, development costs are only recognised as intangible assets provided the product or process is technically and financially usable, the conditions exist to complete development and thereafter use or sell the asset, and the expenditure can be calculated in a reliable manner. The carrying amount includes all directly attributable expenditure, such for material and services, employee benefits as well as registration of a legal entitlement. Amortisation is started when the product goes into operation and is distributed on a straight-line basis over the period in which the product provides economic benefits. Other development costs are expensed in the period in which they arise.

### Other intangible assets

Other intangible non-current assets acquired by the Group are reported at cost with deduction for impairment and, if the asset has a determinable useful life, cumulative amortisation.

Costs incurred for internally generated goodwill and internally generated trademarks are recognised in profit or loss when the cost is incurred.

### Subsequent expenditure

Subsequent expenditure for capitalised intangible assets is recognised as an asset in the Statement of financial position only if it increases the future economic benefits for the specific asset to which it is attributable. All other expenditure is recognised as an expense when it arises.

### Borrowing costs

Borrowing costs that are attributable to the construction of so-called qualifying assets are capitalised as part of the qualifying asset's cost. A qualifying asset is an asset which necessarily takes a significant time to complete. In the first instance, borrowing costs are capitalised which were incurred on loans that are specific to the qualifying asset. In the second instance, borrowing costs are capitalised which arose on general loans that are not specific to any other qualifying asset.

### Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, provided such useful lives are not indeterminable. Useful lives are tested annually or when required.

Depreciable intangible assets are amortised from the date when they are available for use. The estimated useful lives are:

| Number of years | Group |
|---|---|
| Trademarks | 20 |
| Databases | 5–10 |
| Customer relations | 2–20 |
| Business systems | 3–10 |
| Other intangible assets | 3–10 |

## Property, plant and equipment

### Owned assets

Property, plant and equipment are reported in the Group at cost after deduction for cumulative depreciation and any impairment losses. Cost includes the purchase price as well as costs directly attributable to the asset in order to put it in place and in a condition to be utilised in accordance with the purpose of its acquisition. Examples of directly attributable costs included in cost are costs for delivery and handling, installation, registration of title, consulting services and legal services.

The carrying amount of property, plant and equipment is derecognised from the Statement of financial position upon disposal or sale or when no future economic benefits are expected from use. Gains or losses that arise from the sale or disposal of an asset comprise the difference between the selling price and the carrying amount of the asset with deduction for direct selling costs are recognised as other operating income/expense.

### Leased assets

Leases are classified in the consolidated financial statements as either finance or operating leases. A finance lease exists when the economic risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, it is an operating lease.

Assets attributable to finance leases are recognised as an asset in the Statement of financial position and measured initially at the lower of the fair value of the leased asset and the present value of minimum leasing charges at the start of the contract. The obligation to pay future leasing charges is recognised as non-current and current liabilities. Leased assets are depreciated over the useful life of the asset while lease payments are recognised as interest and amortisation of liabilities.

Assets leased under operating leases are normally not recognised as an asset in the Statement of financial position. Nor do operating leases give rise to a liability.

### Borrowing costs

Borrowing costs that are attributable to the construction of so-called qualifying assets are capitalised as part of the qualifying asset's cost. A qualifying asset is an asset which necessarily takes a significant time to complete. In the first instance, borrowing costs are capitalised which were incurred on loans that are specific to the qualifying asset. In the second instance, borrowing costs are capitalised which arose on general loans that are not specific to any other qualifying asset.

### Subsequent expenditure

Subsequent expenditure is added to cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be estimated in a reliable manner. All other subsequent expenditure is recognised as an expense in the period in which it arises. Decisive for assessment of when a subsequent expenditure is added to cost is whether the expenditure relates to replacement of identified components, or parts of the same, whereby such expenditure is recognised as an asset.In cases where a new component is created, the expenditure is also added to cost. Any undepreciated carrying amounts on replaced components, or parts of components, are disposed of and recognised as an expense when the replacement takes place. Repairs are recognised as an expense on a current basis.

### Depreciation principles

Depreciation is carried out on a straight-line basis over the estimated useful life per component. Land is not depreciated.

| Number of years | Group |
|---|---|
| Buildings | 10–50 |
| Equipment | 3–10 |

The residual value and useful life of an asset are assessed annually. The Parent Company has a building that is depreciated over 100 years.

## Financial instruments

Financial instruments recognised in the Statement of financial position on the assets side include cash and cash equivalents, trade receivables, shares and participations and financial receivables. On the liabilities side there are trade payables, financial liabilities and interest-bearing liabilities. Derivative instruments are recognised under both assets and liabilities.

### Recognition and derecognition from the statement of financial position

A financial asset or a financial liability is recognised in the Statement of financial position when the company becomes a party to the contractual provisions of the instrument. A receivable is recognised when the company has performed and a contractual obligation to pay exists, even if an invoice has not yet been sent. Trade receivables are recognised in the Statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. Trade payables are recognised when an invoice has been received. Financial assets and liabilities can be measured at fair value, cost or amortised cost.

*Note 1, cont.*

A financial asset is derecognised from the Statement of financial position when the contractual rights are realised, expired or the company loses control over them. The same applies to part of a financial asset. A financial liability is derecognised from the Statement of financial position when the contractual obligation is met or otherwise extinguished. The same applies to part of a financial liability.

A financial asset and a financial liability are offset and recognised with a net amount in the Statement of financial position only if a legal right to offset these amounts exists and there is an intention to settle these items with a net amount or at the same time realise the asset and settle the liability.

Acquisition and divestment of financial assets are reported on the trade date which is the day when the company undertakes to acquire or divest the asset except in cases where the company acquires or divests listed securities when settlement date accounting is applied.

### Classification and measurement

Initially financial assets and liabilities are measured at a cost corresponding to fair value with the addition of transaction costs.
An exception is financial assets and liabilities that are recognised at fair value through profit or loss, which are initially recognised at fair value excluding transaction costs.

Fair value for listed financial assets corresponds to the listed purchase price of the asset at the end of the reporting period. Fair value of unlisted financial assets is determined by applying valuation techniques such as recently completed transactions, price of similar instruments or discounted cash flows. Amortised cost is determined on the basis of the effective interest calculated on the acquisition date. Effective interest is the rate that discounts the estimated future cash flows throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all charges made or received by the contractual parties that are part of effective interest, transaction costs and all other premiums or discounts.

As of 1 January 2018, a division of financial assets and liabilities is made into one of the categories listed below. The classification of investments as debt instruments is due to the Group's business model for management of financial assets and the contractual terms of the asset's cash flows. For equity instruments that are not held for trading, recognition depends on whether the Group, on the acquisition date for the instrument, made an irrevocable choice to recognise the equity instrument at fair value through other comprehensive income. The Group only reclassifies debt instruments in cases where the Group's business model for the instrument is changed. Category classification is not specified in the Statement of financial position but is specified, on the other hand, in Note 16.

Cash and cash equivalents consist of cash and immediately available balances held by banks and similar institutions as well as short-term liquid investments with a maturity from the acquisition date of less than three months which are only exposed to an insignificant risk for fluctuations in value.

### – Amortised cost

Assets held for the purpose of collecting contractual cash flows and where these cash flows solely consist of the principal amount and interest, are recognised at amortised cost. Interest income from such financial assets is recognised as financial income by applying the effective interest method. Gains and losses that arise during derecognition from the balance sheet are recognised directly in profit or loss in other gains and losses together with exchange rate earnings.

The category of amortised cost includes trade receivables, financial receivables, and cash and cash equivalents. Trade receivables are recognised at the amount at which they are expected to accrue, with deduction for loss provisions.

### – Fair value through other comprehensive income.

Assets held for the purpose of collecting contractual cash flows and for sale, where the cash flows solely consist of the principal amount and interest, are measured at fair value through other comprehensive income. Changes in carrying amounts are recognised through other comprehensive income, except for recognition of interest income, exchange differences and impairment, which are recognised in profit or loss. When the financial asset is derecognised from the balance sheet, the accumulated profit or loss, which was previously recognised in other comprehensive income, is transferred from equity to profit or loss. Interest income from these financial assets is recognised as financial income by applying the effective interest method. Exchange gains and exchange losses are included in other gains and losses.

The Ratos Group has no financial assets in the category of fair value through other comprehensive income.

### – Financial assets measured at fair value through profit or loss

Assets that do not meet the requirements to be recognised at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The Group measures all equity instruments at fair value.

Changes in the fair value of financial assets recognised at fair value through profit or loss are recognised as other gains/losses in profit or loss. A gain or loss for a debt instrument that is recognised at fair value through profit or loss and that is not part of a hedging relationship is recognised net in profit or loss in the period in which the gain or loss arises.

Debt instruments included in the category are contingent considerations and derivatives with a positive fair value with the exception of derivatives that are identified and effective hedging instrument. The purpose of a derivative instrument, which is not classified as a hedging instrument, determines if the change in value is recognised in net financial items or in operating profit or loss.

Equity instruments included in the category are holdings of shares and participations that are not recognised as subsidiaries or associates.

### – Client money

Client money, which is recognised as assets and liabilities in the Statement of financial position, includes payment received for a specific receivable on behalf of a client and to be paid to the client within a specific period. Client money is cash and cash equivalents with a limited right of disposition, so that the same amount is recognised as liabilities. Client money is not classified as cash and cash equivalents.

### – Financial liabilities measured at fair value through profit or loss

See the description on this page under "Financial assets measured at fair value through profit or loss". The category includes synthetic options, put options, contingent considerations and derivative instruments with a negative value that are not classified as hedging instruments when hedge accounting is applied. These are measured on a current basis at fair value with changes in value recognised in profit or loss for the year. The purpose of the derivative instrument determines whether a change in value is recognised in net financial items or in operating profit or loss. Change in value of financial liabilities attributable to issued synthetic options where market premiums have been paid is recognised within net financial items.

### – Other financial liabilities

Loans and other financial liabilities, such as trade payables, are included in this category. The liabilities are measured at amortised cost.

Trade and other payables that have a short anticipated maturity are measured at nominal amounts without discount.

### Accounting policies applied up to and including 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative figures. This means the comparative figures stated have been recognised in accordance with the previous accounting policies.

### Classification and measurement

The principles for measurement on initial recognition and the principles for classification and measurement of financial liabilities are largely unchanged in the transition to IFRS 9, see description above.

A division of financial assets was made into one of the categories listed below. A combination of the purpose of the holding at the original acquisition date and type of financial asset or liability was decisive for the division.

### – Financial assets measured at fair value through profit or loss

This category consisted of two sub groups: financial assets held for trading and other financial assets that the company chose to classify in this category (the fair value option). These were measured on a current basis at fair value with changes in value recognised in profit or loss for the year. The first sub group included derivatives with a positive fair value with the exception of derivatives that were an identified and effective hedging instrument.

### – Loans and receivables

This category included trade receivables, financial receivables and cash and cash equivalents. Trade receivables were recognised at the amount at which they were expected to accrue after deduction for individual assessment of doubtful debts. Impairment of trade receivables was recognised in operating expenses.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets were measured at amortised cost. Amortised cost is determined on the basis of the effective interest calculated on the acquisition date. Trade receivables have a short remaining maturity and were therefore measured at a nominal amount without discount.

### – Available-for-sale financial assets

The category available-for-sale financial assets included financial assets that could not be classified in any other category or financial assets that the company initially chose to classify in this category. Holdings of shares and participations that were not reported as subsidiaries or associates were recognised here. Shares and participations classified as available-for-sale assets, which were not listed in an active market and for which fair value could not be calculated in a reliable manner, were measured at cost.

## Derivative instruments and hedge accounting

The Group's derivative instruments are acquired to hedge the risks of interest rate and currency exposure to which the Group is exposed. In order to hedge this risk, various types of derivative instruments are used such as forward contracts, swaps and hedges of net investments in foreign operations.

All derivative instruments are recognised at fair value in the Statement of financial position. Transaction costs are charged to earnings initially. The changes in value that arise on remeasurement can be recognised in different ways depending on whether or not hedge accounting is applied.

In accordance with IFRS 9, the Group documents the relationship between the hedging instrument and the hedged item when the transaction is entered into as well as the Group's target for risk management and risk management strategy pertaining to the hedge. Both when entering into the hedging transaction and on an ongoing basis, the Group also documents its assessment as to whether or not the derivatives used for the hedging transaction are, and remain, efficient in terms of offsetting changes in the fair value of the hedged items or in terms of the cash flows pertaining to them. The outcome related to hedges are recognised in profit or loss for the year at the same time as gains or losses are recognised for the hedged items.

If hedge accounting is discontinued before the maturity of the derivative instrument, the derivative instrument returns to classification as a financial asset or liability measured at fair value through profit or loss, and the future changes in value of the derivative instrument are therefore recognised directly in profit or loss for the year.

In order to meet the requirements for hedge accounting according to IAS 39, which was applied until 31 December 2017, an unequivocal link to the hedged item was required. Furthermore, it was required that the hedge effectively protected the hedged item, that hedging documentation was prepared and that effectiveness through effectiveness measurement could be shown to be sufficiently high.

### Receivables and liabilities in foreign currency

Forward contracts are used to hedge a receivable or liability with exchange rate risk. Hedge accounting is not used for protection in these cases since a financial hedge is reflected in the financial statements through both the underlying receivable or liability and the hedging instrument being recognised at the exchange rate on the closing date and changes in exchange rates are recognised in profit or loss for the year.

Changes in exchange rates for operating receivables and liabilities are recognised in operating profit or loss while changes in exchange rates for financial receivables and liabilities are recognised in net financial items.

### Cash flow hedges

*Hedges of forecast purchases/sales in foreign currency*

The forward contracts used to hedge future cash flows and forecast purchases and sales in foreign currency are recognised in the Statement of financial position at fair value. Where hedge accounting is applied, changes in value for the period are recognised in other comprehensive income and accumulated changes in value in the hedging reserve within equity until the hedged flow is recognised in profit or loss for the year, whereby the hedging instrument's accumulated changes in value are reclassified to profit or loss for the year where they meet and match profit or loss effects from the hedged transaction.

If hedge accounting is not applied, changes in value for the period are recognised directly in profit or loss for the year.

*Hedging of future interest flows*

To hedge uncertainty in future interest flows relating to loans at floating interest, interest rate swaps are used, where the company receives floating interest and pays fixed interest. These interest rate swaps are measured at fair value in the Statement of financial position. The interest coupon is recognised on a current basis in profit or loss as an interest expense. In the event hedge accounting is applied, unrealised changes in the fair value of the interest rate swap are recognised in other comprehensive income and included as part of the hedging reserve until the hedged item affects profit or loss for the year and provided the criteria for hedge accounting and effectiveness are met. Gains or losses attributable to the ineffective part are recognised in profit or loss for the year.

If hedge accounting is not applied, changes in value for the period are recognised directly in profit or loss for the year.

*Hedging of net investments*

Hedging of net investments in foreign operations is recognised in a similar manner to cash flow hedges.

The portion of the gain or loss on a hedging instrument considered as effective hedging is recognised in other comprehensive income and accumulated in equity. Gains or losses attributable to the ineffective portion are recognised directly in profit or loss as other income or other costs.

Accumulated gains and losses in equity are reclassified in profit or loss when the foreign operations are partially or entirely divested.

## Impairment

On each closing date an assessment is made of whether there is any indication that an asset has an impaired value. If such indication exists, the recoverable amount of the asset is calculated.

Assessment of carrying amount is performed in another manner for certain assets. This applies to inventories, assets held for sale, assets under management used for financing of employee benefits and deferred tax assets, see respective headings below. IAS 36 is applied to impairment of assets other than financial assets which are reported according to IFRS 9.

### Impairment of goodwill, intangible assets and property, plant and equipment

In the Ratos Group, goodwill and intangible assets with an indeterminable useful life are attributed to a company, i.e. a subsidiary or associate, where each company comprises a cash-generating unit. Testing of carrying amounts is performed per company, including the value of goodwill and intangible assets which are attributable to the company in question. Testing is carried out annually by calculating a recoverable amount regardless of whether or not an indication of impairment exists.

In between, the value is tested if an indication of impairment exists.

An impairment is charged to operating profit or loss and recognised when the carrying amount exceeds the recoverable amount. Impairment is allocated in the first instance to goodwill.

The recoverable amount is the higher of fair value with deduction for selling costs and value in use. For a more detailed description, see Note 11.

### Impairment of financial assets

As of 1 January 2018, the Group measures future expected credit losses related to investments in debt instruments recognised at amortised cost and fair value, respectively, with changes through other comprehensive income based on forward-looking information.

In accordance with the rules in IFRS 9, the Group applies a simplified approach for impairment testing of trade receivables. The approach entails that the reserve for expected credit losses is calculated based on the risk of loss over the entire lifetime of the receivable and is recognised when the receivable is initially measured. For more information, see Note 25.

Up to and through 31 December 2017, the Group evaluated on each reporting date whether there were objective indications that a financial asset or group of financial assets was impaired. Objective evidence consisted of observable events that had occurred and had a negative impact on the possibility to recover the acquisition cost or of a significant or protracted decrease in fair value for a financial investment classified as a financial asset available for sale. The impairment requirement of the receivables was determined on the basis of historical experience of bad debts on similar receivables. Trade receivables with an impairment requirement were recognised at the present value of anticipated future cash flows. Impairment of available-for-sale financial assets was recognised in net financial items.

### Reversal of impairment

Goodwill impairment is not reversed.

Impairment losses on other assets are reversed if there has been a change in the assumptions that form the basis of calculation of the recoverable amount. An impairment is only reversed to the extent the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if no impairment had been recognised, taking into account the amortisation that would then have taken place.

Financial assets are written off when a reasonable expectation of payment no longer exists, for example when a debtor has failed to comply with a repayment plan or a receivable has fallen due for a certain number of days. When loans and receivables are written off, measures continue to be undertaken to recover the receivable. If a previously written off receivable is recovered, the amount is recognised in profit or loss.

Up to and through 31 December 2017, impairment of loans and receivables recognised at amortised cost was reversed if the earlier reasons for impairment no longer existed and full payment was expected. Impairment of equity instruments, which were previously recognised in profit or loss were not reversed through profit or loss for the year but in other comprehensive income. The impaired value was the amount from which a subsequent revaluation was performed which was recognised in other comprehensive income. Impairments of fixed-income instruments, classified as Available-for-sale financial assets, were reversed through profit or loss if the fair value increased and the increase could objectively be attributed to an event that occurred after the impairment was recognised.

## Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost comprises all costs for purchase, costs for manufacture and other costs of bringing the goods to their current location and condition. Cost for goods that are not exchangeable and for goods and services that are produced for and held separately for specific projects are determined based on the specific costs attributable to the respective product.

For other goods, cost is calculated according to the first-in, first-out principle or through methods based on a weighted average.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs.

## Equity

### Purchase of treasury shares

Acquisitions of treasury shares are recognised as a reduction of equity.

Proceeds from the sale of treasury shares are recognised as an increase in equity. Any transaction costs are recognised directly in equity.

### Preference shares

Ratos recognises preference shares as equity in accordance with IAS 32, since Ratos does not have an undertaking to redeem outstanding preference shares. Ratos's Board is able to make a decision on redemption of preference shares. Dividends on preference shares require a general meeting resolution.

### Dividends

Dividends are recognised as a liability after the Annual General Meeting has approved the dividend.

## Employee benefits

### Defined contribution pension plans

Plans where the company's obligation is limited to the contributions the company has undertaken to pay are classified as defined contribution pension plans. In such case, the size of the employee's pension depends on the contributions paid by the company to the plan or to an insurance company and the return on investment provided by the contributions. Consequently, it is the employee who bears the actuarial risk and the investment risk. The company's obligations for contributions to defined contribution plans are recognised as an expense in profit or loss for the year as they are earned.

Obligations for retirement pension and family pension for salaried employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a defined benefit plan that covers several employers. Information which makes it possible to report this plan as a defined benefit plan has not so far been made available.

*Note 1, cont.*

The pension plan according to ITP which is secured through an insurance with Alecta is therefore reported as a defined contribution plan.

### Defined benefit plans

The Group's net obligation relating to defined benefit plans is calculated separately for each plan through an estimation of the future benefits that the employees have earned through their employment in both current and past periods. The remuneration is discounted to a present value and the fair value of any plan assets is deducted. The discount rate is the rate at the end of the reporting period for a first-class corporate bond with a maturity that corresponds to the Group's pension obligations. When there is no active market for such corporate bonds the market rate on government bonds with a corresponding maturity is used instead. This calculation is performed by a qualified actuary using the projected unit credit method.

When the terms in a plan improve, the portion of the increased benefits attributable to the employees' past service is recognised as an expense in profit or loss. Remeasurements which arise as a result of defined benefit plans also include the return on plan assets (excluding interest), gains or losses arising from changes to demographic and financial assumptions, experience-based gains or losses and changes to the asset ceiling (if any, excluding interest). These are recognised immediately in other comprehensive income. All other costs related to defined benefit plans are recognised under personnel costs in the income statement. The Group recognises interest on defined benefit obligations under net financial items in the income statement.

### Other long-term benefits

The portion of variable remuneration to employees that is only paid if the employee remains in service, is recognised under other non-current liabilities. The remuneration is discounted to a present value and the fair value of any plan assets is deducted. The discount rate is determined on the same basis as for defined benefit pension plans.

### Compensation in the event of termination of employment

Costs for benefits in conjunction with termination of employment are only recognised if the company is demonstrably obligated, without any realistic possibility of withdrawal, by a formal, detailed plan to terminate an employment prior to the normal date. When benefits are provided as an offering to encourage voluntary attrition, an expense is recognised if it is probable that the offer will be accepted and the number of employees that will accept the offer can be estimated in a reliable manner.

### Short-term benefits

Short-term employee benefits are calculated without discount and recognised as expenses when the relative services are received.

### Incentive programmes, call options

Ratos AB issued call option programmes between 2013 and 2017. The call option programmes are secured through purchases of treasury shares. Purchases of treasury shares are recognised as a reduction of equity. The options have been acquired at a market price and the option premium is recognised directly in equity. In the event of future exercise of the options, the exercise price will be paid and increase equity.

### Incentive programmes, synthetic options

Ratos AB issued synthetic options between 2007 and 2017. Synthetic options may also be issued by subsidiaries.

Premiums received are recognised as a financial liability. This did not initially imply any cost for the company since measurement of the options' fair value corresponds to the premium received by the company.

The liability is remeasured on a current basis to fair value by applying an options valuation model taking current terms into account. The changes in value during the term of the options are recognised as a financial item.

If a synthetic option is utilised by the holder the financial liability is settled. The realised profit or loss is recognised in profit or loss as a financial item. If the synthetic options expire and are worthless, the recognised liability is taken up as income.

In cases when a market premium is not paid, these are recognised and measured in accordance with IFRS 2. A basic premise for IFRS 2 is that the company bears the cost that it incurred by not receiving a market premium. The expense that initially corresponds to the market value of the liability is recognised as employee benefits. In certain cases the expense is accrued over an earning period. The liability is remeasured on a current basis at fair value and changes in value are recognised in profit or loss for the year.

### Incentive programmes, convertible debentures and warrants

The parent company has issued convertible debentures to its personnel, who paid market value. Recognition of the convertible debenture is divided up into an interest-bearing debt and a conversion option. The conversion option is recognised in equity. The initial fair value of the debt portion of the convertible debenture was calculated by using the market rate on the issue date for an equivalent non-convertible bond. On initial recognition, the debt is measured at amortised cost until it is converted or falls due. The remainder of the cash and cash equivalent is apportioned to the conversion option, recognised net after tax in equity, and is not remeasured. The convertible debenture issued entails no personnel costs. In the event of any future conversion of the debenture, new shares will be issued that increase equity at the same time as the debt portion is transferred to equity. If conversion does not take place, the debt will be repaid to the participants on the due date.

The parent company has also issued warrants to personnel. The warrants are offered free of charge, which means that the participants retain a benefit equivalent to the market value. The market value in connection with allotment was calculated using the Black–Scholes model. The associated benefit and social security contributions are recognised in their entirety as personnel costs upon issuance since there are no vesting conditions. The cost of the benefit is recognised with an equivalent increase of equity. In the event of any future utilisation of warrants, the parent company retains cash and cash equivalents corresponding to the exercise price, whereupon new shares will be issued and the exercise settlement recognised as an increase in equity.

## Earnings per share

Earnings per share are based on consolidated profit/loss for the year attributable to owners of the parent divided by average outstanding ordinary shares.

When calculating diluted earnings per share, earnings and the average number of shares are adjusted to take into account the effects of potential ordinary shares, which, for the reported periods, pertain to convertible debentures and warrants issued to employees. Dilution resulting from convertible debentures is calculated by increasing the number of shares by the total number of shares to which the convertibles correspond and increasing earnings by the recognised interest expense after tax. Potential ordinary shares are considered to have a dilutive effect only during periods when they result in lower earnings or a higher loss per share.

## Provisions

A provision differs from other liabilities since there is uncertainty about the payment date or the size of the amount to settle the provision.

A provision is recognised in the Statement of financial position when the Group has an existing legal or constructive obligation as a consequence of an event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimation of the amount can be made.

Provisions are made in the amount that is the best estimate of what is required to settle the existing obligation on the closing date. If the effect of timing of the payment is significant, provisions are calculated by discounting the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the value in time of the money and, where applicable, the risks associated with the provision.

A provision for an onerous contract is recognised when the expected economic benefits to the Group from a contract are lower than the unavoidable costs of meeting obligations under the contract.

A provision for guarantees is recognised when the underlying products or services are sold. The provision is based on historical data on guarantees and a weighing up of possible outcome in relation to the probabilities inherent in the outcome.

### Restructuring

A provision for restructuring is recognised when there is an adopted, detailed and formal restructuring plan and the restructuring has either started or been publicly announced. No provision is made for future operating expenses.

## Tax

Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit or loss except when the underlying transaction is recognised directly in other comprehensive income or equity, when the inherent tax effect is recognised in other comprehensive income or in equity.

Current tax is tax that is to be paid or received relating to the current year, applying the tax rates decided or in practice at the closing date. Current tax also includes adjustments of current tax attributable to past periods.

Deferred tax is calculated on the basis of the difference between reported and tax assessment value of assets and liabilities. A valuation is performed based on the tax rates and tax regulations decided or announced as per the end of the reporting period. Deferred tax assets relating to deductible temporary differences and loss carry forwards are only recognised to the extent it is probable that these will be utilised. The value of deferred tax assets is reduced when it is no longer assessed as probable that they can be used.

## Contingent liabilities

A contingent liability is recognised when there is a possible commitment that stems from events that have taken place and when their occurrence is only confirmed by one or more uncertain future events or when there is a commitment that is not recognised as a liability or provision since it is not probable that an outflow of economic benefits will be required.

## Parent company's accounting principles

The parent company prepares its annual accounts in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. The Swedish Financial Reporting Board's recommendations for listed companies are also applied. RFR 2 means that the parent company in the annual accounts for a legal entity must apply all EU endorsed IFRS and statements as far as this is possible within the framework of the Annual Accounts Act, the Income Security Act and taking into account the correlation between accounting and taxation.

The recommendation states what exemptions and additions should be made to IFRS.

The differences between the Group's and the parent company's accounting principles are stated below.

The accounting principles set out below for the parent company are applied consistently to all periods presented in the parent company's financial reports.

### Classification and presentation

The parent company's income statement and balance sheet are presented in accordance with the Swedish Annual Accounts Act's schedule, while the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows, respectively. The differences between the consolidated financial statements which apply in the parent company's income statement and balance sheet mainly comprise recognition of financial income and expenses, non-current assets, equity and the occurrence of provisions as a separate heading in the balance sheet.

### Financial instruments

The parent company applies the rules in IFRS 9.

### Anticipated dividends

Anticipated dividend from a subsidiary is recognised in cases where the parent company alone is entitled to decide on the size of the dividend and this has been decided before the parent company published its financial statements.

### Associates and subsidiaries

Investments in associates and subsidiaries are reported in the parent company according to the cost method.

This means that transaction costs are included in the carrying amount for holdings in subsidiaries and associates. In the Group, on the other hand, transaction costs are recognised for subsidiaries directly in profit or loss.

Contingent considerations are measured on the basis of the probability that the consideration will be paid. Any changes in provision/receivable increase/reduce cost. In the consolidated financial statements contingent considerations are recognised at fair value with changes in value through profit or loss.

### Group contributions and shareholder contributions

In cases where the parent company provides a shareholder contribution these are capitalised as shares and participations, to the extent no impairment is recognised.

The parent company can neither give nor receive a group contribution due to its tax status; see Tax below.

### Tax

The parent company is taxed according to the rules for investment companies. This means that any capital gains that arise from shares and other ownership rights are not liable to tax. Capital losses are not deductible.

The company reports a standard income corresponding to 1.5% of the market value of listed shares that at the start of the year have been held for less than one year or where the ownership interest (voting rights) is less than 10%. Dividends received and interest incomes are recognised as taxable income. Interest expenses and overheads are tax deductible as are dividends paid. These rules normally result in the parent company not paying any income tax. Ratos's consolidated tax expense therefore almost exclusively comprises tax in associates and subsidiaries.

# Note 2 Operating segments

Ratos is an investment company whose business comprises the acquisition and development of preferably unlisted Nordic enterprises. Over time, Ratos is to generate the highest possible shareholder value by actively exercising its ownership to realise the potential of a number of selected companies. At the end of 2018, the portfolio comprised 11 subsidiaries and one associated company. The portfolio companies are active in different sectors, and operate strategically, operationally and financially independent of each other. Since the operations of Ratos's subsidiaries are so varied, the most relevant basis for revenue classification is considered to be by portfolio company and the industries in which the companies operate. These two categories provide information about the Ratos Group's primary analysis requirement and give the reader an opportunity to gain an understanding of the various industries in which Ratos is involved in order to assess the Group's sensitivity to market trends and other economic factors that could impact revenue.

Ratos's CEO and Board, the Ratos Group's "chief operating decision-makers", monitor operations on the basis of the development in all of Ratos's companies, based on Ratos's financial targets that the earnings of the company portfolio should increase each year and a conservative leverage in the portfolio companies with an aggregate debt ratio including Ratos AB (Net debt/EBITDA) of less than 2.5x.

| **SEKm** | **Net sales** | | **Depreciation [1]** | | **Interest income** | | **Interest expenses** | | **EBITA [2]** | | **EBT [2]** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Aibel | | | | | | | | | 159 | -24 | 159 | -24 |
| airteam | 918 | 820 | -2 | -36 | 0 | 0 | -5 | -7 | 89 | 77 | 83 | 37 |
| Bisnode | 3,690 | 3,555 | -158 | -153 | 1 | 1 | -48 | -75 | 464 | 397 | 321 | 280 |
| Diab | 1,496 | 1,439 | -70 | -72 | 1 | 1 | -36 | -30 | -155 | 1 | -181 | -41 |
| HENT | 8,394 | 7,266 | -11 | -9 | 2 | 5 | -4 | -7 | 155 | 261 | 165 | 250 |
| HL Display | 1,554 | 1,445 | -38 | -36 | 0 | 0 | -23 | -25 | 96 | 43 | 69 | 17 |
| Kvdbil | 332 | 346 | -12 | -8 | 0 | 0 | -3 | -4 | 8 | 30 | 6 | 27 |
| LEDiL | 439 | 388 | -16 | -7 | 0 | 0 | -9 | -9 | 109 | 107 | 99 | 93 |
| Oase Outdoors | 421 | 409 | -3 | -7 | 0 | 0 | -10 | -9 | 36 | 53 | 26 | 40 |
| Plantasjen | 4,233 | 4,009 | -126 | -115 | 4 | 1 | -154 | -142 | 77 | 220 | -116 | 51 |
| Speed Group | 738 | 513 | -33 | -22 | 0 | 0 | -5 | -2 | -12 | 24 | -32 | 10 |
| TFS | 841 | 882 | -18 | -32 | 0 | 0 | -6 | -2 | -6 | -4 | -14 | -30 |
| **Total companies in the portfolio all periods presented** | **23,056** | **21,072** | **-485** | **-498** | **9** | **9** | **-303** | **-312** | **1,019** | **1,185** | **584** | **709** |
| AH Industries | | 265 | | | | | | -3 | | 3 | | -2 |
| Arcus | | | | | | | | | | 0 | | 0 |
| GS-Hydro | | 542 | | -15 | | 0 | | -9 | | -70 | | -79 |
| Gudrun Sjödén Group | | | | | | | | | 10 | 23 | 10 | 23 |
| Jøtul | 70 | 944 | -4 | -48 | 0 | 1 | -2 | -23 | 0 | -17 | 10 | -46 |
| Nebula | | 177 | | -15 | | 0 | | -8 | | 54 | | 40 |
| Serena Properties | | | | | | | | | | 18 | | 33 |
| **Total companies divested during periods presented** | **70** | **1,929** | **-4** | **-77** | **0** | **1** | **-2** | **-44** | **10** | **11** | **20** | **-31** |
| **Total companies in the portfolio** | **23,125** | **23,001** | **-489** | **-575** | **9** | **10** | **-305** | **-355** | **1,030** | **1,196** | **604** | **679** |

*The table continues on the next page.*

[1] *Depreciation of intangible assets and property, plant and equipment.*

[2] *100% of subsidiaries' profits included in consolidated profit and investments recognised according to the equity method included with pre-tax holding percentage.*

*Note 2, cont.*

| SEKm | Net sales | | Depreciation [1] | | Interest income | | Interest expenses | | EBITA [2] | | EBT [2] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| AH Industries | | | | | | | | | | -32 | | -32 |
| Arcus | | | | | | | | | | 33 | | 33 |
| Gudrun Sjödén Group | | | | | | | | | 36 | | 36 | |
| Jøtul | | | | | | | | | 26 | | 26 | |
| Nebula | | | | | | | | | | 515 | | 515 |
| Serena Properties | | | | | | | | | | 79 | | 79 |
| **Capital gain/loss** | | | | | | | | | **62** | **596** | **62** | **596** |
| Impairment Diab | | | | | | | | | | | | -200 |
| Impairment and loss from GS-Hydro bankruptcy | | | | | | | | | | 68 | | 68 |
| Impairment HL Display | | | | | | | | | | | | -350 |
| Impairment Plantasjen | | | | | | | | | | | -600 | |
| **Profit/loss from companies** | **23,125** | **23,001** | **-489** | **-575** | **9** | **10** | **-305** | **-359** | **1,092** | **1,859** | **66** | **792** |
| **Items attributable to the parent company and central companies** | | | | | | | | | | | | |
| Operational management costs | | | -4 | -9 | | | | | -117 | -153 | -117 | -153 |
| Other income and costs, including transaction costs | | 58 | | | | | | | 1 | 34 | 1 | 34 |
| Costs that will be charged to the portfolio companies | | | | | | | | | 2 | 0 | 2 | 0 |
| Financial items | | | | | 12 | 26 | 0 | -1 | | | -21 | -16 |
| Other/eliminations | | | | | -8 | -7 | 4 | 4 | | | | |
| **Group total** | **23,125** | **23,059** | **-492** | **-584** | **13** | **29** | **-301** | **-353** | **978** | **1,741** | **-69** | **658** |

1) *Depreciation of intangible assets and property, plant and equipment.*
2) *100% of subsidiaries' profits included in consolidated profit and investments recognised according to the equity method included with pre-tax holding percentage.*

| SEKm | Interest-bearing net receivable (+) / net debt (-) [1] | | Consolidated value [2] | |
|---|---|---|---|---|
| **Company** | **31 Dec 2018** | **31 Dec 2017** | **31 Dec 2018** | **31 Dec 2017** |
| Aibel | | | 725 | 679 |
| airteam | -84 | -96 | 443 | 383 |
| Bisnode | -1,378 | -1,566 | 2,156 | 1,929 |
| Diab | -890 | -773 | 454 | 623 |
| HENT | 711 | 664 | 413 | 410 |
| HL Display | -447 | -503 | 621 | 566 |
| Kvdbil | -37 | -141 | 481 | 376 |
| LEDiL | -301 | -365 | 495 | 418 |
| Oase Outdoors | -273 | -278 | 188 | 155 |
| Plantasjen | -2,434 | -2,103 | 575 | 1,275 |
| Speed Group | -69 | 28 | 278 | 297 |
| TFS | -72 | -39 | 246 | 239 |
| **Total companies in the portfolio all periods presented** | **-5,274** | **-5,171** | **7,074** | **7,348** |
| Gudrun Sjödén Group | | | | 183 |
| Jøtul | | -471 | | -34 |
| **Total companies divested during periods presented** | **0** | **-471** | **0** | **149** |
| **Total companies in the portfolio** | **-5,274** | **-5,642** | **7,074** | **7,497** |
| Other/eliminations [3] | 1,725 | 2,318 | 1,627 | 2,163 |
| **Group total** | **-3,549** | **-3,324** | **8,701** | **9,660** |

1) *Excluding shareholder loans*
2) *Holdings are shown at consolidated values, which correspond to the Group's share of the holdings' equity, any residual values on consolidated surplus and deficit values minus any intra-group profits. Shareholder loans are also included.*
3) *In consolidated value, other consists of net assets in the parent company and central companies, of which, cash and cash equivalents in the parent company account for SEK 1,734m (2,226)*

## Net sales per geographic area

| | Net sales per geographic area | |
|---|---|---|
| **SEKm** | **2018** | **2017** |
| Norway | 9,553 | 9,921 |
| Sweden | 5,809 | 4,554 |
| Other Nordic countries | 2,338 | 2,219 |
| Rest of Europe | 4,141 | 4,874 |
| North America | 462 | 590 |
| Rest of the world | 822 | 1,056 |
| | **23,125** | **23,059** |

No individual customer accounts for more than 10% of total revenues.

Note 2, cont.

| SEKm | Sales breakdown by segment [1] 2018 | 2017 |
|---|---|---|
| *Construction* | | |
| airteam | 918 | 820 |
| HENT | 8,394 | 7,266 |
| | **9,312** | **8,086** |
| *Technology, Media, Telecom* | | |
| Bisnode | 3,690 | 3,555 |
| Kvdbil | 332 | 346 |
| Nebula [2] | | 177 |
| | **4,022** | **4,078** |
| *Industrials* | | |
| AH Industries [3] | | 265 |
| Diab | 1,496 | 1,439 |
| GS-Hydro [4] | | 542 |
| HL Display | 1,554 | 1,445 |
| LEDiL | 439 | 388 |
| | **3,489** | **4,079** |
| *Consumer goods/Commerce* | | |
| Jøtul [5] | 70 | 944 |
| Plantasjen | 4,233 | 4,009 |
| Oase Outdoors | 421 | 409 |
| | **4,723** | **5,363** |
| *Healthcare* | | |
| TFS | 841 | 882 |
| | **841** | **882** |
| *Corporate services* | | |
| Speed Group | 738 | 513 |
| | **738** | **513** |
| Sales in central companies | | 58 |
| **Total** | **23,125** | **23,059** |

*1) Includes only sales from subsidiaries. Associates are recognized according to the equity method.*
*2) Nebula was divested in July 2017*
*3) AH Industries was divested in March 2017*
*4) GS-Hydro was declared bankrupt in September 2017*
*5) Jøtul was divested in February 2018*

# Note 3 Revenue breakdown

**Group**

| SEKm | 2018 | 2017 |
|---|---|---|
| *Breakdown of net sales* | | |
| Sale of goods | 8,434 | 9,921 |
| Service contracts | 5,113 | 4,735 |
| Construction contracts | 9,312 | 8,086 |
| Reimbursable expenditure | 267 | 318 |
| | **23,125** | **23,059** |

Performance obligations and key assessments when applying IFRS 15 are described below.

Of the Group's total net sales, 84% (84%) are attributed to the subsidiaries below.

**Bisnode**

***Service contracts***

*Subscription-based sales*

The performance obligation is to provide customers with continuous access to databases and offer customers frequent advisory services through subscription-based sales. The performance obligation is met gradually over the period of the contract. Advance payment is normally carried out for fixed-price contracts, while click-based contracts are invoiced in arrears. Payment terms vary between ten and 60 days. Advance payment for fixed-price contracts. Revenue is recognised as performance obligations are met. The company has no obligation for returns, repayment or warranty. The agreement contains a separate selling price. In cases of variable remuneration (price reductions, volume discounts and so forth) or other discounts, a corresponding amount is apportioned to all performance obligations based on their relative separate selling prices.

*One-off selling*

The performance obligation is to provide the customer with access to the database at a specific time, advisory services and the issue of certificates. The performance obligation is met when the service or data is delivered to the customer. Payment terms vary between ten and 60 days. Income is recognised when the performance obligation is met. The company has no obligation for returns, repayment or warranty. The agreement contains a separate selling price. In cases of variable remuneration (price reductions, volume discounts and so forth) or other discounts, a corresponding amount is apportioned to all performance obligations based on their relative separate selling prices.

**Diab**

***Sale of goods***

*Composite material*

The performance obligation is to deliver composite material to customers. The performance obligation is met when the goods are delivered from the factory to the customer. Payment terms vary between 30 and 120 days. The company has no obligation for returns or repayment. Warranty is provided that the product matches the specification. The agreement contains a separate transaction price. In cases of variable remuneration (price reductions, volume discounts and so forth) or other discounts, a corresponding amount is apportioned to all performance obligations based on their relative separate selling prices.

**HENT**

***Construction contracts***

The company's operations mainly involve performing contractual assignments (projects) with a duration from a few months to two to three years and apply to all types of construction projects. The performance obligation is to construct buildings for customers. The transfer to the customer takes place on a continuous basis and revenue recognition is effected over time (percentage of completion method), since the buildings are constructed on the customer's land, there is no alternative use for the buildings constructed and there exists a right to payment. The percentage of completion method means revenue is recognised as work progresses, based on the degree of completion. The degree of completion is assessed on the basis of the completed production and is normally calculated as the relationship between costs incurred at the end of the accounting period and the expected total cost of each project. Earnings are recognised from the first month when revenue is recognised in a project corresponding to costs incurred for the project. As soon as a final result can be reliably estimated, earnings are continuously recognised in relation to the degree of completion in the project. Normally, the customer is invoiced each month with payment terms of 30 days. Each project has different payment plans. Invoicing takes place either as work progresses or in accordance with the agreed payment plan. Payment terms for the final invoice to the customer are normally 60 days. Accrued revenue that is not invoiced is recognised as a contract asset. Invoiced revenue that is not yet earned is recognised as a current contract liability. The company has no obligation for returns or repayment. The company has a guarantee obligation and makes a provision for compensation claims. The assessment of guarantee commitments is based on historical data from similar projects. The warranty period is normally between three and five years. The agreement contains a separate selling price.

**HL Display**

***Sale of goods***

*Shop fittings*

The performance obligation is to deliver shop fittings to customers and the obligation is met on delivery. Payment terms vary between 30 and 90 days. The company normally has no obligation for returns and repayment. General guarantee commitments are not available, though these may apply in certain individual customer contracts. The agreement contains a separate selling price. Monthly provisions are made for bonuses and discounts.

*Customised goods*

The performance obligation is to deliver shop fittings to customers and the obligation is met on delivery. Payment terms vary between 30 and 90 days. The company has no obligation for returns and repayment. There are no general guarantee commitments. The agreement contains a separate selling price. Monthly provisions are made for bonuses and discounts.

***Service contracts***

*Design, transport and installation*

Sales of services occur to a limited extent. The performance obligation is to design, ship or install goods for customers. The obligation is met on final delivery of the service to the customer. Payment terms vary between 30 and 90 days. The company has no obligation for returns or repayment. There are no guarantee commitments. The agreement contains a separate selling price. Installation and transport services are provided by external partners and are priced separately.

**Plantasjen**

***Sale of goods***

*Sales of plants, cut flowers and gardening equipment*

The performance obligation is the sale of plants, cut flowers and gardening equipment to customers in shops or online. Sales may use cash or credit. The obligation is met immediately for cash sales in shops or on delivery from the warehouse for sales from the online shop. For credit sales, revenue recognition takes place when invoicing occurs. Payment terms vary between 15 and 45 days. The obligation for returns varies between seven and 30 days. Guarantee commitments are five days for cut flowers and 12 months for outdoor plants. Contracts include a separate selling price. In cases of variable remuneration (price reductions or volume discounts) or other discounts, these are apportioned to all performance obligations based on their relative separate selling prices. A loyalty club is used in Sweden, where purchases are registered and result in a refund of 2% paid as bonus vouchers. This commitment is recognised as a liability and measured in accordance with historic outcomes.

*Wholesale trade*

The performance obligation is the sale of flowers to shops, primarily in the grocery retail sector. The obligation is met on delivery of the goods to the shop. Invoicing takes place on a daily basis and is recognised in conjunction with invoicing. Payment terms vary between ten and 35 days. This is an obligation for returns and repayment. Customers report waste and returns continuously, and these volumes are credited on a daily basis. A provision for repayments is made on the last 15 selling days and is based on historical data. There are no guarantee commitments. Contracts include a separate selling price. In cases of variable remuneration (price reductions or volume discounts) or other discounts, these are apportioned to all performance obligations based on their relative separate selling prices.

# Note 4 Acquired and divested businesses

## 2018

### Divested subsidiaries

Cash flow effect from divested companies is provided in Note 30.

**Divestment of Jøtul**

The divestment of Ratos's holding of 93% in Jøtul was concluded in March 2018. The enterprise value amounted to approximately NOK 364m. The divestment generated a capital gain of SEK 26m.

### Divested companies recognised according to the equity method

**Divestment of Gudrun Sjödén Group**

In September 2018, Ratos signed an agreement to sell all of its shares in Gudrun Sjödén Group for a selling price corresponding to SEK 225m for 30% of the shares. The sale was finalised in September 2018 and capital gain was SEK 36m.

### Acquisitions within subsidiaries

In January, Kvdbil acquired Smart Software 365 AB. In the first quarter, the Danish group airteam acquired shares in Luftkontroll Energy i Örebro AB, a leading installer of ventilation solutions in Mälardalen, as part of its expansion into Sweden. As of 1 March 2018, Speed Group acquired all of the shares in Samdistribution Logistics Sweden AB, which is a leading logistics player in the Swedish book market. During the second quarter, Bisnode acquired SIDA Datum Serviss, which was Dun & Bradstreet's Latvian franchise partner. In December, Ledil acquired shares in Delivered Limited, based in Hong Kong.

The acquired companies are subsidiaries in their respective groups. The subsidiaries included in the Ratos Group at year-end and whose acquisitions had the greatest impact on Ratos's financial statements are presented below. Carrying amounts are final. Acquisition-related expenses for the acquisitions above total approximately SEK 3m and are included in other costs in the consolidated income statement for 2018. Fair value and nominal value on trade receivables amounts to SEK 17m. No trade receivables are considered uncertain.

| Acquisitions of Group companies – within subsidiaries SEKm | Within airteam | Within Speed Group |
|---|---|---|
| Intangible assets | | 36 |
| Property, plant and equipment | 0 | 4 |
| Deferred tax assets | | 0 |
| Current assets | 11 | 29 |
| Cash and cash equivalents | 9 | 1 |
| Deferred tax liabilities | | -8 |
| Current liabilities | -8 | -32 |
| **Net identifiable assets and liabilities** | **12** | **30** |
| Goodwill | 28 | 24 |
| **Consideration transferred** | **40** | **53** |
| of which, cash paid | 26 | 42 |
| of which, contingent consideration | | 10 |
| Acquisition-related expenses | 2 | 1 |
| Share acquired, % | 75 | 100 |

Net sales from Samdistribution Logistics Sweden AB's operations, which have been included in the consolidated income statement since the date of acquisition, amount to SEK 158m. Profit before tax amounts to SEK 8m during the corresponding period. For the January to December period, net sales amounted to SEK 184m and profit before tax to SEK 7m. Fair value and nominal value on trade receivables amount to SEK 10m. No trade receivables are considered uncertain.

Net sales from Luftkontroll Energy i Örebro AB's operations, which have been included in the consolidated income statement since the date of acquisition, amount to SEK 55m. Profit before tax amounts to SEK 1m during the corresponding period. For the January to December period, net sales amounted to SEK 59m and profit before tax to SEK 2m. Fair value and nominal value on trade receivables amount to SEK 6m. No trade receivables are considered uncertain.

### Divestments within subsidiaries

During the second quarter, HENT divested its residential development operations, the subsidiary HENT Eiendomsinvest, to Fredensborg Bolig. The agreement included a potential additional purchase consideration if Fredensborg Bolig decides to utilise an option linked to the expansion of a project outside Oslo. The divestment involved a capital gain of NOK 84m, including a potential additional purchase consideration. In October, Speed Group sold its shares in Speed Production AB. The buyer was Inission Borås AB. The sale was carried out to refine Speed Group's service offering, focusing on logistics, staffing, recruitment and training. The sale generated a capital loss of SEK -12m.

## 2017

### Divested subsidiaries

Cash flow effect from divested companies is provided in Note 30.

#### Divestment of AH Industries

In March 2017, Ratos divested its entire holding of 70% in AH Industries, in accordance with the agreement signed in December 2016. The divestment yielded an exit loss of SEK -32m.

#### Divestment of Nebula

In May 2017, Ratos signed an agreement to sell all of its shares in Nebula for an equity value corresponding to EUR 110m (approximately SEK 1,100m) for 100% of the shares. The sale was completed in July 2017. Ratos's share of the selling price was EUR 78m (SEK 752m) and the exit gain totalled SEK 515m.

#### Divestment of Sophion Bioscience

In June 2017, Ratos divested Sophion Bioscience, the final remaining business area of the former portfolio company Biolin Scientific. Ratos divested most of its holding in Biolin Scientific in December 2016 through the sale of the Analytical Instruments business area. The divestment of Sophion Bioscience, which was recognised under other net assets in Ratos, generated only a minor earnings impact for Ratos since the holding had previously been impaired to its expected exit value.

### Divested companies recognised according to the equity method

#### Divestment of the remaining holding in Arcus

In December 2016, Ratos's former subsidiary Arcus was listed on the Oslo Stock Exchange, upon which the company transitioned to being an associate company of Ratos. In March 2017, Ratos divested its remaining holding of 24% at a price of NOK 762m, corresponding to NOK 47.40 per share. The sale generated an exit gain of approximately SEK 33m. The total exit gain from the sale of Arcus was SEK 1,437m, of which SEK 1,403m was included in earnings for 2016.

#### Divestment of Serena Properties

In June 2017, Ratos signed an agreement to sell all of its shares in Serena Properties for an equity value of EUR 90m (approximately SEK 0.9 billion), of which Ratos's share accounted for EUR 50.4m (SEK 481m). The sale was completed in the third quarter of 2017 and the exit gain totalled SEK 79m.

### GS-Hydro declared bankrupt

In September 2017, Ratos's subsidiary, GS-Hydro Holding Oy, and its subsidiary, GS-Hydro Oy, filed a bankruptcy petition. The Tavastia Proper District Court issued a bankruptcy order in the same month whereby a trustee assumed control over the portfolio company GS-Hydro. Since Ratos no longer has any influence over GS-Hydro, the portfolio company will no longer be consolidated in the Ratos Group. From September 2017, the holding is instead classified as a financial asset and measured at market value. Since Ratos does not expect to receive anything in the bankruptcy process, the market value on 31 December 2017 was zero. Nor does Ratos have any outstanding commitments to GS-Hydro.

Since the carrying amount of GS-Hydro was negative on the date of reclassification from a subsidiary to a financial asset, a positive earnings effect of SEK 68m arose for the Group, which is recognised as a Capital gain from Group companies in the consolidated income statement.

### Adjusted purchase price allocation for Plantasjen

Ratos acquired 99% of the shares in Plantasjen in November 2016. In the second quarter of 2017, the preliminary purchase price allocation was adjusted in accordance with the following, which impacted the consolidated statement of financial position for the same period. The adjusted purchase price allocation has not resulted in any material changes to the consolidated income statement.

| Plantasjen<br>**SEKm** | **Preliminary purchase price allocation (PPA)** | **Adjusted purchase price allocation** |
|---|---:|---:|
| Trademarks | 624 | 715 |
| Customer relations | 40 | 44 |
| Other assets | 1,821 | 1,821 |
| Non-controlling interests | -11 | -11 |
| Deferred tax liabilities | -148 | -172 |
| Other liabilities | -3,486 | -3,486 |
| **Net identifiable assets and liabilities** | **-1,159** | **-1,087** |
| Goodwill | 2,391 | 2,319 |
| **Consideration transferred** | **1,232** | **1,232** |

*Note 4, cont.*

### Acquisitions within subsidiaries

During the second quarter, Nebula completed the acquisition of web hosting supplier Sigmatic Oy before Ratos divested the entire Nebula Group to Telia Company. In the second quarter, Bisnode also completed the acquisition of Global Group Digital Solutions AG, a German leading supplier of solutions based on market information. Plantasjen expanded its offering from 40 garden centres to more than 700 points of sale through the acquisition of SABA Blommor AB.

The acquired companies are subsidiaries in their respective groups. The subsidiaries included in the Ratos Group at year-end and whose acquisitions had the greatest impact on Ratos's financial statements are presented below

**Acquisitions of Group companies – within subsidiaries**

| SEKm | Within Bisnode | Within Plantasjen |
|---|---|---|
| Intangible assets | -1 | 16 |
| Property, plant and equipment | 5 | 1 |
| Deferred tax assets | 4 | |
| Current assets | 15 | 57 |
| Cash and cash equivalents | | 8 |
| Deferred tax liabilities | | -4 |
| Current liabilities | -17 | -65 |
| **Net identifiable assets and liabilities** | **6** | **13** |
| Goodwill | 73 | 7 |
| **Consideration transferred** | **79** | **20** |

## Note 5 Capital gain from Group companies and investments recognised according to the equity method

**Group**

**Capital gain/loss from sale of Group companies**

| SEKm | 2018 | 2017 |
|---|---|---|
| Nebula | | 515 |
| GS-Hydro (loss from bankruptcy) | | 68 |
| AH Industries | | -32 |
| Jøtul | 26 | |
| Companies within the HENT group | 90 | 7 |
| Companies within the Bisnode group | 0 | 1 |
| Companies within the Speed group | -12 | |
| | **104** | **559** |

**Capital gain from sale of investments recognised according to the equity method**

| SEKm | 2018 | 2017 |
|---|---|---|
| Companies within the HENT group | 8 | 8 |
| Gudrun Sjödén Group | 36 | |
| Serena Properties | | 79 |
| Arcus | | 33 |
| Aalborg Real Estate | | 40 |
| | **44** | **161** |

**Parent company**

**Profit/loss from investments in Group companies**

| SEKm | 2018 | 2017 |
|---|---|---|
| Dividend | 114 | 572 |
| Gain from the sale of shares | 614 | 844 |
| Impairment | -836 | -533 |
| | **-108** | **883** |

**Profit from investments in associates**

| SEKm | 2018 | 2017 |
|---|---|---|
| Gain from the sale of shares | | 778 |
| | **0** | **778** |

## Note 6 Share of profit from investments recognised according to the equity method

**Group**

| SEKm | 2018 | 2017 |
|---|---|---|
| **Share of profit** | | |
| Aibel | 159 | -24 |
| Gudrun Sjödén Group | 10 | 23 |
| Serena Properties | | 18 |
| Share of profit from investments recognised according to the equity method, owned by Group companies | 2 | 2 |
| | **171** | **19** |
| Share of tax from investments recognised according to the equity method | -38 | -17 |
| | **133** | **2** |

# Note 7 Employees, personnel costs and remuneration to senior executives and boards

### Average number of employees

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Total | Of whom, women, % | Total | Of whom, women, % |
| Parent company | 26 | 38 | 36 | 46 |
| Group companies | 9,026 | 36 | 9,951 | 41 |
| **Group total** | **9,052** | | **9,987** | |
| *Of whom in:* | | | | |
| Sweden | 2,982 | 35 | 2,626 | 44 |
| Norway | 1,718 | 22 | 2,035 | 35 |
| Finland | 335 | 54 | 541 | 39 |
| Denmark | 414 | 33 | 585 | 30 |
| Australia | 11 | 18 | 9 | 22 |
| Belgium | 162 | 30 | 166 | 33 |
| Bosnia-Herzegovina | 5 | 60 | 2 | 50 |
| Ecuador | 120 | 8 | 126 | 7 |
| Estonia | 54 | 93 | 50 | 94 |
| France | 111 | 58 | 147 | 54 |
| United Arab Emirates | 7 | 29 | 7 | 29 |
| India | 9 | 33 | 10 | 40 |
| Indonesia | 9 | 67 | 8 | 63 |
| Italy | 302 | 9 | 291 | 13 |
| Japan | | | 3 | 39 |
| Canada | | | 3 | 67 |
| China | 395 | 39 | 556 | 31 |
| Croatia | 46 | 54 | 42 | 60 |
| Latvia | 4 | 25 | | |
| Lithuania | 213 | 29 | 224 | 31 |
| Netherlands | 34 | 73 | 53 | 50 |
| Poland | 508 | 55 | 553 | 60 |
| Romania | 8 | 38 | 11 | 45 |
| Russia | 15 | 33 | 21 | 43 |
| Switzerland | 97 | 44 | 99 | 36 |
| Serbia | 24 | 71 | 26 | 73 |
| Singapore | | | 8 | 13 |
| Slovakia | 28 | 79 | 32 | 84 |
| Slovenia | 92 | 42 | 100 | 58 |
| Spain | 264 | 76 | 358 | 68 |
| UK | 204 | 29 | 266 | 31 |
| South Korea | 11 | 55 | 55 | 20 |
| Thailand | 17 | 59 | 13 | 62 |
| Czech Republic | 105 | 44 | 109 | 62 |
| Germany | 464 | 47 | 448 | 46 |
| Hungary | 76 | 51 | 85 | 58 |
| USA | 142 | 41 | 246 | 24 |
| Austria | 64 | 55 | 74 | 54 |
| Other countries | 2 | 50 | 1 | 0 |
| | **9,052** | | **9,987** | |

### Gender distribution, Board and senior executives

| | 31 Dec 2018 Share of women | 31 Dec 2017 Share of women |
|---|---|---|
| **Board of Directors** | | |
| Parent company | 33% | 43% |
| Group total | 23% | 18% |
| **Management** | | |
| Parent company | 17% | 17% |
| Group total | 39% | 28% |

### Group – Salaries and other remuneration

| SEKm | Board and senior executives | Other employees | Total |
|---|---|---|---|
| **2018** | | | |
| Group, total | 310 | 4,309 | 4,619 |
| (of which, bonus) | (39) | | (39) |
| Of which in Sweden | 119 | 1,310 | 1,429 |
| (of which, bonus) | (12) | | (12) |
| Of which in other countries | 191 | 2,999 | 3,190 |
| (of which, bonus) | (27) | | (27) |
| Number of people | 238 | | |
| **2017** | | | |
| Group, total | 273 | 4,318 | 4,590 |
| (of which, bonus) | (27) | | (27) |
| Of which in Sweden | 112 | 1,150 | 1,261 |
| (of which, bonus) | (11) | | (11) |
| Of which in other countries | 161 | 3,168 | 3,329 |
| (of which, bonus) | (16) | | (16) |
| Number of people | 224 | | |

### Social security costs

| SEKm | 2018 | 2017 |
|---|---|---|
| Social security costs | 1,261 | 1,258 |
| (of which, pension costs) | (331) | (332) |

Of the Group's pension costs, SEK 45m (36) refers to the boards and senior executives in the Group's companies. The Group's outstanding pension commitments to these amount to SEK 14m (14).

### Parent company – Salaries and other remuneration

| SEKm | 2018 | 2017 |
|---|---|---|
| Senior executives, CEO and Deputy CEO | | |
| Average number of people [1] | 6 | 6 |
| Salaries and other remuneration [2] | 27 | 34 |
| (of which, bonus) [3] | (4) | (3) |
| Salaries and other remuneration, other employees | 18 | 31 |
| **Total** | **46** | **65** |

*[1] On the balance-sheet date, the number was 6 (5) people.*
*[2] Excluding vacation bonus pay.*
*[3] Variable remuneration refers to bonus attributable to 2018. 50% to be paid in 2019 and 50% in 2020.*

### Social security costs

| SEKm | 2018 | 2017 |
|---|---|---|
| Social security costs | 26 | 35 |
| (of which, pension costs) | (11) | (17) |

Of the parent company's pension costs, SEK 2.1m refers to the CEO, (4.2 refers to the CEO and Deputy CEO).

## Remuneration to Board and senior executives

### Guidelines and principles for remuneration to senior executives

The guidelines for remuneration and incentive systems for senior executives as set out below were approved by the 2018 Annual General Meeting. The main difference between the guidelines from previous years is the replacement of the long-term incentive system comprising a call options scheme and synthetic options scheme with a warrants scheme and convertible debenture scheme. The proposed guidelines are otherwise essentially unchanged compared with the guidelines resolved at the 2017 Annual General Meeting. The guidelines were applied throughout 2018.

The incentive system for the company's business organisation is of major strategic importance for Ratos. Against this background, a remuneration and incentive system has been drawn up designed to offer competitive terms at the same time as the company's employees are motivated to work in the interests of the shareholders.

The incentive system comprises a number of components – basic salary, variable salary, pension provisions, warrants and convertible debentures – and rests on five basic principles.

- Ratos's employees shall be offered competitive terms of employment in an industry where competition for qualified employees is intense
- Both individual efforts and the Group's performance must be linked to clear targets set by the Board
- Variable cash salary that is to be paid to senior executives is to be linked to joint and individual targets set annually. The targets are both quantitative and qualitative and aim to fulfil Ratos's long-term strategy and earnings trend that benefit the shareholders
- Each year the Board sets a limit for the total variable salary, which shall amount to a maximum of approximately 0.6% of the company's equity at the start of the financial year
- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through reasonably balanced incentive programme where employees can share in price rises

As far as possible, pension benefits shall be defined contribution pension solutions, but certain pension benefits that follow the ITP plan are defined benefit plans. There is no agreed retirement age.

The Board shall be entitled to deviate from these guidelines if special circumstances should prevail in an individual case.

### Variable cash salary for senior executives

The variable cash salary is related to the annual shared and individual targets. The targets are both quantitative and qualitative and aimed at meeting Ratos's long-term strategy. In 2018, the criteria for and the calculation of the outcome of variable cash salary were modified, mainly by removing the criteria with respect to growth in cash flow from operations for the portfolio and the development of Ratos's net asset value (NAV). Otherwise, the Board chose to leave the structure for variable cash salary largely unchanged as this is considered to be on market terms and appropriate.

Variable cash salary is disbursed over a two-year period and is divided into 50% for each year. However, the expense for each year's variable salary is expensed in its entirety in the year the remuneration is earned. A ceiling has been established in relation to each senior executive's fixed salary and could, for 2018, amount to a maximum of 100% of fixed salary.

Follow-up and evaluation of variable cash salary is conducted at the end of each year. Target fulfilment by the CEO and company management is followed up and evaluated by the Compensation Committee and then approved by the Board of Directors following proposal from the Compensation Committee.

### Convertible debentures and warrants issued in 2018

The 2018 Annual General Meeting voted to introduce a long-term incentive programme for the CEO and other key personnel in Ratos consisting of convertibles and warrants (referred to below as the "Instruments"), where participants in the programme are free to decide how large a share of the Instruments offered should comprise convertibles (which extend for no more than four years) and/or warrants (which extend for no more than five years). One prerequisite for allotment of warrants is that the employee has signed an agreement regarding repurchase etc. with the company whereby the company or purchaser designated by the company has the right to repurchase warrants if the participant's employment is terminated.

Ratos has, pursuant to the incentive programme issued and allocated a total of 1,240,000 Instruments to participants, distributed between 724,528 convertibles and 515,472 warrants, at the time of the date for the issue of the Instruments. Ratos's convertible debentures amount to a nominal amount of just over SEK 19m. A convertible carries the entitlement to subscribe for one share at a conversion rate of SEK 26.64.

The increase in the company's share capital may, in the event of full exercise of the Instruments, amount to no more than SEK 3,906,000 (assuming the current quota value and that no recalculation takes place in accordance with the terms and conditions), corresponding to a dilution of approximately 0.39% of shares in Ratos, based on the number of shares outstanding on the issue date for the Instruments.

The measurement of warrants was conducted in accordance with the customary pricing model (Black & Scholes), where volatility was assumed to be 24.0% and risk-free interest 0.11%. The subscription price is 125% of the volume-weighted average share price in accordance with Nasdaq Stockholm's official stock exchange list for Class B shares between 8 May and 18 May 2018. As the warrants are being offered free of charge to participants, they will receive a benefit corresponding to the market value of the warrant at the date of the allotment (option premium). The net expense for participants, after subsidies, will be approximately 50% of the taxable benefit.

### Call option programmes issued between 2013 and 2017

Annual general meetings from 2001 up to and including 2017 have decided on call option programmes directed to senior executives and other key people within Ratos. Members of the Board of Ratos are not included in this offer. Employees have paid a market premium for the call options in all programmes. Acquisition of call options is subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium after deduction for 55% standard tax, whereby the remuneration is divided into equal parts for five years. Payment of remuneration is normally conditional upon continued employment and continued holding of options acquired from Ratos or shares acquired through the options. Call options are issued on treasury shares and have a maturity of four years.

### Synthetic options issued between 2007 and 2017

The 2017 Annual General Meeting, like all Annual General Meetings since 2007, resolved on a cash-based option programme related to Ratos's investments in the companies. The programme is carried out through the issue of synthetic options that are transferred at market price. The programme gives the CEO and other key people within Ratos an opportunity to share in the investment result of the individual companies. Options related to an individual investment only have a value if Ratos's annual return on the investment exceeds 8%. According to the 2017 option programme, the total value of the issued options at the closing date will be a maximum of 5% of the difference between the actual realised value for Ratos's investment at the closing date and the cost increased by 8% per year. Acquisitions of synthetic options are subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium up to 5% of Ratos's total investment in the relevant portfolio company after deduction for 55% standard tax, whereby the remuneration is divided into equal parts for four years and is normally conditional upon continued employment in the Ratos Group and continued holding of options acquired from Ratos.

*Note 7, cont.*

**Remuneration to Ratos's Board and senior executives**

| 2018 SEKm | Board fee/ Basic salary [1] | Variable remuneration [2] | Other benefits [3] | Pension costs | Total | Pension commitments |
|---|---|---|---|---|---|---|
| Per-Olof Söderberg, Chairman of the Board | 1.1 | - | - | - | 1.1 | - |
| Annette Sadolin, Board member | 0.6 | - | - | - | 0.6 | - |
| Jan Söderberg, Board member | 0.6 | - | - | - | 0.6 | - |
| Karsten Slotte, Board member | 0.6 | - | - | - | 0.6 | - |
| Ulla Litzén, Board member | 0.6 | - | - | - | 0.6 | - |
| Jonas Wiström, CEO | 6.9 | 1.1 | 0.4 | 2.1 | 10.6 | - |
| Other senior executives [4] | 16.1 | 3.2 | 1.1 | 5.1 | 25.6 | - |

*1) Basic salary excluding vacation bonus. The Board fee pertains to the fee for the meeting year from May 2018 up to and including May 2019.*
*2) Variable remuneration refers to bonus attributable to 2018. 50% to be paid in 2019 and 50% in 2020. Variable remuneration also includes subsidies on warrants.*
*3) Other benefits include benefits for warrants. The intangible value of company cars is included.*
*4) Refers to eight people who were members of the management group in 2018, five of whom for part of the year. As of 31 December 2018, the number is six. The amounts also include remuneration for two people who resigned during the year, and one person who resigned in January 2019. The amounts include remuneration during the period of notice for these three individuals.*

**Remuneration to Ratos's Board and senior executives**

| 2017 SEKm | Board fee/ Basic salary [1] | Variable remuneration [2] | Other benefits [3] | Pension costs | Total | Pension commitments |
|---|---|---|---|---|---|---|
| Per-Olof Söderberg, Chairman of the Board [4] | 0.5 | - | - | - | 0.5 | - |
| Jonas Wiström, former Chairman of the Board [5] | 1.2 | - | - | - | 1.2 | - |
| Jan Söderberg, Board member | 0.5 | - | - | - | 0.5 | - |
| Annette Sadolin, Board member | 0.5 | - | - | - | 0.5 | - |
| Karsten Slotte, Board member | 0.5 | - | - | - | 0.5 | - |
| Charlotte Strömberg, Board member [6] | 0.6 | - | - | - | 0.6 | - |
| Ulla Litzén, Board member [6] | 0.6 | - | - | - | 0.6 | - |
| Jonas Wiström, CEO [7] | - | - | - | - | - | - |
| Magnus Agervald, CEO [8] | 13.2 | 1.6 | - | 4.1 | 18.9 | - |
| Bo Jungner, Deputy CEO through 28 February 2017 [9] | 2.3 | - | - | 0.1 | 2.4 | - |
| Other senior executives [10] | 9.9 | 4.0 | 0.1 | 3.6 | 17.6 | - |

*1) Basic salary excluding vacation bonus. The Board fee pertains to the fee for the meeting year from April 2017 up to and including May 2018.*
*2) Variable remuneration refers to bonus attributable to 2017. 50% to be paid in 2018 and 50% in 2019. Variable remuneration also includes subsidies on call options and synthetic options for options acquired during the year. Payment to be made over five and four years, respectively.*
*3) Company car.*
*4) Per-Olof Söderberg took over as Chairman of the Board on 13 December 2017. Remuneration to be paid in accordance with the meeting resolution 2017, without change.*
*5) Jonas Wiström was Chairman of the Board until 12 December 2017 and thereafter became a Board member and CEO. The Board is only paid for the mandate period between the Annual General Meeting and 31 December.*
*6) Invoiced fee taking social security costs into account.*
*7) Jonas Wiström took over as CEO on 13 December 2017. No remuneration for the role of CEO was paid in 2017.*
*8) Magnus Agervald stepped down as CEO of Ratos on 12 December 2017. Basic salary includes remuneration for a 12-month notice period. The remuneration will be paid over a 12-month period and be set off against any remuneration received from a third party. Severance pay entitles accrual of vacation pay and pension.*
*9) Basic salary also includes remuneration during a notice period. This remuneration does not entitle accrual of vacation pay accruing or pension.*
*10) Refers to six people who were members of the management group in 2017, two of whom for part of the year. As of 31 December 2017, the number is five. The amounts also include remuneration during the period of notice for members of management who resigned during the year.*

## Remuneration to the CEO [1]

**Variable remuneration**

The size of variable remuneration is decided on a discretionary basis by the Board based on a proposal from the Compensation Committee and within the framework of the total variable remuneration component for senior executives and other key people. Acquisition of warrants is subsidised within the framework of the incentive programme for senior executives.

**Pension terms**

Pension premiums amount to 30% of basic salary. The pension is a defined contribution plan. There is no agreed retirement age.

**Terms for severance pay**

A six-month (6) notice period will apply if notice is given by the CEO or the company. There is no agreement regarding severance pay.

*Note 7, cont.*

## Other senior executives

**Variable remuneration**

For remuneration to the other senior executives, see the table on the previous page.

**Pension terms**

Pension benefits comprise a defined contribution pension solution. There is no agreed retirement age.

**Terms for severance pay**

In the event of notice being given by the company or by the senior executive, a period of notice of three (3) to six (6) months normally applies. There is no agreement regarding severance pay in any employment contract.

| Call options<br>**Holding 31 Dec 2018** [1] | **2014 Number** | **2015 Number** | **2016 Number** | **2017 Number** | **2018 Number** | **Benefit** |
|---|---|---|---|---|---|---|
| Chairman of the Board [2] | - | - | - | - | - | - |
| Other Board members [2] | - | - | 255,000 | - | - | - |
| Jonas Wiström, CEO [2] [3] | - | - | 260,000 | - | - | - |
| Other senior executives | 50,000 | 10,000 | 23,000 | 45,000 | - | - |

| **Holding 31 Dec 2017** [1] | **2013 Number** | **2014 Number** | **2015 Number** | **2016 Number** | **2017 Number** | **Benefit** |
|---|---|---|---|---|---|---|
| Chairman of the Board [2] | - | - | - | - | - | - |
| Other Board members [2] | - | - | - | 255,000 | - | - |
| Jonas Wiström, CEO (as of 13 December 2017) [2] [3] | - | - | - | 260,000 | - | - |
| Other senior executives | 48,000 | 140,000 | 66,100 | 110,000 | 87,500 | - |

1) *Relates to own and related parties' holdings, including overallotment.*

2) *Options in Ratos issued by Ratos's principal owner. Acquisitions were made at market value. The standard valuation model (Black & Scholes) was applied to calculate the value. The call options extend through 18 March 2021. Utilisation of call options to buy shares in Ratos can be done during the period 1 October 2019 to 19 March 2021. Each call option entitles the holder to purchase one Class B share in Ratos from the issuers. The exercise price shall correspond to 125% of the average of the calculated volume-weighted price paid for Ratos Class B shares on Nasdaq Stockholm for each trading day during the period 12-16 September 2016, taking dividends into account. The programme was prepared by the principal owners together with external advisors.*

3) *Jonas Wiström's holding refers to options issued by the principal owners acquired during his term as Chairman of the Board.*

| Synthetic options issued between 2007 and 2017<br>**SEKm** | 2018<br>**Paid-in premium** | **Proceeds received upon redemption** | **Benefit** | 2017<br>**Paid-in premium** | **Proceeds received upon redemption** | **Benefit** |
|---|---|---|---|---|---|---|
| Board of Directors | - | - | - | - | - | - |
| CEO and other senior executives | - | 0.2 | - | 1.0 | 1.5 | - |

## Warrants and call options issued by Ratos

| | 31 Dec 2018 | | | | 31 Dec 2017 | |
|---|---|---|---|---|---|---|
| | Warrants | | Call options | | Call options | |
| | **Number of options** | **Correspond-ing number of shares** | **Number of options** | **Correspond-ing number of shares** | **Number of options** | **Correspond-ing number of shares** |
| Outstanding at beginning of period | | | 2,318,000 | 2,318,000 | 3,224,700 | 3,259,176 |
| Issued | 515,472 | 515,472 | - | - | 242,500 | 242,500 |
| Recalculated due to dividends | | | | | | |
| Repurchased | -85,661 | -85,661 | | | | |
| Expired [1] | | | -585,900 | -585,900 | -1,149,200 | -1,183,676 |
| **Outstanding at end of period** | **429,811** | **429,811** | **1,732,100** | **1,732,100** | **2,318,000** | **2,318,000** |
| of which redeemable | 0 | | | | | |

1) *The exercise price for the call options was SEK 56.9 per share (72.0), share price when the options expired was SEK 33.1 (42.4).*

**Disclosures on warrants and call options issued during the period**

Each option carries entitlement to purchase one share.

| | **2018** [1] | **2017** [2] |
|---|---|---|
| Maturity date | 8 June 2023 | 18 March 2022 |
| Exercise price per share on issuance, SEK | 37.11 | 43.60 |
| Total option premium payments, SEKm | - | 1.1 |
| Taxable benefit including social security costs | 2.2 | |
| Total payments to Ratos if shares acquired, SEKm | 16.0 | 10.6 |

1) *Applies solely to warrants*

2) *Applies solely to call options*

*Note 7, cont.*

**Option terms for outstanding call options**

| | | | | 31 Dec 2018 | | 31 Dec 2017 | |
|---|---|---|---|---|---|---|---|
| **Maturity date** | **Option premiums SEK per option** | **Exercise price SEK per share** | **Right to purchase number of shares** | **Number of options** | **Corresponding number of shares** | **Number of options** | **Corresponding number of shares** |
| 20 March 2018 | 11.50 | 56.90 | 1.00 | | | 585,900 | 585,900 |
| 20 March 2019 | 7.30 | 48.50 | 1.00 | 574,500 | 574,500 | 574,500 | 574,500 |
| 20 March 2020 | 6.50 | 52.10 | 1.00 | 462,100 | 462,100 | 462,100 | 462,100 |
| 19 March 2021 | 4.80 | 41.50 | 1.00 | 453,000 | 453,000 | 453,000 | 453,000 |
| 18 March 2022 | 4.50 | 43.60 | 1.00 | 242,500 | 242,500 | 242,500 | 242,500 |
| | | | | **1,732,100** | **1,732,100** | **2,318,000** | **2,318,000** |
| Maximum increase in number of shares in relation to outstanding shares at end of period | | | | | 0.5% | | 0.7% |

Cash amount that the company may receive on exercise of outstanding options amounts to SEK 81m (121).

**Option terms for outstanding warrants**

| | | | | 31 Dec 2018 | |
|---|---|---|---|---|---|
| **Maturity date** | **Option premiums SEK per option** | **Exercise price SEK per share** | **Right to purchase number of shares** | **Number of options** | **Corresponding number of shares** |
| 8 June 2023 | 3.30 [1] | 37.11 | 1.00 | 429,811 | 429,811 |
| | | | | **429,811** | **429,811** |

*1) As the warrants are being offered free of charge to participants, they will receive a benefit corresponding to the market value of the warrant at the date of the allotment (option premium). The net expense for participants, after subsidies, will be approximately 50% of the taxable benefit.*

### Incentive programmes in Ratos's subsidiaries

Ratos makes active efforts to ensure that an incentive strategy is in place for boards and senior executives of the companies in which Ratos invests. There are a number of different incentive programmes which include shares, shareholder loans, subscription warrants, synthetic options and synthetic shares. Investments are made on market terms with some exceptions.

These exceptions did not have any material effect on the Ratos Group's income statement and balance sheet. In total, financial liabilities relating to synthetic options in the Ratos Group amounted to SEK 183m (159). During the year, the Group's earnings were affected by SEK -24m (-9) relating to synthetic option liabilities.

## Note 8 Fees and disbursements to auditors

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **SEKm** | **Group** | **Parent company** | **Group** | **Parent company** |
| Senior auditor PwC | | | | |
| Audit assignment | 16 | 2 | 19 | 2 |
| Audit-related activities in addition to audit assignment | 1 | 0 | 1 | 0 |
| Tax advice | 1 | | 2 | 0 |
| Other services | 0 | | 2 | 1 |
| Other auditors | | | | |
| Audit assignment | 7 | | 10 | |
| Audit-related activities in addition to audit assignment | 0 | | 0 | |
| Tax advice | | | 0 | |
| Other services | 0 | | 0 | |
| | **26** | **2** | **35** | **3** |

**Group**

Of audit-related activities in addition to audit assignment, SEK 1m (1) refers to PwC Sweden, of the fees for tax advice, SEK 0m (0) refers to PwC Sweden and of other services, SEK 0m (1) refers to PwC Sweden.

**Parent company**

For the parent company, SEK 0m (0) refers to PwC Sweden for audit-related activities in addition to audit assignment.

Audit assignment refers to examination of the annual accounts and accounting records as well as the administration by the Board of Directors and the CEO, other tasks which are the business of the company's auditors, and advice or other assistance which is caused by observations on such examination or implementation of other such work tasks. Everything else relates to other services.

# Note 9 Financial income and expenses

| Group<br>2018<br>Financial income [1]<br>SEKm | Amortised cost | Fair value through profit or loss | Other financial liabilities | Total |
|---|---|---|---|---|
| Interest income | 13 | 0 | | 13 |
| Result from sale | | 2 | | 2 |
| Change in value, synthetic options | | 23 | | 23 |
| Change in value, contingent considerations | | 11 | | 11 |
| Change in value, derivatives | | | | |
| – hedge accounted | | 8 | | 8 |
| – not hedge accounted | | 5 | | 5 |
| Other financial income | 0 | | | 0 |
| | **13** | **49** | | **62** |
| **Financial expenses [1]** | | | | |
| Interest expenses | | -1 | -301 | -301 |
| Interest expenses, convertible debentures | -1 | | | -1 |
| Change in value, synthetic options | | -47 | | -47 |
| Change in value, derivatives | | | | |
| – not hedge accounted | | -2 | | -2 |
| Other financial expenses | | -5 | -57 | -63 |
| Changes in exchange rates, net | | | -24 | -24 |
| Impairment | -3 | | | -3 |
| | **-4** | **-55** | **-382** | **-441** |
| Pensions, interest expenses | | | | -9 |
| | | | | **-450** |

*[1] Classification in accordance with IFRS 9, which applies from 1 January 2018.*

| Group<br>2017<br>Financial income [2]<br>SEKm | Fair value through profit or loss – Held for trading | Loans and receivables | Available-for-sale financial assets | Other financial liabilities | Total |
|---|---|---|---|---|---|
| Interest income | | 29 | | | 29 |
| Dividend | | | 2 | | 2 |
| Result from sale | | | 0 | | 0 |
| Change in value, synthetic options | 21 | | | | 21 |
| Change in value, contingent considerations | 0 | | | | 0 |
| Change in value, derivatives | | | | | |
| – hedge accounted | 15 | | | | 15 |
| – not hedge accounted | 9 | | | | 9 |
| Other financial income | | 0 | | | 0 |
| | **46** | **29** | **2** | | **77** |
| **Financial expenses [2]** | | | | | |
| Interest expenses | | | | -353 | -353 |
| Change in value, synthetic options | -31 | | | | -31 |
| Change in value, contingent considerations | -22 | | | | -22 |
| Change in value, derivatives | | | | | |
| – hedge accounted | -9 | | | | -9 |
| – not hedge accounted | -6 | | | | -6 |
| Other financial expenses | | | | -53 | -53 |
| Changes in exchange rates, net | | | | -19 | -19 |
| | **-68** | | | **-425** | **-493** |
| Pensions, interest expenses | | | | | -7 |
| | | | | | **-500** |

*[2] Classification in accordance with IAS 39, which applied until 31 December 2017.*

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 13m (29). Interest expenses attributable to financial liabilities not measured at fair value through profit or loss amount to SEK 301m (353). Profit for the year includes SEK 7m (7) which relates to ineffectiveness in cash flow hedges. The Group has no fair value hedges.

*Note 9, cont.*

**Parent company**

| **2018**<br>**Financial income** [1)]<br>**SEKm** | **Amortised cost** | **Fair value through profit or loss** | **Other financial liabilities** | **Total** |
|---|---|---|---|---|
| Interest income | 0 | | | 0 |
| Result from sale | | 2 | | 2 |
| Change in value, synthetic options | | 1 | | 1 |
| Changes in exchange rates, net | 6 | | | 6 |
| Other financial income | 4 | | | 4 |
| | **10** | **3** | | **14** |
| **Financial expenses** [1)] | | | | |
| Interest expenses | | | 0 | 0 |
| Interest expenses, convertible debentures | -1 | | | -1 |
| Change in value, synthetic options | | -23 | | -23 |
| Other financial expenses | | | -6 | -6 |
| | **-1** | **-23** | **-6** | **-29** |

*[1)] Classification in accordance with IFRS 9, which applies from 1 January 2018.*

**Parent company**

| **2017**<br>**Financial income** [2)]<br>**SEKm** | **Fair value through profit or loss – Held for trading** | **Loans and receivables** | **Available-for-sale financial assets** | **Other financial liabilities** | **Total** |
|---|---|---|---|---|---|
| Interest income | | 0 | | | 0 |
| Dividend | | | 2 | | 2 |
| Change in value, synthetic options | 10 | | | | 10 |
| Changes in exchange rates, net | | 12 | | | 12 |
| | **10** | **12** | **2** | | **24** |
| **Financial expenses** [2)] | | | | | |
| Interest expenses | | | | 0 | 0 |
| Change in value, synthetic options | -13 | | | | -13 |
| Other financial expenses | | | | -8 | -8 |
| | **-13** | | | **-8** | **-21** |

*[2)] Classification in accordance with IAS 39, which applied until 31 December 2017.*

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 0m (0). Interest expenses attributable to financial assets not measured at fair value through profit or loss amounts to SEK 0m (0).

# Note 10 Taxes

### Recognised in income statement

| SEKm | 2018 | 2017 |
|---|---|---|
| Tax expense for the period | -258 | -180 |
| Adjustment of tax attributable to previous years | -2 | -2 |
| Deferred tax, net | 105 | -52 |
| | **-155** | **-234** |
| Share of associates' tax | -38 | -17 |
| **Total recognised tax expense in the Group** | **-193** | **-251** |

### Reconciliation effective tax

| SEKm | 2018 | 2017 |
|---|---|---|
| Profit/loss before tax | -69 | 658 |
| Less profit from investments recognised according to the equity method | -171 | -19 |
| | **-240** | **639** |
| Tax according to current tax rate, 22% | 53 | -140 |
| Effect of special taxation rules for investment companies | 10 | 14 |
| Effect of different tax rates in other countries | 8 | -9 |
| Non-deductible expenses | -227 | -177 |
| Non-taxable income | 58 | 171 |
| Increase in loss carry-forward without corresponding capitalisation of deferred tax | -80 | -107 |
| Impairment of previously capitalised loss carry-forward | -7 | -2 |
| Use of previously non-capitalised tax loss carry-forward | 35 | 7 |
| Capitalisation of previously non-capitalised loss carry-forward | 0 | 8 |
| Tax attributable to previous years | -2 | -2 |
| Effect of changed tax rates / tax rules | -1 | 13 |
| Other | -2 | -8 |
| **Reported effective tax** | **-155** | **-234** |

Non-deductible expenses include the impairment of consolidated value by SEK 132m (121).

### Tax items recognised in other comprehensive income

| SEKm | 2018 | 2017 |
|---|---|---|
| Deferred tax attributable to change in hedging reserve | 1 | 0 |
| Deferred tax attributable to remeasurement of defined benefit pension commitments | 2 | 2 |
| | **3** | **2** |

### Recognised deferred tax assets and liabilities

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| **SEKm** | **2018** | **2017** | **2018** | **2017** |
| Intangible assets | 9 | 11 | 354 | 357 |
| Property, plant and equipment | 18 | 13 | 14 | 66 |
| Financial assets | 50 | 46 | 2 | 1 |
| Inventories | 13 | 15 | 0 | 2 |
| Trade receivables | 5 | 5 | 1 | 1 |
| Other receivables | 10 | 2 | 183 | 256 |
| Interest-bearing liabilities | 1 | 11 | 1 | 3 |
| Provisions for pensions | 84 | 79 | | 0 |
| Other provisions | 146 | 162 | | |
| Other liabilities | 2 | 1 | 1 | |
| Loss carry-forward | 273 | 310 | | |
| Tax allocation reserves | 14 | 17 | 12 | 12 |
| **Tax assets/ tax liabilities** | **625** | **674** | **568** | **696** |
| Offsets | -139 | -196 | -139 | -196 |
| **Tax assets/tax liabilities, net** | **486** | **478** | **429** | **500** |

Of deferred tax assets, SEK 11m (6) is expected to be used within one year and SEK 392m (380) has no fixed utilisation date. Of deferred tax liabilities, SEK 45m (44) is expected to be used within one year and SEK 371m (441) has no fixed utilisation date.

### Unrecognised temporary differences and loss carry-forward, gross

| SEKm | 2018 | 2017 |
|---|---|---|
| Deductible temporary differences | 28 | 138 |
| Loss carry-forward | 15,709 | 15,568 |
| | **15,737** | **15,706** |

SEK 140m (197) of the unrecognised loss carry-forwards are attributable to subsidiaries administered centrally by Ratos. SEK 458m (505) of the tax deficits fall due during the next ten years. The remainder of the tax deficit does not have set due dates. The above unrecognised deductible temporary differences and tax deficit correspond to a tax value amounting to SEK 3,255 (3,500). Since it is improbable that unrecognised tax assets will lead to lower tax payments in the future, these have not been assigned any value.

### Parent company

The parent company is taxed according to the rules for investment companies [1]. These rules normally result in the parent company not paying any income tax. The parent company's tax expense for 2018 amounted to SEK 0m (0). Ratos AB has an accumulated loss carry-forward that at the close of 2018 amounted to approximately SEK 14 billion (14).

[1] *For a more detailed description of these rules, see Note 1 Accounting principles.*

*Note 10, cont.*

**Change in deferred tax**

| SEKm | Opening balance, 2018 | Recognised in income statement | Recognised in other comprehensive income | Translation difference | Reclassifications | Aquired and divested business combinations /subsidiaries | Closing balance, 2018 |
|---|---|---|---|---|---|---|---|
| Intangible assets | -345 | 17 | | -10 | | -4 | -342 |
| Property, plant and equipment | -55 | -2 | | -4 | 7 | 56 | 2 |
| Financial assets, non-current | 46 | 4 | -2 | 2 | | -1 | 49 |
| Inventories | 14 | -3 | | | | 2 | 13 |
| Trade receivables | 6 | -1 | | | | | 5 |
| Other receivables | -255 | 92 | | -10 | | | -173 |
| Interest-bearing liabilities | 7 | -5 | 4 | | -7 | | -1 |
| Provisions for pensions | 80 | 1 | 1 | 3 | | -1 | 84 |
| Other provisions and liabilities | 164 | -3 | | 6 | -11 | -9 | 147 |
| Loss carry-forward | 312 | 7 | | 6 | | -52 | 273 |
| Tax allocation reserves | 4 | -1 | | | -3 | | 0 |
| **Tax assets/tax liabilities, net** | **-22** | **105** | **3** | **-7** | **-14** | **-9** | **58** |

**Change in deferred tax**

| SEKm | Opening balance, 2017 | Recognised in income statement | Recognised in other comprehensive income | Translation difference | Reclassifications | Aquired and divested business combinations /subsidiaries | Closing balance, 2017 |
|---|---|---|---|---|---|---|---|
| Intangible assets | -326 | 30 | | 14 | -57 | -6 | -345 |
| Property, plant and equipment | -58 | -4 | | 2 | 7 | -2 | -55 |
| Financial assets, non-current | 42 | 4 | 2 | -2 | | | 46 |
| Inventories | 21 | -3 | | 1 | -2 | -3 | 14 |
| Trade receivables | 8 | -2 | | | | | 6 |
| Other receivables | -215 | -57 | | 10 | 6 | 1 | -255 |
| Interest-bearing liabilities | 12 | 6 | -2 | | -10 | | 7 |
| Provisions for pensions | 73 | 5 | 2 | | | | 80 |
| Other provisions and liabilities | 158 | -6 | | -4 | 33 | -16 | 164 |
| Loss carry-forward | 374 | -20 | | -6 | 2 | -38 | 312 |
| Tax allocation reserves | 4 | -5 | | 6 | -1 | | 4 |
| **Tax assets/tax liabilities, net** | **93** | **-52** | **2** | **21** | **-22** | **-64** | **-22** |

# Note 11 Intangible assets

| Group | | Non-current assets acquired | | | | | Generated internally intangible assets | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **SEKm** | **Goodwill** | **Trade-marks** | **Customer relations** | **Data-bases** | **Business systems** | **Other assets** | **Data-bases** | **Business systems** | **Other assets** | **Projects in progress** | **Total** |
| **Accumulated cost** | | | | | | | | | | | |
| Opening balance 1 January 2017 | 14,522 | 1,087 | 469 | 396 | 179 | 703 | 294 | 109 | 226 | 154 | 18,139 |
| Business combinations | 124 | | 16 | | 0 | | | 1 | -3 | | 138 |
| Investments | | | | | 25 | 45 | 11 | 6 | 12 | 122 | 221 |
| Company disposals | -493 | | | | 0 | -70 | | | -80 | -10 | -654 |
| Divestments | | 0 | | | -4 | -20 | -4 | -19 | -38 | 0 | -85 |
| Reclassification to Assets held for sale [1)] | -846 | | | | -7 | -22 | | | | | -875 |
| Reclassifications | -68 | 86 | 3 | -182 | -96 | -279 | 237 | 144 | 301 | -104 | 40 |
| Exchange differences for the year | -66 | -32 | 3 | 2 | 1 | 4 | 6 | 0 | 6 | -2 | -77 |
| **Closing balance 31 December 2017** | **13,172** | **1,141** | **492** | **216** | **99** | **360** | **544** | **242** | **422** | **160** | **16,848** |
| | | | | | | | | | | | |
| Opening balance 1 January 2018 | 13,172 | 1,141 | 492 | 216 | 99 | 360 | 544 | 242 | 422 | 160 | 16,848 |
| Business combinations | 60 | | | | | 36 | | | | | 96 |
| Investments | | | | | | | 9 | 82 | 4 | 179 | 275 |
| Company disposals | -496 | -194 | | | | -93 | | | -3 | | -785 |
| Divestments | | | | -22 | | | -35 | -26 | -22 | 0 | -107 |
| Reclassifications [2)] | | | | | -102 | -83 | 216 | 243 | -140 | -156 | -23 |
| Exchange differences for the year | 250 | 21 | 12 | 9 | 3 | 7 | 19 | -2 | -36 | 0 | 283 |
| **Closing balance 31 December 2018** | **12,987** | **968** | **504** | **202** | **0** | **227** | **753** | **538** | **225** | **183** | **16,587** |

*Note 11, cont.*

| Group | | Non-current assets acquired | | | | | Generated internally intangible assets | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **SEKm** | **Goodwill** | **Trade-marks** | **Customer relations** | **Data-bases** | **Business systems** | **Other assets** | **Data-bases** | **Business systems** | **Other assets** | **Projects in progress** | **Total** |
| **Accumulated amortisation and impairment** | | | | | | | | | | | |
| Opening balance 1 January 2017 | -1,533 | -41 | -302 | -343 | -111 | -505 | -243 | -64 | -165 | | -3,306 |
| Business combinations | | | | | | | | | 1 | | 1 |
| Amortisation for the year | | -3 | -29 | -4 | -14 | -87 | -49 | -25 | -35 | | -246 |
| Impairment for the year | -550 | | | | | -13 | -4 | | -11 | | -578 |
| Accumulated amortisation and Impairment company disposals | 469 | | | | 0 | 60 | | | 71 | | 601 |
| Divestments | | | | | 4 | 13 | 3 | 18 | 42 | | 80 |
| Reclassification to Assets held for sale [1] | | | | | 4 | 15 | | | | | 19 |
| Reclassifications | | | | 135 | 86 | 252 | -156 | -81 | -237 | | 0 |
| Exchange differences for the year | 24 | 1 | -4 | -2 | 0 | -2 | -6 | -1 | -4 | | 5 |
| **Closing balance 31 December 2017** | **-1,589** | **-43** | **-335** | **-214** | **-32** | **-266** | **-454** | **-153** | **-337** | | **-3,424** |
| | | | | | | | | | | | |
| Opening balance 1 January 2018 | -1,589 | -43 | -335 | -214 | -32 | -266 | -454 | -153 | -337 | | -3,424 |
| Amortisation for the year | | -3 | -28 | -1 | | -28 | -57 | -65 | -16 | | -198 |
| Impairment for the year | -600 | | | | | | | -5 | 0 | | -605 |
| Accumulated amortisation and Impairment company disposals | 486 | | | | | 77 | | | 1 | | 565 |
| Divestments | | | | 21 | | | 35 | 24 | 12 | | 93 |
| Reclassifications [2] | | | | | 33 | 42 | -36 | -109 | 98 | | 28 |
| Exchange differences for the year | -10 | 2 | -9 | -7 | -1 | -7 | -16 | 0 | 37 | | -10 |
| **Closing balance 31 December 2018** | **-1,713** | **-44** | **-372** | **-201** | **0** | **-182** | **-528** | **-307** | **-205** | | **-3,553** |
| | | | | | | | | | | | |
| Carrying amount according to Statement of financial position: | | | | | | | | | | | |
| **At 31 December 2018** | **11,274** | **924** | **132** | **2** | **0** | **45** | **224** | **231** | **20** | **183** | **13,035** |
| **At 31 December 2017** | **11,583** | **1,098** | **157** | **2** | **66** | **93** | **90** | **89** | **85** | **160** | **13,424** |

*[1] Refers to Nebula, which was divested in 2017.*
*[2] Primarily concerns the reclassification of acquired business systems and other acquired assets to internal generated business systems and other internally generated assets. Pertains to the reclassification from other internally generated assets to internally generated databases and business systems.*

## Impairment and testing for goodwill and intangible assets with indeterminable useful lives

Goodwill and intangible assets with indeterminable useful lives amounted at 31 December 2018 to a book value of SEK 12,776m (12,656). Below is a breakdown of the amount in cash-generating units, which comprise the respective portfolio companies.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **SEKm** | **Goodwill** | **Intangible assets [1]** | **Goodwill** | **Intangible assets [1]** |
| Bisnode | 4,254 | | 4,173 | |
| Plantasjen | 1,629 | 682 | 2,185 | 671 |
| HL Display | 722 | | 718 | |
| HENT | 892 | | 871 | |
| LEDiL | 981 | | 939 | |
| Diab | 573 | | 573 | |
| airteam | 787 | 17 | 729 | 16 |
| | **9,838** | **699** | **10,190** | **687** |
| Portfolio companies without separate significant value | 1,436 | 203 | 1,394 | 386 |
| | **11,274** | **902** | **11,583** | **1,073** |

*[1] Intangible assets relates to trademarks with indeterminable useful lives and which are therefore not amortised. Trademarks with indeterminable useful lives are key assets for the subsidiaries that have measured these assets. Work on improving and developing trademarks is ongoing. Net cash flows generated by trademarks are not expected to cease in the foreseeable future. Trademarks are therefore regarded as having indeterminable useful lives.*

Ratos continuously assesses whether there is any indication that any portfolio company has declined in value. In the event that such an indication exists, the recoverable amount of the company is calculated. Goodwill and other intangible assets with indeterminable useful lives are also tested annually, regardless of whether there is any indication of a decline in value. Testing of carrying amounts is done by calculating each portfolio company's recoverable amount. The recoverable amount, which comprises the higher of value in use and fair value less selling costs, is compared with the carrying amount. If the recoverable amount is lower than the carrying amount, an impairment is recognised. Primarily goodwill is impaired.

## Calculation of value in use

Value in use for a portfolio company is based on Ratos's share of the present value of the portfolio company's future estimated cash flow, which is based on an earnings forecast that covers a maximum of five years. Assessment of the earnings forecast is based on adopted budgets and forecasts as well as reasonable and verifiable assumptions that comprise Ratos's best estimation of the economic conditions that are expected to prevail during the forecast period. The basis for estimating the value of these is in accordance with previous experience as well as external sources.

A final value is assessed after the forecast period. This is done using an assumption of stable growth in nominal terms for each company that matches the assumed long-term growth rate for relevant products, industries, countries and markets. In the impairments tests for 2018, this growth rate was 2–3% (2–3).

Other key assumptions for the calculation of the value in use include the discount rate, sales growth, and gross and EBITA margins. The assumptions used are modified for each portfolio company since each company in itself is an independent unit with unique circumstances. Key assumptions are described below under the headings Discount rate and Impairment testing in portfolio companies with significant goodwill items.

## Discount rate

Future cash flows are present-value calculated using a discount rate. Ratos has used a discount factor after tax where estimated future cash flows also include tax. On the basis of the actual applied required rate of return after tax (WACC) Ratos has made a translation to an estimate corresponding to a required rate of return before tax by dividing with a minus tax rate.

The discount factor reflects market assessments of monetary values over time and specific risks inherent in the asset. Below are the discount rates that are used to calculate the value in use in portfolio companies with significant goodwill items.

| | Discount rate after tax | | Discount rate before tax | |
|---|---|---|---|---|
| **%** | **2018** | **2017** | **2018** | **2017** |
| airteam | 8 | 7 | 10 | 10 |
| Bisnode | 8 | 8 | 10 | 10 |
| Diab | 8 | 8 | 10 | 10 |
| HL Display | 8 | 9 | 10 | 11 |
| Plantasjen | 8 | 9 | 10 | 12 |

## Calculation of fair value

Calculation of fair value is based on three levels. In level one, fair value is calculated minus selling costs based on the price in a binding agreement between independent parties. In level two, fair value can, in the absence of binding agreements, be determined by market price provided the asset is sold in an active market. The immediately preceding transaction can also provide a basis from which the value can be determined when current purchase rates are not available. If this too is not available, fair value minus selling costs comprises in level three the price that is expected to be obtained in the event of a sale of the asset between parties who are independent of each other, well informed and have an interest in the transaction. When the amount is determined the result of disposals of other companies made recently within the same sector is taken into account.

The estimated value is not based on a forced sale.

## Impairment of goodwill

**Impairment**

| **SEKm** | **2018** | **2017** |
|---|---|---|
| Diab | | 200 |
| HL Display | | 350 |
| Plantasjen | 600 | |
| | **600** | **550** |

### Impairment of goodwill in 2018

All impairment testing was adopted by the Board of Directors of Ratos AB.

### Plantasjen

The Board of Ratos AB resolved on impairment in the fourth quarter of SEK 600m attributable to Plantasjen. As a result of a weak earnings trend combined with the fact that the company's measures to improve profitability are expected to take longer than originally anticipated, Ratos recognised an impairment loss of SEK 600m for the consolidated carrying amount of Plantasjen. After impairment, the consolidated carrying amount for Plantasjen totalled SEK 575m. This amount corresponds to the recoverable amount established based on fair value less selling costs. Key assumptions in addition to profit multiple are sales growth, gross margin and EBITA margin. The profit multiple used is on a par with comparable companies.

### Impairment of goodwill in 2017

Based on impairment tests for 2017 and adopted by the Board of Directors of Ratos AB, impairment of goodwill attributable to portfolio companies Diab and HL Display was carried out.

### HL Display

As a result of a weak earnings trend combined with the fact that the company's measures to improve profitability are expected to take longer than originally anticipated, Ratos recognised an impairment loss of SEK 350m for the consolidated carrying amount of HL Display. After impairment, the carrying amount for HL Display totalled SEK 566m. The amount corresponds to the recoverable amount established on the basis of value in use.

### Diab

As a result of a weak performance in 2017 combined with the fact that the company's measures to improve profitability are expected to take longer than originally anticipated, Ratos recognised an impairment loss of SEK 200m for the consolidated carrying amount of Diab. After impairment, the carrying amount for Diab totalled SEK 623m. The amount corresponds to the recoverable amount established on the basis of value in use.

## Impairment testing in portfolio companies with significant goodwill items.

The impairment testing and key assumptions used to calculate the recoverable amounts of portfolio companies in which goodwill was deemed to be significant in size are described below. Goodwill attributable to other portfolio companies is not significant in each one separately in relation to the Ratos Group's total goodwill.

### Recoverable amount determined through calculating value in use

The recoverable amount was determined through calculating value in use for portfolio companies Bisnode, Diab, HL Display, Plantasjen and airteam. Key assumptions in addition to discount rate (see separate table on page 94) are sales growth and EBITA margin.

A sensitivity analysis of the calculations has been carried out for one assumption at a time, where long-term growth rate has been reduced by 1 percentage point, the discount rate has been raised by 1 percentage point and the forecast cash flow has been reduced by 10%.

### Bisnode

The forecast cash flow for Bisnode includes an assumption of a slightly higher growth rate next year. Growth is driven by an expanding market for credits and digital marketing, an appropriate product portfolio and the launch of new products. An improved EBITA margin based on economies of scale and the realisation of cost-rationalising initiatives is expected for next year. The sustained growth assumption is 3% (2). The sensitivity analysis has not resulted in the recoverable amount falling below the book value.

### Plantasjen

Plantasjen was acquired in November 2016. Since the acquisition, poor weather conditions and a decrease in customer volumes has had an adverse impact on the sales trend and EBITA margin. The forecast for next year includes initiatives to improve the customer experience during normal weather conditions with reduced wastage and continuing improvements in cost control. These initiatives are expected to lead to a better EBITA margin during the forecast period. The rate of growth after the forecast period amounts to 2% (2). As a result of a weak earnings trend combined with the fact that the company's measures to improve profitability are expected to take longer than originally anticipated, Ratos recognised an impairment loss of SEK 600m for the consolidated carrying amount of Plantasjen.

### HL Display

Forecast cash flows are based on the company being a market leader in Europe and having a good strategic position with diversified customer exposure. Sales growth is expected to remain on a stable level over the next few years. Improvement initiatives and cost-efficiency programmes in progress are expected to improve the EBITA margin during the forecast period. The rate of growth after the forecast period amounts to 2% (2). The sensitivity analysis has not resulted in the recoverable amount falling below the book value. In the year-earlier period, the sensitivity analysis indicated an impairment requirement. After the impairment of SEK 350m, the value of goodwill corresponds to the recoverable amount established on the basis of value in use.

### Diab

Diab's weaker performance in 2017 and 2018 is not expected to impact the operation's long-term potential. The company's measures to improve profitability are beginning to yield results and the wind market is becoming stronger. Future growth is driven by a fundamental demand for lightweight material (to build strong and lightweight structures) with a sustainability perspective. Diab operates in a growth market where the wind segment is expected to drive significant growth. Given Diab's operational leverage, an increase in capacity utilisation and greater production efficiency are expected to result in improved EBITA margins.

The rate of growth after the forecast period amounts to 2% (3). The market for core material grows with the underlying customers' production volumes, such as the number of wind turbines and boats, and through the increased use of sandwich structures in existing and new applications. Growth is driven by efforts to achieve structures with greater strength and lower weight. The sensitivity analysis has not resulted in the recoverable amount falling below the book value.

### airteam

airteam has a strong profitability focus and anticipates a slightly higher EBITA margin at the same time as growth is expected to be in line with underlying market growth during the forecast period. The rate of growth after the forecast period amounts to 2% (2.5). The Danish and Swedish construction market have structural growth potential based on increased demand for effective, high-quality ventilation solutions. The sensitivity analysis has not resulted in the recoverable amount falling below the book value.

### Recoverable amount determined through calculating fair value

For the portfolio companies HENT and LEDiL, the recoverable amount was determined through calculating fair value less selling costs. Fair value was determined in accordance with level three of the valuation hierarchy. For both companies, the calculations show that the recoverable amount exceeds the book value and there is no need for impairment. Key assumptions for the valuation are profit multiple at exit and EBITA forecast. The profit multiple used is on a par with listed comparable companies. A sensitivity analysis of the calculations has been carried out for one assumption at a time, where the EBITA multiple was adjusted downward by 1% and the EBITA forecast was adjusted downward by 10%. Neither of the sensitivity analyses for the portfolio companies has resulted in the recoverable amount falling below the book value.

### HENT

HENT had stable growth in 2018. Sales increased, driven by a strong order book, while the EBITA margin fell slightly due to the adverse effect of project impairments. The forecast for next year is based on the sales forecast and current order book, where orders received were favourable for the year.

### LEDiL

LEDiL forecasts continued sales growth over the next few years based on market growth, expansion in new markets and the launch of new products. Profitability is expected to be stable over the next few years as a result of sales growth and continued investments in the organisation and expansion.

# Note 12 Property, plant and equipment

**Group**

| SEKm | Land and buildings | Equipment | Construction in progress | Total |
|---|---|---|---|---|
| **Accumulated cost** | | | | |
| Opening balance 1 January 2017 | 1,517 | 4,034 | 148 | 5,699 |
| Investments | 27 | 234 | 101 | 362 |
| Divestments | -7 | -210 | | -217 |
| Assets in acquired companies | | 12 | | 12 |
| Assets in disposed companies | -8 | -319 | -4 | -331 |
| Transferred from construction in progress | 1 | 111 | -112 | |
| Reclassification to Assets held for sale[1)] | | -216 | | -216 |
| Reclassifications | 0 | 10 | -31 | -21 |
| Exchange differences for the year | -21 | -48 | -4 | -73 |
| **Closing balance 31 December 2017** | **1,510** | **3,607** | **98** | **5,215** |
| Opening balance 1 January 2018 | 1,510 | 3,607 | 98 | 5,215 |
| Investments | 21 | 164 | 67 | 252 |
| Divestments | -4 | -119 | | -123 |
| Assets in acquired companies | | 6 | | 6 |
| Assets in disposed companies | -7 | -737 | | -743 |
| Transferred from construction in progress | 1 | 104 | -105 | |
| Reclassifications | -5 | 29 | -30 | -6 |
| Exchange differences for the year | 32 | 60 | 1 | 94 |
| **Closing balance 31 December 2018** | **1,548** | **3,115** | **31** | **4,695** |
| **Accumulated depreciation and impairment** | | | | |
| Opening balance 1 January 2017 | -573 | -3,157 | | -3,729 |
| Depreciation for the year | -67 | -271 | | -338 |
| Impairment for the year | | -2 | | -2 |
| Accumulated depreciation in acquired companies | | -3 | | -3 |
| Accumulated depreciation in disposed companies | 5 | 263 | | 268 |
| Divestments | 7 | 205 | | 212 |
| Reclassification to Assets held for sale[1)] | | 153 | | 153 |
| Reclassifications | 0 | 2 | | 2 |
| Exchange differences for the year | 9 | 40 | | 49 |
| **Closing balance 31 December 2017** | **-618** | **-2,769** | | **-3,387** |
| Opening balance 1 January 2018 | -618 | -2,769 | | -3,387 |
| Depreciation for the year | -73 | -222 | | -295 |
| Impairment for the year | | -69 | | -69 |
| Accumulated depreciation in acquired companies | | -2 | | -2 |
| Accumulated depreciation in disposed companies | 5 | 584 | | 589 |
| Divestments | 4 | 109 | | 113 |
| Reclassifications | 2 | -3 | | -1 |
| Exchange differences for the year | -14 | -43 | | -57 |
| **Closing balance 31 December 2018** | **-693** | **-2,415** | | **-3,108** |
| Carrying amount according to Statement of financial position | | | | |
| **At 31 December 2018** | **855** | **700** | **31** | **1,586** |
| Of which finance leases | 476 | 20 | | 496 |
| **At 31 December 2017** | **892** | **838** | **98** | **1,827** |
| Of which finance leases | 496 | 23 | | 518 |

[1)] *Refers to Nebula, which was divested in 2017.*

*Note 12, cont.*

**Parent company**

| SEKm | Land and buildings | Equipment | Total |
|---|---|---|---|
| **Accumulated cost** | | | |
| Opening balance 1 January 2017 | 82 | 20 | 102 |
| Investments | | 0 | 0 |
| **Closing balance 31 December 2017** | **82** | **20** | **103** |
| Opening balance 1 January 2018 | 82 | 20 | 103 |
| Investments | | 2 | 2 |
| Scrapping/disposals | | -5 | -5 |
| **Closing balance 31 December 2018** | **82** | **16** | **99** |
| **Accumulated depreciation** | | | |
| Opening balance 1 January 2017 | -21 | -17 | -38 |
| Depreciation for the year | -2 | -1 | -3 |
| **Closing balance 31 December 2017** | **-24** | **-18** | **-42** |
| Opening balance 1 January 2018 | -24 | -18 | -42 |
| Depreciation for the year | -2 | -1 | -4 |
| Scrapping/disposals | | 5 | 5 |
| **Closing balance 31 December 2018** | **-26** | **-14** | **-40** |
| Value according to balance sheet | | | |
| **At 31 December 2018** | **56** | **3** | **59** |
| **At 31 December 2017** | **58** | **2** | **61** |

# Note 13 Investments recognised according to the equity method

## Change in carrying amounts

**Group**

| SEKm | 2018 | 2017 |
|---|---|---|
| Carrying amount, 1 January | 1,204 | 1,964 |
| Adjusted opening amount | -46 | 3 |
| Investments | 0 | 128 |
| Divestments | -189 | -871 |
| Share of profit from investments recognised according to the equity method | 171 | 19 |
| Share of tax from investments recognised according to the equity method | -38 | -17 |
| Share of other comprehensive income from investments recognised according to the equity method | -11 | -9 |
| Exchange differences | 1 | -13 |
| **Carrying amount at year-end** | **1,092** | **1,204** |

## Impairment testing Aibel

At 31 December 2018, the carrying amount for Aibel totalled SEK 720m. Completed impairment testing for 2018, based on a value-in-use calculation, indicates no further impairment requirement. As with the value-in-use calculation for 2017, sales growth and assumptions on EBITA margin in the forecast cash flows have been modified for the current market conditions. The forecast business volumes and profit levels are based on existing contracts and order books as well as adopted forward-looking transactions, with profitability assumptions based on contracts signed and historical experience. The discount rate after tax amounted to 9% (8) and the discount rate before tax amounted to 12% (11). No reasonable changes in key assumptions will result in the estimated value in use falling below the carrying amount. For a description of the methods for impairment testing, see Note 11.

## Investments recognised according to the equity method breakdown between significant and individually insignificant investments

| SEKm | 2018 | | | | 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Aibel[1] | Gudrun Sjödén Group[2] | Individually insignificant investments | Total | Aibel[1] | Gudrun Sjödén Group[2] | Serena Properties[3] | Individually insignificant investments | Total |
| **Investments recognised according to the equity method** | **49%** | **30%** | | | **49%** | **30%** | **0%** | | |
| Included in the Group as follows: | | | | | | | | | |
| Share of profit/loss before tax | 159 | 10 | 2 | 171 | -24 | 23 | 18 | 2 | 19 |
| Tax | -35 | -4 | 0 | -38 | -1 | -6 | -4 | -6 | -17 |
| Share of other comprehensive income | -13 | 1 | | -12 | -8 | 1 | -3 | | -10 |
| Share of comprehensive income | 112 | 8 | 2 | 121 | -33 | 17 | 11 | -4 | -8 |
| **Consolidated value** | **1,066** | | **26** | **1,092** | **997** | **183** | | **24** | **1,204** |
| **100%** | | | | | | | | | |
| Net sales | 8,450 | 578 | | | 9,381 | 793 | 85 | | |
| Profit/loss for the year | 251 | 22 | | | -50 | 56 | 25 | | |
| Other comprehensive income | -26 | 5 | | | -16 | 2 | -6 | | |
| Total comprehensive income | 225 | 27 | | | -65 | 58 | 20 | | |
| Non-current assets | 6,545 | | | | 6,658 | 256 | | | |
| Current assets | 2,207 | | | | 2,897 | 248 | | | |
| Non-current liabilities | -4,091 | | | | -4,339 | -209 | | | |
| Current liabilities | -2,751 | | | | -3,437 | -107 | | | |
| Net assets | 1,910 | | | | 1,778 | 187 | | | |

1) *Aibel Holding I AS is 49% owned by NCS Invest. More information about the Group structure is provided in Note 30 Participations in Group companies.*
2) *Gudrun Sjöden Group was divested in September 2018. Gudrun Sjödén Group was 30% owned by GS Intressenter AB.*
3) *Serena Properties AB was divested in September 2017.*

## Summary reconciliation of financial information for significant investments recognised according to the equity method

| SEKm | Aibel 100% 2018 | Aibel 100% 2017 | Gudrun Sjödén Group 100% 2018 | Gudrun Sjödén Group 100% 2017 |
|---|---|---|---|---|
| **Opening balance net assets** | **1,778** | **1,843** | **610** | **552** |
| Adjusted opening balance | -93 | | | |
| Profit/loss for the year before tax | 320 | -48 | 34 | 77 |
| Tax | -69 | -2 | -12 | -21 |
| Other comprehensive income | -21 | -13 | 5 | 2 |
| Translation differences | -5 | -3 | | |
| Divestments | | | -637 | |
| **Closing balance net assets** | **1,910** | **1,778** | **0** | **610** |

| SEKm | Aibel 49%[1] 2018 | Aibel 49%[1] 2017 | Gudrun Sjödén Group 30% 2018 | Gudrun Sjödén Group 30% 2017 |
|---|---|---|---|---|
| Share in net assets | 951 | 885 | | 56 |
| Goodwill | | | | 119 |
| Other | 115 | 112 | | 9 |
| **Carrying amount** | **1,066** | **997** | | **183** |

1) Consolidated value, adjusted for the share subject to non-controlling holding, amounts to SEK 725m (679).

## Note 14 Specification of parent company's investments in associates

### Change in carrying amounts

Parent company

| SEKm | 2018 | 2017 |
|---|---|---|
| Accumulated cost opening balance at 1 January | | 3 |
| Disposals | | -3 |
| **Value according to balance sheet** | **0** | **0** |

## Note 15 Receivables from Group companies

Parent company

| | Non-current receivables Group companies | |
|---|---|---|
| **SEKm** | **2018** | **2017** |
| **Accumulated cost at 1 January** | **12** | **0** |
| Investments | 8 | 3 |
| Counterparty exchange | 7 | 27 |
| Reclassifications | -2 | 0 |
| Settlements | -20 | -18 |
| **Closing balance** | **5** | **12** |

| | Current receivables Group companies | |
|---|---|---|
| **SEKm** | **2018** | **2017** |
| **Accumulated cost at 1 January** | **2** | **1** |
| Investments | 6 | 226 |
| Counterparty exchange | 0 | -27 |
| Settlements | -4 | -197 |
| **Closing balance** | **5** | **2** |

## Note 16 Financial instruments

| Group<br>**31 December 2018**<br>**SEKm** | **Amortised cost** | **Fair value through profit or loss** | **Derivatives used for hedging** | **Other financial liabilities** | **Total according to statement of financial position** |
|---|---|---|---|---|---|
| **Financial assets [1)]** | | | | | |
| Shares and participations | 1 | 8 | | | 8 |
| Financial receivables [2)] | 81 | 2 | 17 | | 99 |
| Trade receivables | 2,657 | | | | 2,657 |
| Cash and cash equivalents | 3,404 | | | | 3,404 |
| | **6,142** | **9** | **17** | | **6,168** |
| Surplus in pension plans, asset | | | | | 1 |
| | | | | | **6,169** |
| **Financial liabilities [1)]** | | | | | |
| Interest-bearing liabilities | | | | | |
| – Liabilities to credit institutions | | | | 5,536 | |
| – Finance leases | | | | 683 | |
| – Other interest-bearing liabilities | | 194 | 3 | 97 | |
| – Convertible debentures | | | | 16 | 6,529 |
| Financial liabilities | | 285 | | | 285 |
| Trade payables | | | | 2,279 | 2,279 |
| | | **479** | **3** | **8,612** | **9,094** |
| Provisions for pensions | | | | | 524 |
| | | | | | **9,617** |

*1) Classification in accordance with IFRS 9, which applies from 1 January 2018.*

*2) Financial receivables include SEK 99m, which is interest-bearing.*

*Note 16, cont.*

**Reclassification of financial instruments when applying IFRS 9**

On the transition date, 1 January 2018, the Group's financial instruments were distributed as follows;

| | Measurement category | | Amount recognised | | |
|---|---|---|---|---|---|
| **Financial asset** | **IAS 39** | **IFRS 9** | **Before** | **After** | **Difference*** |
| Shares and participations | Available-for-sale financial assets | Fair value through profit or loss | 10 | 10 | - |
| Financial receivables | Loans and receivables | Amortised cost | 88 | 88 | - |
| Trade receivables | Loans and receivables | Amortised cost | 2,432 | 2,432 | 0 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 3,881 | 3,881 | - |

* *The differences presented in this column are the result of the application of the new model to calculate loss provisions. The reclassification of financial instruments when transitioning to IFRS 9 resulted in no differences in valuation.*

| 31 December 2017 SEKm | Fair value through profit or loss – Held for trading | Derivatives used for hedging | Loans and receivables | Available-for-sale financial assets | Other financial liabilities | Total according to statement of financial position |
|---|---|---|---|---|---|---|
| **Financial assets** [3] | | | | | | |
| Shares and participations | | | | 10 | | 10 |
| Financial receivables [4] | | 29 | 88 | | | 117 |
| Trade receivables | | | 2,432 | | | 2,432 |
| Cash and cash equivalents | | | 3,881 | | | 3,881 |
| | | **29** | **6,402** | **10** | | **6,440** |
| Surplus in pension plans, asset | | | | | | 1 |
| | | | | | | **6,442** |
| **Financial liabilities** [3] | | | | | | |
| Interest-bearing liabilities | | | | | | |
| – Liabilities to credit institutions | | | | | 5,860 | |
| – Finance leases | | | | | 698 | |
| – Other interest-bearing liabilities | 162 | 26 | | | 92 | 6,838 |
| Financial liabilities | 181 | | | | | 181 |
| Trade payables | | | | | 2,284 | 2,284 |
| | **343** | **26** | | | **8,934** | **9,303** |
| Provisions for pensions | | | | | | 486 |
| | | | | | | **9,789** |

[3] *Classification in accordance with IAS 39, which applied until 31 December 2017.*

[4] *Financial receivables include SEK 89m, which is interest-bearing.*

## Fair value

Forward contracts are measured at fair value taking interest rates and prices on the closing date into account. Fair value of interest rate swaps is based on a discount of estimated future cash flows according to the maturity dates and terms of the contract and taking into account the market interest rate for similar instruments at the end of the reporting period. Fair value of receivables with floating interest corresponds to their carrying amount. Since most of the interest-bearing liabilities carry floating interest, and often a margin based on debt/equity ratio, fair value at the end of the reporting period corresponds to carrying amount.

The tables below provide disclosures of how fair value is determined for the financial instruments measured at fair value in the Statement of financial position. Classification of how fair value is determined is based on the following levels.

*Level 1:* Financial instruments measured according to listed prices in an active market.

*Level 2:* Financial instruments measured according to directly or indirectly observable market data not included in level 1.

*Level 3:* Financial instruments measured on the basis of inputs that are not based on observable market data.

**Fair value hierarchy**

| Assets | Level 2 | | Level 3 | |
|---|---|---|---|---|
| **SEKm** | **2018** | **2017** | **2018** | **2017** |
| Derivatives | | | | |
| – Forward contracts | 17 | 29 | | |
| Contingent considerations | | | 2 | |
| | **17** | **29** | **2** | **0** |

| Change, level 3 Assets | Contingent considerations | |
|---|---|---|
| **SEKm** | **2018** | **2017** |
| Opening balance | 0 | 3 |
| Recognised in financial items | 1 | |
| Subsequent expenditure | 28 | |
| Settlements | -28 | -3 |
| **Closing balance** | **2** | **0** |

*Note 16, cont.*

**Fair value hierarchy**

| **Liabilities** | **Level 2** | | **Level 3** | |
|---|---|---|---|---|
| **SEKm** | **2018** | **2017** | **2018** | **2017** |
| Synthetic options | | | 183 | 159 |
| Derivatives | | | | |
| – Interest rate swaps | 2 | 15 | | |
| – Forward contracts | 2 | 15 | | |
| Put options to non-controlling interests | | | 285 | 173 |
| Contingent considerations | | | 9 | 7 |
| | **5** | **30** | **477** | **339** |

**Change, level 3**

| **Liabilities** | **Synthetic options** | | **Put options** | | **Contingent considerations** | |
|---|---|---|---|---|---|---|
| **SEKm** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Opening balance | 159 | 158 | 173 | 166 | 7 | 189 |
| Recognised in financial items | 24 | 9 | | | | 22 |
| Recognised in operating profit or loss | | | | -3 | 2 | 2 |
| Recognised against non-controlling interests | | | -62 | 5 | | |
| Newly issued/subsequent expenditure | 7 | 18 | 168 | | 6 | |
| Disposals, Group companies | | 0 | | | | -1 |
| Acquisitions, Group companies | | | | | | -40 |
| Settlements | -10 | -22 | -1 | | -6 | -143 |
| Translation difference | 3 | -4 | 7 | 5 | 0 | 1 |
| Reclassifications | | | | | 0 | -22 |
| **Closing balance** | **183** | **159** | **285** | **173** | **9** | **7** |

Remeasurement of financial instruments in level three is included in profit for the year, and refer to liabilities included in the closing balance, amount to SEK 24m (-8).

The closing balance for synthetic options represents the total assessed value of a number of outstanding options within the Group which have Ratos's various companies as underlying assets. Ratos values its synthetic options on the basis of accepted market principles. Decisive parameters in conjunction with valuation of options are assumed market values relating to the underlying assets, the volatility of the underlying assets and the length of the remaining option term. As a rule, there is no strong correlation between how these parameters are developed for different option programmes. Possible covariance has more to do with macroeconomic factors.

Put options to non-controlling interests are measured starting from the terms of the purchase agreement and shareholder agreement, discounted to the balance sheet date. The key parameter in the valuation is the value development of the shares which is based on results until the estimated maturity date.

Measurement of contingent considerations takes into account the present value of expected payments, discounted with a risk-adjusted interest rate. Different possible scenarios for forecast results are taken into account to assess the size of the expected payments and the probability of these.

**Parent company**

| **31 December 2018** <br> **SEKm** | **Amortised cost** | **Fair value through profit or loss** | **Other financial liabilities** | **Total according to statement of financial position** |
|---|---|---|---|---|
| **Financial assets [1]** | | | | |
| Receivables from Group companies | 10 | | | 10 |
| Cash and cash equivalents | 1,734 | | | 1,734 |
| | **1,744** | | | **1,744** |
| **Financial liabilities [1]** | | | | |
| Interest-bearing liabilities, Group companies | 572 | | | 572 |
| Non-interest bearing liabilities, Group companies | 33 | | | 33 |
| Financial liabilities | | 48 | | 48 |
| Convertible debentures | | | 16 | 16 |
| Trade payables | | | 4 | 4 |
| | **606** | **48** | **20** | **674** |

[1] *Classification in accordance with IFRS 9, which applies from 1 January 2018.*

*Note 16, cont.*

**Reclassification of financial instruments when applying IFRS 9**

On the transition date, 1 January 2018, the parent company's financial instruments were distributed as follows;

| | Measurement category | | Amount recognised | | |
|---|---|---|---|---|---|
| **Financial asset** | **IAS 39** | **IFRS 9** | **Before** | **After** | **Difference** |
| Other securities held as non-current assets | Available-for-sale financial assets | Fair value through profit or loss | 0 | 0 | - |
| Receivables from Group companies | Loans and receivables | Amortised cost | 15 | 15 | - |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 2,226 | 2,226 | - |

| **31 December 2017 SEKm** | **Fair value through profit or loss – Held for trading** | **Loans and receivables** | **Available-for-sale financial assets** | **Other financial liabilities** | **Total according to statement of financial position** |
|---|---|---|---|---|---|
| **Financial assets [2)]** | | | | | |
| Other securities held as non-current assets | | | 0 | | 0 |
| Receivables from Group companies | | 15 | | | 15 |
| Cash and cash equivalents | | 2,226 | | | 2,226 |
| | | **2,241** | **0** | | **2,241** |
| **Financial liabilities [2)]** | | | | | |
| Interest-bearing liabilities, Group companies | | | | 319 | 319 |
| Non-interest bearing liabilities, Group companies | | | | 1,250 | 1,250 |
| Financial liabilities | 30 | | | | 30 |
| Trade payables | | | | 7 | 7 |
| | **30** | | | **1,576** | **1,605** |

*[2)] Classification in accordance with IAS 39, which applied until 31 December 2017.*

**Fair value hierarchy**

| **Liabilities** | **Level 3** | |
|---|---|---|
| **SEKm** | **2018** | **2017** |
| Synthetic options | 48 | 30 |
| | **48** | **30** |

| **Change, level 3, liabilities** | **Synthetic options** | |
|---|---|---|
| **SEKm** | **2018** | **2017** |
| Opening balance | 30 | 39 |
| Recognised in financial items | 21 | 3 |
| Newly issued | | 3 |
| Settlements | -3 | -16 |
| **Closing balance** | **48** | **30** |

Remeasurements of synthetic options are included in profit or loss for the year, with SEK -21m (-3), relating to assets and liabilities in the closing balance.

## Note 17 Inventories

**Group**

| **SEKm** | **2018** | **2017** |
|---|---|---|
| Raw materials and consumables | 59 | 121 |
| Products in progress | 159 | 179 |
| Finished products and goods for resale | 842 | 836 |
| | **1,060** | **1,136** |

During the year, impairment of inventories was performed in an amount of SEK 34m.

# Note 18 Equity

**Share capital**

| Number | Ordinary Class A 2018 | Ordinary Class A 2017 | Ordinary Class B 2018 | Ordinary Class B 2017 | Preference Class C 2018 | Preference Class C 2017 |
|---|---|---|---|---|---|---|
| Shares in the company at 1 January | 84,637,060 | 84,637,060 | 239,503,836 | 239,503,836 | | 830,000 |
| Redemption of Class C shares (preference shares) | | | | | | -830,000 |
| **Shares in the company at 31 December** | **84,637,060** | **84,637,060** | **239,503,836** | **239,503,836** | | **0** |

| | Total number of shares | Quota value | SEKm |
|---|---|---|---|
| Shares in the company at 1 January 2018 | 324,140,896 | 3.15 | 1,021 |
| **Shares in the company at 31 December 2018** | **324,140,896** | **3.15** | **1,021** |

## Conversion of shares

The 2003 Annual General Meeting resolved that a conversion clause allowing conversion of Class A shares to Class B shares should be added to the Articles of Association. This means that owners of Class A shares have an ongoing right to convert them to Class B shares. In 2018, 0 Class A shares (0) were converted into Class B shares.

## Group

### Other capital provided

Relates to equity provided by the owners. This includes premium reserves paid in conjunction with new issues.

### Retained earnings including profit/loss for the year

Retained earnings includes earned profits/losses and remeasurement of defined benefit pension plans recognised in other comprehensive income for the parent company and its subsidiaries and associates. Previous provisions to statutory reserve are also included in this item.

## Parent company

### Restricted reserves

Restricted reserves may not be reduced through profit distribution.

### Statutory reserve

The purpose of the statutory reserve has been to save part of net profits not used to cover a loss carried forward. The statutory reserve also includes amounts transferred to the premium reserve prior to 1 January 2006.

### Unrestricted equity

The following funds together with profit for the year comprise unrestricted equity, meaning the amount that is available for dividends to shareholders.

*Share premium reserve*

When shares are issued at a premium, i.e. more is paid for the shares than their quota value, an amount corresponding to the amount received in excess of the quota value of the shares is transferred to the premium reserve. After 1 January 2006, an allocation to a premium reserve comprises unrestricted equity.

*Fair value reserve*

The parent company applies the Swedish Annual Accounts Act's rules relating to measurement of financial instruments at fair value according to Chapter 4, Section 14 a-e. Recognition takes place directly in the fair value reserve when the change in value relates to a price change on a monetary item that comprises part of the company's net investment in a foreign operation. Accounting treatment is shown in Note 19.

*Retained earnings*

Retained earnings comprise the previous year's retained earnings and profit after deduction for profit distribution provided during the year. Costs for purchases of treasury shares, call option premiums received and any additional transaction costs are recognised directly in retained earnings.

## Equity management

The Group's target is to have a good financial position that contributes towards maintaining the confidence of investors, creditors and the market, and provides a basis for continued development of business operations, and that the long-term return generated to shareholders is satisfactory.

In conjunction with Ratos's Capital Markets Day in June 2018, Ratos presented new financial targets. The new financial targets are: (1) the earnings of the company portfolio should increase each year, (2) a conservative leverage in the portfolio companies with an aggregate debt ratio (including the parent company), (net debt/EBITDA) of less than 2.5x and (3) the total return on Ratos shares should over time outperform the average on Nasdaq Stockholm. The company portfolio for 2018 realised an EBITA, adjusted for the size of Ratos's holding, of SEK 804m, compared with SEK 1,048m[1] in 2017. The portfolio's aggregate debt ratio, including the parent company, amounted to 3.4x (2.4x). The total return on Ratos's Class B shares in 2018 amounted to -30%, compared with the performance for the SIX Return Index, which was -4%.

The Board of Directors proposes an ordinary dividend for the 2018 financial year of SEK 0.50 per Class A and B share, corresponding to a total divided of SEK 160m. The dividend yield amounts to 2.1% based on the closing price at year-end.

Since the 2009 Annual General Meeting, there has been a decision that Ratos, in connection with acquisitions, may issue Class B shares in Ratos through set-off, non-cash or for cash payment. This mandate was renewed at the 2018 Annual General Meeting and applies for a maximum of 35 million Class B shares.

Capital is defined as total equity including non-controlling interests. Neither the parent company nor any of the subsidiaries is subject to external capital requirements, such as under the supervision of an authority. For a description of loan agreements linked to financing and their terms, see Note 25 Financial risks and risk policy.

*[1] Pertains to earnings for the Ratos company portfolio as of 31 December 2017, including Jøtul and Gudrun Sjödén Group.*

**Treasury shares included in the equity item retained earnings including profit for the year**

| Number of shares | 2018 | 2017 |
|---|---|---|
| Opening treasury shares | 5,126,262 | 5,248,854 |
| Redemption of Class C shares (preference shares) | | -122,592 |
| **Closing treasury shares** | **5,126,262** | **5,126,262** |
| **Number of shares outstanding** | | |
| Total number of shares | 324,140,896 | 324,140,896 |
| Treasury shares | -5,126,262 | -5,126,262 |
| | **319,014,634** | **319,014,634** |

*Note 18, cont.*

## Options

**Call options 2013-2017**

The 2013-2017 Annual General Meetings decided to issue call options on treasury shares. Terms for call options outstanding at 31 December 2018 are described in Note 7 (page 87). According to the outstanding option programme, 2,318,000 treasury shares are reserved for transfer. In total, the number of repurchased Class B shares amounts to 5,126,262.

**Warrants 2018**

The 2018 Annual General Meeting resolved on the issue of warrants to personnel. Terms for warrants outstanding are described in Note 7.

## Conversion option for convertible debentures

The 2018 Annual General Meeting resolved on the issue of a convertible debenture to personnel. The convertible debenture is divided up into an interest-bearing debt, as stated in Note 16, and a conversion option. The conversion option is recognised in equity.
A more detailed description is available in Note 7.

## Dividend

After the reporting period, the Board proposed the following dividend:

| | SEKm |
|---|---|
| Dividend to holders of Class A and B shares, SEK 0.50 per share [1] | 160 |
| To be carried forward | 6,416 |

[1] *Based on the number of shares outstanding on 2 April 2019. The number of treasury shares on that date was 5,126,262 and may change during the period until the record date for dividends.*

The proposed dividend for 2017 was approved at the Annual General Meeting on 3 May 2018. The proposed dividend for 2018 will be presented for approval at the Annual General Meeting on 8 May 2019.

# Note 19 Disclosure of other comprehensive income and change in reserves and non-controlling interests

| | Majority's share of reserves | | | | |
|---|---|---|---|---|---|
| **SEKm** | **Translation reserve** | **Hedging reserve** | **Total** | **Non-controlling interests** | **Total** |
| **Opening carrying amount 1 January 2017** | **-321** | **-43** | **-364** | **-132** | **-495** |
| Adjustment | 16 | | 16 | | 16 |
| Adjusted opening carrying amount | -305 | -43 | -348 | -132 | -479 |
| Translation differences for the year | -10 | | -10 | 14 | 5 |
| Translation differences attributable to discontinued operations | -16 | | -16 | -18 | -34 |
| Cash flow hedges | | | | | |
| – recognised in other comprehensive income | | -1 | -1 | 0 | -1 |
| – tax attributable to change for the year | | 0 | 0 | 0 | 1 |
| **Closing carrying amount 31 December 2017** | **-331** | **-43** | **-374** | **-135** | **-509** |
| | | | | | |
| **Opening carrying amount 1 January 2018** | **-331** | **-43** | **-374** | **-135** | **-509** |
| Adjustment | 0 | | 0 | | 0 |
| Adjusted opening carrying amount | -331 | -43 | -374 | -135 | -509 |
| Translation differences for the year | 142 | | 142 | 51 | 194 |
| Translation differences attributable to discontinued operations | 15 | | 15 | 0 | 15 |
| Cash flow hedges | | | | | |
| – recognised in other comprehensive income | | -9 | -9 | -1 | -10 |
| – tax attributable to change for the year | | 2 | 2 | 0 | 2 |
| **Closing carrying amount 31 December 2018** | **-173** | **-50** | **-223** | **-84** | **-308** |

## Translation reserve

The translation reserve includes all exchange rate differences that arise on translation of financial reports from foreign operations that have prepared their financial reports in another currency than the currency in which the Group's financial reports are presented. The parent company and Group present their financial reports in Swedish kronor.

## Hedging reserve

The hedging reserve comprises the effective portion of cumulative net change in fair value of the cash flow hedging instruments attributable to cash flows that have not yet occurred.

**Parent company**

**Specification of equity item reserves**

| SEKm | 2018 | 2017 |
|---|---|---|
| *Fair value reserve* | | |
| Opening balance | 7 | 7 |
| Remeasurement recognised in other comprehensive income | -7 | |
| **Closing balance** | **0** | **7** |

# Note 20 Non-controlling interests

| 2018<br>SEKm | NCS Invest | Bisnode | LEDiL | Individually insignificant non-controlling interests | Total |
|---|---|---|---|---|---|
| **In their entirety, 100%** | | | | | |
| Non-current assets | 951 | 5,161 | 1,021 | | |
| Current assets | | 1,087 | 102 | | |
| Non-current liabilities | | -1,789 | -275 | | |
| Current liabilities | -6 | -1,374 | -100 | | |
| **Net assets** | **945** | **3,085** | **748** | | |
| **Carrying amount of non-controlling interests** | **340** | **929** | **252** | **407** | **1,929** |
| Net sales | | 3,690 | 439 | | |
| Profit for the year | 119 | 233 | 92 | | |
| Other comprehensive income | -13 | 92 | 27 | | |
| **Total comprehensive income** | **106** | **325** | **119** | | |
| Cash flow from operating activities | | 508 | 110 | | |
| Cash flow from investing activities | | -202 | -20 | | |
| Cash flow from financing activities | | -214 | -73 | | |
| **Cash flow for the year** | | **92** | **16** | | |
| Profit for the year attributable to non-controlling interests | 43 | 70 | 31 | 42 | 186 |
| Other comprehensive income attributable to non-controlling interests | -5 | 28 | 9 | 14 | 46 |
| Dividends paid to non-controlling interests | | | | -55 | -55 |
| **Non-controlling interests, share %** | **36%** | **30%** | **34%** | | |

| 2017<br>SEKm | NCS Invest | Bisnode | LEDiL | Individually insignificant non-controlling interests | Total |
|---|---|---|---|---|---|
| **In their entirety, 100%** | | | | | |
| Non-current assets | 885 | 5,011 | 974 | | |
| Current assets | | 949 | 79 | | |
| Non-current liabilities | | -1,644 | -331 | | |
| Current liabilities | | -1,556 | -92 | | |
| **Net assets** | **885** | **2,760** | **629** | | |
| **Carrying amount of non-controlling interests** | **319** | **831** | **211** | **525** | **1,886** |
| Net sales | | 3,555 | 388 | | |
| Profit/loss for the year | -25 | 201 | 72 | | |
| Other comprehensive income | -8 | 57 | 15 | | |
| **Total comprehensive income** | **-33** | **258** | **87** | | |
| Cash flow from operating activities | | 515 | 75 | | |
| Cash flow from investing activities | | -291 | -35 | | |
| Cash flow from financing activities | | -183 | -43 | | |
| **Cash flow for the year** | | **41** | **-3** | | |
| Profit/loss for the year attributable to non-controlling interests | -9 | 61 | 24 | 63 | 139 |
| Other comprehensive income attributable to non-controlling interests | -3 | 17 | 5 | -19 | 0 |
| Dividends paid to non-controlling interests | | | -86 | -4 | -90 |
| **Non-controlling interests, share %** | **36%** | **30%** | **34%** | | |

# Note 21 Earnings per share

**Calculation of earnings per share is carried out as follows:**

| SEKm | 2018 | 2017 |
|---|---|---|
| Profit/loss for the year attributable to owners of the parent | -448 | 268 |
| **Used in calculating earnings per share before dilution** | **-448** | **268** |
| Interest expense for convertible debentures, net | -1 | |
| Dividend on preference shares | | -39 |
| **Used in calculating earnings per share after dilution** | **-449** | **229** |
| | | |
| Weighted average number of shares | | |
| Total number of ordinary shares | 324,140,896 | 324,140,896 |
| Effect of holding of treasury shares | -5,126,468 | -5,126,262 |
| **Weighted average number before dilution** | **319,014,634** | **319,014,634** |
| Convertible debentures | 724,528 | |
| **Weighted average number after dilution** | **319,424,669** | **319,014,634** |
| | | |
| Basic earnings per share, SEK | -1.40 | 0.72 |
| Diluted earnings per share, SEK | -1.40 | 0.72 |

### Call options

At the close of 2018, Ratos AB had four outstanding call option programmes for which the exercise price was SEK 51.80, SEK 55.50, SEK 45 and SEK 47.10 respectively, which exceed the average price for ordinary shares. These options have no dilution effect and were excluded from the calculation of diluted earnings per share. If the average price for ordinary shares in future rises to a level above the exercise price for the options, these options will lead to dilution.

### Warrants

Ratos AB's incentive programme was launched in 2018 and consists of convertibles and warrants. The exercise price is SEK 37.11 and exceeds the average price for ordinary shares. These options are not included when calculating earnings per share after dilution as they have no dilution effect. The options are included in earnings per share after dilution when the exercise price of the options exceeds the average price for ordinary shares.

### Convertible debentures

Convertible debentures recognised in the financial year were included when calculating diluted earnings per share from the date of issue by increasing the number of shares by the total number of shares to which the convertibles correspond and increasing earnings by the recognised interest expense after tax. The convertibles are not included when calculating basic earnings per share. For further information on convertibles, refer to Note 7.

# Note 22 Pensions

In the Group there are both defined benefit and defined contribution pension plans. The Ratos Group does not have any group-wide policy relating to pensions so it is up to the board of each company to decide on pension solutions for the company. Of Ratos's current subsidiaries, five have defined benefit pension plans. The defined benefit plans are not the main solution for the subsidiaries but only constitute a complement to defined contribution pension plans.

Bisnode has the largest pension obligation in the Group in terms of size and this amounts to SEK 446m (413) and is divided among plans in five different countries. Diab has a pension obligation of SEK 70m (66). Together, Bisnode and Diab account for 98% (99) of the Group's defined benefit pension liability.

## Defined benefit pensions

Pension plans mainly comprise retirement pensions. Earned pension is based on the number of years within the pension plan and salary at retirement.

Pension obligations are either financed through pension foundations or similar or by the company.

## Defined contribution pensions

Pension plans mainly comprise retirement pensions. Pension premiums are salary-related and expensed on a current basis.

### Group

**Pension cost**

| SEKm | 2018 | 2017 |
|---|---|---|
| Cost regarding current service period | 16 | 23 |
| Net interest | 9 | 7 |
| Effects of curtailments and settlements | 0 | 1 |
| **Pension costs for defined benefit pensions** | **25** | **31** |
| | | |
| Pension costs for defined contribution pensions, Alecta | 85 | 78 |
| Pension costs for defined contribution pensions, other | 118 | 111 |
| **Pension costs for the year** | **228** | **220** |

Pension costs are included in the income statement on the line. Employee benefits with the exception of net interest which is included in net financial items in the income statement.

**Defined benefit pension plans**

| SEKm | 2018 | 2017 |
|---|---|---|
| Present value of funded obligations | 432 | 395 |
| Fair value of plan assets | -274 | -237 |
| | **158** | **158** |
| | | |
| Present value of unfunded obligations | 366 | 328 |
| Effect of limitation rule for net assets | -2 | -2 |
| **Net liability in the Statement of financial position** | **523** | **485** |
| | | |
| Amount recognised in the balance sheet | | |
| Provisions for pensions | 524 | 486 |
| Surplus in defined benefit plans recognised as non-current financial receivables | -1 | -1 |
| **Net liability in the Statement of financial position** | **523** | **485** |

*Note 22, cont.*

### Actuarial gains and losses

Adjustments based on experience are made as a consequence of the result due to mortality, sick leave, employee turnover, changes in salary and return on plan assets during the year deviating from assumptions made.

**Specification of changes in the net liability recognised in the Statement of financial position**

| SEKm | 2018 | 2017 |
|---|---|---|
| Net liability at 1 January | 485 | 485 |
| Net cost recognised in income statement | 25 | 31 |
| Remeasurement of pension obligation recognised in other comprehensive income [1] | 4 | -16 |
| Premiums and pensions paid | -9 | -14 |
| Exchange differences on foreign plans | 16 | 1 |
| Net pension obligations transferred through sale of companies | | -2 |
| **Net liability at 31 December** | **523** | **485** |

[1] *In the Group's Other comprehensive income, remeasurement of pension obligations for investments that in the Group are recognised according to the equity method are also recognised.*

**Plan assets comprise the following:**

| SEKm | 2018 | 2017 |
|---|---|---|
| Equity instruments | 2 | 2 |
| Financial fixed-income assets | 2 | 2 |
| Properties | 2 | 2 |
| Other assets | 268 | 232 |
| | **274** | **237** |

Alecta's surplus can be distributed to policyholders and/or the insured. At year-end 2018, Alecta's surplus in the form of the collective funding ratio amounted to a preliminary 142% (154). The collective funding ratio comprises the market value of Alecta's assets expressed as a percentage of insurance obligations calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19.

**Key actuarial assumptions used at the end of the reporting period**

| | Bisnode | | Diab | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Net liability in the Statement of financial position | 446 | 413 | 70 | 66 |
| Discount rate, %: | | | | |
| First-class bonds, Sweden | 2.4 | 2.9 | 3.0 | 3.0 |
| First-class bonds, Germany | 1.7 | 1.5 | | |
| First-class bonds, Switzerland | 0.9 | 0.8 | | |
| First-class bonds, Finland | 1.6 | 1.9 | | |
| First-class bonds, Italy | | | 1.0 | 1.0 |
| First-class bonds, other | 1.6 | 1.8 | | |
| Inflation, % | 1.7 | 1.4 | 2.0 | 2.0 |
| Anticipated rate of salary increase, % | 1.6 | 1.5 | 3.0 | 3.0 |
| Annual increase in pensions and paid-up policies, % | 1.0 | 0.9 | | |

### Parent company

The parent company's pension costs for defined contribution pensions amounted to SEK 12m (13) of which SEK 0m (1) pertains to Alecta.

# Note 23 Provisions

**Group**

**Provisions, non-current**

| SEKm | 2018 | 2017 |
|---|---|---|
| **Guarantee commitments** | | |
| At the beginning of the year | 9 | 6 |
| Provisions for the year | -3 | 3 |
| Provisions in disposed company | 0 | 0 |
| Translation difference | 0 | 0 |
| **At the end of the year** | **6** | **9** |
| **Other** | | |
| At the beginning of the year | 53 | 93 |
| Provisions for the year | 2 | 3 |
| Utilised provisions | -1 | -13 |
| Unutilised reversed provisions | 0 | -13 |
| Provisions in disposed company | -42 | -6 |
| Reclassifications | 0 | -11 |
| Translation difference | 3 | -2 |
| **At the end of the year** | **15** | **53** |
| **Total non-current provisions** | **21** | **61** |

### Provisions that are non-current liabilities and maturity structure

**Guarantee commitments**

Provisions relate to guarantee commitments for work carried out. Provision for guarantees start to be estimated when a service is completed or an item is transferred to a customer. In order to estimate amounts, historical data relating to repairs and exchanges in mainly used. Guarantee periods extend over 2–10 years.

**Other provisions**

Other non-current provisions include provisions relating to legal requirements. Other provisions are expected to be settled within 2–5 years.

### Provisions that are current liabilities

**Provisions, current**

| SEKm | 2018 | 2017 |
|---|---|---|
| **Guarantee commitments** | | |
| At the beginning of the year | 496 | 480 |
| Provisions for the year | 188 | 143 |
| Unutilised reversed provisions | -74 | -51 |
| Provisions in acquired companies | -69 | -52 |
| Translation difference | 11 | -24 |
| **At the end of the year** | **551** | **496** |

*Note 23, cont.*

**Other**

| SEKm | 2018 | 2017 |
|---|---|---|
| At the beginning of the year | 161 | 59 |
| Provisions for the year | 104 | 142 |
| Utilised provisions | -91 | -47 |
| Unutilised reversed provisions | -22 | -14 |
| Reclassifications | 0 | 20 |
| Translation difference | 3 | 1 |
| **At the end of the year** | **155** | **161** |
| | | |
| **Total current provisions** | **705** | **656** |

**Parent company**

**Provisions, non-current**

| SEKm | 2018 | 2017 |
|---|---|---|
| **Other** | | |
| At the beginning of the year | | 11 |
| Reclassifications | | -11 |
| Change in discounted value | | 0 |
| **At the end of the year** | | **0** |

**Provisions, current**

| SEKm | 2018 | 2017 |
|---|---|---|
| **Other** | | |
| At the beginning of the year | 140 | 117 |
| Provisions for the year | 57 | 129 |
| Utilised provisions | -61 | -97 |
| Unutilised reversed provisions | 0 | -21 |
| Exchange effect | 3 | 1 |
| Reclassifications | 0 | 11 |
| **At the end of the year** | **140** | **140** |

Of the parent company's provisions SEK 135m (112) relates to provisions for subsidiaries and associates.

# Note 24 Accrued expenses and deferred income

**Parent company**

| SEKm | 2018 | 2017 |
|---|---|---|
| Personnel costs | 31 | 35 |
| Other | 15 | 11 |
| | **45** | **46** |

# Note 25 Financial risks and risk policy

## Principles for funding and financial risk management

The Group through its activities is exposed to various types of financial risks related to trade receivables, trade payables, loans and derivative instruments. Ratos's financial risks consist of:

- liquidity risks
- credit risks
- interest rate risks
- currency risks

Ratos's Board approves the financial strategy for the parent company while the subsidiaries' boards adopt financial strategies for each company.

**Parent company**

The parent company's financial policy, which provides guidelines for management of financial risks, is adopted annually by Ratos's Board. The Board evaluates and where necessary proposes changes to the financial policy.

**Group companies**

Although the Group has no central treasury management function, Ratos's head office assists the subsidiaries with overall financial matters. The board of each subsidiary adopts its financial policy.

The financial target for the Group is to have a good financial position that contributes towards maintaining the confidence of investors, creditors and the market and provides a basis for continued development of business operations at the same time as the long-term return generated to shareholders is satisfactory.

## Liquidity risks

**Definition**

The risk that a company may experience difficulties in meeting obligations associated with financial liabilities settled using cash or another financial asset.

**Current liquidity risks**

The parent company is normally unleveraged but must have a binding loan commitment from a bank. Pledging shares or other assets as collateral for own commitments or for commitments of the holding's or a third party may be performed following a Board decision. The parent company may not issue guarantees with any lender for the commitments of the holding or a third party.

Guarantees relating to provision of equity capital may be provided following a Board decision. Access to capital and flexibility are ensured by the parent company having a rolling non-current loan facility, which amounts to SEK 1 billion, including a bank overdraft facility. This credit facility can also be used to finance dividends and day-to-day running expenses during a period of few or no exits. In addition, the parent company has an authorisation from the Annual General Meeting to issue shares in conjunction with agreements on acquisitions; see also Note 18 Equity management.

Every subsidiary manages its own financing. At 31 December 2018, the Group's interest-bearing liabilities to credit institutions amounted to SEK 5,536m (5,860). Total unutilised credit facilities amounted to SEK 2,007m (4,265).

Loan agreements in subsidiaries normally contain financial key figures. The key figure levels are unique for each subsidiary. The most usual key figures are interest-bearing net debt in relation to profit before depreciation and net interest, interest coverage and cash flow.

If a subsidiary does not fulfil the terms of a long-term loan agreement by or before the end of the reporting period with effect that the company does not have an unconditional right to postpone payment of the debt for a minimum 12 months, the liability is classified as current.

On 31 December 2018, a loan in a nominal amount of SEK 129m was recognised as the Net Debt/EBITDA terms were not met at year-end. In January 2019, an agreement was signed with the bank entailing adjusted levels for the bank terms and an exemption from the bank to measure key figures as of 31 December 2018. Thus, the breach of contract no longer exists, but as the agreement was reached in January 2019 the loan was recognised as current as of 31 December 2018.

### Maturity structure for financial liabilities

The following anticipated maturity structure is shown for the Group's financial liabilities at 31 December 2018, comprising undiscounted cash flows relating to amortisation and estimated interest payments based on forward contracts alternatively actual interest as well as estimated margins.

Translation to SEK of amounts in foreign currency has been done at the exchange rate that applied at the end of the reporting period.

The maturity analysis does not include liabilities relating to synthetic options. Synthetic options have established maturity dates, but depending on terms or conditions, such as the divestment of companies, the date of maturity may vary. At 31 December 2018, the Group's liabilities for synthetic options amounted to SEK 183m (159).

**Maturity structure for financial liabilities**

| 31 Dec 2018 SEKm | Within 1 year | Within 2 years | Within 3 years | Within 4 years | 5 years or more | Total |
|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 1,603 | 772 | 1,889 | 1,381 | 104 | 5,749 |
| Finance leases | 79 | 77 | 74 | 72 | 827 | 1,130 |
| Other interest-bearing liabilities | 18 | 1 | 1 | 1 | 97 | 118 |
| Trade payables | 2,279 | | | | | 2,279 |
| Put options | | | | 285 | | 285 |
| Contingent consideration | 6 | 1 | 1 | 1 | 1 | 9 |
| Interest rate swaps | 2 | | | | | 2 |
| Forward contracts | | | | | | |
| – outflow | 136 | | | | | 136 |
| – inflow | -134 | | | | | -134 |
| **Total** | **3,988** | **851** | **1,965** | **1,740** | **1,028** | **9,574** |

| 31 Dec 2017 SEKm | Within 1 year | Within 2 years | Within 3 years | Within 4 years | 5 years or more | Total |
|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 1,053 | 1,956 | 524 | 415 | 2,333 | 6,282 |
| Finance leases | 77 | 78 | 75 | 72 | 870 | 1,172 |
| Other interest-bearing liabilities | 18 | 1 | 1 | 1 | 93 | 114 |
| Trade payables | 2,284 | | | | | 2,284 |
| Put options | | | | 173 | | 173 |
| Contingent consideration | 6 | 1 | 1 | 1 | 1 | 9 |
| Interest rate swaps | 11 | 4 | | | | 15 |
| Forward contracts | | | | | | |
| – outflow | 387 | | | | | 387 |
| – inflow | -372 | | | | | -372 |
| **Total** | **3,465** | **2,039** | **601** | **662** | **3,297** | **10,065** |

## Credit risks

### Definition

Credit risks comprise risks in financial and in commercial transactions. In its financial activities the Group is exposed to counterparty credit risk in conjunction with investment of surplus liquidity in bank accounts, fixed-income securities and in conjunction with the purchase of derivative instruments. Commercial exposure mainly comprises the credit risk in the Group's trade receivables and contract assets, and relates to customers failing to meet their payment commitments.

### Current financial credit risks

In order to reduce the parent company's financial credit risk and provide the parent company with a high level of preparedness for investments, cash and cash equivalents are invested in banks or fixed-income securities with low interest rate risk, low credit risk and high liquidity. In addition to placing cash and cash equivalents in bank accounts or deposit accounts with Nordic banks approved by Ratos, investments may only be made in securities (treasury bills, commercial papers, bonds or similar) issued by the Kingdom of Sweden, Swedish municipalities, banks and companies that have received a rating of at least A+ from independent valuation institutes. The duration of investments of securities may not exceed six months except for securities issued by the Kingdom of Sweden where treasury bills may have a maximum duration of 12 months and government bonds a maximum of 24 months. At 31 December 2018, cash and cash equivalents in the parent company amounted to SEK 1,734m (2,226).

At 31 December 2018, cash and cash equivalents in the Group amounted to SEK 3,404m (3,881). During 2018, there were no credit losses from investments of cash and cash equivalents.

### Current commercial credit risks

The parent company does not have any trade receivables or contract assets. The Group has trade receivables and contract assets that are within the scope of the model for expected credit losses. Cash and cash equivalents are also within the scope of impairment in accordance with IFRS 9, but the impairment in question is not considered material.

The carrying amount of the Group's trade receivables and contract assets, in the Statement of financial position, reflects maximum exposure to credit risk. The Group's subsidiaries operate within a number of different sectors and in a large number of geographic markets, which provides a good risk spread.

Through its industry spread combined with global operations the Group has no significant concentration on individual customers. The Group applies the simplified approach for calculating expected credit losses. The method means expected losses over the entire lifetime of the receivable are used as a basis for trade receivables and contract assets.

To calculate expected credit losses, each subsidiary applies its own impairment model for trade receivables and contract assets based on assumptions and historical information. This includes a customer's payment history, loss history and current and forward-looking information on macroeconomic factors that may influence the customer's ability to pay. The historical level of losses is adjusted on the basis of anticipated changes to these factors.

Trade receivables and contract assets are grouped on the basis of credit risk characteristics and the number of days delay. Contract assets relate to not yet invoiced work and in all material respects have the same risk characteristics as already invoiced work for the same type of contract. The Group is therefore of the opinion that loss levels for trade receivables offer a reasonable estimate of loss levels for contract assets.

Based on this, loss provisions as per 31 December 2018 and 1 January 2018 (during the transition to IFRS 9) for trade receivables and contract assets are based on the following:

*Note 25, cont.*

| 31 Dec 2018<br>SEKm | Not overdue | Overdue 0–60 days | Overdue 61–180 days | Overdue 181–365 days | Overdue more than one year | Total |
|---|---|---|---|---|---|---|
| Recognised trade receivables – gross | 1,956 | 444 | 90 | 105 | 117 | 2,711 |
| Expected loss level, % | 0% | 1% | 10% | 14% | 16% | 2% |
| **Provisions for credit losses** | **-6** | **-7** | **-9** | **-14** | **-18** | **-54** |
| Recognised contract assets – gross | 539 | | | | | |
| Expected loss level, % | 0% | | | | | |
| **Provisions for credit losses** | **0** | | | | | |

| 1 Jan 2018<br>SEKm | Not overdue | Overdue 0–60 days | Overdue 61–180 days | Overdue 181–365 days | Overdue more than one year | Total |
|---|---|---|---|---|---|---|
| Recognised trade receivables – gross | 1,746 | 523 | 71 | 42 | 117 | 2,499 |
| Expected loss level, % | 0% | 2% | 7% | 24% | 31% | 3% |
| **Provisions for credit losses** | **-5** | **-10** | **-5** | **-10** | **-37** | **-67** |
| Recognised contract assets – gross | 317 | | | | | |
| Expected loss level, % | 0% | | | | | |
| **Provisions for credit losses** | **0** | | | | | |

**Changes to loss provisions during the financial year are specified below:**

| SEKm | Contract assets | Trade receivables |
|---|---|---|
| **At 31 December 2017 – calculated in accordance with IAS 39** | | **-67** |
| Restated amount recognised in retained earnings | | |
| **Opening balance, 1 January 2018 – calculated in accordance with IFRS 9** | **0** | **-67** |
| Changes to loss provisions recognised in profit or loss | | -9 |
| Receivables written off during the year | | 3 |
| Reversal of unutilised amount | | 18 |
| Exchange differences | | 0 |
| Loss provisions, divested companies | | 2 |
| **At 31 December 2018** | **0** | **-54** |

Impairment is recognised in trade receivables and contract assets taking into account customers' ability to pay. The impairment of trade receivables is recognised in profit or loss and amounted to SEK 10m (34).

Until 31 December 2017, impairment of trade receivables was calculated using the incurred loss model. Trade receivables were analysed continuously by each subsidiary to determine whether any impairment existed. Assessments took the form of individual assessments as well as on the basis of historical data on suspended payments. Refer to the age analysis of trade receivables below.

| 31 December 2017<br>SEKm | Nominal | Accumulated impairment | Book value |
|---|---|---|---|
| Not overdue | 1,749 | -5 | 1,743 |
| Past due 0–60 days | 522 | -10 | 512 |
| Past due 60–180 days | 73 | -4 | 69 |
| Past due 181–365 days | 36 | -9 | 27 |
| Past due more than one year | 117 | -36 | 80 |
| **Total** | **2,497** | **-65** | **2,432** |

## Interest rate risks

### Definition

Interest rate risk is the risk that changes in interest rates will affect the Group's financial result and cash flow.

### Current interest rate risks

The parent company is not exposed to interest rate risk since the parent company is normally unleveraged.

The Group's exposure to interest rate risk mainly occurs in subsidiaries' long-term borrowing. The fixed-interest term depends on the individual subsidiary's structure and adopted financial policy and risk management strategy. In the event that the fixed-interest period has changed, interest rate swaps have been used.

Interest rate swaps correspond to 7% (22) of the Group's liabilities to credit institutions at 31 December 2018. The fair value of interest rate swaps amounted to SEK 2m (15) and are recognised as a liability. Of the Group's outstanding interest rate swaps, 100% (100) mature within 36 months. The amount recognised on interest rate swaps that are hedge accounted amounted to SEK 2m and is recognised as a liability. Interest rate swaps that are hedge accounted fall due within six months.

### Sensitivity analysis

If interest rates change by 1 percentage point in all countries where the Ratos Group has loans or investments, the effect on net financial items, based on liabilities to credit institutions at year-end which are not hedged, will total approximately SEK 36m (36). This sensitivity analysis is based on all other factors (such as exchange rates) remaining unchanged.

## Currency risks

### Definition

Currency risk is the risk that changes in exchange rates have a negative impact on the consolidated income statement, Statement of financial position and/or cash flows. Currency risk exists both in translation exposure linked to foreign Group companies and in monetary financial assets and liabilities.

### Current currency exposure of monetary financial assets and liabilities as per the end of the reporting period

In the parent company, investments may normally only be made in Swedish currency. Normally, currency hedging is not applied to shares, shareholder loans or similar balance sheet items in the parent company. Transaction exposure ahead of an acquisition or disposal of a foreign company can be currency hedged.

The Group manages its currency risks in accordance with the financial policy and risk management strategy adopted by the board of each subsidiary. Currency exposure net and related sensitivity analysis refers to the position at the closing date and includes trade receivables, trade payables, liabilities to credit institutions and internal financial receivables and liabilities.

The net fair value of forward contracts amounted to SEK 15m (14) at 31 December 2018. Of this amount, SEK 17m (29) is recognised in the Statement of financial position as assets and SEK 2m (15) as liabilities. The amount recognised on forward contracts that are hedge accounted amounted to SEK 16m and is recognised as an asset. In the Group, hedges are used for net investments in foreign operations.

*Note 25, cont.*

The Group's currency risk exposure at the close of the reporting period, expressed in SEK, is evident in the table below:

| | EUR | | NOK | | DKK | | GBP | | USD | | SEK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **SEKm** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Trade receivables | 210 | 188 | 17 | 42 | 13 | 39 | 45 | 6 | 223 | 316 | 120 | 272 |
| Financial receivables | 221 | 321 | 3 | 176 | 46 | 69 | 41 | 74 | 259 | 383 | 16 | 9 |
| Liabilities to credit institutions | -883 | -920 | -96 | -444 | -1 | -66 | -171 | -173 | -289 | -390 | -338 | -443 |
| Trade payables | -192 | -292 | -11 | -50 | -42 | -59 | -47 | -3 | -264 | -305 | -134 | -362 |
| Currency exposure financial assets and liabilities | -645 | -703 | -87 | -276 | 16 | -17 | -131 | -96 | -71 | 4 | -337 | -524 |
| Forward contracts | -114 | -14 | | | 109 | -147 | 152 | 174 | -168 | -300 | -9 | -261 |
| **Exposure, net** | **-759** | **-717** | **-87** | **-276** | **125** | **-165** | **21** | **79** | **-239** | **-296** | **-347** | **-785** |

**Sensitivity analysis**

The sensitivity analysis is calculated based on monetary financial receivables and liabilities in foreign currency as per the end of the reporting period. Changes in currency rates mainly affect the consolidated profit. Where hedge accounting is applied, other comprehensive income is affected until settlement. The effect is then transferred to the consolidated profit.

A change in SEK of 10% against Ratos's exposure of net flows in EUR, NOK, DKK, GBP and USD would have a negative effect on earnings of approximately SEK 86m (138). The greatest impact on profit, after net financial items, arises when liabilities to credit institutions are translated.

# Note 26 Leases

**Group**

## Operating leases where the company is the lessee

Lease payments made during the financial year relating to leases amount to:

| SEKm | 2018 | 2017 |
|---|---|---|
| Minimum lease payments | 866 | 911 |
| Variable payments | 3 | 7 |
| **Total leasing costs** | **869** | **919** |

Commitments for operating leases at 31 December:

| SEKm | 2018 | 2017 |
|---|---|---|
| Payments within 1 year | 877 | 834 |
| Between 1–5 years | 2,545 | 2,635 |
| >5 years | 2,226 | 2,376 |
| | **5,648** | **5,845** |

Of total future payments for operating leases, SEK 5,283m (3,943) pertains to Plantasjen, for which Plantasjen provides a guarantee. Most of Plantasjen's operating lease consists of commercial premises.

## Financial leases where the company is the lessee

Lease payments made during the financial year relating to leases amount to:

| SEKm | 2018 | 2017 |
|---|---|---|
| Minimum lease payments | 82 | 83 |
| **Total leasing costs** | **82** | **83** |

Present value of financial leasing liabilities are distributed as follows:

| SEKm | 2018 | 2017 |
|---|---|---|
| Within 1 year | 34 | 32 |
| Between 1–5 years | 135 | 158 |
| >5 years | 514 | 508 |
| | **683** | **698** |

**Leases entered into with transfer in 2019 or later**

Bisnode signed a lease with transfer in 2021 and a term of five years with an estimated value of approximately SEK 80m. During the year, Speed Group signed a lease for one property. Occupancy will take place in the first quarter of 2020 and the term is 15 years with the right to terminate the agreement after ten years. A preliminary forecast of the value is estimated at approximately SEK 130m.

# Note 27 Pledged assets and contingent liabilities

**Group**

## Pledged assets

| SEKm | 2018 | 2017 |
|---|---|---|
| Real estate mortgages | 25 | 25 |
| Chattel mortgages | 111 | 101 |
| Shares in Group companies | 7,277 | 9,004 |
| Other pledged assets | 3,286 | 3,616 |
| | **10,698** | **12,746** |
| Contingent liabilities | 2,953 | 1,665 |

Of other pledged assets amounting to SEK 3,286m, HENT accounts for SEK 3,227m. This amount pertains to assets that HENT has pledged to the bank in the form of collateral in inventories, trade receivables and other operating assets.

Contingent liabilities arise as part of the Group's normal business activities, including in connection with the fulfilment of various contractual obligations. At year-end, there was no indication that contingent liabilities would give rise to any payments. Of contingent liabilities amounting to SEK 2,953m, HENT accounts for SEK 2,245m, airteam for SEK 271m and Bisnode for SEK 148m. Of HENT's contingent liabilities, SEK 1,772m was in parent company guarantees that the company has made available to customers/suppliers as assurance that HENT's subsidiaries will meet their contractual obligations and SEK 473m as collateral made available to the bank. Bisnode's contingent liabilities pertain to bank guarantees for the rental of premises in subsidiaries. airteam's contingent liabilities arose at the start of the project contract when the company issues guarantees in connection with contract documentation.

## Parent company

The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 603m (358). The parent company guarantees that Medcro Intressenter AB and Outdoor Intressenter AB will fulfil their obligations in connection with the acquisition of TFS and Oase Outdoors, respectively. The parent company also guarantees that Sophion Holding AB and EMaint AB will fulfil their obligations in connection with the divestment of Sophion Bioscience and Euromaint, respectively.

# Note 28 Related party disclosures

Transactions with related parties are made on market terms.

**Parent company**

The parent company has a related party relationship with its Group companies. For more information, refer to Note 29. The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 603m (358). The parent company provided a capital guarantee for borrowing in TFS. In addition, the parent company guarantees that Medcro Intressenter AB and Outdoor Intressenter AB will fulfil their obligations in connection with the acquisition of TFS and Oase Outdoors, respectively. The parent company also guarantees that Sophion Holding AB and EMaint AB will fulfil their obligations in connection with the divestment of Sophion Bioscience and Euromaint, respectively.

The parent company's transactions with subsidiaries and associates for the year and the parent company's balance sheet items in relation to its subsidiaries and associates at the end of the year are presented below.

| SEKm | Financial income | Other income | Capital contribution | Dividend |
|---|---|---|---|---|
| 2018 | 4 | 5 | 120 | 114 |
| 2017 | | 6 | 316 | 572 |

| SEKm | Receivable | Provision | Liability | Contingent liability |
|---|---|---|---|---|
| 31 Dec. 2018 | 10 | 135 | 606 | 603 |
| 31 Dec. 2017 | 15 | 112 | 1,569 | 358 |

During the year, Ratos provided a contribution of SEK 20m to Diab and SEK 100m to Kvdbil.

## Transactions with key persons in leading positions

Remuneration to senior executives and Board members is specified in Note 7.

# Note 29 Participations in Group companies

**Parent company**

| SEKm | 2018 | 2017 |
|---|---|---|
| Accumulated cost opening balance at 1 January | 13,180 | 13,952 |
| Investments | 157 | 473 |
| Repaid shareholder contribution | | -19 |
| Wound up | -1,401 | -723 |
| Subsidiary declared bankrupt | | -503 |
| **At the end of the year** | **11,936** | **13,180** |
| | | |
| Accumulated impairment opening balance | -4,913 | -4,885 |
| Wound up | 744 | 2 |
| Subsidiary declared bankrupt | | 503 |
| Impairment for the year | -836 | -533 |
| **At the end of the year** | **-5,005** | **-4,913** |
| | | |
| **Value according to balance sheet** | **6,931** | **8,267** |

Based on the impairment tests that Ratos does annually, see Note 11, the possible indication of impairment of the recognised the carrying amount of participations in Group companies is evaluated. In 2018, the parent company recognised an impairment of the carrying amount for two companies: EMaint AB of SEK 26m (50) and Blomster Intressenter AB of SEK 810m.

*Note 29, cont.*

| Subsidiary, corp. reg. no., registered office SEKm | Number of shares | Owned share, % | 31 Dec 2018 | 31 Dec 2017 | Company | Owned share, % |
|---|---|---|---|---|---|---|
| **Directly owned companies** | | | | | | |
| Bisnode Business Information Group AB, 556681-5725, Stockholm | 84,263,330 | 70 | 1,897 | 1,897 | | |
| **Owner companies to portfolio companies** | | | | | | |
| Blomster Intressenter AB, 559077-8675, Stockholm | 50,000 | 100 | 576 | 1,386 | Plantasjen [5] | 97 |
| HL Intressenter AB, 556809-4402, Stockholm | 50,000 | 100 | 566 | 566 | HL Display [5] | 96 |
| Kelly Intressenter 1 AB, 556826-5705, Stockholm | 50,000 | 100 | 344 | 244 | Kvdbil | 100 |
| Kompositkärnan Förvaltning AB, 556777-2271, Stockholm | 100,000 | 100 | 710 | 670 | Diab | 96 |
| Medcro Holding AB, 559026-2019, Stockholm | 50,000 | 100 | 259 | 259 | TFS [4] | 60 |
| Miehdnort AB, 556801-4731, Stockholm | 100,000 | 100 | 313 | 313 | HENT | 73 |
| NCS Intressenter AB, 556801-8435, Stockholm | 100,000 | 100 | 805 | 802 | Aibel [2] | 32 |
| Noiro Holding AB, 556993-7104, Stockholm | 50,000 | 100 | 462 | 462 | LEDiL | 66 |
| Outdoor Intressenter AB, 559067-2456, Stockholm | 50,000 | 100 | 162 | 162 | Oase Outdoors [5] | 79 |
| Speed Group Intressenter AB, 556801-8419, Stockholm | 100,000 | 100 | 286 | 286 | Speed Group | 70 |
| Vento Intressenter AB, 559052-2057, Stockholm | 50,000 | 100 | 335 | 335 | airteam | 70 |
| **Directly owned other subsidiaries** | | | | | | |
| Aalborg Fastigheter Intressenter ApS, 32318746, Aalborg, Denmark [3] | | | | 24 | | |
| AHI Intressenter AB, 556726-7744, Stockholm [3] | | | | 0 | | |
| Alube Network AB, 556925-9376, Stockholm [3] | | | | 285 | | |
| Aneres Properties AB, 559030-0967, Stockholm [3] | | | | 348 | | |
| EMaint AB, 556731-5378, Stockholm | 100,000 | 100 | 34 | 34 | | |
| GS Intressenter AB, 559067-2415, Stockholm | 50,000 | 100 | 160 | 160 | Gudrun Sjödén Group [1] | |
| Kamin Intressenter AB, 556801-8427, Stockholm [6] | 100,000 | 100 | 4 | 4 | Jøtul [1] | |
| Quartzin Intressenter AB, 556835-3824, Stockholm | 50,000 | 100 | 23 | 23 | | |
| Ratos Fastighets AB, 556308-3863, Stockholm | 50,000 | 100 | 6 | 6 | | |
| | | | **6,931** | **8,267** | | |

*1) Divested during the year*
*2) NCS Intressenter AB owns 64% of the shares in NCS Invest AB where the remaining 36% of the shares are owned by the Sixth AP Fund. NCS Invest in turn owns 49% of the shares in Aibel. Ratos's direct holding in Aibel therefore amounts to 32%.*
*3) Wound up during the year*
*4) Medcro Holding AB owns 100% of the shares in Medcro Intressenter AB which in turn owns 60% of the shares in TFS*
*5) Owned share refers to ordinary shares.*
*6) The company is in liquidation.*

# Note 30 Cash flow statement

| | Group | | Parent company | |
|---|---|---|---|---|
| **SEKm** | **2018** | **2017** | **2018** | **2017** |
| Dividends received | 2 | 2 | 2 | 2 |
| Interest received | 10 | 25 | 0 | 0 |
| Interest paid | -301 | -330 | | |

| **Adjustment for non-cash items** | Group | | Parent company | |
|---|---|---|---|---|
| **SEKm** | **2018** | **2017** | **2018** | **2017** |
| Share of profit from investments recognised according to the equity method | -171 | -19 | | |
| Dividend | 2 | | 0 | -398 |
| Capital gains/losses | -140 | -720 | -614 | -1,622 |
| Depreciation/amortisation and impairment of assets | 1,167 | 1,163 | 840 | 533 |
| Unrealised exchange differences | -2 | 13 | -6 | -12 |
| Provisions, etc. | 187 | 85 | 34 | 31 |
| **Adjustment for non-cash items** | **1,042** | **522** | **254** | **-1,463** |

| **Cash and cash equivalents** | Group | | Parent company | |
|---|---|---|---|---|
| **SEKm** | **2018** | **2017** | **2018** | **2017** |
| Cash and bank balances | 3,404 | 3,881 | 1,734 | 2,226 |
| **Cash and cash equivalents** | **3,404** | **3,881** | **1,734** | **2,226** |

**Unutilised credit facilities**

Unutilised credit facilities amount to SEK 2,007m (4,265) for the Group and SEK 1,000m (2,200) for the parent company.

*Note 30, cont.*

**Company disposals – Group [1]**

| SEKm | 2018 | 2017 |
|---|---|---|
| Intangible assets | 221 | 908 |
| Property, plant and equipment | 154 | 126 |
| Financial assets | 139 | 12 |
| Deferred tax assets | 1 | 64 |
| Inventories | 179 | 226 |
| Current receivables | 120 | 246 |
| Cash and cash equivalents | 101 | 136 |
| Assets held for sale | | 485 |
| **Total assets** | **916** | **2,204** |
| Non-controlling interests | 6 | 120 |
| Non-current liabilities and provisions | 629 | 836 |
| Current liabilities and provisions | 179 | 428 |
| Liabilities attributable to Assets held for sale | | 485 |
| **Total liabilities** | **815** | **1,868** |
| Consideration transferred | 195 | 843 |
| Minus: | | |
| Contingent consideration | -2 | 2 |
| Cash and cash equivalents in the disposed operations | -101 | -136 |
| **Effect on Group's cash and cash equivalents** | **92** | **709** |

[1] *Includes also GS-Hydro which was declared bankrupt in 2017*

**Acquired companies – Group**

| SEKm | 2018 | 2017 |
|---|---|---|
| Intangible assets | 38 | 15 |
| Property, plant and equipment | 5 | 9 |
| Financial assets | 0 | |
| Deferred tax assets | 0 | 4 |
| Inventories | 8 | 11 |
| Current receivables | 33 | 64 |
| Cash and cash equivalents | 12 | 20 |
| **Total assets** | **97** | **123** |
| Non-controlling interests | 0 | |
| Deferred tax liabilities | 8 | 4 |
| Current liabilities and provisions | 43 | 80 |
| **Total liabilities** | **51** | **84** |
| Net identifiable assets and liabilities | 46 | 39 |
| Goodwill | 57 | 124 |
| Consideration transferred | 103 | 163 |
| Minus: | | |
| Promissory note | -5 | |
| Provision contingent consideration | -10 | |
| Cash and cash equivalents in the acquired operations | -12 | -20 |
| Paid contingent consideration | 6 | 222 |
| **Effect on Group's cash and cash equivalents** | **82** | **365** |

**Changes in liabilities attributable to financing activities – Group**

| | | Cash flow | | Non-cash effect changes | | | | |
|---|---|---|---|---|---|---|---|---|
| SEKm | Opening balance 1 January 2017 | Borrowings | Amortisation of loans | Acquired and divested companies | Reclassifications | Change in exchange rates | Other changes | Closing balance 31 Dec 2017 |
| Liabilities to credit institutions, non-current | 6,178 | 478 | -667 | -816 | -216 | -88 | 36 | 4,906 |
| Liabilities to credit institutions, current | 1,192 | 169 | -526 | -120 | 215 | 6 | 18 | 954 |
| Finance leases | 736 | 0 | -30 | -10 | 1 | -6 | 6 | 698 |
| Other interest-bearing liabilities | 75 | 15 | -6 | 0 | 204 | 2 | -10 | 280 |
| **Total liabilities from financing activities** | **8,181** | **662** | **-1,228** | **-947** | **205** | **-87** | **51** | **6,838** |

| | | Cash flow | | | | Non-cash effect changes | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| SEKm | Opening balance 1 January 2018 | Borrowings | Amortisation of loans | Option premiums paid | Purchase/ final settlement options | Acquired and divested companies | Reclassification | Change in exchange rates | Other changes | Closing balance 31 Dec 2018 |
| Liabilities to credit institutions, non-current | 4,906 | 1,172 | -189 | | | -515 | -1,481 | 98 | 19 | 4,009 |
| Liabilities to credit institutions, current | 954 | 1,262 | -2,195 | | | -24 | 1,481 | 35 | 14 | 1,528 |
| Finance leases | 698 | | -31 | | | -2 | 0 | 15 | 3 | 683 |
| Convertible debentures | | 18 | | | | | -2 | | 0 | 16 |
| Other interest-bearing liabilities [1] | 280 | 90 | -90 | 7 | -10 | | | 6 | 2 | 285 |
| **Total liabilities from financing activities** | **6,838** | **2,542** | **-2,506** | **7** | **-10** | **-541** | **-2** | **154** | **38** | **6,520** |

[1] *In addition to the above, contingent considerations of SEK 9m are also included in other interest-bearing liabilities, which amount to a total of SEK 294m.*

# Note 31 Key estimations and assessments

Ratos's financial statements are prepared in accordance with IFRS. This requires management to make assessments, estimations and assumptions that affect the application of accounting principles and the recognised amounts of assets, liabilities, income and expenses. Estimations and assessments are based on historical experience, external information and assumptions which management regards as reasonable under prevailing circumstances. Changed assumptions can result in adjustments to recognised figures and the actual outcome can differ from estimations and assessments made.

Within the framework of IFRS, a choice can be made in certain cases between different principles. The choice of principle requires in some cases management to make assessments as to which principle provides the most true and fair picture of Ratos's operations.

Development within accounting and the choice of principles are discussed also with Ratos's Audit Committee.

Key sources of uncertainty in estimations are shown below.

## Key sources of uncertainty in estimations

The value of subsidiaries and associates, including goodwill, is tested annually by calculating a recoverable amount, meaning the higher of value in use or fair value with deduction for selling costs for each company. Calculation of these values requires a number of assumptions on future conditions and estimations of parameters such as profit multiples and future profitability levels. A description of this procedure is provided in Note 11. Future events and new information can change these assessments and estimations.

# Note 32 Contract assets and contract liabilities

| SEKm | 2018 | 2017 |
|---|---|---|
| **Contract assets** | | |
| Construction contracts | | 0 |
| Other assets | | 12 |
| **Total non-current contract assets** | **0** | **13** |
| | | |
| Construction contracts | 306 | 153 |
| Other assets | 232 | 151 |
| **Total current contract assets** | **539** | **304** |
| | | |
| **Contract liabilities** | | |
| Construction contracts | | 38 |
| Other contract liabilities | 24 | 14 |
| **Total non-current contract liabilities** | **24** | **51** |
| | | |
| Construction contracts | 253 | 176 |
| Other contract liabilities | 1,015 | 794 |
| **Total current contract liabilities** | **1,267** | **970** |
| | | |
| **Date for recognition of non-current contract liabilities** | | |
| Other contract liabilities | | |
| Within 1–3 years | 23 | 12 |
| After 3 years | 1 | 2 |
| | **24** | **14** |
| Construction contracts | | |
| Within 1–3 years | | 38 |
| After 3 years | | |
| | **0** | **38** |
| | | |
| **Contract liabilities included in the opening balance, recognised as income during the year** | | |
| Construction contracts | 137 | 391 |
| Other contract liabilities | 610 | 654 |
| | **747** | **1,045** |

### Backlog of orders

Of Ratos's five largest subsidiaries in terms of sales, HENT had a backlog of orders amounting to NOK 13.4 billion at 31 December 2018 (NOK 11 billion at 31 December 2017). 45% of the backlog of orders is expected to be recognised in 2020–2022. The remainder of the backlog of orders is expected to be recognised in 2019. Bisnode has a backlog of orders of SEK 0.3 billion, of which SEK 0.2 billion is expected to be reported in 2019.

The backlog of orders relating to the other three subsidiaries (Diab, HL Display and Plantasjen) does not exceed 12 months.

### Significant changes to contract assets and contract liabilities

Of the changes to current contract assets attributable to construction contracts of SEK 153m, approximately SEK 150m applies to HENT and is the result of company growth.

Of the changes to other current contract liabilities of SEK 220m, SEK 175m relates to TFS.

### Loss provision for contract assets

Contract assets are within the scope of the model for expected credit losses. See the section on credit risk in Note 25 for a description and calculation of the loss provision.

*Note 32, cont.*

### Construction contracts

Construction contracts are recognised as revenue according to the stage of completion of the project in accordance with IFRS 15. Refer to Note 1 Accounting principles and Note 3 Revenue breakdown.

**Income statement**

| **SEKm** | **2018** | **2017** |
|---|---|---|
| Contract revenue | 9,312 | 8,086 |
| Net profit | 877 | 1,017 |

**Statement of financial position**
**Receivables from customers for assignments under a construction contract**

| **SEKm** | **2018** | **2017** |
|---|---|---|
| Contract revenue | 10,243 | 5,636 |
| Billing | -9,937 | -5,476 |
| | **306** | **161** |
| Of which current receivables | 306 | 161 |

**Liabilities to customers for assignments under a construction contract**

| **SEKm** | **2018** | **2017** |
|---|---|---|
| Billing | -14,223 | -19,844 |
| Contract revenue | 13,458 | 19,289 |
| | **-765** | **-556** |

# Note 33 Events after the reporting period

Ratos's subsidiary airteam acquired Creovent AB (Creovent) and Thorszelius Ventilation & Service AB (Thorszelius), leading installers of climate and ventilation solutions in the Stockholm and Uppsala regions. Pro forma sales in 2017 for both companies amounted to approximately SEK 235m and adjusted EBITA to SEK 24m. The acquisition was completed in February 2019.

Ratos acquired the remaining shares (40%) in the subsidiary Trial Form Support International AB (TFS) from partner and founder Daniel Spasic for an equity value of EUR 11m. After the acquisition, Ratos's ownership share totals 100%.

In January, Ratos implemented changes to its management group and investment organisation. As a result, two individuals have left their positions.

A capital contribution of NOK 200m was made to Plantasjen in January 2019.

# Note 34 Parent company details

Ratos AB is a Swedish registered limited company with its registered office in Stockholm. The parent company's shares are registered on Nasdaq Stockholm. The address of the head office is Box 1661, SE-111 96 Stockholm and the visiting address is Drottninggatan 2.

The consolidated financial statements for 2018 comprise the parent company and its Group companies. The Group also includes the owned shares in investments recognised according to the equity method.

## The Board of Directors' and CEO's certification

The Board of Directors confirms that the consolidated financial statements and annual accounts have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of international financial reporting standards and generally accepted auditing standards, and give a true and fair view of the parent company's and Group's financial position and results of operations. The statutory Board of Directors' report gives a true and fair view of the development of the Group's and parent company's operations, financial position and results of operations and describes significant risks and uncertainties facing the parent company and Group companies.

Stockholm, 2 April 2019

Per-Olof Söderberg
*Chairman*

Ulla Litzén
*Board member*

Annette Sadolin
*Board member*

Karsten Slotte
*Board member*

Jan Söderberg
*Board member*

Jonas Wiström
*Board member,*
*CEO*

The annual accounts and the consolidated financial statements were approved for publication by the Board on 2 April 2019. The consolidated income statement and statement of financial position and the parent company income statement and balance sheet will be presented for adoption at the Annual General Meeting to be held on 8 May 2019.

Our audit report was submitted 2 April 2019
PricewaterhouseCoopers AB

Peter Clemedtson
*Authorised Public Accountant*
*Auditor-in-charge*

Helena Kaiser de Carolis
*Authorised Public Accountant*

# Auditor's report

To the general meeting of the shareholders of Ratos AB (publ), corporate identity number 556008-3585

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Ratos AB (publ) for the year 2018 except for the corporate governance statement on pages 47-55. The annual accounts and consolidated accounts of the company are included on pages 42-117 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 parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The 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 2018 and their 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. Our opinions do not cover the corporate governance statement on pages 47-55. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the 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 my (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*

Ratos is an investment company acquiring, developing and selling Nordic companies. At the end of the year, Ratos had 12 holdings operating within a variety of industries with a variety of risks. The contribution of the different holdings to the group's equity varies between approximately 2-25%. These factors contribute to a risk spread which reduces the risk of material misstatements in the consolidated accounts.

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 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.

The audit risks were determined in the consolidated accounts based on a group perspective. In our audit, we focused on the operations in the parent company, including impairment testing, and on the most significant holdings in the group. In addition, other holdings have been the subject of certain audit procedures.

As a part of our work, we have also issued audit instructions and have obtained written reporting from the auditors of Ratos' various investments.  We have also had conversations and visited selected auditors and companies in order to conclude as to whether sufficient and appropriate audit evidence has been obtained.

*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 economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. 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 judgment, 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* | *How our audit addressed the Key audit matter* |
| --- | --- |
| *Valuation of goodwill, respectively holdings reported according to the equity method*<br>Ratos' holdings at the end of the year were comprised of 11 subsidiaries and two associated companies, where each and every holding comprises a cash generating unit. Goodwill of SEK 11,274 million has been allocated to the subsidiaries, and the share of equity in associates amounted to SEK 1,092 million at the end of the year. Goodwill and shares reported according to the equity method comprise a significant portion of the group's total assets, which amounts to SEK 24,803 million.<br>The value of goodwill and shares reported according to the equity method is tested annually for impairment. This testing and the resultant reported values are dependent on the Board of Director's and management's judgments and assumptions regarding, amongst other things, growth, future profitability, the discount rate and profit multiples. Future events and new information can change these judgments and estimates and it is, therefore, particularly important that management undertake an assessment, on an ongoing basis, to determine if the value of the reported goodwill and shares reported according to the equity method can be motivated with consideration of the applied assumptions.<br>Considering the above and the fact that certain holdings operates in challenging market conditions, we deem that the valuation of goodwill and shares reported according to the equity method comprised the most significant area in our audit. | In our audit we have focused the audit on the holdings where the difference between the book value and recoverable value is limited.<br>With the assistance of valuation specialists, we have executed a number of audit procedures to verify that the impairment testing undertaken by Ratos is based on generally accepted valuation methods, is mathematically correct and is based on reasonable assumptions as regards future cash flows, growth and discount rates.<br>Our audit procedures have included the examination of the company's forecasts where we assess the reasonableness of those forecasts based on historical outcome and market prospects. We have also discussed the valuation with the individuals responsible within Ratos for the various investments and have challenged their assumptions and assessments in this context.<br>We have evaluated the sensitivity analyses for important assumptions, such as growth and profit margin assumptions and have assessed the appropriateness of the peer group used in the multiple valuation and have compared this against independent sources.<br>We have also evaluated the disclosures provided in the Notes in relation to the requirements found in IAS 36 and IAS 1. |

*Refer to the annual report Note 11 – Intangible assets and Note 13 Shares reported according to the equity method.*

## 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 1-41 and 121-128. 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. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's 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 Ratos AB (publ) for the year 2018 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 among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

### The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 47-55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance 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 examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Ratos AB (publ) by the general meeting of the shareholders on the 3 May 2018 and has been the company's auditor since the 18 April 2012.

Stockholm April 2, 2019
PricewaterhouseCoopers AB

| | |
|---|---|
| *Signature on original auditors' report in Swedish** | *Signature on original auditors' report in Swedish** |
| Peter Clemedtson | Helena Kaiser de Carolis |
| *Authorized public accountant* | *Authorized public accountant* |
| *Partner in charge* | |

**This is a translation of the original auditors' report in Swedish.*
*In the event of any differences between the translation and the original statement in Swedish, the Swedish version shall prevail.*

# Additional information

# Five-year summary, Group

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Key figures** [1] | | | | | |
| Basic earnings per share, SEK | -1.40 | 0.72 | -1.79 | 1.29 | 3.22 |
| Dividend per Class A and B share, SEK | 0.50 [2] | 2.00 | 2.00 | 3.25 | 3.25 |
| Dividend per Class C share (preference share), SEK | | | 120 | 100 | 100 |
| Dividend yield, % | 2.1 [2] | 5.6 | 4.6 | 6.7 | 6.9 |
| Total return, % | -30 | -13 | -6 | 9 | -15 |
| Market price, year-end, SEK | 23.28 | 35.84 | 43.14 | 48.83 | 47.07 |
| Equity per share, 31 December, SEK [3] | 27 | 30 | 31 | 36 | 39 |
| Equity, SEKm [4] | 8,701 | 9,660 | 11,283 | 12,882 | 14,027 |
| Return on equity, % | -5 | 3 | -4 | 4 | 8 |
| Equity ratio, % | 43 | 46 | 45 | 47 | 46 |
| Average number of shares before dilution | 319,014,634 | 319,014,634 | 319,014,428 | 319,012,617 | 319,009,126 |
| Number of Class A, B and C shares outstanding [5] | 319,014,634 | 319,014,634 | 319,722,042 | 319,753,436 | 319,839,789 |
| **Income statement, SEKm** | | | | | |
| Profit/share of profit from companies | 604 | 679 | 295 | 664 | 392 |
| Capital gain from sale of Group companies | 62 | 596 | 1,672 | 1,101 | 1,390 |
| Impairment, companies and loss from bankruptcy | -600 | -482 | -2,504 | -565 | -250 |
| **Profit/loss from companies** | **66** | **792** | **-538** | **1,200** | **1,532** |
| Income and expenses in the parent company and central companies | -135 | -134 | -353 | -308 | -165 |
| **Consolidated profit/loss before tax** | **-69** | **658** | **-890** | **892** | **1,367** |
| Income tax | -193 | -251 | -180 | -216 | -238 |
| **Consolidated profit/loss after tax** | **-262** | **407** | **-1,071** | **676** | **1,129** |
| Profit/loss attributable to owners of the parent | -448 | 268 | -500 | 496 | 1,109 |
| **Statement of financial position, SEKm** | | | | | |
| Intangible assets | 13,035 | 13,424 | 14,834 | 14,293 | 16,917 |
| Property, plant and equipment | 1,586 | 1,827 | 1,970 | 1,789 | 2,744 |
| Financial assets | 1,213 | 1,323 | 2,372 | 2,522 | 4,133 |
| Deferred tax assets | 486 | 478 | 594 | 490 | 559 |
| Current assets | 8483 | 8,270 | 10,034 | 13,529 | 12,353 |
| **Assets** | **24,803** | **25,323** | **29,805** | **32,623** | **36,706** |
| Equity | 10,630 | 11,546 | 13,286 | 15,302 | 17,009 |
| Provisions | 1,250 | 1,204 | 1,139 | 1,160 | 1,091 |
| Deferred tax liabilities | 429 | 500 | 501 | 392 | 434 |
| Interest-bearing liabilities | 6,529 | 6,838 | 8,181 | 8,232 | 10,263 |
| Non-interest bearing liabilities | 5,965 | 5,235 | 6,696 | 7,538 | 7,909 |
| **Equity and liabilities** | **24,803** | **25,323** | **29,805** | **32,623** | **36,706** |

1) *Relates to Class B shares unless specified otherwise.*

2) *Proposed ordinary dividend.*

3) *Equity attributable to owners of the parent divided by the number of outstanding ordinary shares at the end of the period. The 2014–2016 period has been adjusted for outstanding preference capital. All preference shares were redeemed at the close of 2017.*

4) *Attributable to owners of the parent.*

5) *All Class C shares were redeemed at the close of 2017.*

# Definitions*

**Adjusted EBITA**
EBITA minus items affecting comparability.

**Adjusted EBITA margin**
Adjusted EBITA expressed as a percentage of net sales.

**Capital employed**
Total assets minus non-interest bearing liabilities.

**Consolidated value**
The Group's share of the company's equity, any residual consolidated surplus and deficit values minus any intra-Group profits. In addition, shareholder loans and capitalised interest on such loans are included.

**Debt/equity ratio (multiple)**
Interest-bearing liabilities in relation to equity.

**Dividend yield**
Dividend on ordinary shares expressed as a percentage of the Class B share's market price.

**Earnings per share before dilution**
Profit for the period attributable to owners of the parent company minus dividend for the period on preference shares divided by the average number of outstanding ordinary shares

**Earnings per share after dilution**
The calculation of earnings per share before dilution is based on consolidated profit for the year attributable to the owners of the parent company and on the weighted average number of shares outstanding during the year.

When calculating earnings per share after dilution, earnings and the average number of shares are adjusted to take into account the effects of potential ordinary shares, which, for the reported periods, pertain to convertible debt instruments and warrants issued to employees. Dilution resulting from convertible debt instruments is calculated by increasing the number of shares by the total number of shares to which the convertibles correspond and increasing earnings by the recognised interest expense after tax. Potential ordinary shares are considered to have a dilutive effect only during periods when they result in lower earnings or a higher loss per share.

**EBIT**
(Earnings Before Interest and Tax). Profit before net financial items and tax.

**EBITA**
(Earnings Before Interest, Tax and Amortisation). Operating profit before impairment of goodwill as well as amortisation and impairment of other intangible assets that arose in conjunction with company acquisitions and similar transactions.

**EBITA margin**
EBITA expressed as a percentage of net sales.

**EBITDA**
(Earnings Before Interest, Tax, Depreciation and Amortisation). Profit before depreciation, amortisation and impairment.

**EBT**
(Earnings Before Tax) Profit before tax.

**EBT margin**
EBT expressed as a percentage of net sales.

**Enterprise value**
Market value of the shares plus interest-bearing net debt.

**Equity per share**
Equity attributable to owners of the parent minus preference capital outstanding divided by the number of outstanding ordinary shares at the end of the period.

**Equity ratio**
Reported equity expressed as a percentage of total assets. Non-controlling interests are included in equity.

**Interest-bearing net debt**
Interest-bearing liabilities and pension provisions minus fixed-income assets and cash and cash equivalents.

**P/E ratio**
Market share price for Class B share in relation to earnings per share.

**Portfolio performance measures**
The following performance measures are presented for Ratos's company portfolio – both for the companies in their entirety (100% of the holdings in the companies) regardless of Ratos's holding and adjusted for the size of Ratos's holding in each company.

- *Net sales in the portfolio* – Net sales for the entire current period and comparative periods in the companies included in the portfolio at the end of the reporting period.
- *EBITA in the portfolio* – Operating profit for the entire current period and comparative periods in the companies included in the portfolio at the end of the reporting period before impairment of goodwill as well as amortisation and impairment of other intangible assets arising in conjunction with company acquisitions and equivalent transactions.
- *Adjusted EBITA in the portfolio* – EBITA in the portfolio according to the above definition, adjusted for items affecting comparability.
- *Adjusted EBITA margin in the portfolio* – Adjusted EBITA in the portfolio expressed as a percentage of net sales in the portfolio.
- *Items affecting comparability* – Income items that have a material impact on earnings in the company and, if not highlighted, would lead to difficulty in understanding the company's underlying operational development and/or valuation.
- *Cash flow from operations* – Cash flow from operations, excluding paid tax and interest, but including investments and divestments of intangible assets and property, plant and equipment, respectively.
- *Aggregate debt ratio, including the parent company* – The portfolio's total interest-bearing net debt, adjusted for the size of Ratos's holdings, including cash and cash equivalents in the parent company, divided by the portfolio's EBITDA last twelve months, adjusted for the size of Ratos's holdings, including EBITDA last twelve months in the parent company.

**Return on capital employed**
Profit before interest expenses and tax expressed as a percentage of average capital employed.

**Return on equity**
Profit for the year attributable to owners of the parent divided by average equity attributable to owners of the parent.

**Total return**
Price development of Class B shares including reinvested dividends on ordinary shares.

**Turnover rate**
Number of Class B shares traded during a year in relation to the total number of Class B shares outstanding.

** Relates to Class B shares unless specified otherwise.*

# GRI Index

Ratos's sustainability reporting refers to the 2018 calendar year. The figures presented are from 1 January 2018 until 31 December 2018 unless otherwise specified. This report has been prepared in accordance with the GRI Standards: Core option. This is Ratos's fourth sustainability report according to GRI and Ratos intends to report annually.

In line with Ratos's signing of the UN Global Compact (UNGC), Ratos submits a Communication on Progress (COP) every year that presents its work with UNGC's ten principles. COP information can be found in Ratos's 2018 Annual Report. The reporting of Ratos's significant aspects and topic-specific disclosures are largely limited to Ratos's

**Compliance** ● Fully ● Partial

**GRI STANDARDS INDEX WITH FINANCIAL SERVICES SECTOR DISCLOSURE**

| Standard & Title | | Page | Comments | UNGC principles | Compliance |
|---|---|---|---|---|---|
| **GRI 102: GENERAL DISCLOSURES 2016** | | | | | |
| **Organisational profile** | | | | | |
| 102-1 | Name of the organisation | 3, 128 | | | Fully |
| 102-2 | Activities, brands, products and services | 3, 26-27 | | | Fully |
| 102-3 | Location of headquarters | 128 | | | Fully |
| 102-4 | Location of operations | 1 | | | Fully |
| 102-5 | Ownership and legal form | 42-45 | | | Fully |
| 102-6 | Markets served | 1, 3, 16-17, 26-27 | | | Fully |
| 102-7 | Scale of the organisation | 16, 19, 26-27, 58-66 | | | Fully |
| 102-8 | Information on employees and other workers | 21 | Only encompasses Ratos's headquarters. | | Fully |
| 102-9 | Supply chain | 18 | | | Fully |
| 102-10 | Significant changes to the organisation and its supply chain | 1, 6-7, 42-45 | | | Fully |
| 102-11 | Precautionary Principle or approach | 18 | | 7 | Fully |
| 102-12 | External initiatives | 12 | | | Fully |
| 102-13 | Membership of associations | 12 | The Confederation of Swedish Enterprise, the Swedish Venture Capital Association and Swedish Leadership for Sustainable Development | | Fully |
| **Strategy** | | | | | |
| 102-14 | Statement from senior decision-maker | 4-5 | | | Partial |
| **Ethics and integrity** | | | | | |
| 102-16 | Values, principles, standards, and norms of behaviour | 10, 12, 14-21 | | | Fully |
| **Guidance** | | | | | |
| 102-18 | Governance structure | 15, 47-55 | | | Fully |
| **Stakeholder engagement** | | | | | |
| 102-40 | List of stakeholder groups | 13 | | | Fully |
| 102-41 | Collective bargaining agreements | 124 | Ratos has not entered into any collective agreements. | 3 | Fully |
| 102-42 | Identifying and selecting stakeholders | 12 | | | Fully |
| 102-43 | Approach to stakeholder engagement | 12, 13 | | | Fully |
| 102-44 | Key topics and concerns raised | 13 | Omissions: Not possible to report results divided into each stakeholder group due to inadequate data collection by third-party provider | | Partial |
| **Reporting practice** | | | | | |
| 102-45 | Entities included in the consolidated financial statements | - | | | Fully |
| 102-46 | Defining report content and topic Boundaries | 12, 13, 124 | | | Fully |
| 102-47 | List of material topics | 12, 13 | | | Fully |
| 102-48 | Restatements of information | 124 | No changes. | | Fully |
| 102-49 | Changes in reporting | 12 | | | Fully |
| 102-50 | Reporting period | - | | | Fully |
| 102-51 | Date of most recent report | 124 | 28 March 2018 | | Fully |
| 102-52 | Reporting cycle | - | | | Fully |
| 102-53 | Contact point for questions regarding the report | 124 | Jonas Wiström, CEO, +46 8 700 17 00, Helene Gustafsson, Head of IR and Press, +46 8 700 17 00 | | Fully |
| 102-54 | Claims of reporting in accordance with the GRI Standards | - | Core Level | | Fully |
| 102-55 | GRI content index | 124-125 | | | Fully |
| 102-56 | External assurance | - | Not examined by third party | | Fully |

parent company. The guidance on the aspects and indicators 205-1 and FS10 encompass both the parent company and holdings.

All calculations of energy and carbon emissions are comparisons between the financial years 2016 and 2018, with 2016 as base year for environmental data. Information is obtained from third-party suppliers, unless specified otherwise. All calculations regarding the environment are based on the GHG Protocol. Calculations that concern employees are based on GRI's models and all data is reported using the metric system. All HR data is calculated per employee.

**Compliance** 🟢 Fully 🟠 Partial

**MATERIAL TOPICS, GUIDANCE AND TOPIC-SPECIFIC DISCLOSURES**

| Standard | Title | Page | Comments | UNGC principles | Compliance |
|---|---|---|---|---|---|
| **GRI 200 ECONOMIC STANDARD SERIES** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 – 103-3 Management Approach | 12-18 | | 10 | 🟢 |
| GRI 205: Anti-corruption 2016 | 205-1 Operations assessed for risks related to corruption | 17 | | 10 | 🟢 |
| GRI 205: Anti-corruption 2016 | 205-3 Confirmed incidents of corruption and actions taken | 18 | | 10 | 🟢 |
| **GRI 300 ECONOMIC STANDARD SERIES** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 – 103-3 Management Approach | 12-16, 18 | | 8-9 | 🟢 |
| GRI 305: Emissions 2016 | 305-2 Energy indirect (Scope 2) GHG emissions | 18, 125 | | 8 | 🟠 |
| GRI 305: Emissions 2016 | 305-3 Other indirect (Scope 3) GHG emissions | 18, 125 | | 8 | 🟠 |
| **GRI 400 SOCIAL STANDARD SERIES** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 – 103-3 Management Approach | 12-16, 18-21 | | 1-6 | 🟢 |
| GRI 401: Employment 2016 | 401-3 Parental leave | 21 | Omissions: Retention rates not reported due to limitations in the current system. | 6 | 🟠 |
| GRI 404: Training and Education 2016 | 404-2 Programs for upgrading employee skills and transition assistance programs | 19-21 | | 6 | 🟢 |
| GRI 404: Training and Education 2016 | 404-3 Percentage of employees receiving regular performance and career development reviews | 21 | | 6 | 🟢 |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 21 | | 6 | 🟢 |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | 18 | | 6 | 🟢 |
| GRI 419: Socioeconomic compliance 2016 | 419-1 Non-compliance with laws and regulations in the social and economic area | 18 | | 1-6, 10 | 🟢 |
| **GRI G4 SECTOR DISCLOSURES** | | | | | |
| GRI Financial Services | FS6 Percentage of portfolio divided into region, size and sector | 3, 16-17, 26-27 | | 1-9 | 🟢 |
| GRI Financial Services | FS10 Share of the portfolio companies that the organisation has interacted with on environmental or social issues | 15-17, 19 | | 1-9 | 🟢 |

# Sustainability report

Ratos's sustainability report was prepared in accordance with GRI Standards: Core Option and in line with Swedish legislation regarding the companies' sustainability reporting and diversity policy in accordance with Chapter 6, Sections 10-14 and Chapter 7, Sections 31a-c of the Swedish Annual Accounts Act. The report, including indicators and data points, refers to the 2018 financial year unless otherwise stipulated. Refer also to the GRI Index on pages 124-125 for a description of the report and its principles.

Ratos's sustainability report includes a description of the strategy and business model (pages 8-10), accounts of material sustainability issues in its capacity of an active responsible owner, including policies and processes for managing these, and an account of the results on pages 12-18. A brief account of each portfolio company's sustainability agenda is included in the company descriptions (pages 18-39). The sustainability indicators reported for the portfolio companies constitute a selection of the most important indexes concerning each company's significant sustainability issues.

In addition to Ratos's sustainability report, large majority-owned portfolio companies (meaning companies that independently qualify for sustainability reporting in accordance with the EU directive as adopted in national legislation or the equivalent) have prepared their own sustainability reports in accordance with GRI Standards and the auditor of each company has verified that the report complies with relevant legislation. Large portfolio companies include Bisnode, DIAB, HL Display, Plantasjen, Speed Group and TFS. The Ratos associate Aibel also prepared its own sustainability report in accordance with legislation. The portfolio companies' individual sustainability reports will be published on Ratos's website during the second quarter of 2019.

# Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Ratos AB (publ), corporate identity number 556008-3585

**Engagement and responsibility**
It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 8-10, 12-39 and 124-125 and that it has been prepared in accordance with the Annual Accounts Act.

**The scope of the audit**
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 examination has provided us with sufficient basis for our opinion.

**Opinion**
A statutory sustainability report has been prepared.

Stockholm April 2, 2019

PricewaterhouseCoopers AB

| | |
|---|---|
| *Signature on original auditors' report in Swedish** | *Signature on original auditors' report in Swedish** |
| Peter Clemedtson | Helena Kaiser de Carolis |
| *Authorized public accountant* | *Authorized public accountant* |
| *Partner in charge* | |

**This is a translation of the original auditors' report in Swedish. In the event of any differences between the translation and the original statement in Swedish, the Swedish version shall prevail.*

# Shareholder information

## Annual General Meeting 8 May 2019

The Annual General Meeting of Ratos AB (publ) will be held at 2:00 p.m. CET on Wednesday, 8 May 2019 at Skandiascenen at Cirkus, Djurgårdsslätten 43-45, Stockholm.

## Participation

To be entitled to participate in the business of the Meeting, shareholders must

- be recorded in the register of shareholders maintained by Euroclear Sweden AB on Thursday, 2 May 2019,
- notify the company of their intention to attend no later than Thursday, 2 May 2019.

## Notification

Out of consideration for the environment and to become more efficient through the use of digital services, Ratos has this year chosen to not issue invitations to the Annual General Meeting by mail.
Notification of participation may be made

- via www.ratos.se
- via phone +46 8 518 015 50 weekdays between 9.00 a.m. and 4:00 p.m.
- in writing to the following address: Computershare AB, "Ratos årsstämma 2019", Box 610, SE-182 16 Danderyd.

When notifying participation please state name, personal/corporate registration number, postal address, daytime telephone number and the number of assistants, if relevant.

## Nominee registered shares

In order to be entitled to participate in the Meeting and exercise their voting rights, shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names. Such registration must be effected at Euroclear Sweden AB no later than Thursday, 2 May 2019. Shareholders are requested to inform their nominees in good time prior to this date.

## Dividend and record date

The Board proposes an ordinary dividend for the 2018 financial year of SEK 0.50 (2.00) per Class A and Class B share. The record date for the right to receive dividends is proposed as 10 May 2019 and dividends are expected to be paid from Euroclear Sweden on 15 May 2019.

## Calendar

| | |
|---|---|
| 8 May | 2019 Annual General Meeting |
| 8 May | Interim Report, January–March 2019 |
| 16 Aug | Interim Report, January–June 2019 |
| 5 Nov | Interim Report, January–September 2019 |

Reports can be accessed on Ratos's website directly after publication and are issued in Swedish and English. The Annual Report is sent by post to shareholders who have so requested.

Publications can be ordered at www.ratos.se or by
post: Ratos AB
Box 1661
SE-111 96 Stockholm

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