Annual Report 2019

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This is Ratos's Annual and Sustainability Report for 2019. The formal Annual Report comprises pages 42–114. The Sustainability Report on pages 9–11, 14–23, 28–39, 120–124 is Ratos's statutory sustainability report, as required by the Swedish Annual Accounts Act. The Sustainability Report also serves as our Communication on Progress to the UN Global Compact.

Ratos's business concept is to develop mid-sized companies headquartered in the Nordics that are or can become market leaders.

Ratos is a business group that enables independent mid-sized companies to excel by being part of something larger. People, leadership, culture and values are key focus areas for Ratos. Everything we do is based on Ratos's core values: Simplicity, Speed in Execution and It's All About People.

This is Ratos's world

12,200

employees

12

companies in three business areas

38

SEK billion in sales

1.8

SEK billion in EBITA

Three business areas

Adjusted for the size of Ratos's holding, excl. IFRS 16.

Ratos's 12 companies are divided into three business areas. Ratos has chosen to present its companies and business areas, from page 3 to page 27, based on the size of Ratos's holding for each company.

Construction & Services

Sales: SEK 12,236m
Reported growth: 23%
EBITA: SEK 302m
EBITA margin: 2.5%

Aibel

Supplier of offshore-based solutions and maintenance for the European energy sector

airteam

Energy-efficient ventilation solutions

HENT

Construction company within public and commercial real estate

Speed Group

Services for logistics and warehouse management as well as staffing services

Consumer & Technology

Sales: SEK 7,657m
Reported growth: 3%
EBITA: SEK 427m
EBITA margin: 5.6%

Bisnode

One of Europe's largest data and analysis companies

Kvdbil

Independent online marketplace offering testing, valuation and broker services for second-hand vehicles

Oase Outdoors

Develops, designs and produces innovative camping and outdoor equipment

Plantasjen

Chain for plants and gardening accessories, with 140 stores focused on consumers

Industry

Sales: SEK 4,582m
Reported growth: 12%
EBITA: SEK 344m
EBITA margin: 7.5%

Diab

Develops, produces and sells core materials for sandwich composite structures

HL Display

Store solutions for improved customer experience, profitability and sustainability

LEDiL

Designs, develops and sells secondary optics to lighting manufacturers

TFS

Services within clinical trials for the pharmaceutical industry

The year in review

New strategy and improved results

Most of the companies developed positively in terms of stability, profitability and growth in 2019. EBITA in Ratos's companies improved by 29 per cent and organic growth increased by 14 per cent. Corporate governance, with the right CEO and Board in place in each company, was a top priority during the year. Value-creating measures have been carried out, adapted to the situation of each respective company, in order to increase profitability and growth. Read more about Ratos's way of working on page 9.

Financial result

- Net sales for Ratos's business areas increased by 14% organically and amounted to SEK 24,475m (21,531)
- EBITA for Ratos's business areas, excluding IFRS 16, totalled SEK 1,073m (835)
- Basic and diluted earnings per share for full year 2019 amounted to SEK 2.11 (–1.40)
- The Board proposes a dividend of SEK 0.65 (0.50) per share

Corporate governance

New CEOs in four companies. Ensuring strong leadership in its companies is one of Ratos's most important priorities as an owner. During the year, new CEOs were appointed in four companies: Olav Thorstad in Plantasjen, Mats Johnson in Speed Group, Petteri Saarinen in LEDiL and Bassem Saleh in TFS. At airteam Sweden, the Swedish subsidiary of airteam, Greger Gunnarsson was appointed as CEO in a newly established role.

New Board Chairmen in seven companies. Since 2018, Ratos's own employees have begun to serve as the chairmen of its various companies. In 2019, a number of changes were made to various chairman positions, with Ratos employees serving as chairmen in seven companies at the end of the year.

New dividend policy. Ratos's Board of Directors has decided on a new dividend policy. The Ratos share is to deliver steadily increasing dividends over time based on growing earnings and a stable financial position. According to the Board's assessment, a dividend payout ratio of 30–50% of profit after tax attributable to owners of the parent will fulfil these conditions.

Aibel. DolWin 5, a project for power conversion from wind farms in the Baltic Sea to the German mainland, is scheduled for completion by 2024.

Value-creating measures

Profitability-enhancement project at Diab. An action programme intended to improve stability, profitability and growth at Diab was a major focus during the past year. The measures implemented included a new organisation, product rationalisation, a focus on profitable customer contracts, investments and a reduction of the share of operating costs. Diab's earnings have improved from a loss of SEK –155m in 2018 to positive EBITA of SEK 190m in 2019.

Plantasjen refines its operations. To increase profitability and focus on its core operations, Plantasjen sold its subsidiary Spira, a supplier of flowers and plants to grocery retailers in Sweden. At the time of the divestment, Spira had negatively impacted Plantasjen's EBITA with SEK –30m over the past 12 months. The sale generated a capital loss of SEK –28m.

Restructuring within Speed Group. Over the past year, Speed Group carried out a restructuring programme to reduce fixed costs and resolve unprofitable customer assignments. The restructuring resulted in savings effects of approximately SEK 10m in 2019 and is expected to have a positive effect on EBITA of approximately SEK 30m on an annual basis.

TFS implements restructuring measures. In conjunction with the change of CEO at TFS, the company's operations were restructured during the year in order to increase their efficiency and reduce the company's fixed costs. The costs associated with these measures amounted to about EUR 3.9m and the aim is to achieve improved profitability of approximately EUR 2.8m in 2020.

Sustainability

Aibel increases its exposure to renewable energy. Aibel won two major contracts in offshore wind power in 2019. The company became a supplier to Dogger Bank, the world's largest offshore wind farm. The facility is expected to generate an annual electricity supply equivalent to the annual consumption of 4.5 million households. Aibel also won a contract for DolWin5, a project for power conversion from three wind farms in the North Sea to the German mainland. Approximately 40% of Aibel's total order book at the end of 2019 was attributable to projects within offshore wind.

Diab anticipates a strong wind power market. Diab's products contribute to the increased growth of renewable energy (wind turbines) and reduced energy consumption by using lightweight solutions. Diab is thus actively contributing to a more sustainable society. During the past year, Diab signed a five-year supplier contract for core materials with Vestas, one of the world's leading suppliers of wind turbines.

HENT building in timber. In the past year, HENT continued to win contracts in timber framing, having been commissioned to build "the school of the future" in Bjørnafjorden municipality. The entire project is characterised by a focus on the environment when it comes to choosing the right material and solutions. HENT is also building a new cultural centre in Skellefteå primarily out of timber. Additionally, HENT has also built Mjøstårnet, the world's tallest timber building, located in Brumunddal, Norway.

Kvdbil launches initiative to reduce climate impact. In the past year, Kvdbil began an initiative with the aim of taking a leading position in reducing the climate impact of the Swedish vehicle fleet. In cooperation with Chalmers Industriteknik, the company is working to spread knowledge about the environmental impact of vehicles and their optimal life cycle from the perspective of CO_2 emissions. The results of their research and progress will be openly published on the website bilberget.se. In early 2020, Kvdbil decided to stop exporting environmental cars to speed up the conversion of the Swedish vehicle fleet.

Plantasjen Plantasjen carried out measures to improve profitability during the year.

Ratos – a company group developing positively

Our company group reported organic growth of 14 per cent in 2019, while reported earnings increased 29 per cent despite major restructuring costs. As a result, we saw significant improvements in our cash flow, which in turn reduced the level of debt in the companies. It is gratifying to see that all our hard work is paying off and that Ratos is beginning to produce results. However, there is no lack of challenges and a great deal of work still needs to be done before we can achieve our goals for profitability and shareholder value.

The year in review

2019 was an eventful year during which all of our focus was on our existing companies and creating a more effective structure and working method at Ratos. Ratos's organisation has become more focused on company development at the same time as the number of employees has decreased. In March, we divided our companies into three business areas, which now work more closely with the companies' management groups through monthly business reviews and "troika" meetings. The work of the Board is also shifting focus to more long-term issues.

In 2019, we replaced the chairman in seven of our companies: HENT, HL Display, LEDiL, Oase Outdoors, Plantasjen, Speed Group and TFS. Ratos currently holds chairman positions in eight of its 12 companies. A shift in management also took place during the year, with new CEOs appointed in LEDiL, Plantasjen, Speed Group and TFS. Nothing is more important for us than having the right management in our companies. We also sold the premises that has housed Ratos's head office, as heavily increased security requirements risked jeopardising our ability to use our offices as we desire.

The company group has not changed compared with the close of 2018. Ratos increased its holding in TFS from 60% to 100% at the start of the year, thereby obtaining full control of the company. Also at the start of the year, airteam acquired Creovent and Thorszelius, beginning a journey of growth in Sweden. Plantasjen divested its subsidiary Spira. All other growth was organic.

Company group

Aibel had a successful year, with a very strong order intake and sales performance. The order intake mainly comprised platforms for offshore wind farms. This is a growing market with favourable prospects – a market where Aibel possesses both great experience and expertise.

airteam received a large order intake of complex buildings such as hospitals during the year. Profitability was negatively impacted by a weak performance in the newly acquired Swedish operations, but developed positively towards the end of 2019.

HENT, which has seen substantial growth over the past few years, was forced to recognise major write downs on a few projects during the year. As a result of this and the fact that HENT has now reached a size where its structure and processes must change to enable HENT to continue to grow without any major negative surprises, Ratos's CFO Peter Wallin has stepped in as Executive Chairman for a period of time.

Speed Group carried out an impressive action programme focused on operational efficiency and reduced operating expenses during the year, resulting in significant earnings improvements.

Bisnode continued its investments in a new range of products and solutions for credit and market analysis in a growing market. Its earnings continued to improve during the year.

Kvdbil, under its new management team, took decisive measures to improve its unique customer offering and stake out a position in a growing fossil-free vehicle fleet. The company's earnings and sales were strong.

Oase Outdoors introduced an award-winning generation of new camping tents. Unfortunately, production problems during start-up led to major costs for the company, resulting in a significant decrease in earnings for the year.

Plantasjen's sales increased during the year, while earnings decreased as a result of restructuring that included the sale of the unprofitable subsidiary Spira. In October, the company got a new management team, which is now implementing a focused action programme intended to improve the customer offering and reduce fixed costs.

Diab, which acquired a new management team at the end of 2018, noted a substantial increase in earnings and sales during the year, while also making major investments to make the company even more competitive and less sensitive to economic fluctuations in a growing market. Long-term supplier contracts were signed with leading wind power players during the year.

HL Display continued to deliver a positive performance as a market-leading supplier in Europe, driven by the expansion of the customer offering and continued efforts to increase its production and logistics efficiency.

LEDiL noted a decline in profitability during the year, primarily due to increased operating expenses and a lack of sales growth during the year. A new CEO took over in December 2019.

TFS, whose earnings have underperformed for many years in an industry characterised by favourable profitability and growth, performed well during the year. At the end of year, the company acquired a new CEO and carried out an action programme with the aim of reducing the company's costs and achieving increased operational efficiency.

New strategy

In conjunction with Ratos's Capital Markets Day in November, our future strategy – which rests on our principles for company development – was presented. With our new core values of "Simplicity", "Speed in Execution" and "It's All About People", we will continue to focus on company development with the aim of strengthening profitability and growth in the company group. At Ratos, we retain ownership of our companies for as long as we consider ourselves to be the best owner for the

company. It is a fundamental principle that our companies maintain their independence but are also a part of something larger. "Something larger" does not simply refer to being a part of a company group with over 12,000 employees, combined sales of SEK 38 billion and a parent company with strong net cash. The most important aspect of being part of "something larger" is our network, where experiences are shared between companies and industries and where we can create synergies together. During the year, a number of networks have been created in areas such as purchasing, logistics, HR and sustainability. These networks are primarily run and maintained by the companies themselves. One of the platforms for these networks was created in 2019 under the name Ratos BELP (Ratos Business Executive Leadership Program). The programme was designed through exclusive collaboration with SSE Executive Education and will run for nine months. Participants will receive training in leadership and businessmanship while working on actual projects lifted from Ratos's companies. The programme will not only produce better leaders and businessmen/women, but also create organic networks between the companies, which have already reaped the benefits of increased collaboration across company borders.

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, which we continue to uphold. Ratos ensures that sustainability is an integrated part of the company's operations both now and in the future. We monitor our sustainability work and are pleased to report that the number of companies that conduct climate reporting has increased from five to nine and that all companies now have an external whistleblowing system in place.

Ratos moving forward

In last year's annual report, I emphasised that the remaking of Ratos will take time. In 2019, we took important steps in the right direction. While all of our companies aim to lead their respective industry or market when it comes to profitability, significant measures still need to be taken in certain companies to ensure a sustainable positive performance. Profitability is not only about shareholder value. Sustainable profitability is the ultimate proof that we are creating positive value for our customers through an efficient organisation. Being a leader in terms of profitability requires high customer satisfaction as well as employees who are developing and are content in their jobs. It also requires that we are a respected member of society that takes sustainability issues seriously and is perceived as creating long-term value.

I would like to conclude by thanking everyone in the Ratos family who showed such dedication in 2019 and have committed to our goal of becoming the best Nordic company group for mid-sized companies.

Jonas Wiström
CEO


RATOS

Ratos's model for company development

Ratos's model for company development is built on a number of fundamental principles for value creation that we call the Ratos Principles. Founded on our experience of successful company development, these principles permeate our organisation and companies and serve as a guide in our day-to-day operations.

The Ratos Principles focus on corporate governance, value creation and building networks.

The principles determine the form of **corporate governance** that we implement in our companies and are key to the recruitment of CEOs and company boards. Our companies must have management teams and boards that share Ratos's philosophy.

Each company has identified prioritised **value-creating measures** intended to take the company to the next level. These initiatives, which are based on the Ratos Principles, are limited in number and specific in their focus.

At Ratos, we make it possible for companies to develop rapidly by being a part of something larger. An important aspect of this is building strong **networks** between the Ratos companies. There is always a risk of becoming blind to the bigger picture in one's own company and sector. In order to thrive in their respective segments, companies require ideas and perspectives from other companies and sectors.

Everything we do as an owner and employer is based on Ratos's core values: **Simplicity**, **Speed in Execution** and **It's All About People**.

Simplicity | Speed in Execution | It's All About People

The Ratos Principles

Stability – Profitability – Growth

At least half of the management group consists of line managers

What gets measured gets done – but don't measure everything

Pricing can always be improved

Customers talk – we listen

Focus on our strengths

Costs can always be lowered

Benchmarking

Organic growth prioritised

Acquired growth with synergies to boost value

Corporate governance

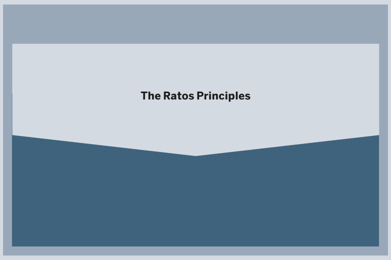
The right CEO
The right Board of Directors
A decentralised structure
The right incentives

Value-creating measures

A handful of company-specific initiatives that are monitored

Ratos's network

Ratos enables independent mid-sized companies to excel by being part of something larger



The Ratos Principles

The Ratos Principles determine how we act and what we believe in as an owner.

Stability – Profitability – Growth. Reliable profitability should be built from the ground up, and this all starts with stability. Stability is about creating an environment with a good ability to predict company development in the near future. Without this ability, it is difficult to reverse a company's negative profitability. This is why accurate forecasts for sales and EBITA are important parameters to follow. Good leadership and a clear business plan are also crucial.

We can only begin to focus on profitability once stability has been achieved. Favourable profitability is the cornerstone of growth. Company strategy must be based on a clear insight into what drives the company's profitability. This is partly about improving gross margins and reducing the amount of fixed costs. A good result is when a company outperforms other companies in the same sector in terms of profitability and achieves a growth rate that is higher than market growth.

Profitability is the cornerstone of growth. An exception can be made, however, for companies that need to build a market position quickly. Growth is often a natural result of focusing on those products or services that are most profitable. This is a question of focusing on sales, correct pricing and profitable acquisitions.

Line managers in the management group. To establish a healthy dynamic in the management group and to keep the management group close to the business and the customers, at least half of the management group is to be comprised of line managers. This creates a good balance between support services and those responsible for the customer's earnings.

What gets measured gets done – but don't measure everything. A strong drive to accomplish positive results is within all of us. This is why the things that get measured improve. However, it is crucial not to measure too many parameters, since this can lead to a decrease in clarity. As such, it is important to limit the amount of measuring points.

Pricing can always be improved. Pricing is an important measure for improving profitability in every company. With a good understanding of the customer value that can be created, there are often opportunities to adjust prices in both directions.

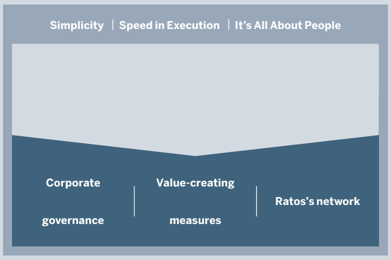
Customers talk – we listen. It is the customers who pay the salaries of a company's employees. Listening to the customer allows us to understand problems and opportunities, market trends and the value that the company can provide. Armed with this understanding, we can develop product offerings and internal processes. Customer satisfaction is therefore a crucial parameter to keep a track of in our companies.

Focus on our strengths. There is always a risk of devoting too much focus and resources to trying to find ways of fixing things that are not working. Our experience has taught us that it is simpler to turn something that is working well into something that can work better, rather than turning something that is not working into something that works well. The company must focus its resources on its strengths and develop them even further.

Costs can always be lowered. We have an obligation to our customers and owners to always scrutinise our costs and make sure that the company's operations provide customer value every step of the way. Constantly finding ways to improve operational efficiency is a continuous job. Our experience has taught us that companies that lower their costs are often surprised by just how much costs can be reduced without having a negative impact on the operations.

Benchmarking for measuring and comparison. The key to deciding whether or not something is good is finding relevant common benchmarks for comparison. By compiling benchmarks between different units in the company and between companies in the same industry and by making use of external data, the company can challenge itself to further develop and find out about other companies who have performed even better.

Organic growth prioritised, while acquired growth with synergies also boosts value. Organic profit growth is unparalleled when it comes to creating value for a company and, for this reason, is always a top priority for Ratos. Acquired growth can generate considerable value when combined with real synergies in terms of expenses and revenue.



Corporate governance

The right CEO. It is important for Ratos to make sure that the company has the right CEO with the ability to put together a strong team. When it comes to producing good results, nothing is more important than strong leadership.

The right Board of Directors. The Board of Directors must have the right composition given the current situation of the company. Today, more than half of Ratos's companies have a Ratos employee as their chairman, while the other companies have an external chairman. The size of the board is adapted to what is most beneficial for the current situation. The Board's work must be effective and involve minimal bureaucracy.

A decentralised structure and culture. Responsibility for each Ratos company rests with the company itself and its respective management. Decisions in the company should be made as closely as possible to the customers and employees, without any unnecessary bureaucracy.

Quick and correct reporting. The companies' financial development and ongoing activities are addressed at monthly meetings attended by the respective company's CEO and CFO alongside Ratos's CEO, CFO and other senior executives.

The right incentives. Incentives are an important aspect of Ratos's model for company development. The CEO and other key individuals are offered incentives for creating value 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. The right incentives attract the most committed leaders.

Value-creating measures

Prioritising value-creating measures. Each company has implemented value-creating initiatives. These initiatives, which can be large or small, are adapted to each company and are based on the individual company's situation. They can, for instance, involve new customer offerings, cost programmes, add-on acquisitions or initiatives dealing with sustainable business operations.

What these measures have in common is that they come from management, generate value, are long-term in nature and are monitored regularly. They should also be limited in number and specific in their focus.

Ratos's network

We establish formal and informal networks between the companies to leverage synergies through economies of scale, but perhaps most of all to share knowledge and experience. Ratos enables independent mid-sized companies to excel by being part of something larger. We have several platforms for sharing knowledge:

Ratos BELP. In 2019, we launched the Business Executive Leadership Programme (BELP) in collaboration with the SSE Executive Education. 25 managers and leading talents from Ratos's companies took part. The programme comprised four three-day modules focusing on strategy, finance, leadership and sales. The purpose of the programme is to provide new insight into international business influences, while also creating the potential for a strong internal leadership network.

Ratos Executive Network. Each year, we organise network meetings bringing together specialists in different functions to share their knowledge and experience. During 2019 there were meetings held and networks created for HR managers, purchasing managers, heads of sustainability, finance managers and CEOs. We also held a meeting specifically to discuss cyber security.

Ratos Summit. For 2020, we are arranging Ratos Summit, an event where all of the management groups in Ratos's companies will meet for a full-day conference. The day will aim to increase the spread of knowledge between the companies, demonstrate good examples and results from the companies in different areas and foster inspiration though external lecturers.

Culture and values

People, leadership, culture and values are key focus areas for Ratos's ownership model. Everything we do as an owner and employer is based on Ratos's core values: Simplicity, Speed in Execution and It's All About People.

Simplicity. We reject bureaucracy and focus on doing the right things rather than doing things in the right way. Our processes, objectives and reward systems are simple and concise.

Speed in Execution. We are quick, focused and have a solution-oriented approach to our work.

It's All About People. Everything we do is based on the insight that nothing is more important than people. Our leaders and employees make a difference every day.

Targets and target fulfilment

Ratos's overall target is to increase shareholder value while ensuring Ratos's growth.

Targets	Outcomes 2019
Financial targets	
Increased earnings in Ratos's companies every year	EBITA increased from SEK 846m to SEK 1,073[1)]m
A total return greater than SIX Return Index	The total return for Ratos's Class B share was 46% (SIX Return Index 35%)
Dividend	
Dividend amounting to 30–50% of the profit after tax attributable to owners of the parent	Dividend of SEK 0.65[2)] per share, corresponding to 31% of profit after tax attributable to owners of the parent

Criteria for new investments
Ratos has the following criteria for new investments and long-term holdings:

- Market-leading or the potential to become market-leading
- Highest profitability in its sector
- Ability to create a healthy cash flow over time
- Strong brand
- Potential to benefit from Ratos's networks
- Platform for add-on acquisitions

Ratos strives to implement quick improvements in its companies but remains an owner with a long-term vision. We own our companies for as long as we consider ourselves to be the best owner.

Dividend policy
The Ratos share is to deliver steadily increasing dividends over time based on growing earnings and a stable financial position. According to the Board's assessment, a dividend payout ratio of 30–50% of profit after tax attributable to owners of the parent will fulfil these conditions.

1) Earnings are defined as reported EBITA excluding IFRS 16 for the relevant company portfolio and period
2) Proposed ordinary dividend

Adelswärdska building, Drottninggatan 2

In 2019, Ratos sold the Stockholm Lejonet 4 property, also known as the Adelswärdska building, which was acquired by Söderberg & Haak in 1938 and has served as Ratos's head office since then.

Sustainable value creation

Long-term value is created by developing sustainable companies. This is why sustainability is an integrated part of Ratos's business strategy. This applies to both Ratos's parent company and the work carried out as an active owner.

Ratos's greatest contribution to society is acting as an active and responsible owner which builds long-term successful and sustainable companies that create jobs, respect humanity and the environment, and deliver high-quality products and services. Ratos also makes a difference in that our principal owners are foundations that promote research and, with it, community development.

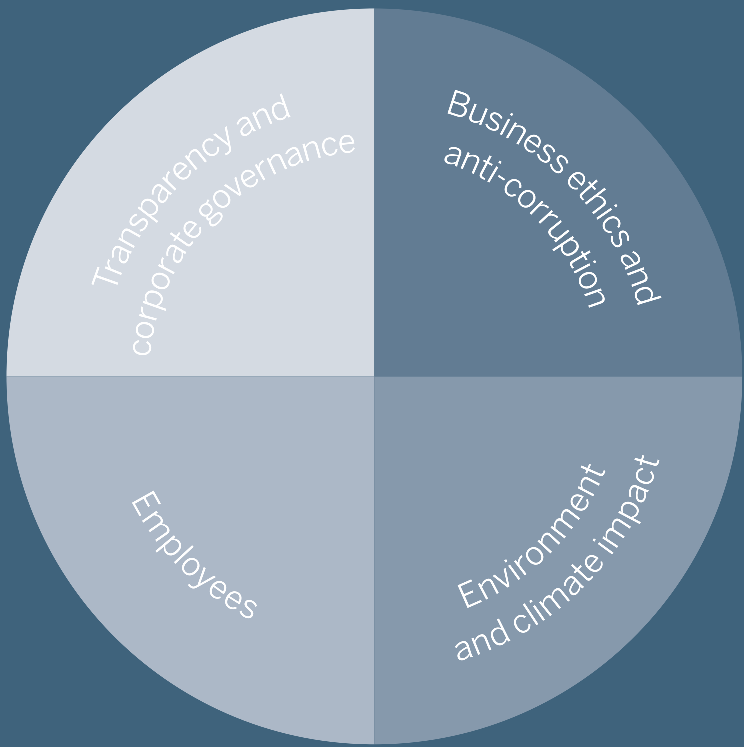
We have 22 employees at Ratos's head office and a total of about 12,200 employees in 35 countries in our companies. Through active ownership, Ratos acts as a driving force in ensuring that sustainability work is carried out in our companies. The foundation of this is Ratos's policy framework, consisting of: 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 work with the UN Sustainable Development Goals

Ratos supports the UN Sustainable Development Goals (SDGs). Ratos's parent company and Ratos's companies have the most significant impact on Goal 5, 8, 12, 13 and 16.

SDG	SDG targets	Ratos's contribution
5 GENDER EQUALITY	**5.5** Ensure women's full participation in leadership on all levels of decision-making.	Ratos's Code of Conduct stipulates that we are a non-discriminatory workplace that promotes equal opportunities and diversity. The Code applies to Ratos's parent company and Ratos's companies. We keep track of the share of women among Ratos's employees as well as the share of women in senior positions.
8 DECENT WORK AND ECONOMIC GROWTH	**8.1** Sustainable economic growth.	Ratos aims to create long-term successful and sustainable companies. One of Ratos's financial targets is to increase earnings in the companies. In the long term the companies should reach the highest profitability in its sector.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.2** Sustainable management and use of natural resources. **12.6** Encourage companies to adopt sustainable practices and sustainability reporting.	We insist on and follow up to ensure that Ratos's companies: • Identify their primary environmental impact and implement an environmental policy/environmental plan. • Measure, report and follow up on CO_2 emissions. • Adopt sustainability goals.
13 CLIMATE ACTION	**13.1** Strengthen resilience and adaptive capacity to climate-related disasters. **13.3** Improve awareness and capacity to manage climate change.	We insist on and follow up to ensure that Ratos's companies measure, report and follow up on their CO_2 emissions.
16 PEACE AND JUSTICE STRONG INSTITUTIONS	**16.2** Zero violence against children. **16.5** Combat corruption and bribery.	Ratos's parent company has through Net Clean Proactive installed a protection against child pornographic material on each employee's computer. Ratos's companies have the right to use a framework agreement to install this. Ratos's parent company and Ratos's companies must ensure transparent and sound corporate governance, and conduct their businesses with good business ethics and proactive anti-corruption initiatives.

Four focus areas



Ratos has four focus areas for its sustainability efforts, which form the basis for its reporting on our sustainability efforts:

- Transparency and corporate governance
- Business ethics and anti-corruption
- Environment and climate impact
- Employees

The following section contains information on how we address each respective focus area, both within Ratos's parent company and in Ratos's companies.

Transparency and corporate governance

Sustainability is an important part of Ratos's corporate governance. We place requirements on active sustainability work and transparent sustainability reporting.

Corporate governance in sustainability issues

- Ratos's Board is ultimately responsibility for the Group-wide strategy and sustainability initiatives, while operational responsibility rests with Ratos's CEO.
- Ratos's Business Area Managers are responsible for ensuring that sustainability is included on the agenda of the board and management of each Ratos company.
- The board of each Ratos company is ultimately responsible for ensuring the company complies with applicable laws, guidelines and policies on sustainability. The operational responsibility for sustainability work rests with the company's CEO and management.

Ratos's companies must:

- Have a process in place for identifying and managing risk.
- Implement a Code of Conduct in line with Ratos's Code.
- Identify their primary environmental impact, and implement an environmental policy/environmental plan.
- Measure, follow up on and report CO_2 emissions.
- Adopt sustainability goals and follow up on them at least once each year.
- Have an externally operated and anonymous whistle-blowing system.
- Prepare a sustainability report inspired by the Global Reporting Initiative (GRI).

Read more about each company's sustainability work on pages 28–39.

Ratos's sustainability forum promotes an exchange of experiences and cooperation between companies

Every year, the sustainability managers from Ratos's companies gather for a full-day conference. The purpose of the conference is to exchange experiences and discuss external trends and tools in the area of sustainability. It is also an opportunity to discuss and review Ratos's expectations of its companies' sustainability efforts and sustainability report.

"It's fantastic to see how powerful it is to share experiences between our companies. It's also a unique opportunity to talk about the challenges that we face and help each other to find solutions," says Helene Gustafsson, Head of IR, Press and Sustainability at Ratos.

The theme of this year's forum was climate change. Measuring, reporting and following up on CO_2 emissions is one of the expectations that Ratos has of its companies.

Ratos's CEO Jonas Wiström took part in the conference.

"I really appreciated listening to Jonas Wiström. He is very clear when it comes to Ratos's commitment to sustainability issues, which in turn inspires us to improve our sustainability efforts," says Per Hökfelt, Director of Corporate Sustainability at Diab.

"It was at Ratos's sustainability forum in 2017 that I learned about the Science Based Targets initiative. Now, Diab has become the first company working with composite material in the world to implement Science Based Targets, and one of seven companies in Sweden to do so.

"When we get together with the other companies, we also gain ideas about how we can collaborate around sustainability solutions. Among other collaborations, Diab has worked with HL Display to find solutions involving recycled and recyclable plastic," says Per Hökfelt.

Ratos in the community

In 2019, 17% (SEK 36 million) of Ratos's dividend went to the Ragnar Söderberg Foundation and the Torsten Söderberg Foundation, two of the country's largest private investors in scientific research, mainly within economics, medicine and law.

Entrepreneurship and company development are key components in Ratos's legacy and in today's operations. Our commitment to entrepreneurship is key to Ratos's strategy for community partnerships. In 2019, Ratos provided financial support to our selected partners, including Inkludera Invest and the Stockholm School of Economics. Inkludera Invest works with the promotion of social entrepreneurship.

Case: Aibel

Aibel's Code of Conduct is kept alive through e-learning tools, a whistleblowing system and its Compliance Champions initiative.

Just like other Ratos companies, Aibel has a Code of Conduct to ensure a high ethical standard throughout its operations. The code defines legal and ethical frameworks for how business should be conducted, and serves as a guide for the employees in their day-to-day work. The code applies to all employees regardless of where they are located. Integrity and openness are key aspects of the code. To ensure that all employees are familiar with the code and understand how it should be applied, an annual certification is carried out using an e-learning tool where all employees confirm that they have read and will follow the code.

Digital whistleblowing system. To make it possible to report violations anonymously, Aibel has a digital whistleblowing system which allows all employees to anonymously report incidents via the company's intranet from their computer or smartphone. The system enables an anonymous dialogue with the whistleblower from the moment the report is made to when the case is investigated and concluded.

Compliance Champions. To strengthen its work within regulatory compliance, Aibel has a programme in place in which certain business units are appointed as Compliance Champions. The Champions carry out local compliance campaigns and become a vital link between the central compliance function and the operations. Two business units in Norway have acted as Compliance Champions since 2016, and in 2017 and 2018, the programme was expanded to Singapore and Thailand. Here, Champions have taken responsibility for important aspects of compliance work, including carrying out due diligence and audits of important subcontractors and business partners in each region.

Business ethics and anti-corruption

Ratos requires the implementation of sound business ethics and proactive anti-corruption initiatives in its companies.

Code of Conduct. Ratos has a Code of Conduct that applies to employees in Ratos's parent company and Board of Directors. The Code of Conduct contains written anti-corruption and business ethics instructions. New employees are introduced to Ratos's Code of Conduct, Work Environment Policy, Employee Manual and Environmental Policy. Deviations and irregularities are reported and followed up using Ratos's external whistleblowing system. Both Ratos employees and external stakeholders can report suspected deviations anonymously.

As in the preceding year, no deviations from the Code of Conduct were reported in 2019, including no reported cases of discrimination. Nor was Ratos imposed with any fines or other sanctions due to violations of laws or regulations. No whistleblowing reports were filed during the year.

Code requirements for Ratos's companies. The companies are to implement a Code of Conduct that, at a minimum, corresponds to Ratos's Code of Conduct, which stipulates that recognised international conventions, human rights and employee rights and conditions must be respected.

Whistleblowing system: Every employee has a responsibility to report an incident if they suspect that an action is in breach of the company's Code of Conduct. To make it possible to report violations anonymously, Ratos has procured an external whistleblowing system, Whistle B, which is fully independent of Ratos's IT systems and online services.

Anti-corruption. Ratos imposes requirements on the prevention of corruption. The companies must carry out risk analyses and implement measures in order to manage identified risks. Preventive work includes guidelines for employees, training programmes for individuals in positions of risk, and imposing demands and following up on business partners. During the year, all 12 of Ratos's companies were analysed for corruption risks. Six of the companies are considered to have an elevated risk of corruption based on their operations in exposed industries or in high-risk countries, according to the Transparency International Corruption Perception Index.

Human rights. Ratos supports and respects the protection of human rights and expects its companies to ensure they are not complicit in any human rights violations. Some of Ratos's companies have suppliers and partners in countries with an elevated risk of violations of human rights or employee rights. Respect for human rights and employee rights must be stipulated in the companies' own codes of conduct, and in their work relating to suppliers and partners.

100%
of Ratos's companies have a Code of Conduct

100%
of Ratos's companies have an external whistleblowing system

Environmental and climate impact

Ratos endeavours to constantly reduce its environmental and climate impact and requires that its companies do the same.

Environmental Policy. Environmental work at Ratos's parent company is based on our Environmental Policy and related environmental plan. Since its operations are primarily conducted in an office environment, the company's direct environmental impact is limited and attributable to business trips, especially with air travel. The ambition is to reduce travel, for example, through the use of video conferencing and guidelines when choosing a means of transport. We pay climate compensation for emissions from all air travel.

In 2019, the parent company's CO_2 emissions amounted to 174 tonnes (155). 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.

Total emissions, tonnes of CO_2e/year	2019	2018	2017
Business trips (Scope 3)	153	135	232
of which, air travel	145	124	216
Head office, building (Scope 2)[1]	19	16	16
of which, electricity consumption (Scope 2)	2	3	3
Other[2] (incl. annual report calculated from a general LCA perspective)	6	4	6
Total before climate compensation	**174**	**155**	**255**
Total after purchase of climate compensation	**0**	**0**	**0**

1) Electricity and heat consumption.
2) District heating, paper and printed materials, electricity consumption.

Requirements for Ratos's companies. Ratos's significant environmental impact is created through its companies. Ratos expects every company to identify its environmental impact and implement an environmental policy. The companies' sustainability reports contain information concerning climate impact, energy consumption, waste management and water consumption. Several of Ratos's companies are working to adapt to a more climate-neutral economy. Aibel won major contracts in offshore wind during the year, Kvdbil is working to reduce the environmental impact of the Swedish vehicle fleet, HL Display is developing recyclable plastic solutions and several other companies have integrated a sustainability focus into their operations.

One of Ratos's Group-wide sustainability goals is to increase the share of climate-reporting companies. Framework agreements for climate reporting systems and support are offered to all companies to facilitate their work. The number of companies that conduct climate reporting increased to nine during the year (five companies in 2018).

9 of 12

Ratos companies report their CO_2 emissions (5 of 12 companies in 2018)

12 of 12

Ratos companies have a sustainability report (8 of 12 companies in accordance to GRI standards)

Case: HL Sustainable Choice

“We support the industry’s goal to reduce the use of plastic and find sustainable alternatives.”

A growing number of retail companies and brands are setting goals for reducing their use of plastic. As a result, HL Display has become the first company in the world with a similarly sized range to launch an initiative for sustainable retail design using renewable or recycled materials: HL Sustainable Choice.

The concept and solution were the result of a collaboration with the IVL Swedish Environmental Research Institute and the Royal Institute of Technology in Stockholm, Sweden. Its purpose is to identify recycled and bio-based materials that have the right characteristics in order to create a high-quality product.

“Both recycled and bio-based plastic play an important role in the journey toward sustainable retail design. For 2020, our goal is to be able to offer customers sustainable choices for one third of their product range. New products will continue to be introduced over the next few years. The initiative is in place to help retail companies to reach their goal of having a more sustainable store,” says Peder Spens Clason, Marketing Director at HL Display.

Employees

Everything we do is based on the insight that nothing is more important than people. Ratos's leaders and employees make a difference every day. The Ratos Group employs approximately 12,200 people.

Attractive workplace. For Ratos to be able to achieve its goals, it is important that Ratos and its companies are responsible and attractive workplaces with the ability to recruit, retain and develop employees and leaders with the right expertise.

Leadership. Recruiting the right people for senior positions is one of Ratos's most important duties as an owner. The CEO is responsible for recruiting a team that has a clear strategy and can perform and deliver in accordance with this strategy. Every company must have clear processes in place for identifying, developing and rewarding leading talents.

A decentralised structure. Responsibility for each Ratos company rests with the company itself and its respective management. Decisions in the company should be made close to customers and employees, without any unnecessary bureaucracy.

Core values. Ratos has adopted three core values to guide us in how we work and act, both internally and externally. These core values are Simplicity, Speed in Execution and It's All About People.

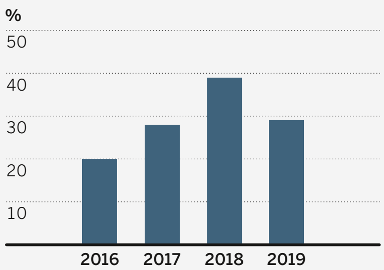
Networking and leadership development. Ratos enables independent mid-sized companies to excel by being part of something larger. We have various platforms for sharing knowledge. Each year, we organise network meetings bringing together specialists in different functions to share their knowledge and experience. During 2019, there were meetings held for HR managers, purchasing managers, heads of sustainability, finance managers and CEOs. We also held a meeting specifically to discuss cyber security. In 2019, we launched the Business Executive Leadership Programme (BELP) in collaboration with the SSE Executive Education. 25 managers and leading talents from Ratos's companies took part. The purpose of the programme is to provide new insight into strategy and international leadership, while also creating the potential for a strong internal leadership network. In 2020, we will arrange Ratos Summit, an event where all of the management groups in Ratos's companies will meet for a full-day conference.

Diversity and equal opportunities. Ratos works to promote diversity and equal opportunities, both in our own organisation and in our companies. In addition to valuing equal opportunities and diversity from a human rights and democratic perspective, we are also convinced that these elements help to strengthen our profitability and competitiveness.

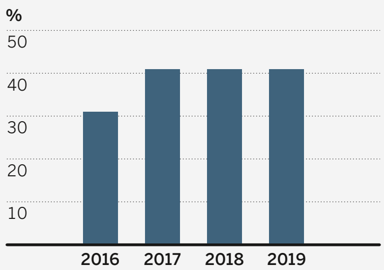
Ratos's view is that organisations distinguished by diversity and inclusion can create stronger and more dynamic teams. We strive to create an inclusive work environment that allows everyone the chance to realise their full potential. Recruitment and career development at Ratos should be based on relevant merits and skills. Pay divisions without any just reason must be avoided. Ratos should offer equal pay for equal work. This view should also be held in Ratos's companies. The companies' annual sustainability reports contain, for example, information on the share of women in senior positions.

Work environment. Ratos strives to create a positive work environment that promotes health and well-being for the Ratos Group's approximately 12,200 employees. Based on identified risks, the companies implement relevant guidelines and processes, and pursue a systematic and preventive work environment agenda. Some companies have operations that put employees at a greater risk of personal injury. These companies are working actively to make its employees aware of and provide training in workplace risks. In some companies, there is a risk of skill shortages, high employee turnover and a dependence on key individuals, which is monitored by the companies' management teams and boards.

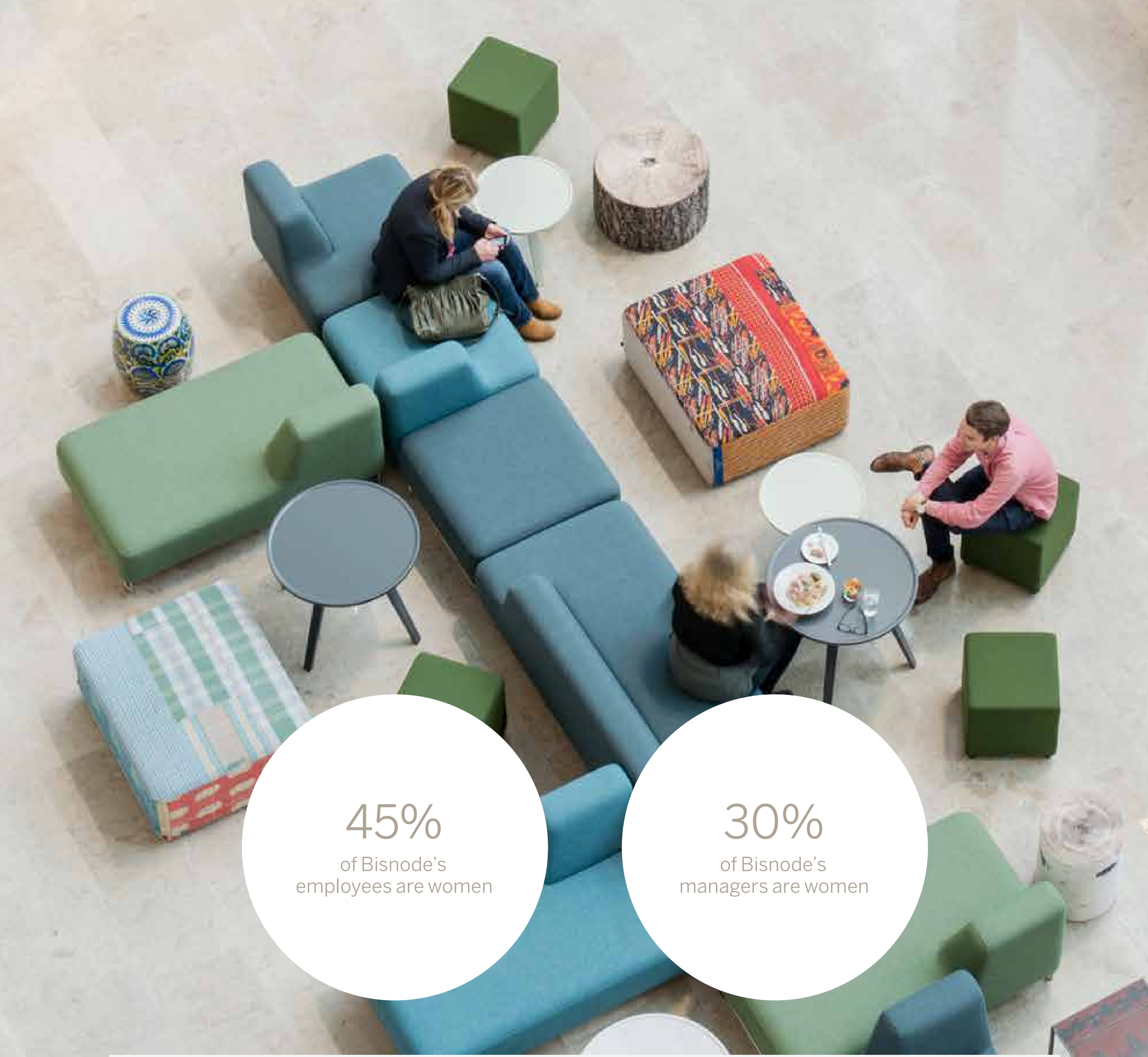
Share of women in senior positions, Ratos Group*



Share of women employed at Ratos, Ratos Group*



* Pertains to information based on the average number of employees in Ratos's subsidiaries.



Case: Bisnode

Bisnode is an innovation-driven company that is entirely dependent on recruiting and developing leading talents in a highly competitive recruitment market. Actively working with diversity and inclusion is an important element of having a sound talent strategy.

"At Bisnode, we are passionate about developing a culture that is characterised by inclusion and respect. We are convinced that a team in which the members have different backgrounds, skills and characteristics is more innovative and goes on to yield better results. We see diversity as crucial to achieving success and being competitive in today's market," says Cecilia Westerholm Beer, Chief HR Officer at Bisnode.

Bisnode is working to achieve a more balanced distribution of men and women on all levels and in all markets in which the company operates. To assist in this, there is a Code of Conduct that describes the measures that the company has taken concerning diversity and equal opportunities. The company also has clearly defined goals for its work. The goal is that the share of women in senior positions will increase by 2% per year from the current level of 30%.

"To increase the share of female managers, we have focused on internal recruitment to find the best talents who are already part of our organisation. We expect to meet, or preferably exceed, our gender equality goal," says Cecilia Westerholm Beer.

Bisnode's active work with equal opportunities is an example of how Ratos's companies contribute to the UN Sustainable Development Goal number 5: Gender equality.

Ratos share data

Brief facts 2019

Share listing	Nasdaq Stockholm
Total number of shares	324,140,896
Number of shares outstanding	319,014,634
Closing price, 30 Dec 2019	SEK 33.42 (Ratos Class B)
Highest/lowest quotation	SEK 36.36 / 18.10 (Ratos Class B)
Market capitalisation, 30 Dec 2019	SEK 11 billion

Ratos's share increased 44% with a total return (price development including reinvested dividends) of 46% compared with the SIX Return Index, which was 35%.

Share price performance
The performance of Ratos's Class B shares was 44% compared with the OMXSPI, which was 30% in the same period. The highest quotation during the year (SEK 36.36) occurred in November and the lowest (SEK 18.10) in March. The closing price on 30 December was SEK 33.42. The total return (price development including reinvested dividends) for Ratos's Class B share in 2019 amounted to 46% compared with the SIX Return Index, which was 35% during the same period.

Dividend
The Board of Directors proposes an ordinary dividend for the 2019 financial year of SEK 0.65 per Class A and B share and a total distribution of SEK 207m. The dividend yield amounts to 1.9% based on the closing price at year-end.

Ownership structure
The ten largest shareholders accounted for 78% of the voting rights and 52% of the share capital. The proportion of shares owned by physical or legal entities outside Sweden amounted to 20%. Shareholders in the US, the UK, Luxembourg and France 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 incentive programmes. Read more in the Director's Report on pages 42–45 and on Ratos's website.

Purchase of treasury shares
The 2019 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 2019. 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

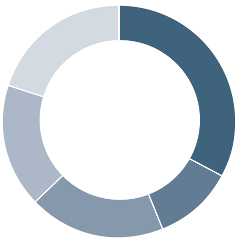
Number of shares	Number of shareholders	Share of capital, %
1–500	30,219	1.58
501–1,000	7,880	1.98
1,001–5,000	10,586	7.79
5,001–10,000	1,789	4.13
10,001–15,000	538	2.10
15,001–20,000	312	1.75
20,001–	746	80.69
Total	**52,070**	**100**

Breakdown by class of share

Share class	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



- Private individuals 33%
- Banks, insurance and pension companies and mutual funds 11%
- Foundations 19%
- Swedish legal entities 17%
- Foreign shareholders 20%

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 2019 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*	2019	2018	2017	2016	2015
Earnings per share before dilution, SEK	2.11	–1.40	0.72	–1.79	1.29
Dividend per Class A and B share, SEK	0.65[1]	0.50	2.00	2.00	3.25
Dividend per Class C share (preference share), SEK				100	100
Dividend per Class A and B share as % of earnings per share	31[1]	neg.	278	neg.	252
Dividend per Class A and B share as % of equity	2[1]	2	7	6	9
Equity, SEK[2]	29	27	30	31	36
Closing market price, Class B share, SEK	33.42	23.28	35.84	43.14	48.83
Market price/equity, %	115	85	118	139	135
Dividend yield, Class B share, %	1.9[1]	2.1	5.6	4.6	6.7
Total return, Class B share, %	46	–30	–13	–6	9
P/E-ratio	15.8	neg.	49.9	neg.	37.9
Highest/lowest price paid, Class B share, SEK	36.36/18.10	38.58/21.92	48.7/35.1	52.6/35.9	65/44.40

Key figures*	2019	2018	2017	2016	2015
Market capitalisation, SEKm[3]	10,550	7,530	11,723	16,252	17,563
Number of shareholders	52,070	57,909	59,526	66,057	61,740
Average number of Class A and B shares outstanding before dilution	319,014,634	319,014,634	319,014,634	319,014,428	319,012,617
Number of outstanding Class A and B shares at year-end	319,014,634	319,014,634	319,014,634	319,014,634	319,013,290
Dividend, SEKm[4]	207[1]	160	638	723	1,111

* Relates to B shares unless otherwise specified.
[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 2015–2016).
[4] Dividend refers to ordinary shares and to preference shares in 2015–2016.

Ratos's shareholders	Number		Share of	
31 Dec 2019	**Class A shares**	**Class B shares**	**capital, %**	**votes, %**
Söderberg family with companies, etc.	46,613,895	17,476,162	19.77	44.54
Ragnar Söderberg Foundation	17,235,241	11,499,909	8.87	16.93
Torsten Söderberg Foundation	12,056,186	16,063,900	8.68	12.58
State Street Bank and Trust CO, W9	0	9,620,682	2.97	0.89
Spiltan Fonder	0	9,009,143	2.78	0.83
Avanza Pension	60,984	6,255,674	1.95	0.63
CBNY-Norges Bank	0	6,248,190	1.93	0.58
Société Générale Paris	0	5,994,409	1.85	0.55
RoosGruppen	0	4,489,309	1.38	0.41
BNY Mellon SA/NV (former BNY), W8IMY	310	4,461,305	1.38	0.41
Treasury shares	0	5,126,262	1.58	0.47
Others	8,670,444	143,258,891	46.86	21.18
Total	**84,637,060**	**239,503,836**	**100**	**100**

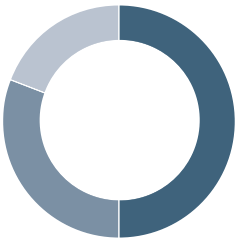
Source: Euroclear Sweden

Ratos's business areas and companies

Ratos's 12 companies employ some 12,200 people, with combined sales of SEK 38 billion and EBITA of approximately SEK 1.8 billion, not adjusted for Ratos's holding. Since 2019, the companies are divided into three business areas: Construction & Services, Consumer & Technology and Industry.

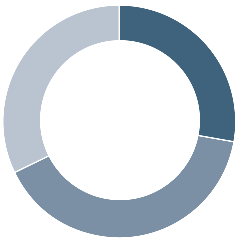
For full-year 2019, sales in the companies amounted to SEK 24,475m, corresponding to organic growth of 14%, while EBITA increased 29% from SEK 835m to SEK 1,073m, adjusted for Ratos's holdings.

Share of sales by business area



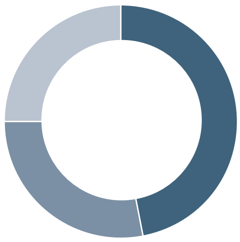
- Construction & Services 50%
- Consumer & Technology 31%
- Industry 19%

Share of EBITA by business area



- Construction & Services 28%
- Consumer & Technology 40%
- Industry 32%

Employees by business area



- Construction & Services 47%
- Consumer & Technology 28%
- Industry 25%

Construction & Services

Sales: SEK 12,236m
Reported growth: 23%
EBITA: SEK 302m
EBITA margin: 2.5%

Consumer & Technology

Sales: SEK 7,657m
Reported growth: 3%
EBITA: SEK 427m
EBITA margin: 5.6%

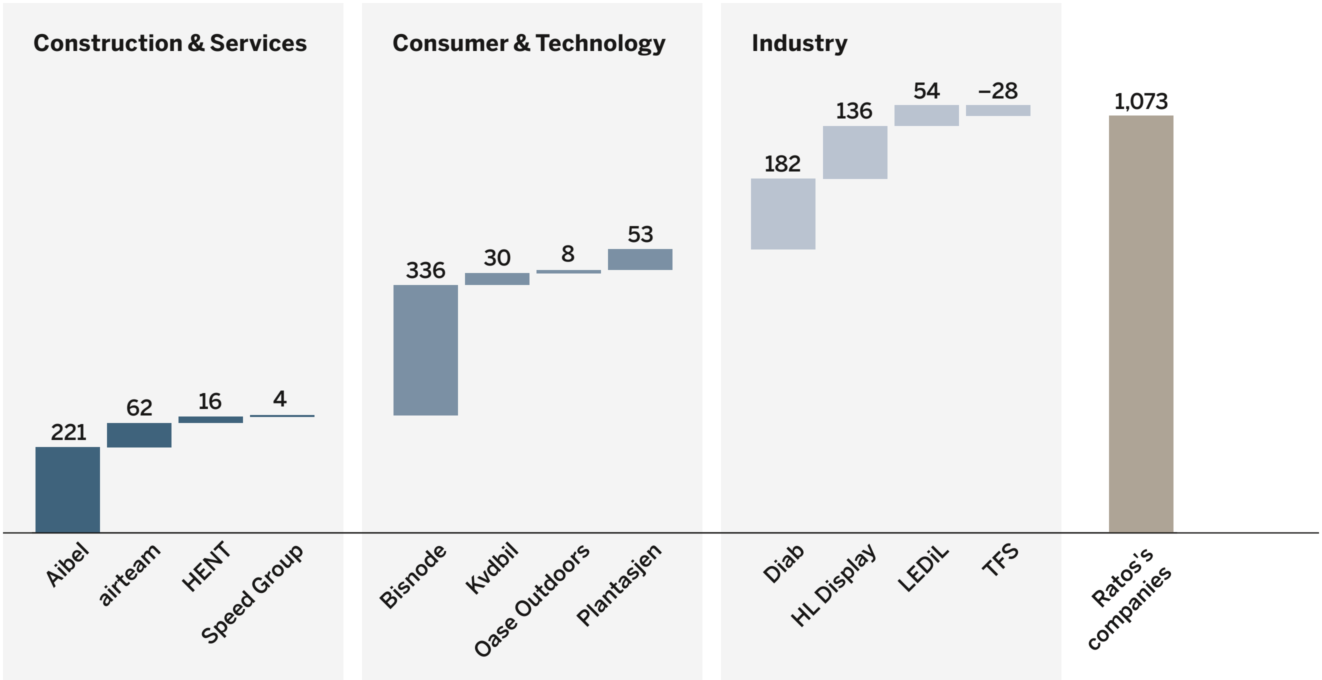
Industry

Sales: SEK 4,582m
Reported growth: 12%
EBITA: SEK 344m
EBITA margin: 7.5%

On pages 26–39, EBITA and interest-bearing net debt are adjusted for the effects of IFRS 16.

EBITA 2019

Adjusted for holding, SEKm, excl. IFRS 16



SEKm	Net sales 2019	Net sales 2018	EBITA 2019	EBITA 2018	Cash flow from operations 2019	Interest-bearing net debt 2019-12-31	Ratos's holding (%) 2019-12-31
Aibel	12,562	8,450	690	648	1,502	1,702	32
airteam	1,135	918	89	89	81	181	70
HENT	9,504	8,394	22	162	−16	−611	73
Speed Group	707	738	5	−8	70	64	70
Construction & Services, companies total	**23,908**	**18,500**	**806**	**891**	**1,637**	**1,336**	
Construction & Services, adjusted for Ratos's holding	***12,236***	***9,982***	***302***	***382***	***574***	***270***	
Bisnode	3,776	3,696	480	471	500	1,508	70
Kvdbil	384	332	30	8	40	16	100
Oase Outdoors	427	421	10	36	30	246	78
Plantasjen	4,327	4,233	53	77	573	2,361	99
Consumer & Technology, companies total	**8,914**	**8,682**	**574**	**591**	**1,142**	**4,131**	
Consumer & Technology, adjusted for Ratos's holding	***7,657***	***7,450***	***427***	***441***	***982***	***3,608***	
Diab	1,874	1,496	190	−155	−4	798	96
HL Display	1,594	1,554	138	96	192	346	99
LEDiL	433	439	81	109	90	207	66
TFS	924	841	−28	−6	39	5	100
Industry, companies total	**4,826**	**4,330**	**381**	**43**	**315**	**1,357**	
Industry, adjusted for Ratos's holding	***4,582***	***4,099***	***344***	***11***	***283***	***1,250***	
Companies total	**37,648**	**31,512**	**1,761**	**1,526**	**3,095**	**6,824**	
Total, adjusted for Ratos's holding	***24,475***	***21,531***	***1,073***	***835***	***1,839***	***5,128***	
Change, adjusted for Ratos's holding	**14%**		**29%**				

Aibel

www.aibel.com

Aibel is a leading supplier of offshore-based solutions and maintenance for the European energy sector. The company operates in the new-build market (Field Development) within offshore wind power and the oil and gas industry as well as within maintenance (Modification & Yard Services). Aibel thereby provides optimal and innovative solutions in engineering, construction, modifications and maintenance throughout the entire life cycle. The company's skilled employees work close to their customers at the company's eight offices in Norway and South East Asia. Aibel also operates two shipyards, one in Haugesund (Norway) and one in Laem Chabang (Thailand) with complete prefabrication and design capabilities. Aibel has a strong market position based on the company's business model, which covers the entire value chain, including front-end engineering design (FEED), engineering, procurement, construction and installation.

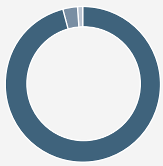
Market
The market for maintenance and modification services for oil and gas production platforms remained healthy, and the market for the expansion of offshore wind power – both of wind farms and offshore power generation – experienced strong growth during the year. The market for electrification from land of oil and gas offshore fields is growing thanks to its environmental benefits. 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.

The year
Aibel has steadily worked to strengthen its competitiveness through enhanced productivity, digitisation and regular process reviews. This ensures high-quality deliveries of existing project portfolio and a competitive advantage to win new contracts in the oil, gas and wind segments. During the year, Aibel won two significant contracts within offshore wind power.

Sustainability
Aibel focuses on its social and environmental responsibility and sustainability in general. The company achieves this 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 are its top governing documents and are based on the UN Global Compact's principles for responsible business.

Sales by operating area

Sales by market



FINANCIAL FACTS, NOKm	2019	2018	2017	2016	2015
Net sales	11,689	7,907	9,081	10,679	7,385
EBITA	642	606	309	46	267
Cash flow from operations	1,397	–92	575	1,041	–
Interest-bearing net debt	1,609	2,634	2,211	2,453	4,060

SUSTAINABILITY INDICATORS	TARGET	2019	2018
No. of serious incidents (per million working hours)	0.3 serious incidents (per million working hours)	0.2	0.2
No. of integrity due diligence (IDD) audits conducted at suppliers	10	12*	231 (12)*
Share of employees who have completed the Code of Conduct certification, %	90%	95%	91%
Sorting of waste, %	>80%	85%	88%
Implement energy and CO_2 reduction projects annually	Minimum of two projects annually	4	N/A

OTHER KEY FIGURES	2019
Ratos's holding	32%
Co-owners: Ferd 50%, Sixth AP Fund (represented by Ratos) 18%	68%
Time of acquisition	2013

* Number of new suppliers that have undergone an IDD process: 12 with high risk, for which on-site audits have been performed, 231 with minimal and low risk (2018).

airteam

www.airteam.dk

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 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.

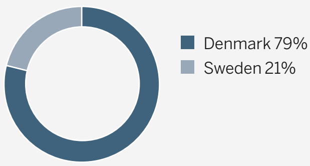
The year

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. In 2019, airteam continued its expansion in Sweden through the acquisition of Creovent & Thorszelius. The company then focused on integrating the Swedish operations, which consists of a number of add-on acquisitions, and creating a clearer governance structure.

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 its 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.

Sales by market



FINANCIAL FACTS, DKKm	2019	2018	2017	2016	2015
Net sales	801	667	633	604	501
EBITA	63	64	60	37	75
Cash flow from operations	57	51	88	39	–
Interest-bearing net debt	130	61	72	153	–

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Number of work-related accidents with absence	To reduce the number of work-related accidents leading to absence	5	6
Employee turnover, %	To reduce employee turnover and retain employees for longer	13%	21%
Sick leave (total number of sick-leave hours in relation to the potential total number of work hours), %	To reduce sick leave compared with the preceding year	3%	2%
Employees receiving regular performance and career development reviews, %	To increase the percentage who receives development reviews	91%	72%

OTHER KEY FIGURES	2019
Ratos's holding	70%
Co-owners: Management and Board of Directors	30%
Time of acquisition	2016

Bisnode

www.bisnode.com

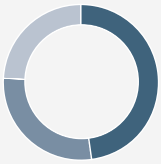
Bisnode's core business is to support corporate processes in terms of credit and business decisions as well as marketing information through the use of data-driven solutions, making it easier for the company's customers to make smart decisions. Bisnode uses local and global data of the highest quality from more than 550 data sources. Abstract data is analysed and interpreted into relevant material for business decisions. Bisnode operates in 19 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.

The year
During the year, Bisnode continued its development of data-driven analysis products and the transformation of its offering and merger into a joint platform, which will ultimately lead to improved profitability.

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 2019, Bisnode continued to pursue the transition to a 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.

Sales by operating area



Sales by market

FINANCIAL FACTS, SEKm	2019	2018	2017	2016	2015
Net sales	3,776	3,696	3,555	3,458	3,535
EBITA	484	471	397	228	275
Cash flow from operations	500	380	397	177	–
Interest-bearing net debt	1,508	1,378	1,566	1,745	1,896

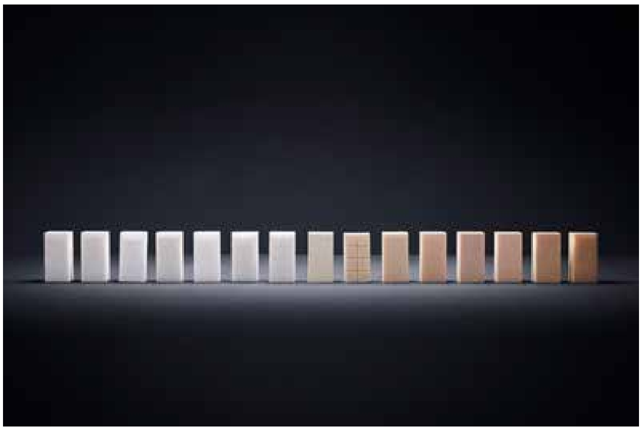
SUSTAINABILITY INDICATORS	TARGET	2019	2018
CO_2 emissions, CO_2e, 1,000 tonnes (Scope 2 and business trips)	General targets: 100% renewable energy for Bisnode's office and servers. Reduce emissions related to air and road travel.	4.8	4.8
CO_2/FTE, tonnes		2.4	2.6
Share of women among employees, %		45%	45%
Number of incidents reported concerning GDPR*	0 GDPR incidents	11	12

OTHER KEY FIGURES	2019
Ratos's holding	70%
Co-owners: Bonnier	30%
Time of acquisition	2004

* Reported to the Swedish Data Protection Authority.

Diab

www.diabgroup.com



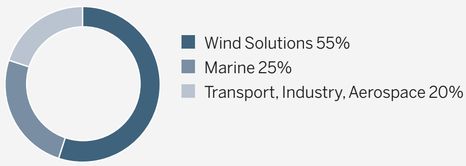
Diab is a global company that develops, manufactures and sells core materials for sandwich composite structures. Sandwich composite structures are lightweight structures that are used to achieve high strength with lightweight and are used in applications such as aircraft, leisure boats, wind turbines, trains and industrial applications. The company has production units in Sweden, Italy, the US, China, Lithuania and Ecuador as well as sales organisations in a number of other countries.

Market
The market for core material is growing rapidly as a result of the underlying demand for energy efficiency, which is leading to a greater need for high-strength, lightweight solutions.

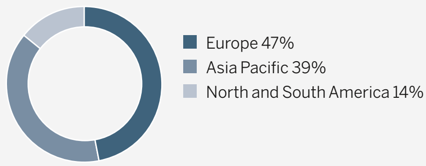
The year
A strong market in the Wind Solutions business area combined with continued high demand in marine and aerospace contributed to strong growth for Diab during the year. Diab improved its earnings through measures to boost profitability, implementing a new governance model and increasing its sales. During the year, Diab signed a five-year supplier contract for core materials with Vestas, one of the world's leading suppliers of wind turbines. The contract is expected to generate net sales of SEK 2–2.5 billion through 2023.

Sustainability
Diab's products contribute to the increased growth of renewable energy (expansion of wind turbines) and reduced energy consumption by using lightweight solutions. Diab is thus actively contributing to a more sustainable society. Diab places considerable emphasis on sustainability issues, such as energy usage in the company, safety and ethics. Therefore, the company has policies, processes and activities in place to manage the risk of corruption and fraud. 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.

Sales by operating area



Sales by market



FINANCIAL FACTS, SEKm	2019	2018	2017	2016	2015
Net sales	1,874	1,496	1,439	1,516	1,450
EBITA	190	–155	1	109	154
Cash flow from operations	–4	–68	23	7	–
Interest-bearing net debt	798	890	773	890	796

SUSTAINABILITY INDICATORS	TARGET	2019	2018
CO_2/product (tonnes)		9	10
Lost-time accident rate (per million worked hours)	0 lost-time accidents	15	20
Whistleblowing incidents (number investigated)	The number of whistleblowing incidents is to remain low	3	1

OTHER KEY FIGURES	2019
Ratos's holding	96%
Co-owners: Management and Board of Directors	4%
Time of acquisition	2001/2009

HENT

HENT

www.hent.no

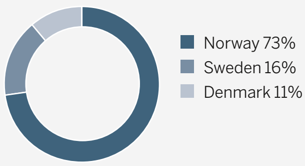
HENT is a leading construction company that mainly focuses on new construction of public and commercial real estate. HENT focuses on project development, project management and purchasing. Its projects are carried out with their own project administration and in collaboration with a knowledgeable network of quality-assured subcontractors. HENT conducts projects throughout Norway and in selected segments in Sweden and Denmark.

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

The year
In 2019, HENT carried out write-downs on a handful of projects. HENT's operations have grown substantially under Ratos's ownership and the focus for the year was to strengthen the organisation through improved risk management and an improved tender process. During the year, this also meant that the volume of tenders was limited in order to adapt the operations to existing capacity.

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. HENT aims to limit its climate impact while at the same time leveraging business opportunities by producing sustainable buildings.

Sales by region



FINANCIAL FACTS, NOKm	2019	2018	2017	2016	2015
Net sales	8,843	7,855	7,034	7,834	5,462
EBITA	20	152	253	234	180
Cash flow from operations	–15	99	132	172	–
Interest-bearing net debt	–578	–694	–663	–695	–504

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Sick leave, % (Number of possible workdays/ Total sick leave x 100)	<3.5%	3.2%	3.2%
GHG emissions, tonnes (Scope 1)	Reduce GHG emissions by 20% between 2019 and 2022	1,164	2,432
Frequency of work-related accidents resulting in at least one day's absence from work (H1)	≤3.6	1.6	3.2
Recycled waste, %	85% recycled waste	83.6%	87.6%
Employee turnover, %	≤8% employee turnover	11.7%	11.6%

OTHER KEY FIGURES	2019
Ratos's holding	73%
Co-owners: Management	27%
Time of acquisition	2013

HL Display

www.hl-display.com

HL Display is a European leader in store solutions for improved customer experience, profitability and sustainability, particularly for grocery retailers. HL Display helps its customers to achieve increased sales by providing attractive store environments, lowering costs through the automation of routine procedures and reducing the loss of goods. The company sells items such as pull-feeds for products, shelf dividers, category solutions for fruit and vegetables, bulk bins for lightweight items (such as sweets and nuts) and datastrips. HL Display's products are installed in approximately 295,000 stores worldwide.

Market

HL Display's market is largely driven by developments in the offline grocery retail sector, an increased focus on store experience and store operation efficiency. The company operates in a fragmented market with many local competitors, where HL Display is one of the global players and dominant in Europe.

The year

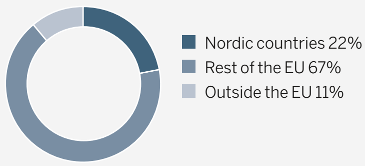
HL Display has been transforming its company for some time by decentralising the sales organisation, reducing complexity and improving its cost structure. The company has also increased its focus on innovation and category solutions, with the important Merchandising Solutions product segment having grown rapidly over the past year. Many other initiatives have also helped to drive positive profitability, with the EBITA margin having grown from 6.2% to 8.7% during 2019.

Sustainability

HL Display works actively with sustainability issues and was the first in the market to succeed in introducing a product segment for recycled and bioplastic-based plastic solutions (HL Sustainable Choice). In 2020, more than one-third of the company's range will be available within Sustainable Choice. The main environmental impacts for HL Display are related to raw materials used in production, energy consumption and plastic waste. HL Display's sustainability efforts are therefore focused on increasing the use of recycled material, 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.

Sales by operating area

Sales by market



FINANCIAL FACTS, SEKm	2019	2018	2017	2016	2015
Net sales	1,594	1,554	1,445	1,417	1,488
EBITA	138	96	43	67	8
Cash flow from operations	192	97	49	70	–
Interest-bearing net debt	346	447	503	569	627

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Recycled non-hazardous waste, tonnes	Maximise internal recycling of waste from production	2,225	2,551
Number of work-related accidents with absence	Eliminate all work-related accidents leading to absence	9	9
Share of business partners and key suppliers to have undergone sustainability screening, %	100% of business partners and key suppliers have undergone sustainability screening	100%	100%
Share of production units with ISO 14001 certification, %	100% of production units with ISO 14001 certification by 2020	75%	75%
Annual water consumption, (m^3)	Reduce annual water consumption by 20% by 2020	377,759	366,631

OTHER KEY FIGURES	2019
Ratos's holding	99%
Co-owners: Key employees in the company	1%
Time of acquisition	2001/2010

Kvdbil

www.kvdbil.se

The KVD Group is Sweden's largest online marketplace offering valuation and broker services for second-hand vehicles (company cars and private cars), machines and heavy vehicles as well as sales of related products and services. The KVD Group is made up of Kvdbil, an independent marketplace for second-hand cars; the car valuation companies Bilpriser and Smart 365; and Kvdpro, which brokers machines and heavy vehicles. Every week more than 500 second-hand cars are sold on kvdbil.se. Kvdbil handles the entire transaction from client order to end customer and guarantees the quality of the brokered car by means of testing.

Market

The market for sales of second-hand cars is stable. Kvdbil's market share is approximately 10% in Sweden, with strong growth in the private cars segment. When it comes to the brokerage of private cars, the company's main competitors are traditional car dealers and private sales to other private individuals.

The year

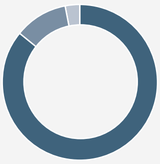
Kvdbil has further developed its offering to the consumer market, thereby increasing its market share in the consumer segment. Kvdbil's value-creating initiatives in the consumer market over the year included the launch of car purchases directly on the website and a private car rental service. Together, these initiatives resulted in higher volumes and income during the year.

Sustainability

By offering an effective, independent and well-functioning marketplace for the second-hand and thirdhand market, Kvdbil contributes to more efficient use of resources and sustainable societal development. Kvdbil aims to have satisfied return customers and offers new and existing employees an attractive work environment. Customers' willingness to recommend Kvdbil and employee satisfaction are thus key factors for the Group's development. Over the past year, Kvdbil began an initiative with the aim of taking a leading position in reducing the climate impact of the Swedish vehicle fleet by calculating the optimal life cycle for cars and spreading this knowledge.

In early 2020, Kvdbil decided to stop exporting green vehicles in order to accelerate the adjustment of the Swedish vehicle fleet.

Sales by operating area



FINANCIAL FACTS, SEKm	2019	2018	2017	2016	2015
Net sales	384	332	346	321	317
EBITA	30	8	30	37	29
Cash flow from operations	40	16	20	27	–
Interest-bearing net debt	16	37	141	143	159

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Recommendation willingness, buying customers (scale of –100 to +100)	Recommendation willingness, buying customers	+21	+26
Recommendation willingness, selling customers (scale of –100 to +100)	Recommendation willingness, selling customers	+50	+35
CO_2 emissions, CO_2e tonnes (Scope 1+2 and business trips)	Reduce CO_2emissions by 20% by 2020	283	264
CO_2 emissions, CO_2e tonnes/employee (Scope 1+2 and business trips)	Reduce CO_2emissions by 20% by 2020 based on gross level for CO_2emissions in 2016 (2.0 per employee)	1.5	1.4
Employee sick leave, %		3.5%	4.1%

OTHER KEY FIGURES	2019
Ratos's holding	100%
Time of acquisition	2010

LEDiL

www.ledil.com

LEDiL designs, develops and sells secondary optics for LED lighting globally. Secondary optics process light from the LED to achieve the lamp's optimal function, with the highest energy efficiency possible. Development and design are 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 used in commercial applications such as street lighting, stores and offices.

Market

LEDiL's market is driven in part by the general lighting market and LED market penetration. Almost all contemporary LED lighting has some form of secondary optics or reflector. Underlying growth in lighting is driven by a rising population and continued urbanisation. LED technology has revolutionised the lighting market through light quality, design flexibility, lower energy consumption, environmental friendliness and superior operating life.

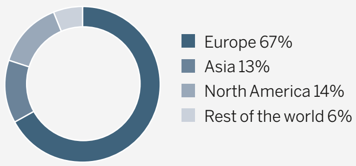
The year

LEDiL experienced weaker growth and profitability than expected during the year. This was the result of somewhat weaker growth in the market, in particular in Europe, but also a decrease in internal efficiency. Petteri Saarinen was recruited as the new CEO during the year and assumed the role in December. Petteri is a proven leader and has managed companies through changes and towards profitability and growth.

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 as well as results in lower energy consumption. 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.

Sales by market



FINANCIAL FACTS, EURm	2019	2018	2017	2016	2015
Net sales	40.9	42.8	40.3	38.6	31.7
EBITA	7.7	10.6	11.1	11.1	10.2
Cash flow from operations	8.5	9.3	6.2	9.9	–
Interest-bearing net debt	19.9	29.3	37.1	12.8	19.9

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Share of subcontractors who have subscribed to LEDiL's Code of Conduct, %	80% of subcontractors are to subscribe to the Code of Conduct	77%	71%
Share of employees who have participated in sustainability training, %	100% of employees are to participate in sustainability training	99%	99%
Cumulative energy saving by products sold annually, TWh	3 TWh cumulative energy saving by products sold annually	4.3	4.2
Employee sick leave, %	Employee sick leave <3%	2.6%	1.6%
CO_2 emissions, CO_2e tonnes (Scope 3)		5,199	N/A

OTHER KEY FIGURES	2019
Ratos's holding	66%
Co-owners: Company founder, management and Board of Directors	34%
Time of acquisition	2014

Oase Outdoors

OASE OUTDOORS

www.oase-outdoors.dk

Oase Outdoors develops, designs and sells 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.

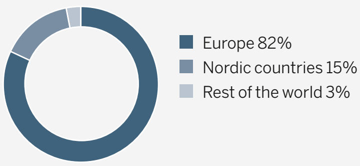
The year

Oase Outdoors enjoys a strong market position and a reputable brand for camping tents in Europe. During the year, Oase Outdoor was negatively impacted by costs to address quality problems, which have now been fully addressed and resolved, but had an adverse impact on profit for the year. Going forward, the company will focus on developing its core products in order to drive organic growth through favourable profitability. In January 2020, the Outwell brand won "The owner satisfaction Award in Best Mainstream Tents" from the Camping and Caravanning Club.

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 prioritised, making employee satisfaction a pivotal sustainability issue that is measured through targeted employee satisfaction surveys.

Sales by market



FINANCIAL FACTS, DKKm	2019	2018	2017	2016	2015
Net sales	301	306	316	332	265
EBITA	7	26	41	37	29
Cash flow from operations	21	3	26	35	–
Interest-bearing net debt	176	198	210	220	–

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Share of relevant employees (22) who have completed the anti-corruption training course, %	100%	27%	N/A
High-risk suppliers (determined through internal evaluation) to be evaluated according to the environmental criteria defined by the Business Environmental Performance Initiative (BEPI)	Minimum of one high-risk supplier evaluated according to BEPI in 2018/2019	7	1
High-risk suppliers (determined through internal evaluation) to be included in the Business Social Compliance Initiative (BSCI)	Minimum of ten high-risk suppliers included in BSCI in 2018/2019	7	7
Employee satisfaction – Trust Index for 2018, %	Minimum Trust Index of 80%	83%	85%

OTHER KEY FIGURES	2019
Ratos's holding	78%
Co-owners: Company CEO and other key individuals	22%
Time of acquisition	2016

Plantasjen

PLANTASJEN. www.plantasjen.no www.plantagen.se

Plantasjen is the Nordic region's leading chain for sales of plants, flowers and related 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 with a steady annual growth rate of around 2–3%.

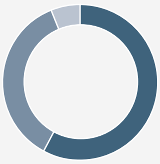
The year

Plantasjen enjoys a leading market position and a strong brand in a non-cyclical market with stable growth. During the year, Olav Thorstad assumed the role as CEO of Plantasjen. Olav has extensive operational experience in consumer goods. During the year, Plantasjen's subsidiary Spira was divested. As of the date of the divestment, Spira had burdened Plantasjen's EBITA in an amount of SEK –30m over the past 12 months. The sale generated a capital loss of SEK –28m. In the near future, the company will work on improving in-store customer satisfaction and its own e-commerce as well as initiatives to increase profitability.

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.

Sales by market



FINANCIAL FACTS, NOKm	2019	2018	2017	2016	2015
Net sales	4,026	3,961	3,881	3,624	3,517
EBITA	49	72	213	228	247
Cash flow from operations	533	–71	359	264	–
Interest-bearing net debt	2,232	2,376	2,100	2,262	–

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Sale of plant products/total sales, %		53.0%	53.7%
Employee Satisfaction Index (ESI) total		75	74
Employee Satisfaction Index (ESI) leadership index		76	75
Share of suppliers* in risk countries** that have been socially audited, %		90.4%	84.8%
CO_2 emissions from energy consumption, tonnes		23,867	27,747

OTHER KEY FIGURES	2019
Ratos's holding	99%
Co-owners: Management	1%
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).

Speed Group

www.speedgroup.se

Speed Group is a Swedish supplier of logistics and staffing services. The company is one of the Nordic region's leading third-party logistics (3PL) providers, with effective automation solutions and a total of approximately 200,000 square metres of warehouse space in Borås, Gothenburg and Stockholm. Within staffing, Speed Group offers flexible staffing services of both blue and white-collar personnel. The company also offers additional services in recruitment and education.

Market

Demand for efficient logistics 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. There is also a major market demand for flexible staffing solutions with specialised and competent personnel.

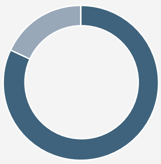
The year

An important area of focus for Speed Group is to improve the efficiency of existing contracts and thereby increase profitability for the company. Over the past year, the company carried out a restructuring programme to reduce fixed costs and resolve unprofitable customer assignments, which led to savings and improved earnings during the year.

Sustainability

Motivated, committed and competent employees are a requirement for Speed Group's success. The company therefore endeavours to build a sustainable, equal opportunities organisation and to be perceived as an attractive employer. 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. Speed Group's environmental and climate impact are primarily attributable to its energy consumption. Being energy efficient and adapting its properties and operations are thus important issues for the company. Speed Group has also chosen to further co-locate its operations in order to reduce internal transport.

Sales by operating area



FINANCIAL FACTS, SEKm	2019	2018	2017	2016	2015
Net sales	707	738	513	562	536
EBITA	5	–8	24	34	25
Cash flow from operations	70	–52	–3	105	–
Interest-bearing net debt	64	69	–28	–50	41

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Serious work-related accidents	A maximum of one serious work-related accident	3	2
Share of managers who are women, %	Long-term target: Share of women managers is to reflect the share of women employees	15%	12%
Energy intensity, district heating, kWh/sqm	1.85 kWh/sqm	1.83	1.93
Energy intensity, electricity consumption kWh/SEK thousand	21.44 kWh/SEK thousand	19.32	19.55

OTHER KEY FIGURES	2019
Ratos's holding	70%
Co-owners: Company founders	30%
Time of acquisition	2015

TFS

www.tfscro.com

TFS is a global, mid-sized, clinical contract research organisation (CRO) that supports pharmaceutical companies through the entire clinical development process. TFS focuses its scientific and medical competence across a broad therapeutic spectrum, with industry-leading capabilities in dermatology, oncology and haematology. TFS has two business Areas: Clinical Development Services (CDS), which offers clinical trials for small pharmaceutical companies during the development process, and Strategic Resourcing Solutions (SRS), which offers resource solutions featuring clinical professionals and targeting major pharmaceutical companies. Over the past five years, TFS has been involved in approximately 1,100 studies in 40 countries across Europe and North America.

Market

The global CRO market is a high-growth market, driven primarily by increased regulatory complexity for studies combined with an increased share of clinical studies that are outsourced. The CDS business area primarily focuses on pharmaceutical customers and competing with other mid-sized CROs. The SRS business area is primarily focused on other major pharmaceutical customers and usually competes with staffing companies specialising in medical resources.

The year

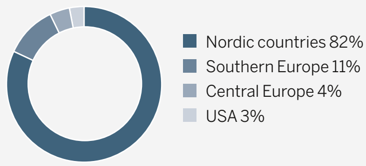
During the year, Bassem Saleh was appointed as the CEO of TFS. Bassem most recently served as Business Area Manager for CDS. In conjunction with the change of CEO, a restructuring was carried out in order to increase the efficiency of the operations and reduce the company's fixed costs. The costs associated with these measures amounted to about EUR 3.9m and the aim is to achieve improved profitability of approximately EUR 2.8m in 2020.

Sustainability

TFS considers a sustainable environment integral to the organization. TFS's corporate culture thrives on delivering high-quality services, with sustainability regarded as a cornerstone in its partnerships with customers. When it comes to sustainability, TFS's focus areas include equal opportunities, patient safety and data integrity, compliance with laws and regulations, talent development, business ethics and anti-corruption.

Sales by operating area

Sales by region



FINANCIAL FACTS, EURm	2019	2018	2017	2016	2015
Net sales	87.3	82.0	91.6	83.7	73.7
– Services	61.9	55.9	58.6	60.2	52.9
– Reimbursable expenditure	25.4	26.0	33.0	23.5	20.7
EBITA	–2.6	–0.6	–0.7	6.7	4.8
Cash flow from operations	3.7	–2.0	1.2	1.4	–
Interest-bearing net debt	0.5	7.0	4.0	0.4	–

SUSTAINABILITY INDICATORS	TARGET	2019	2018
Share of employees receiving regular performance and career development reviews, %	100%	52%	N/A
Share of women in the organisation, %	50%	76%	75%
Share of employees who have received anti-corruption training, %	100%	99%	99%

OTHER KEY FIGURES	2019
Ratos's holding	100%
Time of acquisition	2015/2019

Financial statements

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Directors' Report

The Board of Directors and the CEO of Ratos AB (publ) 556008-3585 hereby submit the 2019 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 a business group that enables independent mid-sized companies to excel by being part of something larger. People, leadership, culture and values are key focus areas for Ratos. Ratos has its roots in Söderberg & Haak – Sweden's first wholesaler of 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 2019, 22 people worked at Ratos's head office. Ratos owned 12 companies in the Nordic region at 31 December 2019.

Company	Ratos's holding, 31 December 2019
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	100%

Financial targets

Ratos's overall target is to increase shareholder value while ensuring Ratos's growth. Ratos's financial targets focus on the earnings trend and the total return on the share:

1. Increased earnings every year
2. The total return on the Ratos share should, over time, outperform the average on Nasdaq Stockholm

Criteria for new investments

Ratos has the following criteria for new investments and long-term holdings:

- Market-leading or the potential to become market-leading
- Highest profitability in the sector
- Ability to create a healthy cash flow over time
- Strong brands
- Potential to benefit from Ratos's networks
- Platform for add-on acquisitions

Ratos strives to implement quick improvements in its companies but remains an owner with a long-term vision. We own our companies for as long as we consider ourselves to be the best owner.

Events during the year

During the first quarter, Ratos implemented changes to its management group and reorganised its operations to improve efficiency. These changes included dividing the companies into three business areas – Construction & Services, Consumer & Technology and Industry.

The Board of Directors decided on a new dividend policy during the year. The Ratos share is to deliver steadily increasing dividends over time based on growing earnings and a stable financial position. According to the Board's assessment, a dividend payout ratio of 30–50% of profit after tax attributable to owners of the parent will fulfil these conditions.

On 11 July, Ratos AB sold its property, Stockholm Lejonet 4, to the National Property Board of Sweden. The sales proceeds amounted to SEK 550m and the capital gain was SEK 487m.

Acquisitions

Ratos acquired no companies in 2019. Ratos acquired the remaining shares (40%) in the subsidiary Trial Form Support International AB (TFS) from the company's partner and founder. After the acquisition, Ratos's ownership share totals 100%.

Divestments

Ratos divested no companies in 2019.

Dividends from companies

HENT issued a dividend of SEK 250m, of which Ratos's share totalled SEK 175m.

Capital contributions

During the year, Ratos provided capital contributions to Plantasjen (SEK 207m), Diab (SEK 220m), LEDiL (SEK 28m), Oase Outdoors (SEK 34m) and TFS (SEK 47m).

Events in the companies

airteam continued its expansion in Sweden through the acquisition of Creovent AB (Creovent) and Thorszelius Ventilation & Service AB (Thorszelius), leading installers of climate and ventilation solutions in the Stockholm and Uppsala regions. The acquisition of Creovent & Thorszelius was completed in the first quarter of 2019.

Aibel has won several major orders within the strategically important area of offshore wind power, including DolWin5. The European grid operator TenneT awarded the Aibel/Keppel consortium a contract for the supply of an HVDC platform (HVDC, or high-voltage direct current, which is a system for transmitting electricity over long distances using direct current) and an onshore converter station for the offshore grid connection project DolWin5. The order, which was not made public, is one of Aibel's largest projects to date.

Diab signed a five-year supplier contract for core materials with Vestas, one of the world's leading suppliers of wind turbines. The contract will utilise the capacity of several existing and new PET production lines as well as existing IPN/PVC core material production lines, and is expected to generate net sales of SEK 2–2,5 billion until 2023.

In October, Plantasjen sold its subsidiary Spira as a part of refining its operations. With some 110 employees, the company has annual sales of approximately SEK 350m. The accounting effect of the sale is approximately SEK –30m.

In December, Plantasjen concluded its discussions with its lenders. During part of 2019, bank loans were recognised as short-term but recognised as long-term at year-end.

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 AB's direct environmental and climate impact is limited.

Sustainability

Long-term value is created by developing sustainable companies. This is why sustainability is an integrated part of Ratos's business strategy.

This applies to both Ratos's parent company and the work carried out as an active owner.

Ratos's greatest contribution to society is acting as an active and responsible owner which builds long-term successful and sustainable companies that create jobs, respect humanity and the environment, and deliver high-quality products and services. Ratos also makes a difference in that our principal owners are foundations that promote research and, with it, community development.

There are 22 employees at Ratos's head office and a total of about 12,200 employees in 35 countries in our companies. Through active ownership, Ratos acts as a driving force in ensuring that sustainability work is carried out in our companies. The foundation of this is Ratos's policy framework, consisting of: 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 business area managers at Ratos are responsible for ensuring that sustainability is included on the agenda of each company's management and board. The CEO and management of each company have operational responsibility for the company's sustainability efforts through direct delegation from Ratos's management.

For more information, see pages 9–11, 14–23, 28–39 and 120–124 for the statutory sustainability report in accordance with the Swedish Annual Accounts Act.

Consolidated result

Sales for the full year amounted to SEK 25,061m (23,125). Operating profit for the full year amounted to SEK 1,655m (293). Operating profit for the year includes positive effects of IFRS 16 (100) compared with the preceding year, a capital gain from Ratos's sale of the Lejonet 4 property (487), the repayment of promissory notes following the sale of the subsidiary Euromaint (31) and the capital loss from Plantasjen's sale of Spira (–28) SEKm. The results for the year-earlier period included capital gains attributable to HENT's sale of its residential development operations (89), Ratos's sale of Jøtul (26) and Gudrun Sjödén Group (36), and impairment of the consolidated value of Plantasjen (–600).

Operating profit includes profit/a share of profits from the companies of SEK 1,265m (944).

Ratos's management costs amounted to SEK –126m (–117).

Net financial items totalled SEK –595m (–400). This deterioration in net financial items is primarily attributable to additional interest expenses of approximately SEK –200m regarding IFRS 16. Underlying net interest improved due to the lower average debt.

Profit before tax for the full year amounted to SEK 1,061 (–107). This includes profit/a share of profits from the companies of SEK 653m (566).

The implementation of IFRS 16 Leases resulted in an improvement to operating profit of SEK 100m. Excluding IFRS 16, operating profit amounted to SEK 1,555m. Profit before tax declined by SEK 102m. Excluding IFRS 16, profit before tax for the year amounted to SEK 1,163m.

Consolidated cash flow

Cash flow for the full year amounted to SEK –264m (–485), of which cash flow from operating activities accounted for SEK 1,909m (732).

Cash flow from investing activities amounted to SEK –107m (–256) and cash flow from financing activities to SEK –2,065m (–962).

The improvement in cash flow is primarily attributable to operating activities, with both improved profitability and lower tied-up capital having an effect throughout the year. The sale of Ratos's property has been excluded from cash flow from operating activities and is included in cash flow from investing activities in an amount of SEK 550m.

The implementation of IFRS 16 Leases resulted in an improvement in cash flow from operating activities, since the cash flow from leases, corresponding to approximately SEK 800m for the full year, has been moved from operating activities to financing activities. IFRS 16 had no effect on total cash flow for the year.

Financial position and leverage

The Group's cash and cash equivalents at the end of the year amounted to SEK 3,219m (3,404) and interest-bearing net debt totalled SEK 7,826m (3,549). The total translation effect of currency for interest-bearing liabilities amounted to approximately SEK 30m, of which approximately SEK 100m related to liabilities to credit institutions and approximately SEK –80m to financial lease liabilities. Taking IFRS 16 Leases into account, interest-bearing net debt in the Group increased. Interest-bearing net debt, excluding IFRS 16, amounted to SEK 3,623m.

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 use it as needed for bridge financing. The parent company should normally be unleveraged. The credit facility was unutilised at the end of the year. In addition, there is also a mandate from the 2019 AGM to issue a maximum of 35 million Ratos Class B shares in conjunction with agreements on acquisitions.

Parent company

Operating profit amounted to SEK 365m (–114). Profit for the year included the capital gain of SEK 495m from the sale of the Lejonet 4 property. The capital gain is differentiated from the profit reported in the Group due to the application of different accounting principles. The parent company's profit before tax amounted to SEK 552m (–239), of which SEK 175m (114) pertains to dividends from Group companies. The parent company's cash and cash equivalents totalled SEK 1,607m (1,734).

Events after the reporting period

No significant events have occurred since the end of the financial year that are expected to have a material impact on the consolidated financial statements.

Future outlook

2019 marked yet another year of intensive work related to Ratos's companies. No new investments were made outside our existing companies. The work related to Ratos's companies 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 companies. A concerted effort to reverse the profitability trend in existing companies followed by a more effective central Ratos organisation has laid the foundation for a more stable development moving forward. At the close of 2019, Ratos AB had cash of SEK 1.6 billion at its disposal.

Risks and uncertainties

Ratos's value and internal rate of return depends on developments in the companies which Ratos owns and the ability to realise the value in these companies. The success and value development of the companies primarily depend on how skilled each company's management group is and how well the board implements 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.

From time to time, Ratos and its respective companies become 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.

Through its activities, the Group 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. Each subsidiary prepares its own financial policy to suit the company's operations and risks. 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 47–53.

The board of directors' proposal for guidelines for executive remuneration

These guidelines cover members of the board of directors, the CEO and other senior executives in Ratos's management team. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Information regarding the company's business strategy and long-term interests, including its sustainability, is available on the company's website (https://www.ratos.se/).

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Long-term share-related incentive plans have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. For more information regarding these incentive plans, please see https://www.ratos.se/.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration to senior executives shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 100 per cent of the total fixed annual cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 25 per cent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the board of directors based on a proposal from the compensation committee.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30 per cent of the fixed annual cash salary.

For other senior executives, pension benefits, including health insurance, shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30 per cent of the fixed annual cash salary.

Other benefits may include, for example, reimbursements for dental care and health care (including medication), medical insurance (Sw: sjukvårdsförsäkring) and company cars. For the CEO, such benefits may be paid out to a customary limited extent.

Termination of employment

Upon termination of an employment, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for six months for the CEO and twelve months for other senior executives. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income, amount to not more than 60 per cent of the fixed monthly cash salary at the time of termination of employment, shall only be paid in so far as the previously employed senior executive is not entitled to severance pay and be paid during the time the non-compete undertaking applies, however not for more than twelve months following termination of employment for senior executives. When termination is made by the senior executive, the notice period may not exceed six months, without any right to severance pay.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may be individualized quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. The proportion of variable cash remuneration varies depending on the senior executive's position in the company. The portion of the variable cash remuneration linked to the outcome of financial criteria is normally 100 per cent for the CEO and the CFO, 85 per cent for the Business Area Managers and 65 per cent for other senior executives, even if the portion can be larger or smaller depending on the specific circumstances, and shall be dependent on (i) EBITA growth in Ratos's company portfolio, (ii) growth in earnings before tax (EBT) for the Ratos group, and (in certain cases) (iii) EBITA growth for portfolio companies in the business area where a member of a business area team works. Variable cash remuneration is paid out in an amount of 50 per cent in the year after the remuneration is earned and 50 per cent in the year thereafter.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The board of directors is responsible for the evaluation so far as it concerns variable remuneration to the CEO, based on a proposal from the compensation committee. For variable cash remuneration to other senior executives, the CEO is responsible for the evaluation. For financial objectives, the starting point for the evaluation shall be the latest financial information made public by the company.

Salary and employment conditions for employees
In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the compensation committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to the senior executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines
The board of directors has established a compensation committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the annual general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The compensation committee shall also monitor and evaluate programmes for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the compensation committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines
The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the compensation committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

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 19.77% of the capital and 44.54% of the voting rights. The Ragnar Söderberg Foundation had 8.87% of the capital and 16.93% 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 2019 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 are to 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 2019. 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
Share premium reserve	128,695,169
Retained earnings	6,290,987,806
Loss for the year	552,087,301
Total	**6,971,770,276**
The Board of Directors proposes the following distribution of profit: Dividend to holders of Class A and B shares, SEK 0.65 per share [1]	207,359,512
To be carried forward	**6,764,410,764**

[1] Based on the number of shares outstanding on 6 February 2020. 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

During the summer, we sold the building that had been Ratos's home for many generations, and while I must confess that it did cause a certain sense of sorrow, it was without a doubt the right thing to do for the future. Walls can evoke many emotions, both positive and negative, but the sale gave a clear signal that Ratos has now entered a new phase.

We have a smaller, efficient organisation – a forward-looking team who are all looking ahead to 2020 and beyond. We have left behind us the days when our model for value creation focused on transactions, and have instead adopted a long-term focus on operating profit in each business.

Re-establishing trust will take time, but Ratos is already well on its way. Over the past year, we delivered more positive improvements and fewer negative surprises than in 2018. Our earnings per share improved significantly, even when adjusted for the capital gain on the sale of our property, and most of the companies in the portfolio performed better than in the preceding year. Our underlying operating profit and cash flow from operating activities, excluding capital gains and losses, were stronger than they have been for a long time. Normally, earnings can be expected to increase every year, and with sales of SEK 38 billion, we should have good potential for continued improvements (our margin currently averages only about 5%).

Being part of the Ratos Group creates added value thanks to the culture we aim to create based on what we refer to as the Ratos Principles. Working together to formulate these principles and then actively implementing them is a very exciting and rewarding task – like taking a journey into the future. Our principles and culture set boundaries which, although it may sound contradictory, provide a sense of freedom and allow the individual to develop their own competence in order to reach our shared goals. These boundaries and principles provide support, rather than limitations. Being open and transparent enables us to focus on our assignments, rather than on people. Everyone in the company now has a clear goal to become the best in their industry. Knowing where we are headed provides clarity and inspiration!

Based on my experience, developing companies and people will always lead to numerous new opportunities that we are not yet aware of. We need to be logical and pick our battles wisely, rather than fighting in vain, but must always strive to develop fast than others. In a few years, Ratos will comprise a number of leading companies in a limited number of industries.

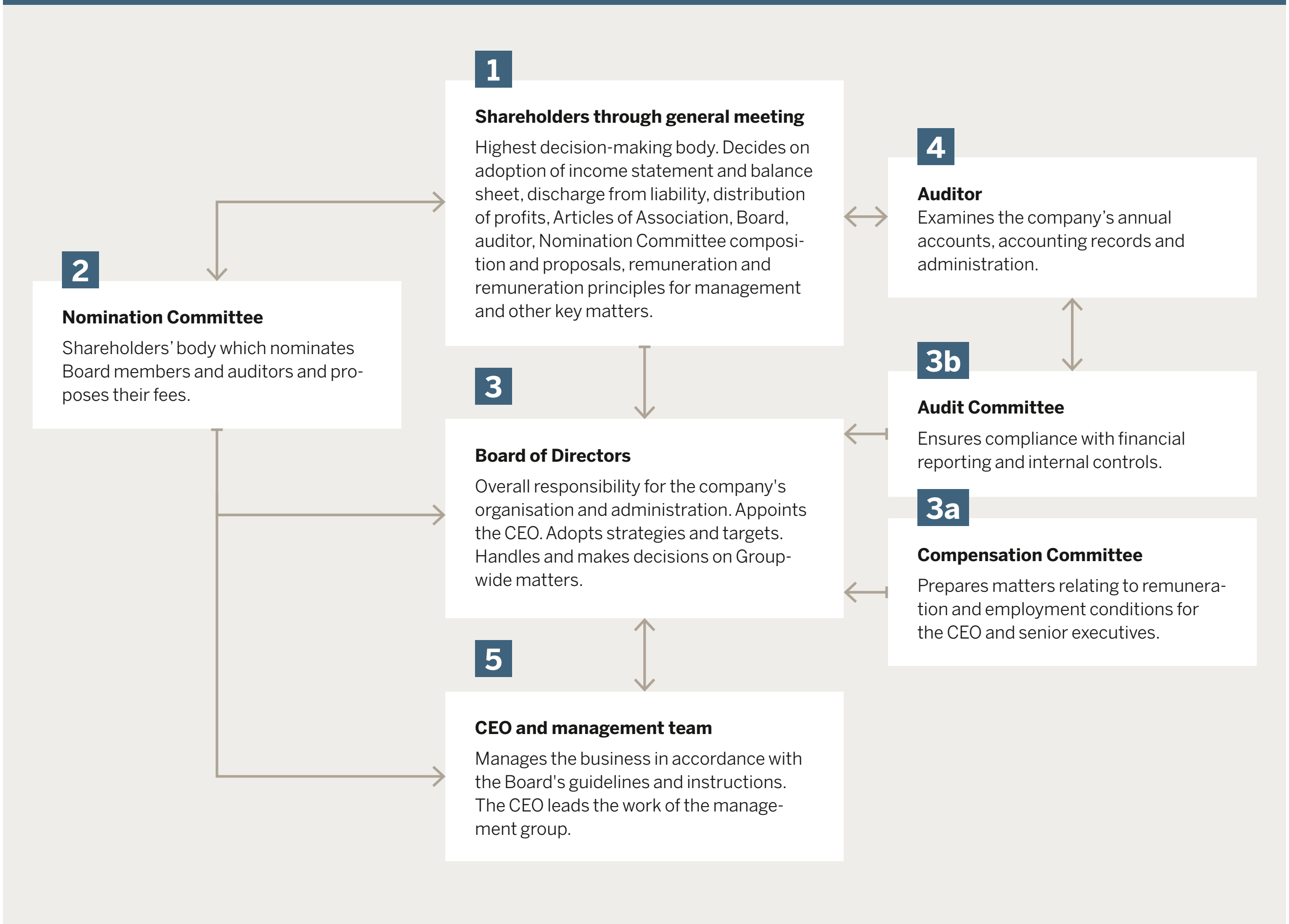
Two years have passed since I took over as Chairman, and the atmosphere at Ratos is now productive. I would even dare to say that we are experiencing a positive trend. However, we still have the lion's share of our work ahead of us. There is certainly no shortage challenges, but I am grateful to have made such progress and look forward to 2020 with great confidence!

I would like to thank all of our shareholders and employees, and hope that you will join us on our journey.

Per-Olof Söderberg
Chairman of the Board

Corporate Governance Report

Governance structure at Ratos



Corporate governance in Ratos

Ratos AB is a public limited liability 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 several 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 Corporate Governance Code (the Code) and did not report any non-compliance with the Code in the 2019 financial year, except with regard to the composition of the Nomination Committee (see Nomination Committee on page 49).

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.

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
- Instructions to the 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 communication policy, owner policy, Code of Conduct and policy for sustainability, corporate responsibility and responsible investments

Read more about Ratos's corporate governance

Read more about Ratos's corporate governance on our website under Investor Relations/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

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 general meeting decides on dividends.

At year-end, Ratos had a total of 52,070 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 78.4% of the voting rights and 51.6% of the share capital. More information about Ratos's shares and shareholders is provided on pages 24–25.

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 (www.ratos.se) 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.

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. A summary of the main resolutions to be made at the Annual General Meeting is presented in Ratos's Articles of Association on Ratos's website.

2019 Annual General Meeting

The 2019 Annual General Meeting was held on 8 May at Skandiascenen, Cirkus, in Stockholm, Sweden. The Meeting was attended by 215 shareholders, proxies and assistants, who together represented 75.6% of the voting rights and 44.5% of the capital.

All Board members who were elected at the Annual General Meeting as well as Ratos's CEO and auditor were present at the Meeting. Minutes and information about the 2019 Annual General Meeting in both Swedish and English as well as the CEO's address to the Meeting are published on Ratos's website.

Resolutions at the 2019 Annual General Meeting included the following:

- Dividend of SEK 0.50 per Class A and B share, a total of SEK 160m.
- 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 Per-Olof Söderberg, Ulla Litzén, Karsten Slotte, Jan Söderberg and Jonas Wiström and the new election of Eva Karlsson. Annette Sadolin declined re-election. Re-election of Per-Olof Söderberg as Chairman of the Board
- Election of the audit firm Ernst & Young AB (EY)
- Adoption of guidelines for remuneration to senior executives
- Offer to CEO and other key employees 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

2 Nomination Committee

The Annual General Meeting has decided on the principles for how the Nomination Committee should be appointed and these principles apply until otherwise decided by the general meeting. The Nomination Committee is to comprise a minimum of five members together with the Chairman. The Nomination Committee's members are to 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 Annual General Meeting. If a shareholder waives the entitlement to appoint a member, the shareholder who is the next largest owner in terms of voting rights is to appoint a member. The majority of the members of the Nomination Committee are to 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.

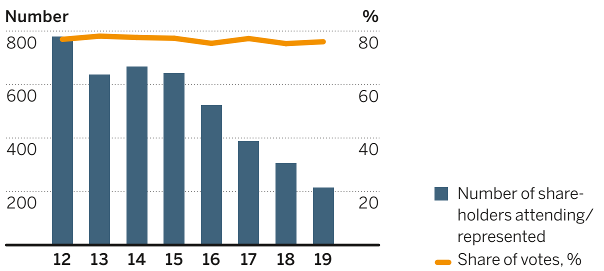
The current composition of the Nomination Committee was announced on Ratos's website and disclosed through a press release on 30 September 2019. The Nomination Committee comprises:

2020 Annual General Meeting

Ratos's 2020 Annual General Meeting will be held on 1 April 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 129.

Attendance at Annual General Meetings



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

Combined, the Nomination Committee represents 62% of the voting rights for all the shares in the company.

A summary of the Nomination Committee's tasks is presented in Ratos's instructions to the Nomination Committee on Ratos's website.

Nomination Committee's work ahead of the 2020 Annual General Meeting
Ahead of the 2020 Annual General Meeting, the Nomination Committee held three 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.

Ratos develops mid-sized companies headquartered in the Nordics that are or can become market leaders. In 2019, Ratos adopted a new strategy that is currently being implemented. This new strategy requires the Board to have a broad industrial background as well as a documented ability to operate and develop companies in different industries and phases of development. The Nomination Committee deems the members proposed for re-election to have broad and complementary experience that more than adequately meets these requirements and deems that ongoing continuity in the work of the Board is paramount given the company's current stage of development. Consequently, the Nomination Committee sees no reason at this time to elect another Board member and feels 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 2020 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 2020 Annual General Meeting.

No fees have been paid for participation in the Nomination Committee.

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 is to comprise of 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 2019 Annual General Meeting resolved that the Board is to consist of six members and no deputies. The Meeting re-elected Per-Olof Söderberg, Ulla Litzén, Karsten Slotte, Jan Söderberg and Jonas Wiström and newly elected Eva Karlsson. Annette Sadolin declined re-election. Per-Olof Söderberg was re-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 54–55.

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 matters 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.

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.

Work of the Board in 2019
During 2019, a total of 13 minuted Board meetings were held: five ordinary meetings, one statutory meeting, and seven 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.

At every ordinary Board meeting, information is presented about the company's financial position and important events that affect the company's operations. At extra Board meetings, acquisition and divestment matters are normally examined as well as financing and

Composition of the Board

					Attendance at meetings 2019		
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	8/8	5/5	13/13
Jan Söderberg	2000	Yes	No	635	7/8	5/5	13/13
Eva Karlsson	2019	Yes	Yes	585	–	3/3	8/8
Ulla Litzén	2016	Yes	Yes	635	–	5/5	13/13
Karsten Slotte	2015	Yes	Yes	635	8/8	5/5	13/13
Jonas Wiström [3]	2016	No	Yes	0	–	–	11/13
Total				**3,610**			

1) Annette Sadolin declined re-election at the 2019 Annual General Meeting.
2) Relates to fees for the Annual General Meeting year 2019/2020.
3) Jonas Wiström received no fee for the role as ordinary Board member.

incentive matters. Extra Board meetings are held when such matters requiring a Board decision arise. 2019 was characterised by the new strategy for Ratos, the CEO's presentation of the companies' business areas and strategies, capital contributions and other financing matters. Senior executives at Ratos attended Board meetings to present specific matters.

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 2019 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 a subsequent discussion by 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 its 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

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 Ratos's Board.

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

- the CEO's terms of employment, and terms for management and those directly subordinated 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 and decisions relating to the incentive systems for Ratos and the companies, in some cases 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 matters of principle to prepare. If such matters exist, they are addressed ahead of a final proposal at the ordinary meetings in December and January. In 2019, the Compensation Committee made a thorough evaluation of Ratos's remuneration structures and incentive programmes, which resulted in proposals from the committee to leave the structure for variable cash salary for 2019 essentially unchanged and, as in 2018, to propose to the 2019 Annual General Meeting a new long-term incentive programme in the form of a warrants and convertible debenture programme. Prior to the 2020 Annual General Meeting, adjustments were proposed to the remuneration guidelines due to the new rules that entered into force in the area. The Compensation Committee also conducts an annual review of Ratos's long-term incentive systems, which Ratos's Board of Directors then submit an account of on the company's website no later than three weeks before the Annual General Meeting.

During 2019, Per-Olof Söderberg (Chairman of the Board and of the Compensation Committee), Jan Söderberg and Karsten Slotte were members of the Compensation Committee.

The Compensation Committee held eight minuted meetings in 2019 and was in regular contact in between. 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 matters that require a Board decision. Minutes are made available to all members of the Board. The CEO and other senior executives normally attend the meetings of the committee to present specific matters.

3b Work of the Audit Committee

In 2019, all Board members except the CEO served on the Audit Committee. Ulla Litzén is the Chairman of the committee. The company's auditor participated in five Audit Committee meetings in 2019. The Audit Committee held five minuted meetings. Ratos's General Counsel has taken 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 2019, 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 matters 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 matters and impairment testing, with five regular meetings held every year where the auditor participates in all Committee meetings. Specific matters addressed in 2019 included valuation and impairment matters, follow-up of bank terms, commitments concerning capital contributions and disputes. The CEO and senior executives normally attend the meetings of the Committee to present specific matters.

The Audit Committee submits proposals on matters that require a Board decision and the 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 2019 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, remuneration of senior executives, the sustainability report and the corporate governance work. The review work and auditor's report are presented at the Annual General Meeting.

At the 2019 Annual General Meeting, the audit firm Ernst & Young AB (EY) was elected as auditor until the next Annual General Meeting. EY appointed Erik Sandström as Chief Auditor. In addition to his assignment in Ratos, Erik Sandström is Chief Auditor for, among others, Autoliv, Gränges and Mycronic. At the 2020 Annual General Meeting, EY was proposed as the company's audit firm 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 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's business concept is to develop mid-sized companies headquartered in the Nordics that are or can become market leaders. Ratos enables independent mid-sized companies to excel by being part of something larger. 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 is to 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 Ratos's business model and success as an owner. Read more about Ratos's exercise of its ownership role on pages 9–11.

CEO and management team

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

Ratos's management team consisted of the CEO, CFO, two Vice Presidents, the General Counsel and the Head of IR and Press from the beginning of 2019 until November, when the Vice President Investments & Ownership Excellence left the management team. The role of the management team is to prepare and implement strategies, manage corporate governance and organisational matters, and monitor Ratos's financial development and Ratos's sustainability programme.

The companies' financial development and ongoing activities are addressed at monthly meetings attended by the respective company's CEO and CFO alongside Ratos's CEO, CFO and other senior executives.

Remuneration to senior executives

Guidelines for remuneration to senior executives were approved at the 2019 Annual General Meeting. More information about basic and variable salary is available in Note 7.

Evaluation of the need for an internal audit

Ratos develops mid-sized companies headquartered in the Nordics that are or can become market leaders. At the close of the year, Ratos had 12 companies operating in three business areas in different industries with various risks. 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 performs an annual review of risks where significant risks in the companies are summarised and discussed in Ratos's management and Board (refer to page 52). 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 companies.

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

With 20 employees at the beginning of 2020, 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 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, the Group engages in a dialogue with the its auditors regarding their ongoing observations as well as the annual audit of internal control completed during the third quarter and presented by Ratos's auditors to the Audit Committee. Responsibilities and authorities 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 companies' financial reporting and sustainability reporting, Ratos sends an annual compliance survey to all the CFOs of the 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 companies.

Furthermore, the board of each company is responsible for ensuring that the company in question complies with laws and regulations as well as for compliance with internal policy documents and guidelines. 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. The process is intended to give Ratos's management and Board of Directors an understanding of the Group's most material risks.

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 ensuring that an appropriate risk management process is in place and has been approved by the individual company's board. All company 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 provides support to its companies in the form of structures and models, and works continuously to strengthen their risk processes as well as its own. 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 most material risks are summarised in the Directors' Report on pages 42–45.

Internal control of financial reporting

Internal control of financial reporting is based on how Ratos's operations are conducted and how the organisation is built up. Ratos's operations focus on the development of mid-sized companies. Ratos has three business areas – Construction & Services, Consumer & Technology and Industry – and each business area currently consists of four companies. Each business area has a dedicated team that also works actively in the companies' boards. Each company is independent of other companies owned by Ratos. The intention is not that these companies' systems and reporting should be integrated into the Ratos Group, but rather that resources be used for follow-up and development of financial reporting from subsidiaries and associates. Ratos's aim, as part of its 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.

Ratos has the overarching responsibility but the decisions and management of each company are carried out based on the needs, size and complexity of the company. Internal control of financial reporting is therefore designed to be appropriate in Ratos AB as well as in the companies. Evaluations and decisions are made by each board and management. This means that the material risks that affect internal control of financial reporting are identified and managed by Ratos as well as at the company level.

The basis for internal control of financial reporting consists of an overarching control environment where organisation, decision-making processes, authority and areas of responsibility have been documented and communicated in several guiding documents. This

Recommended internal risk management process for Ratos

1. Identification: Ratos recommends a broad process where all relevant operational, strategic, financial and legal areas are covered in order to identify the companies' most material 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.

means that authority and responsibility within Ratos AB are established in several 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.

All companies report complete accounts and forecasts on a monthly basis. These reports are entered into a Group-wide consolidated reporting system. This is the foundation for the Group's-consolidated financial reporting. Each company is responsible for its own financial management and for ensuring that the reports are correct, complete and delivered in time for the Group's reporting. The financial reporting is designed to follow the applicable laws and regulatory frameworks, such as IFRS. The companies' application of IFRS in their reporting and how they comply with the principle choices Ratos has made are followed up regularly. As support for the companies' reporting, Ratos Accounts has a number of supporting instructions and documents to ensure the financial reporting is complete and accurate.

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 business area teams and Ratos Accounts are 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. Ratos's business area teams, together with Ratos Accounts, evaluate the material reported by the companies analytically, looking at its 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 are corrected following a dialogue with the company concerned. Performance and risks that are identified are communicated monthly to the CEO and CFO who, where appropriate, in turn report to Ratos's Board.

Every month, the companies provide a report in which the 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. The reports are supplemented with monthly meetings between the companies and Ratos's management, during which the reporting is discussed and analysed to understand each company's financial development and follow up on the company's operations.

Accounts relating to acquisitions and investments as well as major transactions and accounting matters are discussed and regularly reconciled with Ratos's auditors. Group consolidation includes a number of reconciliation controls, both manual and automatic, such as in the Group-wide consolidated reporting system.

Ratos Accounts is organised and staffed 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 four people are employed within the function, which is headed by Ratos's CFO. The employees have long professional experience in reporting and accounting.

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 matters that require a Board decision.

Board of Directors and CEO

Auditor
At the 2019 Annual Meeting, the auditing firm Ernst & Young AB, with authorised public accountant Erik Sandström as Chief Auditor, was elected for the period until the 2020 Annual General Meeting has been held.

Jonas Wiström, CEO
Board member since 2016.
Chairman of the Board April 2016 – December 2017. President and CEO since December 2017. Independent in relation to major shareholders in the company. Dependent in relation to the company and company management.
MSc Eng.
Born 1960, Swedish.
Vice Chairman of the Board in Business Sweden.
Former President and CEO ÅF, President and CEO Prevas, CEO Silicon Graphics northern Europe and positions within Philips, Saab-Scania and Sun Microsystems.

Shareholding in Ratos (own):
170,000 B shares
Warrants in Ratos: 200,000
Convertible debentures in Ratos:
250,000
Options issued by Ratos's principal owner: 260,000

Secretary to the Board
Magnus Stephensen, General Counsel, Ratos.

Ulla Litzén
Board member since 2016.
Independent in relation to the company, company management and major shareholders in the company.
MSc Econ and MBA.
Born 1956, Swedish.
Board member in Electrolux, Epiroc, Husqvarna and NCC.
Former CEO of W Capital Management AB (wholly owned by the Wallenberg Foundations) and Managing Director, and member of the Management Group, Investor AB.

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

Board's and CEO's holdings at 31 December 2019

Per-Olof Söderberg, Chairman
Bord member since 2000 and Chairman of the Board since December 2017. Independent in relation to the company and company management. Dependent in relation to major shareholders in the company.
MSc Econ, SSE. MBA Insead.
Born 1955, Swedish.
Chairman of the Board and co-founder in Söderberg & Partners AB. Board member and co-founder of SOBRO AB. Chairman of the Board and founder of the association Inkludera. Deputy Chairman of the Board in Stockholm School of Economics.
Former CEO of Dahl.

Shareholding in Ratos (own and related parties): 16,684,396 A shares, 1,425,635 B shares

Karsten Slotte
Board member since 2015.
Independent in relation to the company, company management and major shareholders in the company.
B.Sc. Econ.
Born 1953, Finnish.
Chairman of the Board in LEDiL.
Board member of Antti Ahlströms arvingar, Conficap, Royal Unibrew and Scandi Standard among others.
Former President and CEO in the Karl Fazer Group 2007–2013 and prior to that as Managing Director of Cloetta-Fazer 2002–2006.

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

Eva Karlsson
Board member since 2019.
Independent in relation to the company, company management and major shareholders in the company.
Master's degree in industrial work environment.
Born 1966, Swedish.
Vice President Product Supply Arcam EBM. Board member in Assa Abloy AB, Bräcke Diakoni and Valcon A/S.
Former President and CEO of Armatec AB, CEO of SKF Sweden and Global Manufacturing Manager Industry division, Director Industrial Marketing & Product Development at SKF and positions within the SKF Group within Manufacturing Management.

Shareholding in Ratos (own): 0

Jan Söderberg, Deputy Chairman
Board member since 2000 and Deputy Chairman of the Board since December 2017. Independent in relation to the company and company management. Dependent in relation to major shareholders in the company.
MSc Econ.
Born 1956, Swedish.
Founder and Chairman of the Board in Söderbergföretagen. Board member of Blinkfyrar, Constant Clean, Elisolation, Nordic Plastics Group, Motala Intressenter and SEAB Nordic. Member of the Lund School of Economics Management Advisory Board. Board member of My Special Day Foundation.
Former positions include the President and CEO of Bröderna Edstrand and senior positions in Dahl Invest AB, Fosselius & Alpen and Esselte.

Shareholding in Ratos (own and related parties): 14,503,583 A shares, 3,873,000 B shares

Consolidated income statement

SEKm	Note 2, 4	2019	2018
Net sales	3	25,061	23,125
Other operating income	3	588	126
Work performed by the company for its own use and capitalised		126	128
Raw materials, consumables and change in inventories		–14,357	–13,085
Employee benefit costs	7, 22	–6,359	–6,107
Depreciation and impairment of property, plant and equipment, intangible assets and right-of-use assets	11, 12, 13	–1,194	–1,167
Other external costs	8, 26	–2,349	–3,010
Capital gain from Group companies	5	3	104
Impairment and capital gains for investments recognised according to the equity method	5		44
Share of profits from investments recognised according to the equity method[1]	6, 14	137	133
Operating profit[2]		**1,655**	**293**
Financial income	9	37	50
Financial expenses	9	–632	–450
Net financial items[2]		**–595**	**–400**
Profit/loss before tax		**1,061**	**–107**
Income tax[1]	10	–234	–155
Profit/loss for the year		**827**	**–262**
Attributable to			
Owners of the parent		673	–448
Non-controlling interests		153	186
Earnings per share, SEK	21		
Basic earnings per share		2.11	–1.40
Diluted earnings per share		2.11	–1.40

1) For 2018, tax attributable to profit from investments recognised according to the equity method has been moved from the line "Income tax" to the line "Share of profits from investments recognised according to the equity method". For 2018, tax in an amount of SEK –38m has been moved. Profit/loss for the year is unchanged.
2) For 2018, the change in the contingent consideration of SEK 11m was moved from net financial items and instead impacted operating profit. In net terms, profit/loss before tax before tax is unchanged.

Consolidated statement of comprehensive income

SEKm	Note	2019	2018
Profit/loss for the year		**827**	**–262**
Other comprehensive income			
Items that will not be reclassified to profit or loss	22		
Remeasurement of defined benefit pension obligations, net		–97	–15
Tax attributable to items that will not be reclassified to profit or loss	10	19	1
		–77	**–14**
Items that may be reclassified subsequently to profit or loss	19		
Translation differences for the year		151	209
Change in hedging reserve for the year		–2	–10
Tax attributable to items that may be reclassified subsequently to profit or loss	10	2	2
		151	**201**
Other comprehensive income for the year, net after tax		**74**	**187**
Total comprehensive income for the year		**901**	**–75**
Total comprehensive income for the year attributable to			
Owners of the parent		750	–307
Non-controlling interests		151	232

Consolidated statement of financial position

SEKm	Note 4	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	11	11,610	11,274
Other intangible assets	11	1,853	1,761
Property, plant and equipment and right-of-use assets	12, 13	5,596	1,586
Investments recognised according to the equity method	14	1,121	1,092
Shares and participations	16	8	8
Other receivables	16	83	113
Deferred tax assets	10	508	486
Total non-current assets		**20,780**	**16,320**
Current assets			
Inventories	17	1,072	1,060
Tax assets		85	71
Trade receivables	16, 25	2,918	2,657
Prepaid expenses and accrued income		457	452
Contract assets	32	548	539
Other receivables	16	325	282
Derivative instruments	16	2	17
Cash and cash equivalents	16, 30	3,219	3,404
Total current assets		**8,625**	**8,483**
Total assets		**29,405**	**24,803**
EQUITY AND LIABILITIES			
Share capital	18, 19	1,021	1,021
Other capital provided		417	417
Reserves		–94	–223
Retained earnings including profit/loss for the year		7,953	7,486
Equity attributable to owners of the parent		**9,298**	**8,701**
Non-controlling interests	20	1,920	1,929
Total equity		**11,218**	**10,630**
Liabilities			
Non-current interest-bearing liabilities	16, 25	8,399	4,938
Other non-current liabilities	16, 32	269	456
Provisions for pensions	22	642	524
Other provisions	23	21	21
Deferred tax liabilities	10	464	429
Total non-current liabilities		**9,795**	**6,368**
Current interest-bearing liabilities	16, 25	2,046	1,586
Trade payables	16	2,813	2,279
Tax liabilities		168	225
Contract liabilities	32	1,230	1,267
Derivative instruments	16	5	5
Other liabilities		607	688
Accrued expenses and deferred income	24	1,076	1,050
Provisions	23	448	705
Total current liabilities		**8,392**	**7,805**
Total liabilities		**18,188**	**14,173**
Total equity and liabilities		**29,405**	**24,803**

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	Equity attributable to owners of the parent: Share capital	Other capital provided	Reserves	Retained earnings incl. profit/loss for the year	Total	Non-controlling interests	Total equity provided
Opening equity, 1 January 2018		**1,021**	**417**	**–374**	**8,596**	**9,660**	**1,886**	**11,546**
Adjustment[1]				0	–29	–29	–17	–46
Adjusted equity		**1,021**	**417**	**–374**	**8,567**	**9,631**	**1,869**	**11,500**
Profit/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 debentures, net					2	2		2
Option premiums, net					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**
Opening equity, 1 January 2019		**1,021**	**417**	**–223**	**7,486**	**8,701**	**1,929**	**10,630**
Adjustment[2]				–3	–16	–20	–2	–22
Adjusted equity		**1,021**	**417**	**–227**	**7,470**	**8,681**	**1,927**	**10,608**
Profit/loss for the year					673	673	153	827
Other comprehensive income for the year				133	–57	77	–2	74
Comprehensive income for the year				**133**	**617**	**750**	**151**	**901**
Dividend					–160	–160	–75	–235
Non-controlling interests' share of capital contribution, new share issue and impaired equity							15	15
Value of conversion option for convertible debentures, net					2	2		2
Option premiums, net					2	2		2
Put options, future acquisitions from non-controlling interests					–8	–8	54	46
Acquisition of shares in subsidiaries from non-controlling interests					30	30	–154	–123
Disposal of shares in subsidiaries to non-controlling interests					–0	–0	2	1
Closing equity, 31 December 2019		**1,021**	**417**	**–94**	**7,953**	**9,298**	**1,920**	**11,218**

1) 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.

2) Mainly pertains to adjustment of the opening balance for the transition to IFRS 16 Leases.

Consolidated statement of cash flows

SEKm	Note 30	2019	2018
Operating activities			
Operating profit		1,655	293
Adjustment for non-cash items [1]		547	1,069
		2,202	1,362
Income tax paid		−230	−147
Cash flow from operating activities before change in working capital		**1,972**	**1,215**
Cash flow from change in working capital			
Increase (-)/Decrease (+) in inventories		−40	−73
Increase (-)/Decrease (+) in operating receivables		−311	−730
Increase (+)/Decrease (-) in operating liabilities		288	321
Cash flow from operating activities		**1,909**	**732**
Investing activities			
Acquisition, Group companies		−93	−82
Disposal, Group companies		94	92
Acquisitions, investments recognised according to the equity method		−2	−0
Disposals, investments recognised according to the equity method			233
Acquisition and disposal, intangible assets/property, plant and equipment [1]		−120	−510
Investments and disposals, financial assets		0	1
Received interest		13	10
Cash flow from investing activities		**−107**	**−256**
Financing activities			
Non-controlling interests' share of issue/capital contribution		15	9
Repurchase/final settlement options		−27	−10
Option premiums paid		6	7
Acquisition and disposal of shares in subsidiaries from non-controlling interests		−130	−11
Dividends paid		−160	−638
Dividends paid, non-controlling interests		−75	−55
Borrowings		1,314	2,542
Amortisation of loans		−1,879	−2,475
Paid interest		−465	−301
Amortisation of financial lease liabilities		−665	−31
Cash flow from financing activities		**−2,065**	**−962**
Cash flow for the year		**−264**	**−485**
Cash and cash equivalents at the beginning of the year		3,404	3,881
Exchange differences in cash and cash equivalents		79	7
Cash and cash equivalents at the end of the year		3,219	3,404

[1] 2019 includes a capital gain of SEK 487m from the sale of Ratos's property, which was transferred to investing activities.

Parent company income statement

SEKm	Note	2019	2018
Other operating income	3	512	22
Other external costs	8	–59	–55
Personnel costs	7, 22	–86	–77
Depreciation of property, plant and equipment	12	–2	–4
Operating profit/loss		**365**	**–114**
Profit/loss from investments in Group companies	5	186	–108
Result from other securities and receivables accounted for as non-current assets	9	1	2
Other interest income and similar profit/loss items	9	6	12
Interest expenses and similar profit/loss items	9	–5	–29
Profit/loss after financial items		**552**	**–239**
Tax	10	0	0
Profit/loss for the year		**552**	**–239**

Parent company statement of comprehensive income

SEKm	Note 19	2019	2018
Profit/loss for the year		**552**	**–239**
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		**0**	**–7**
Comprehensive income for the year		**552**	**–245**

Parent company balance sheet

SEKm	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Property, plant and equipment	12	2	59
Financial assets			
Participations in Group companies	29	7,770	6,931
Receivables from Group companies	15, 16	2	5
Other securities held as non-current assets	16		0
Total non-current assets		**7,773**	**6,995**
Current assets			
Current receivables			
Receivables from Group companies	15.16	8	5
Other receivables		34	19
Prepaid expenses and accrued income		4	2
Cash and bank balances	16, 30	1,607	1,734
Total current assets		**1,653**	**1,760**
Total assets		**9,426**	**8,755**
EQUITY AND LIABILITIES			
Equity	18, 19		
Restricted equity			
Share capital		1,021	1,021
Statutory reserve		289	289
Unrestricted equity			
Share premium reserve		129	129
Fair value reserve		0	0
Retained earnings		6,291	6,685
Profit/loss for the year		552	–239
Total equity		**8,281**	**7,885**
Non-current liabilities			
Interest-bearing liabilities			
Convertible debentures	16	35	16
Liabilities to Group companies	16	357	572
Other interest-bearing liabilities	16	44	48
Non-interest bearing liabilities			
Other liabilities		11	6
Deferred tax liabilities		1	0
Total non-current liabilities		**448**	**643**
Current provisions			
Other provisions	23	328	140
Total current provisions		**328**	**140**
Current liabilities			
Interest-bearing liabilities			
Liabilities to Group companies	16	92	
Other interest-bearing liabilities	16	1	0
Non-interest bearing liabilities			
Liabilities to Group companies	16	225	33
Trade payables	16	5	4
Other liabilities		3	4
Accrued expenses and deferred income	24	44	45
Total current liabilities		**369**	**87**
Total equity and liabilities		**9,426**	**8,755**

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

Parent company statement of changes in equity

		Restricted equity		Unrestricted equity				
SEKm	Note 18, 19	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Profit/loss for the year	Total equity provided
Opening equity, 1 January 2018		**1,021**	**289**	**129**	**7**	**5,829**	**1,491**	**8,765**
Other disposition of earnings						1,491	–1,491	
Profit/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
Value of conversion option for convertible debentures						2		2
Deferred tax, conversion option						–0		–0
Closing equity, 31 December 2018		**1,021**	**289**	**129**	**0**	**6,685**	**–239**	**7,885**
Opening equity, 1 January 2019		**1,021**	**289**	**129**	**0**	**6,685**	**–239**	**7,885**
Other disposition of earnings						–239	239	
Profit/loss for the year							552	552
Comprehensive income for the year							**552**	**552**
Dividend						–160		–160
Option premiums						2		2
Value of conversion option for convertible debentures						2		2
Deferred tax, conversion option for convertible debentures						–1		–1
Closing equity, 31 December 2019		**1,021**	**289**	**129**	**0**	**6,291**	**552**	**8,281**

Parent company cash flow statement

SEKm	Note 30	2019	2018
Operating activities			
Profit/loss before tax		552	–239
Adjustment for non-cash items		–470	254
		82	16
Income tax paid		–	–
Cash flow from operating activities before change in working capital		**82**	**16**
Cash flow from change in working capital			
Increase (-)/Decrease (+) in operating receivables		–17	0
Increase (+)/Decrease (-) in operating liabilities		–22	–61
Cash flow from operating activities		**43**	**–45**
Investing activities			
Acquisition, shares in subsidiaries		–660	–120
Disposal, shares in subsidiaries			62
Liabilities to Group companies[1)]		78	236
Acquisition, property, plant and equipment			–2
Disposal, property, plant and equipment		550	
Cash flow from investing activities		**–32**	**177**
Financing activities			
Repurchase/final settlement options			–3
Convertible debentures		20	18
Dividend paid		–160	–638
Cash flow from financing activities		**–140**	**–623**
Cash flow for the year		**–128**	**–491**
Cash and cash equivalents at the beginning of the year		1,734	2,226
Exchange differences in cash and cash equivalents		1	–1
Cash and cash equivalents at the end of the year		1,607	1,734

1) Liability that arose in conjunction with divestments of companies.

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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 73.

Changed accounting principles due to new or amended IFRS
As of 2019, Ratos applies IFRS 16 Leases. The following changes have been made with respect to the application of the new standard. In other respects, the reporting and measurement principles are unchanged compared with those applied in Ratos's 2018 Annual Report while no other adjustments of IFRS consider to have a material impact on the financial statements.

IFRS 16 Leases
Changed accounting principles due to new IFRS 16 Leases
IFRS 16 Leases has replaced IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease and related rules as of the 2019 financial year. 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 previously comprised operating leases will now be recognised in the balance sheet, which entails that expenses previously recognised as operating expenses corresponding to the lease payments for the period have now been replaced by depreciation and interest expense in income statement. Payments for short-term leases and low-value leases are expensed on a straight-line basis in profit or loss for practical reasons. Short-term leases are leases with a term of 12 months or less.

For the Ratos Group's financial statements, this has entailed improved operating profit before depreciation, increased costs related to depreciation and amortisation, weaker net financial items and increased total assets. Cash flow from leases has been moved from operating activities to financing activities (amortisation of loans and interest paid). With the application of IFRS 16, the total lease cost is normally higher in the first few years of a lease, and then later diminishes over time. This is because the interest expense decreases over time as the lease liability is amortised. In the consolidated statement of financial position and the balance sheet, right-of-use assets are presented together with property, plant and equipment and lease liabilities as financial liabilities. More detailed information is presented in Note 26.

Ratos has chosen to apply the modified retrospective approach during the transition to IFRS 16 using the practical expedients contained 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. The comparative figures for 2018 in this annual report are thus based on earlier policies and are only restated for figures where specified. Leases that are of a 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, were not included in the lease liability but rather will continue to be expensed on a straight-line basis during the lease term. Variable expenses as well as property taxes and other variable property expenses, such as maintenance costs, electricity, heat and water, have been excluded from the lease liability calculation to the extent they can be separated.

The Group has chosen to measure the opening lease liability and opening right-of-use asset for most of its leases at the same amount as of 1 January 2019, with the right-of-use asset, in certain cases, adjusted 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 carrying amount for the right-of-use asset and lease liability according to IFRS 16, as of 1 January 2019, corresponds to the 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 the right-of-use asset by the amount recognised as other non-current liabilities 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 same interest rate has been used for similar leases. The change in Plantasjen's interest-bearing liability accounts for approximately 70% of the Group's change. The weighted incremental borrowing rate for the Group upon initial application was 5.2%. Plantasjen has used an average incremental borrowing rate of 6.2%.
- Options to extend and terminate contracts have been taken into account for the leases when it has been 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 transition effect for the Ratos Group concerning IFRS 16

SEKm	31 Dec 2018	Transition effect	1 Jan 2019
ASSETS			
Right-of-use assets	496	4,021	4,517
Deferred tax assets	0	4	4
Current receivables	0	−13	−13
Total assets	**496**	**4,012**	**4,508**
EQUITY AND LIABILITIES			
Equity	−187	−17	−205
Financial lease liabilities (interest-bearing)	683	4,181	4,864
Other non-current liabilities	0	−151	−151
Total equity and liabilities	**496**	**4,012**	**4,508**

Effect of transition from IAS 17 Leases to IFRS 16 Leases

SEKm	
Future payments for operating leases at 31 December 2018	5,648
Less contracts classified as	
Short-term leases	−39
Leases for which the underlying asset is of low value	−88
Service agreements not covered by IFRS 16	−136
Discounted by the incremental borrowing rate	−1,045
Financial lease liability at 31 December 2018 according to IAS 17	683
Adjustments due to handling of options to extend or terminate a contract	12
Currency translation	−179
Other adjustments	8
Financial lease liability at 1 January 2019	**4,864**

Note 1, cont.

See also Note 26 for further details about how the result for the period and interest-bearing net debt have been affected by IFRS 16. Approximately SEK 600m of the opening lease liability is short-term.

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 2020 financial year and have thus not been applied in the preparation of this financial report. Ratos has deemed that none of these amendments, which have not yet come into force, are expected to entail any material impact on the Group'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 recognised 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 using the tax rates and tax regulations decided or announced as per the end of the reporting period.
- 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 recognised 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.

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 recognised 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.

Note 1, cont.

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 the Group ceases to have a controlling influence. 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 tax is recognised as "Share of profits from investments recognised according to the equity method". 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 recognised 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 holding as previously, the accumulated translation differences are not transferred 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.

Note 1, cont.

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.

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 recognised 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, and the conditions exist to complete development and thereafter use or sell the asset or 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 recognised 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	5–10
Business systems	3–10
Other intangible assets	3–10

Property, plant and equipment
Owned assets
Property, plant and equipment are recognised 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.

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

Note 1, cont.

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.

Leases, valid up to and including 31 December 2018

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 lease payments on a straight-line basis over the term of the lease. Variable payments are recognised as an expense in the period in which they arise.

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 lease payments at the start of the contract. The obligation to pay future lease payments 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.

Leases, valid as of 1 January 2019

Up to and including the 2018 financial year, leases (rent) for property, vehicles, inventory and equipment are recognised as operating or finance leases according to IAS 17. As of 1 January 2019, the majority of leases are recognised as right-of-use assets with associated liabilities, beginning when the asset is available for use by the lessee. All leases are considered finance leases. Upon the initial recognition of a lease, the value of the right-of-use asset and the lease liability are normally equal. Each lease payment is apportioned to interest and amortisation of the lease liability. The interest is recognised as a financial expense in income statement, apportioned over the lease term so that each period is charged with an amount reflecting a fixed interest rate on the underlying lease liability.

The right-of-use asset is measured at cost, which reflects the value of the lease liability, plus any initial direct expenditure, plus obligations for disassembly, removal or recovery at the end of the lease. As a general rule, the right-of-use asset is depreciated on a straight-line basis over the term of the lease or, given an option to extend, the period during the lessee expects to use the asset. Leases that are of a low value as well as leases with a term of 12 months or less, referred to as short-term leases, are not included in the lease liability but rather are expensed on a straight-line basis during the lease term. Low-value leases refer to leases with a value under SEK 50,000 or USD 5,000 or the individual company's materiality level.

Lease liabilities are initially measured at the present value of future lease payments. Lease payments are discounted by the lease's implicit interest rate, if the implicit interest rate can be easily determined, but the typical method is for the Group to use the incremental borrowing rate. Future lease payments calculated at present value consist primarily of fixed payments, variable lease payments based on an index and obligations to pay the residual value at the end of the lease. Lease liabilities that fall due within 12 months are classified as current liabilities and liabilities that fall due after 12 months as non-current liabilities.

Upon determining the term for a lease, extension options are taken into account if it is likely that they will be exercised. Instead of the term of the lease, the lessee uses the likely amount of time by which it will be extended. The ability to extend/terminate a lease is only included in the term of the lease if it is reasonable to expect that the lease will be extended or not concluded. Certain options can be exercised at a later occasion.

The incremental borrowing rate is used as the discount rate for the calculation of present value. This is the rate that the lessee would pay on a loan to purchase an asset equivalent to the one in the lease liability. Among other things, the lease's term, country, currency, collateral and credit risk for the lender are taken into account.

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, other receivables and derivative instruments. On the liabilities side, there are trade payables, interesting-bearing liabilities, other liabilities and derivative instruments.

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.

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 recognised 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 measured at fair value through profit or loss, which are initially measured at fair value excluding transaction costs.

Note 1, cont.

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.

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 shown 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.

The Ratos Group's financial assets and liabilities are classified according to the categories listed below.

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 statement of financial position 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, other receivables, cash and cash equivalents, trade payables, liabilities to credit institutions, financial lease liabilities and other interest-bearing liabilities. Trade receivables are recognised at the amount at which they are expected to accrue, with deduction for loss provisions. Trade payables that have a short anticipated maturity are measured at nominal amounts without discount.

Fair value through profit or loss
Assets and liabilities that do not meet the requirements to be measured 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/liabilities measured at fair value through profit or loss are recognised in profit or loss. A gain or loss for a debt instrument that is measured 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, synthetic options, put options and derivatives, with the exception of derivatives that are identified and effective hedging instruments in conjunction with hedge accounting. 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. Any change in the value of issued synthetic options where market premiums have been paid is recognised in net financial items.

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 but as other current receivables.

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 initially charged to earnings. 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 the 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.

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

Note 1, cont.

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 and are included in net financial items.

If hedge accounting is not applied, changes in value for the period are recognised directly in net financial items 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 recognised according to IFRS 9.

Impairment of goodwill, intangible assets, property, plant and equipment, and right-of-use assets

The value of goodwill, intangible assets, property, plant and equipment, and right-of-use assets is calculated at the end of each reporting period to determine if there is any indication of an impairment requirement. If such an indication exists, the recoverable amount of the asset is calculated. Additionally, the recoverable amount for goodwill, other intangible assets with an indeterminable useful life and intangible assets that are not yet ready for use is calculated annually, regardless of whether there is any indication of an impairment requirement.

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.

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

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.

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.

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

The Group's equity is allocated to share capital, other capital provided, reserves, retained earnings including profit/loss for the year and non-controlling interests.

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.

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.

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

Note 1, cont.

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. 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. 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.

Adjustments based on experience (profit and loss) 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.

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

The parent company has issued convertible debentures to its personnel, who paid market value. Recognition of the convertible debentures 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 debentures 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 subordinated loan, 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.

Incentive programmes, warrants

The parent company has 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 benefits and social security contributions are recognised in their entirety as personnel costs upon issuance since there are no vesting, performance or market 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.

The dilution effect of option programmes (warrants and call options) depends on options during the year. Calculation of the number of shares is based on the difference between the exercise price for all outstanding options and the average market price of a corresponding number of shares. This difference corresponds, taking the average market price for Ratos shares into account, to a certain number of shares. These shares, together with the present number of shares, provide an estimated number of shares which is used to obtain the dilution effect.

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.

Note 1, cont.

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.

Deferred tax assets and liabilities are offset if a legal right to offset current tax assets and liabilities exists, and when the deferred tax assets and liabilities pertain to taxes charged by the same tax authority and there is an intention to settle these through a net payment.

When necessary, a provision is recognised in the form of tax liabilities pertaining to an uncertain tax position. An uncertain tax position is deemed to exist when there is uncertainty about whether a particular treatment will be approved by the tax authority. For example, the application of tax legislation for a certain transaction or under certain conditions may be unclear.

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.

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 recognised 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 measured 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 income 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.

Leases
The parent company applies the exemption rule in RFR 2 and recognises lease payments as a cost on a straight-line basis over the lease term.

Note 2 Operating segments

Ratos develops mid-sized companies headquartered in the Nordics that are or can become market leaders. 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 2019, Ratos owned 11 subsidiaries and one associated company. The companies are active in different sectors, and operate strategically, operationally and financially independent of each other. Ratos has three business areas – Construction & Services, Consumer & Technology and Industry – and each business area consists of four companies. The most relevant basis for revenue classification is based on the three business areas and the companies they include. This classification provides 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 management, which is the Ratos Group's "chief operating decision-maker," monitors operations on the basis of the development in all of Ratos's business areas and companies, based on Ratos's financial targets which stipulate that the earnings of the companies should increase each year.

SEKm	Net sales		EBITDA		EBITA		Net financial items		Profit/loss before tax	
Company	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Aibel			140	121	140	121			140	121
airteam	1,135	918	92	91	89	89	–8	–5	82	83
HENT	9,504	8,394	32	173	22	162	10	3	32	165
Speed Group	707	738	23	6	5	–8	–2	–5	–18	–32
Total Construction & Services	**11,347**	**10,050**	**287**	**390**	**257**	**364**	**0**	**–7**	**236**	**337**
Bisnode	3,776	3,690	627	601	480	464	–113	–122	348	321
Kvdbil	384	332	45	20	30	8	–1	–2	29	6
Oase Outdoors	427	421	13	39	10	36	–14	–10	–4	26
Plantasjen	4,327	4,233	172	192	53	77	–184	–183	–137	–116
Total Consumer & Technology	**8,914**	**8,676**	**857**	**852**	**574**	**585**	**–312**	**–317**	**236**	**236**
Diab	1,874	1,496	246	–11	190	–155	–57	–26	133	–181
HL Display	1,594	1,554	176	133	138	96	–32	–27	106	69
LEDiL	433	439	104	125	81	109	–8	–10	73	99
TFS	924	841	–18	4	–28	–6	–1	–1	–29	–14
Total Industry	**4,826**	**4,330**	**508**	**252**	**381**	**43**	**–98**	**–64**	**283**	**–27**
Total companies all periods presented	**25,087**	**23,056**	**1,652**	**1,494**	**1,212**	**993**	**–409**	**–389**	**756**	**546**
Gudrun Sjödén Group				10		10				10
Jøtul		70		4		0		10		10
Total companies divested during periods presented		**70**		**14**		**10**		**10**		**20**
Effect of IFRS 16			805		100		–203		–102	
Total companies	**25,087**	**23,125**	**2,457**	**1,508**	**1,313**	**1,003**	**–611**	**–379**	**653**	**566**
Euromaint			31		31				31	
Gudrun Sjödén Group				36		36				36
Jøtul				26		26				26
Capital gains			**31**	**62**	**31**	**62**			**31**	**62**
Impairment Plantasjen										–600
Profit/loss from companies	**25,087**	**23,125**	**2,488**	**1,570**	**1,343**	**1,065**	**–611**	**–379**	**684**	**28**
Ratos management costs and revenue			371	–114	369	–117			369	–117
Other income and costs, including transaction costs			–2	1	–2	1			–2	1
Costs that will be charged to the companies			–1	2	–1	2			–1	2
Financial items							17	–21	17	–21
Items attributable to the parent company and central companies			**368**	**–110**	**366**	**–114**	**17**	**–21**	**383**	**–134**
Other/eliminations	–26		–7		–7		0		–7	
Group total	**25,061**	**23,125**	**2,850**	**1,460**	**1,703**	**952**	**–594**	**–400**	**1,061**	**–107**

In the above table, consolidated profit includes 100% of subsidiaries' profit and the owned share of investments is recognised according to the equity method. For the companies, EBITDA, EBITA, net financial items and profit before tax are presented excluding IFRS 16 for 2019 in order to improve comparability with the preceding year.
Of the above net sales, the following amounts are attributable to sales to other Group companies: airteam SEK 25m (0) and Bisnode SEK 1m (0).

Note 2, cont.

Reconciliations between EBITDA, EBITA, operating profit and profit before tax are presented below.

SEKm	2019	2018
EBITDA	**2,850**	**1,460**
Depreciation/amortisation and impairment of assets attributable to ordinary operations	–1,146	–508
of which, effect of IFRS 16	–705	
EBITA	**1,703**	**952**
Depreciation/amortisation and impairment of assets resulting from acquisitions	–48	–659
Operating profit	**1,655**	**293**
Financial income	37	50
of which, interest income	19	13
Financial expenses	–632	–450
of which, interest expenses	–466	–301
of which, effect of IFRS 16	–202	
Profit/loss before tax	**1,061**	**–107**

SEKm	Interest-bearing net receivable (+) / net debt (–)[1]		Consolidated value[2]	
Company	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Aibel			704	725
airteam	–181	–84	497	443
HENT	611	711	436	413
Speed Group	–64	–69	259	278
Total Construction & Services	**366**	**558**	**1,896**	**1,859**
Bisnode	–1,508	–1,378	2,150	2,156
Kvdbil	–16	–37	503	481
Oase Outdoors	–246	–273	213	188
Plantasjen	–2,361	–2,434	544	575
Total Consumer & Technology	**–4,131**	**–4,122**	**3,410**	**3,400**
Diab	–798	–890	783	454
HL Display	–346	–447	709	621
LEDiL	–207	–301	570	495
TFS	–5	–72	402	246
Total Industry	**–1,357**	**–1,710**	**2,464**	**1,816**
Total companies	**–5,122**	**–5,274**	**7,771**	**7,074**
Effect of IFRS 16	–4,203			
Items attributable to the parent company and central companies[3]	1,521	1,725	1,527	1,627
Other/eliminations	–22			
Group total	**–7,826**	**–3,549**	**9,298**	**8,701**

1) Excluding shareholder loans. For the companies, interest-bearing net receivables/liabilities are presented excluding IFRS 16 for 2019.
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) Consolidated value includes cash and cash equivalents in the parent company of SEK 1,607m (1,734).

Note 2, cont.

SEKm	Cash flow 2019	Cash flow 2018
Aibel		
airteam	81	71
HENT	–16	106
Speed Group	70	–52
Total Construction & Services	**135**	**125**
Bisnode	500	380
Kvdbil	40	16
Oase Outdoors	30	5
Plantasjen	573	–76
Total Consumer & Technology	**1,142**	**324**
Diab	–4	–68
HL Display	191	97
LEDiL	90	95
TFS	39	–20
Total Industry	**315**	**103**
Cash flow from operations in the companies	**1,593**	**553**
Cash flow from subsidiaries divested during the current year		–22
Investments and disposals, intangible assets/ property, plant and equipment	670	510
Income tax paid	–230	–147
Attributable to the parent company and central companies	43	–45
Eliminations	–167	–116
Cash flow from operating activities	**1,909**	**732**

SEKm	Depreciation/amortisation 2019	Depreciation/amortisation 2018
Aibel		
airteam	–12	–2
HENT	–60	–11
Speed Group	–107	–33
Total Construction & Services	**–180**	**–46**
Bisnode	–250	–158
Kvdbil	–25	–12
Oase Outdoors	–8	–3
Plantasjen	–498	–126
Total Consumer & Technology	**–782**	**–298**
Diab	–92	–70
HL Display	–76	–38
LEDiL	–29	–16
TFS	–27	–18
Total Industry	**–224**	**–142**
Total companies all periods presented	**–1,185**	**–485**
Depreciation/amortisation in subsidiaries divested during the current year		–4
Attributable to the parent company and central companies	–2	–4
Group total	**–1,187**	**–492**

The above table pertains to amortisation of intangible assets and depreciation of property, plant and equipment. Of the above depreciation/amortisation, SEK –48m (–58) of assets resulting from acquisitions.

SEKm	Net sales[1)] 2019	Net sales[1)] 2018	Property, plant and equipment, intangible assets and right-of-use assets 2019	Property, plant and equipment, intangible assets and right-of-use assets 2018
Norway	9,935	9,553	5,906	3,917
Sweden	5,885	5,809	7,052	5,769
Other Nordic countries	2,963	2,338	3,484	2,997
Rest of Europe	4,569	4,141	2,316	1,105
North America	697	462	139	50
Rest of the world	1,012	822	161	783
	25,061	**23,125**	**19,059**	**14,621**

1) Net sales are based on where the customer is based geographically.

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

Note 3 Revenue recognition

Net sales

Group

SEKm	2019	2018
Breakdown of net sales		
Sale of goods	8,932	8,434
Service contracts	5,246	5,113
Construction contracts	10,614	9,312
Reimbursable expenditure	269	267
	25,061	**23,125**

SEKm	2019	2018
Time of revenue recognition		
At a point in time	10,728	10,316
Over time	14,332	12,810
	25,061	**23,125**

Performance obligations and key assessments when applying IFRS 15 are described below. See Note 32 for more information on contract assets and contract liabilities.

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

Bisnode

Service contracts

Subscription-based sales

The performance obligation entails providing customers with continuous access to databases and offering customers recurring advisory services through subscription-based sales. There are essentially two types of subscription contracts: fixed-price contracts and click-based contracts. The performance obligation is met proportionally over the term of the contract, with revenue recognised when the performance obligation has been met. Fixed-price contracts are typically invoiced in advance, while click-based contracts are invoiced in arrears, per click in the database. Payment terms for subscription contracts vary between ten and 60 days. The company has no obligation for returns, repayment or warranty. The agreements contain 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 relevant obligations based on their relative separate selling prices.

One-off selling

The performance obligation entails providing the customer with access to the database, advisory services and the issue of certificates, at a specific time. The performance obligation is met when the service or data is delivered to the customer, upon which revenue is recognised at the time of delivery. Payment terms for one-off sales vary between ten and 60 days. The company has no obligation for returns, repayment or warranty. The agreements contain 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 relevant 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 and engineering projects. The performance obligation is to construct buildings for customers. The transfer of the risk 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, no alternative use for the constructed buildings exists and the company has 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 in a project are recognised from the first month revenue is recognised, corresponding to the costs incurred. 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 and customised goods

The performance obligation entails delivering shop fittings and customised fittings to customers, and the obligation is met on delivery. Revenue is recognised when the performance obligation is met, taking anticipated bonuses and discounts into account. The customisations are simple in nature and the projects are only for a relatively short period of time, entailing no revenue recognition over time. 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. Contracts regarding shop fittings and customised goods contain a separate selling price.

Note 3, cont.

Plantasjen

Sale of goods

The performance obligation entails the sale of, for example, plants, cut flowers and gardening equipment to customers in shops or online. Sales can be made in cash or credit. The obligation is met immediately upon payment in the store, since the risk is transferred to the buyer in connection with the payment. In online sales, the risk is transferred when the item is delivered to the customer. In these cases, revenue is recognised when the goods leave the warehouse, which is the same time as the risk is transferred since all deliveries are same-day. With credit sales, risk is transferred to the customer upon delivery, which is when the revenue is recognised. 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. A provision is recognised for returns, the size of the provision is based on the previous month's sales. 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. These bonuses reduce revenue since the obligation is recognised as a liability and is measured in accordance with historic outcomes.

Other operating income

Group

Other operating income

SEKm	2019	2018
Capital gain from divestment of property, plant and equipment	489	2
Rental income	6	30
Exchange gains	0	17
Other operating income	93	78
	588	**126**

Parent company

Other operating income

SEKm	2019	2018
Internal sales	6	5
Capital gain from divestment of property, plant and equipment	495	
Rental income	3	5
Other operating income	8	11
	512	**22**

Note 4 Acquired and divested businesses

2019

Acquisition of shares from non-controlling interests

On 11 January, 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 (SEK 117m). After the acquisition, Ratos's ownership share totals 100%.

Acquisitions within subsidiaries

On 14 February, airteam acquired Creovent AB and Thorszelius Ventilation & Service AB, leading installers of climate and ventilation solutions in the Stockholm and Uppsala regions. The acquired companies are subsidiaries of the airteam group. For the impact on Ratos's financial statements, refer to the table below. Carrying amounts are final. Acquisition-related expenses for the acquisition total just over SEK 1m and are included in other costs in the consolidated income statement for 2019. The fair value and nominal value of trade receivables amount to SEK 22m. No trade receivables are considered uncertain. For the January to December period, net sales amounted to SEK 213m. Besides this acquisition within airteam, a minor acquisition of operations took place in Bisnode during the period.

Acquisitions of Group companies – within subsidiaries

SEKm	Within airteam
Intangible assets	73
Property, plant and equipment	8
Deferred tax assets	
Current assets	33
Cash and cash equivalents	4
Other non-current liabilities	–6
Deferred tax liabilities	–4
Current liabilities	–88
Net identifiable assets and liabilities	**19**
Goodwill	95
Consideration transferred	**115**
of which, cash paid	77
of which, contingent consideration	34
Acquisition-related expenses	1
Share acquired, %	74

Divestments within subsidiaries

In October, Plantasjen sold its subsidiary Spira (formerly SABA Blommor AB), which is a supplier of flowers and plants to grocery retailers in Sweden. The buyer is the Dutch company Groenland BV. With some 110 employees, Spira has annual sales of approximately SEK 350m. The sale resulted in a capital loss of SEK 28m. The divestment of Spira was intended to refine Plantasjen's operations and strengthened its profitability.

Note 4, cont.

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 the 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 includes 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.

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

Group

Capital gain from sale of Group companies

SEKm	2019	2018
Jøtul		26
Euromaint	31	
Companies within the Plantasjen group	–28	
Companies within the HENT group		90
Companies within the Bisnode group		0
Companies within the Speed group		–12
	3	**104**

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

SEKm	2019	2018
Companies within the HENT group		8
Gudrun Sjödén Group		36
	0	**44**

Parent company

Profit/loss from investments in Group companies

SEKm	2019	2018
Dividend	175	114
Gain from the sale of shares	11	614
Impairment		–836
	186	**–108**

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

Group

SEKm	2019	2018[1)]
Share of profit		
Aibel	135	121
Gudrun Sjödén Group		10
Share of profit from investments recognised according to the equity method, owned by Group companies	2	2
	137	**133**

1) For 2018, tax of SEK –38m attributable to profit from investments recognised according to the equity method has been moved from the line "Income tax" to the line "Share of profits from investments recognised according to the equity method".

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

Average number of employees[1]

	2019		2018	
	Total	Of whom, women, %	Total	Of whom, women, %
Parent company	20	40	26	38
Group companies	8,507	41	8,831	41
Group total	**8,527**		**8,839**	
Of whom, in:				
Sweden	2,657	41	2,769	40
Norway	1,666	38	1,718	37
Denmark	429	31	414	33
Finland	321	55	335	54
Australia	10	30	11	18
Belgium	154	31	162	30
Bosnia-Herzegovina	6	83	5	60
Ecuador	136	7	120	8
Estonia	50	92	54	93
France	109	53	111	58
United Arab Emirates	9	22	7	29
India	8	38	9	33
Indonesia			9	67
Italy	339	7	302	9
China	328	35	395	39
Croatia	48	50	46	54
Latvia	8	75	4	25
Lithuania	189	32	213	29
Netherlands	31	61	34	73
Poland	493	60	508	55
Romania	9	56	8	38
Russia	14	36	15	33
Switzerland	101	38	97	44
Serbia	21	67	24	71
Slovakia	20	70	28	79
Slovenia	83	61	92	42
Spain	252	77	264	76
UK	209	35	204	29
South Korea	7	29	11	55
Thailand	17	59	17	59
Czech Republic	98	49	105	44
Germany	434	41	464	47
Hungary	78	54	76	51
USA	133	42	142	41
Austria	60	48	64	55
Other countries			2	50
	8,527		**8,839**	

[1] Excluding Aibel, which is recognised according to the equity method

Gender distribution, Board and senior executives

	31 Dec 2019 Share of women	31 Dec 2018 Share of women
Board of Directors		
Parent company	33%	33%
Group total	22%	23%
Management		
Parent company	20%	17%
Group total	29%	39%

Group

Salaries and other remuneration

SEKm	Board and senior executives	Other employees	Total
2019			
Group, total	276	4,565	4,842
(of which, bonus)	(42)		(42)
Of which, in Sweden	131	1,298	1,429
(of which, bonus)	(28)		(28)
Of which, in other countries	145	3,267	3,412
(of which, bonus)	(14)		(14)
Average number of people	155		
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)
Average number of people	238		

Social security costs

SEKm	2019	2018
Social security costs	1,316	1,261
(of which, pension costs)	(412)	(331)

Of the Group's pension costs, SEK 41m (45) refers to the boards and senior executives in the Group's companies. The Group's outstanding pension commitments to these amount to SEK 27m (20).

Parent company

Salaries and other remuneration

SEKm	2019	2018
Senior executives and CEO		
Average number of people[1]	6	6
Salaries and other remuneration[2]	33	27
(of which, bonus)[3]	(13)	(4)
Salaries and other remuneration, other employees	20	18
Total	**52**	**46**

[1] Per 31 December 2019 the number was five (six) people.
[2] Excluding vacation bonus pay
[3] 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.

Social security costs

SEKm	2019	2018
Social security costs	30	26
(of which, pension costs)	(13)	(11)

Of the parent company's pension costs, SEK 2.3m (2.1) refers to the CEO.

Note 7, cont.

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 2019 Annual General Meeting. The following guidelines were applied throughout 2019.

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. The Board chose to leave the structure for variable cash salary largely unchanged for 2019, 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 2019, 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 senior executives 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 2018–2019
The 2018 and 2019 Annual General Meetings 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.

The standard valuation model for warrants (Black & Scholes) was applied to calculate the value. 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 2015–2017
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. The call options are issued on treasury shares.

Synthetic options issued in 2007–2017
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 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 2019

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	–
Eva Karlsson, 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	7.5	5.0	0.5	2.3	15.3	–
Other senior executives[4)]	12.4	7.8	1.4	3.6	25.2	–

1) Basic salary excluding vacation bonus. The Board fee pertains to the fee for the meeting year from May 2019 up to and including April 2020.
2) Variable remuneration refers to bonuses attributable to 2019. 50% to be paid in 2020 and 50% in 2021. Variable remuneration also includes subsidies on warrants.
3) Other benefits include benefits for warrants. The non-material value of company cars is included.
4) Refers to six people who were members of the management group in 2019, one of whom for part of the year. As of 31 December 2019, the number is five.

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 bonuses 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 non-material 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 the CEO

Variable remuneration

The size of variable remuneration is decided 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 (six) notice period will apply if notice is given by the CEO or the company. There is no agreement regarding severance pay.

Other senior executives

Variable remuneration

For remuneration to the other senior executives, see the above table.

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 six months normally applies. There is no agreement regarding severance pay in any employment contract.

Note 7, cont.

Call options issued in 2015–2017

Holding[1]	Issued 2015, Number		Issued 2016, Number		Issued 2017, Number		Benefit, SEKm	
	2019	2018	2019	2018	2019	2018	2019	2018
Chairman of the Board[2]	–	–	–	–	–	–	–	–
Other Board members[2]	–	–	–	255,000	–	–	–	–
Jonas Wiström, CEO[2] [3]	–	–	–	260,000	–	–	–	–
Other senior executives	–	10,000	3,000	23,000	20,000	45,000	–	–

1) Relates to own and related parties' holdings, including any 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 in 2007–2017

SEKm	Proceeds received upon redemption		Benefit	
	2019	2018	2019	2018
Board of Directors	–	–	–	–
CEO and other senior executives	–	0.2	–	–

Warrants and call options issued by Ratos

	31 Dec 2019				31 Dec 2018			
	Warrants		Call options		Warrants		Call options	
	No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares	No. of options	Corresponding no. of shares
Outstanding at beginning of period	429,811	429,811	1,732,100	1,732,100			2,318,000	2,318,000
Issued	518,700	518,700			515,472	515,472		
Repurchased					−85,661	−85,661		
Expired[1]			−574,500	−574,500			−585,900	−585,900
Outstanding at end of period	**948,511**	**948,511**	**1,157,600**	**1,157,600**	**429,811**	**429,811**	**1,732,100**	**1,732,100**
of which, redeemable	0				0			

1) The exercise price for the call options was SEK 48.5 per share (56.9). The share price when the options expired was SEK 19.2 (33.1).

Disclosures on warrants issued during the period

Each warrant carries entitlement to purchase one share.

	2019	2018
Maturity date	14 June 2024	8 June 2023
Taxable benefit including social security costs, SEKm	2.7	2.2
Total payments to Ratos if shares acquired, SEKm	17.5	15.6

Note 7, cont.

Option terms for outstanding call options

Maturity date	Option price, SEK per option	Exercise price, SEK per share	Right to purchase no. of shares	31 Dec 2019 No. of options	31 Dec 2019 Corresponding no. of shares	31 Dec 2018 No. of options	31 Dec 2018 Corresponding no. of shares
20 March 2019	7.30	48.50	1.00			574,500	574,500
20 March 2020	6.50	51.20	1.00	462,100	462,100	462,100	462,100
19 March 2021	4.80	40.70	1.00	453,000	453,000	453,000	453,000
18 March 2022	4.50	42.80	1.00	242,500	242,500	242,500	242,500
				1,157,600	**1,157,600**	**1,732,100**	**1,732,100**
Maximum increase in number of shares in relation to outstanding shares at end of period					0.4%		0.5%

The cash amount that Ratos may receive on exercise of outstanding options amounts to SEK 52m (81).

Option terms for outstanding warrants[1)]

Maturity date	Option price, SEK per option	Exercise price, SEK per share	Right to purchase no. of shares	31 Dec 2019 No. of options	31 Dec 2019 Corresponding no. of shares	31 Dec 2018 No. of options	31 Dec 2018 Corresponding no. of shares
8 June 2023	3.30	36.22	1.00	429,811	429,811	429,811	429,811
14 June 2024	3.93	33.81	1.00	518,700	518,700		
				948,511	**948,511**	**429,811**	**429,811**
Maximum increase in number of shares in relation to outstanding shares at end of period					0.3%		0.1%

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, 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 241m (183). During the year, the Group's earnings were affected by SEK –77m (–24) relating to synthetic option liabilities.

Note 8 Fees and disbursements to auditors

SEKm	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Senior Auditor [1)]				
Audit assignment	18	16	3	2
Audit-related activities in addition to audit assignment	1	1	0	0
Tax advice	1	1		
Other services	0	0		
Total fee to EY	**20**	**18**	**3**	**2**
Other auditors				
Audit assignment	1	7		
Total fee to auditors	**21**	**26**	**3**	**2**

1) PwC was the Senior Auditor for the 2018 financial year and EY for the 2019 financial year.

Audit assignment refers to the statutory audit of the annual report and accounting records as well as the administration by the Board of Directors and the CEO.

Audit-related activities in addition to audit assignment refers to other audit procedures conducted in accordance with contracts or agreements, for example audit of liquidations, and advice pertaining to audits. This also includes other tasks which are in the business of the company's auditors, and advice or other assistance which is caused by observations on such examinations or implementation of other such work tasks.

Tax advice refers to preparation of tax returns, tax consultations, tax advice in conjunction with company acquisitions, setting of transfer price, requesting advance notification or other statements from tax authorities, and tax services related to personnel outside Sweden.

Other fees refers to all other services provided by the auditing firms and tax consultants, for example advice in transactions and in conjunction with acquisitions and divestments, valuation services, advice regarding accounting matters as well as advice regarding processes and internal controls.

Note 9 Financial income and expenses

Group

SEKm	Amortised cost		Fair value through profit or loss		Total	
	2019	2018	2019	2018	2019	2018
Financial income						
Interest income	19	13		0	19	13
Result from sale			1	2	1	2
Change in value, synthetic options			10	23	10	23
Change in value, derivatives						
– hedge accounted				8		8
– not hedge accounted			4	5	4	5
Other financial income	3	0			3	0
	22	**13**	**15**	**38**	**37**	**50**
Financial expenses						
Interest expenses	–466	–301		–1	–466	–301
Interest expenses, convertible debentures	–2	–1			–2	–1
Change in value, synthetic options			–87	–47	–87	–47
Change in value, derivatives						
– not hedge accounted			0	–2	0	–2
Other financial expenses	–60	–57	0	–5	–60	–63
Changes in exchange rates, net	–9	–24			–9	–24
Impairment	3	–3	0		3	–3
	–534	**–386**	**–88**	**–55**	**–622**	**–441**
Pensions, interest expenses					–10	–9
					–632	**–450**

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 19m (13). Interest expenses attributable to financial liabilities not measured at fair value through profit or loss amounts to SEK 466m (301). Profit for the year includes SEK 4m (7) which relates to ineffectiveness in cash flow hedges. The Group has no fair value hedges.

Parent company

SEKm	Amortised cost		Fair value through profit or loss		Total	
	2019	2018	2019	2018	2019	2018
Financial income						
Interest income	0	0			0	0
Result from sale			1	2	1	2
Change in value, synthetic options			4	1	4	1
Changes in exchange rates, net	1	6			1	6
Other financial income		4				4
	1	**10**	**6**	**3**	**7**	**14**
Financial expenses						
Interest expenses	0	0			0	0
Interest expenses, convertible debentures	–2	–1			–2	–1
Change in value, synthetic options				–23		–23
Other financial expenses	–4	–6			–4	–6
	–5	**–7**		**–23**	**–5**	**–29**

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 0m (0). Interest income 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	2019	2018
Tax expense for the year	−202	−258
Adjustment of tax attributable to previous years	−3	−2
Deferred tax	−29	105
Total recognised tax expense in the Group	**−234**	**−155**

Reconciliation effective tax

SEKm	2019	2018
Profit/loss before tax	1,061	−107
Less profit from investments recognised according to the equity method	−137	−133
	924	**−240**
Tax according to current tax rate, 21.4% (22)	−198	53
Effect of special taxation rules for investment companies	7	10
Effect of different tax rates in other countries	−18	8
Non-deductible expenses	−79	−227
Non-taxable income	23	58
Increase in loss carry-forward without corresponding capitalisation of deferred tax	−34	−80
Impairment of previously capitalised loss carry-forward	−53	−7
Use of previously non-capitalised loss carry-forward	105	35
Capitalisation of previously non-capitalised loss carry-forward	28	0
Tax attributable to previous years	−5	−2
Effect of changed tax rates / tax rules	−2	−1
Other	−8	−2
Reported effective tax	**−234**	**−155**

Non-deductible expenses include a remeasurement of synthetic options in an amount of SEK 19m and non-deducible interest expenses of SEK 30m. In the preceding year, non-deductible expenses included impairment of the consolidated value by SEK 132m.

Tax items recognised in other comprehensive income

SEKm	2019	2018
Deferred tax attributable to change in hedging reserve	2	1
Deferred tax attributable to remeasurement of defined benefit pension commitments	19	2
	21	**3**

Recognised deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
SEKm	2019	2018	2019	2018
Intangible assets	25	9	363	354
Property, plant and equipment and right-of-use assets	55	18	16	14
Financial assets	50	50	1	2
Inventories	20	13		0
Trade receivables	5	5	1	1
Other receivables	5	10	0	183
Construction contracts			250	
Interest-bearing liabilities	2	1	1	1
Provisions for pensions	111	84		
Other provisions	93	146		
Other liabilities	18	2	3	1
Loss carry-forward	300	273		
Untaxed reserves / Tax allocation reserves	6	14	9	12
Tax assets/tax liabilities	**690**	**625**	**645**	**568**
Offsets	−181	−139	−181	−139
Tax assets/tax liabilities, net	**508**	**486**	**464**	**429**

Of deferred tax assets, SEK 7 (11) is expected to be used within one year and SEK 335 (392) has no fixed utilisation date. Of deferred tax liabilities, SEK 50m (45) is expected to be used within one year and SEK 232m (371) has no fixed utilisation date.

Total loss carry-forwards and similar items amounted to SEK 16,001m, of which SEK 117m is attributable to subsidiaries administered centrally by Ratos and SEK 13.6 billion is attributable to the parent company. Of these loss carry-forwards, SEK 186m matures within fem years and SEK 15,650m has no fixed maturity date. The tax value of the loss carry-forwards is SEK 3,299m. Of the group's total loss carry-forwards, a deferred asset has been recognised in an amount of SEK 300m (273).

Since it is improbable that unrecognised tax assets will lead to lower tax payments in the future, these have not been assigned any value.

Usually there are no temporary differences between the accounting and tax-based value of Swedish-company holding of Swedish subsidiaries at the time of dividend payment, as these dividends are not subject to taxation. Therefore deferred tax is not reported on distributable earnings of Swedish subsidiaries. Deferred tax is also not reported in other cases where a dividend is subject to taxation. This is because the holding company can decide on the timing for the reversal of these temporary differences, and it is not expected that such taxable dividend payments will be made in the foreseeable future.

Parent company

The parent company is taxed according to the rules for investment companies. For a more detailed description of these rules, see Note 1 Accounting principles. These rules normally result in the parent company not paying any income tax. The parent company's tax expense for 2019 amounted to SEK 1m (0). Ratos AB has an accumulated loss carry-forward that at the close of 2019 amounted to approximately SEK 13.6 billion (14).

Note 10, cont.

Change in deferred tax 2019

SEKm	Opening balance, 2019	Recognised in income statement	Recognised in other comprehensive income/equity	Translation difference	Reclassifi-cations	Acquired and divested business combinations/ subsidiaries	Closing balance, 2019
Intangible assets	–342	12		–9	3		–338
Property, plant and equipment and right-of-use assets	2	38	2	–2	–1	–4	38
Financial assets	49	–2	2	2			49
Inventories	13	6		1			20
Trade receivables	5	0		1			5
Other receivables	–173	0		–5	183		–5
Construction contracts		–68			–183		–250
Interest-bearing liabilities	–1	1	0				1
Provisions for pensions	84	2	19	2	3		111
Other provisions and liabilities	147	–42		6	–6		107
Loss carry-forward	273	30		–3			300
Untaxed reserves / Tax allocation reserves	0	–6		–1			–4
Tax assets/tax liabilities, net	**58**	**–29**	**21**	**–8**	**–1**		**44**

Change in deferred tax 2018

SEKm	Opening balance, 2018	Recognised in income statement	Recognised in other comprehensive income	Translation difference	Reclassifi-cations	Acquired 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	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
Untaxed reserves / Tax allocation reserves	4	–1			–3		0
Tax assets/tax liabilities, net	**–22**	**105**	**3**	**–7**	**–14**	**–9**	**58**

Note 11 Intangible assets

Group

SEKm	Goodwill	Acquired intangible assets: Trade-marks	Acquired intangible assets: Customer relations	Acquired intangible assets: Data-bases	Acquired intangible assets: Business systems	Acquired intangible assets: Other assets	Internally generated intangible assets: Data-bases	Internally generated intangible assets: Business systems	Internally generated intangible assets: Other assets	Internally generated intangible assets: Projects in progress	Total
Accumulated cost											
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/disposals				–22			–35	–26	–22	0	–107
Reclassifications[1]					–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**
Opening balance 1 January 2019	12,987	968	504	202	0	227	753	538	225	183	16,587
Business combinations	176										176
Investments							5	96		188	289
Company disposals	–7		–16								–23
Divestments/disposals			–23				–1	–33	–10		–67
Reclassifications						–2	176	2	–3	–173	0
Exchange differences for the year	190	26	4	3		2	3	7	4	0	238
Closing balance 31 December 2019	**13,346**	**994**	**469**	**205**	**0**	**227**	**936**	**610**	**215**	**197**	**17,200**
Accumulated amortisation and impairment											
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/disposals				21			35	24	12		93
Reclassifications[1]					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**
Opening balance 1 January 2019	–1,713	–44	–372	–201	0	–182	–528	–307	–205		–3,553
Amortisation for the year		–3	–23	–1		–21	–84	–64	–7		–204
Impairment for the year							–1	–3	–1		–5
Accumulated amortisation and impairment company disposals			11					–16			–5
Divestments/disposals			23				0	34	10		67
Reclassifications						2	–22	5	16		0
Exchange differences for the year	–22	–1	–2	–3		–2	–1	–4	–3		–38
Closing balance 31 December 2019	**–1,735**	**–48**	**–362**	**–205**	**0**	**–204**	**–637**	**–355**	**–191**		**–3,736**
Carrying amount according to statement of financial position:											
At 31 December 2019	**11,610**	**946**	**107**	**1**	**0**	**23**	**299**	**255**	**24**	**197**	**13,463**
At 31 December 2018	**11,274**	**924**	**132**	**2**	**0**	**45**	**224**	**231**	**20**	**183**	**13,035**

[1] 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.

Note 11, cont.

Impairment and testing for goodwill and intangible assets with indeterminable useful lives
Goodwill and intangible assets with indeterminable useful lives at 31 December 2019 amounted to a book value of SEK 12,538m (12,776). Below is a breakdown of the amount in cash-generating units, which comprise the respective company.

	Goodwill		Intangible assets[1]	
SEKm	2019	2018	2019	2018
Bisnode	4,303	4,254		
Plantasjen	1,672	1,629	704	682
LEDiL	997	981		
airteam	965	787	17	17
HENT	921	892		
HL Display	735	722		
Diab	573	573		
	10,166	**9,838**	**721**	**699**
Companies without separate significant value	1,445	1,436	207	203
	11,610	**11,274**	**928**	**902**

[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 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 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.

Impairment of goodwill

Impairment

SEKm	2019	2018
Plantasjen		600
		600

Impairment of goodwill in 2019
No impairment.

Impairment of goodwill in 2018
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 listed comparable companies.

Impairment testing in companies with significant goodwill items
The impairment testing and key assumptions used to calculate the recoverable amounts of companies in which goodwill was deemed to be significant in size are described below. Goodwill attributable to other companies is not significant in each one separately in relation to the Ratos Group's total goodwill.

Bisnode
Impairment testing for Bisnode is based on fair value less selling costs. The fair value is included in level 3 and is based on inputs in a measurement model. The forecast includes an assumption of a slightly higher growth rate in the coming years. Growth is driven by an expanding market for credits and data-driven marketing, an appropriate product portfolio and the launch of new products. The improved EBITA margin is based on an initiative to increase efficiency and scalability. Bisnode's transformation of its offering continues and the rate of growth for the new products is healthy. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Plantasjen
Impairment testing for Plantasjen is based on a value-in-use calculation. This value uses future cash flow calculations based on the most recent earnings forecast. The rate of growth after the forecast period amounts to 2% (2). The estimated cash flows have been calculated at present value using a discount rate of 8% (8) after tax and 11% (10) before tax. Since Ratos acquired Plantasjen in November 2016, a decrease in customer volumes has had an adverse impact on the sales trend and EBITA margins. The forecast for next year includes initiatives to improve the customer experience, reduce wastage and continue to reduce costs. Combined with the divestment of the loss-making subsidiary Spira (previously Saba Blommor) in 2019, these initiatives are expected to lead to a better EBITA margin during the forecast period. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment. In 2018, Ratos's consolidated carrying amount for Plantasjen was impaired by SEK 600m.

Note 11, cont.

LEDiL
Impairment testing for LEDiL is based on a value-in-use calculation. This value uses future cash flow calculations based on the most recent earnings forecast. The rate of growth after the forecast period amounts to 2%. The estimated cash flows have been calculated at present value using a discount rate of 8% after tax and 10% before tax. LEDiL forecasts more cautious sales growth over the next few years based on a weaker market. Profitability is expected to be stable over the next few years as a result of sales growth and improved cost efficiency and continued investments in R&D. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

HENT
Impairment testing for HENT is based on fair value less selling costs. The fair value is included in level 3 and is based on inputs in a measurement model. Net sales increased in 2019, driven by a strong order book, while the EBITA margin fell due to the adverse effect of project write downs. The company has carried out measures that have impacted both internal processes and the organisation. A significant number of the projects that have faced major challenges will be concluded in the beginning of 2020. The forecast for the coming years is based on the sales forecast and the current order book, which was characterised by favourable orders received for the year. Activity within tenders has been better adapted to the organisation's capacity and to the greater selection available due to the ongoing favourable market situation. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

airteam
Impairment testing for airteam is based on a value-in-use calculation. This value uses future cash flow calculations based on the most recent earnings forecast. The rate of growth after the forecast period amounts to 2% (2). The estimated cash flows have been calculated at present value using a discount rate of 8% (8) after tax and 10% (10) before tax. 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 Danish and Swedish construction market have structural growth potential based on increased demand for effective, high-quality ventilation solutions. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

HL Display
Impairment testing for HL Display is based on a value-in-use calculation. This value uses future cash flow calculations based on the most recent earnings forecast. The rate of growth after the forecast period amounts to 2% (2). The estimated cash flows have been calculated at present value calculated using a discount rate of 7% (8) after tax and 9% (10) before tax. 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 stable over the next few years. Improvement initiatives and cost-efficiency programmes in progress are expected to improve the EBITA margin during the forecast period. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Diab
Impairment testing for Diab is based on a value-in-use calculation. This value uses future cash flow calculations based on the most recent earnings forecast. The rate of growth after the forecast period amounts to 2% (2). The estimated cash flows have been calculated at present value using a discount rate of 8% (8) after tax and 10% (10) before tax. The company's measures for improved profitability began to yield results during the year, and the wind market is strong. 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. The company has signed multi-year supplier contracts for core materials and will invest in new product lines to meet the market's increased demand for material. An increase in capacity utilisation and greater production efficiency are expected to result in improved EBITA margins. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Note 11, cont.

Material assumptions used to calculate value in use
Value in use for a company is based on Ratos's share of the present value of the company's future estimated cash flow.

Value-in-use calculations are primarily sensitive to deviations from the following assumptions:
- Earnings forecast
- Discount rate
- Growth rate

Other key assumptions for the calculation of the value in use include sales growth as well as gross and EBITA margins. The assumptions used are modified for each company since each company in itself is an independent unit with unique circumstances. Key assumptions are described on page 90–91 under the heading "Impairment testing in companies with significant goodwill items".

Earnings forecast
Assessment of the earnings forecast is based on the budgets and forecasts most recently adopted by management 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. The earnings forecast encompasses a maximum of five years.

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 return requirement after tax (WACC) actually applied, Ratos has carried out a translation to an estimate corresponding to a return requirement before tax by dividing by one minus tax rate.

The discount factor reflects market assessments of monetary values over time and specific risks inherent in the asset.

Growth rate
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 2019, this growth rate was 2–2.5% (2–3).

Material assumptions used to calculate fair value
Fair value was determined in accordance with level 3 of the valuation hierarchy. Fair-value calculations are primarily sensitive to deviations from the following assumptions:
- Profit multiple
- EBITA forecast

Profit multiple
The profit multiple used is on a par with listed comparable companies.

EBITA forecast
See the section above regarding earnings forecast.

Sensitivity analysis
A sensitivity analysis of the value-in-use 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%. A sensitivity analysis of the fair-value calculations has been carried out for one assumption at a time, where the profit multiple was adjusted downward by 1% and the EBITA forecast was adjusted downward by 10%.

For all of the companies, the assessment is that no reasonable changes in key assumptions will result in the estimated recoverable amount falling below the carrying amount.

Note 12 Property, plant and equipment

Group

SEKm	Land and buildings	Equipment	Construction in progress	Total
Accumulated cost				
Opening balance 1 January 2018	1,510	3,607	98	5,215
Investments	21	164	67	252
Divestments/disposals	–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**
Opening balance 1 January 2019	1,548	3,115	31	4,695
Investments	39	141	205	385
Divestments/disposals	–82	–84		–166
Assets in acquired companies		8		8
Assets in disposed companies		–7		–7
Transferred from construction in progress	1	23	–23	0
Reclassifications	–743[1]	–36	–19	–798
Expensed			–1	–1
Exchange differences for the year	48	45		93
Closing balance 31 December 2019	**810**	**3,205**	**193**	**4,209**
Accumulated depreciation and impairment				
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/disposals	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**
Opening balance 1 January 2019	–693	–2,415		–3,108
Depreciation for the year	–34	–209		–242
Impairment for the year		–2		–2
Accumulated depreciation in disposed companies		4		4
Divestments/disposals	28	73		101
Reclassifications	246[1]	19		266
Exchange differences for the year	–17	–36		–53
Closing balance 31 December 2019	**–470**	**–2,566**		**–3,036**
Carrying amount according to statement of financial position				
At 31 December 2019	**340**	**639**	**193**	**1,173**
At 31 December 2018	**855**	**700**	**31**	**1,586**
Of which finance leases	476	20		496

1) Reclassifications for the year pertain mainly to finance leases, refer to Note 13

Note 12, cont.

Parent company

SEKm	Land and buildings	Equipment	Total
Accumulated cost			
Opening balance 1 January 2018	82	20	103
Investments		2	2
Divestments/disposals		–5	–5
Closing balance 31 December 2018	**82**	**16**	**99**
Opening balance 1 January 2019	82	16	99
Divestments/disposals	–82	–11	–94
Closing balance 31 December 2019	**0**	**5**	**5**
Accumulated depreciation			
Opening balance 1 January 2018	–24	–18	–42
Depreciation for the year	–2	–1	–4
Divestments/disposals		5	5
Closing balance 31 December 2018	**–26**	**–14**	**–40**
Opening balance 1 January 2019	–26	–14	–40
Depreciation for the year	–1	–1	–2
Divestments/disposals	28	11	38
Closing balance 31 December 2019	**0**	**–4**	**–4**
Carrying amount according to statement of financial position			
At 31 December 2019	**0**	**2**	**2**
At 31 December 2018	**56**	**3**	**59**

Note 13 Right-of-use assets

Group

SEKm	Land and buildings	Equipment	Total
Accumulated cost			
Transition effect upon application of IFRS 16	4,008	0	4,008
Additional contracts during the year	347	72	419
Divestments and premature contract terminations	–53	–28	–81
New contracts upon acquisitions	4	4	8
Contracts in disposed companies	–2	–2	–4
Changes in existing contracts	194	–9	185
Reclassifications[1)]	631	194	826
Other changes	5	0	5
Exchange differences for the year	–101	0	–102
Closing balance 31 December 2019	**5,034**	**231**	**5,265**

SEKm	Land and buildings	Equipment	Total
Accumulated depreciation and impairment			
Divestments and premature contract terminations	17	9	25
Accumulated depreciation on new contracts upon acquisitions	–1	–2	–4
Accumulated depreciation in disposed companies	1	1	2
Reclassifications[1)]	–110	–44	–155
Depreciation for the year	–665	–75	–741
Other changes	2	25	27
Exchange differences for the year	3	1	4
Closing balance 31 December 2019	**–755**	**–86**	**–841**
Carrying amount according to statement of financial position			
At 31 December 2019	**4,279**	**144**	**4,423**

[1)] SEK 496m pertains to leases classified as finance lease assets as of 31 December 2018 in accordance with IAS 17 and has been reclassified from property, plant and equipment. SEK 13m pertains to prepaid leasing costs and has been reclassified from prepaid expenses and accrued income.

Note 14 Investments recognised according to the equity method

Change in carrying amounts
Group

SEKm	2019	2018
Carrying amount, 1 January	1,092	1,204
Adjusted opening amount		–46
Investments	2	0
Divestments	–118	–189
Share of profit from investments recognised according to the equity method	170	171
Share of tax from investments recognised according to the equity method	–33	–38
Dividend	–13	
Share of other comprehensive income from investments recognised according to the equity method	–9	–11
Exchange differences	30	1
Carrying amount at year-end	**1,121**	**1,092**

Impairment testing Aibel
At 31 December 2019, the carrying amount for Aibel totalled SEK 704m. Completed impairment testing for 2019, based on a value-in-use calculation, indicates no impairment requirement. As with the value-in-use calculation for 2018, 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% (9) and the discount rate before tax amounted to 12% (12). 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

	2019			2018			
SEKm	Aibel[1]	Individually insignificant investments	Total	Aibel[1]	Gudrun Sjödén Group[2]	Individually insignificant investments	Total
Investments recognised according to the equity method				**49%**	**30%**		
Included in the Group as follows:							
Share of profit/loss before tax	168	2	170	159	10	2	171
Income tax	–33	0	–33	–35	–4	0	–38
Share of other comprehensive income	–10		–9	–13	1		–12
Share of comprehensive income	**125**	**2**	**128**	**112**	**8**	**2**	**121**
Consolidated value	**1,108**	**13**	**1,124**	**1,066**		**26**	**1,092**
100%							
Net sales	12,562			8,450	578		
Profit/loss for the year	270			251	22		
Other comprehensive income	–20			–26	5		
Total comprehensive income	**250**			**225**	**27**		
Non-current assets	8,052			6,545			
Current assets	3,248			2,207			
Non-current liabilities	–5,019			–4,091			
Current liabilities	–4,064			–2,751			
Net assets	**2,217**			**1,910**			

[1] Aibel Holding I AS is 49% owned by NCS Invest. More information about the Group structure is provided in Note 29 Participations in Group companies. Ratos owns 64% of NCS Invest through NCS Intressenter.
[2] Gudrun Sjöden Group was divested in September 2018. Gudrun Sjödén Group was 30% owned by GS Intressenter AB.

Summary reconciliation of financial information for significant investments recognised according to the equity method

	Aibel 100%		Gudrun Sjödén Group 100%
SEKm	2019	2018	2018
Opening balance net assets	**1910**	**1,778**	**610**
Adjusted opening balance		–93	
Profit/loss for the year before tax	336	320	34
Income tax	–66	–69	–12
Other comprehensive income	–20	–21	5
Translation differences	57	–5	
Divestments			–637
Closing balance net assets	**2,217**	**1,910**	**0**

	Aibel 49%[1]	
SEKm	2019	2018
Share in net assets	1,108	951
Other		115
Carrying amount	**1,108**	**1,066**

[1] Consolidated value, adjusted for the share subject to non-controlling holding, amounts to SEK 704m (725).

Note 15 Receivables from Group companies

Parent company

SEKm	Non-current receivables Group companies 2019	2018
Accumulated cost at 1 January	**5**	**12**
Subsequent expenditure	200	8
Counterparty exchange		7
Reclassifications	–4	–2
Settlements	–200	–20
Closing balance	**2**	**5**

SEKm	Current receivables Group companies 2019	2018
Accumulated cost at 1 January	**5**	**2**
Subsequent expenditure	241	6
Reclassifications	1	
Settlements	–238	–4
Closing balance	**8**	**5**

Note 16 Financial instruments

Group

31 December

	Amortised cost		Fair value through profit or loss		Derivatives used for hedging		Total according to statement of financial position	
SEKm	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets								
Shares and participations	0	1	8	8			8	8
Other receivables[1]	40	81	5	2			45	82
Derivative instruments					2	17	2	17
Trade receivables	2,918	2,657					2,918	2,657
Cash and cash equivalents	3,219	3,404					3,219	3,404
	6,177	**6,142**	**13**	**9**	**2**	**17**	**6,192**	**6,168**
Surplus in pension plans, asset								1
							6,192	**6,169**
Financial liabilities								
Interest-bearing liabilities								
– Liabilities to credit institutions	5,144	5,536					5,144	5,536
– Finance leases	4,871	683					4,871	683
– Convertible debentures	35	16					35	16
– Other interest-bearing liabilities	125	97	269	192			395	289
Other non-current liabilities			244	285			244	285
Trade payables	2,813	2,279					2,813	2,279
Derivative instruments				2	5	3	5	5
	12,988	**8,612**	**513**	**479**	**5**	**3**	**13,506**	**9,094**
Provisions for pensions							642	524
							14,148	**9,617**

[1] Other receivables include SEK 45m (82) which is interest-bearing.

Note 16, cont.

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 SEKm	**Level 2** **2019**	 **2018**	**Level 3** **2019**	 **2018**
Derivatives				
– Forward contracts	2	17		
Contingent considerations			5	2
	2	**17**	**5**	**2**

Change, level 3

Assets SEKm	**Contingent considerations** **2019**	 **2018**
Opening balance	2	0
Recognised in operating profit or loss		1
Subsequent expenditure	4	28
Settlements	0	–28
Closing balance	**5**	**2**

Fair value hierarchy

Liabilities SEKm	**Level 2** **2019**	 **2018**	**Level 3** **2019**	 **2018**
Synthetic options			241	183
Derivatives				
– Interest rate swaps		2		
– Forward contracts	5	2		
Put options to non-controlling interests			244	285
Contingent considerations			28	9
	5	**5**	**513**	**477**

Change, level 3

Liabilities SEKm	**Synthetic options** **2019**	 **2018**	**Put options** **2019**	 **2018**	**Contingent considerations** **2019**	 **2018**
Opening balance	183	159	285	173	9	7
Recognised in net financial items	77	24				
Recognised in operating profit or loss					–8	2
Recognised against non-controlling interests			–67	–62		
Newly issued/subsequent expenditure	6	7	141	168	41	6
Settlements	–27	–10	–121	–1	–14	–6
Translation difference	2	3	5	7	0	0
Reclassifications						0
Closing balance	**241**	**183**	**244**	**285**	**28**	**9**

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 69 (26).

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.

Note 16, cont.

Parent company

31 December

SEKm	Amortised cost 2019	Amortised cost 2018	Fair value through profit or loss 2019	Fair value through profit or loss 2018	Total according to statement of financial position 2019	Total according to statement of financial position 2018
Financial assets						
Receivables from Group companies	10	10			10	10
Cash and cash equivalents	1,607	1,734			1,607	1,734
	1,617	**1,744**			**1,617**	**1,744**
Financial liabilities						
Interest-bearing liabilities, Group companies	449	572			449	572
Non-interest bearing liabilities, Group companies	225	33			225	33
Other interest-bearing liabilities	1		44	48	44	48
Convertible debentures	35	16			35	16
Trade payables	5	4			5	4
	715	**626**	**44**	**48**	**759**	**674**

Fair value hierarchy

Liabilities SEKm	Level 3 2019	Level 3 2018
Synthetic options	44	48
	44	**48**

Change, level 3

Liabilities SEKm	Synthetic options 2019	Synthetic options 2018
Opening balance	48	30
Recognised in net financial items	–4	21
Settlements		–3
Closing balance	**44**	**48**

Remeasurements of synthetic options are included in profit or loss for the year, with SEK 4m (–21), relating to assets and liabilities in the closing balance.

Note 17 Inventories

Group

SEKm	2019	2018
Raw materials and consumables	76	59
Products in progress	170	159
Finished products and goods for resale	826	842
	1,072	**1,060**

The cost of inventories recognised and included in the cost of goods sold amounts to SEK 4,022m (3,934). Write-down of inventories recognised as expense during the year amounts to SEK 45m (21) and is included in the cost of goods sold. The part of inventories measured at net realizable value totals SEK 26m (9).

Note 18 Equity

Share capital

Number	Ordinary Class A 2019	Ordinary Class A 2018	Ordinary Class B 2019	Ordinary Class B 2018
Shares in the company at 1 January	84,637,060	84,637,060	239,503,836	239,503,836
Shares in the company at 31 December	**84,637,060**	**84,637,060**	**239,503,836**	**239,503,836**

	Total number of shares	Quota value	SEKm
Shares in the company at 1 January 2019	324,140,896	3.15	1,021
Shares in the company at 31 December 2019	**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 2019, 0 Class A shares (0) were converted into Class B shares.

Group
Other capital provided
Relates to equity provided by the owners. This includes share premium reserves paid in conjunction with new issues.

Reserves
Includes all exchange rate differences that arise on translation of financial reports from foreign operations in a currency other than SEK. Reserves also include the effects of cash flow hedges.

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 the 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 share 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 share premium reserve. After 1 January 2006, an allocation to a share 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.

Ratos's overall target is to increase shareholder value while ensuring Ratos's growth. Ratos's financial targets focus on the earnings trend in the company portfolio and the total return on the share: The financial targets are: (1) the earnings of the company portfolio should increase each year, and (2) the total return on Ratos shares should, over time, outperform the average on Nasdaq Stockholm. Earnings in the company portfolio are defined as reported EBITA excluding IFRS 16 for the relevant company portfolio and period. For 2019, this amounted to SEK 1,073m, compared with SEK 846m for 2018. The total return on Ratos's Class B shares in 2019 amounted to 46%, compared with the performance for the SIX Return Index, which was 35%.

The Board of Directors decided on a new dividend policy during the year. The Ratos share is to deliver steadily increasing dividends over time based on growing earnings and a stable financial position. According to the Board's assessment, a dividend payout ratio of 30–50% of profit after tax attributable to owners of the parent will fulfil these conditions.

The Board of Directors proposes an ordinary dividend for the 2019 financial year of SEK 0.65 per Class A and B share, corresponding to a total divided of SEK 207m. Dividend yield amounts to 1.9% 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 2019 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.

Treasury shares included in the equity item retained earnings including profit for the year

	2019	2018
Number of shares		
Opening treasury shares	5,126,262	5,126,262
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 2015–2017

The 2013–2017 Annual General Meetings decided to issue call options on treasury shares. Terms for call options outstanding at 31 December 2019 are described in Note 7 (page 82). According to the outstanding option programme, 1,157,600 treasury shares are reserved for transfer. In total, the number of repurchased Class B shares amounts to 5,126,262.

Warrants 2018–2019

The 2018 and 2019 Annual General Meetings resolved on the issue of warrants to personnel. Terms for warrants outstanding are described in Note 7.

Conversion option for convertible debentures 2018–2019

The 2018 and 2019 Annual General Meetings resolved on the issue of convertible debentures to personnel. The convertible debentures are 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 0.65 per share[1)]	207
To be carried forward	6,764

1) Based on the number of shares outstanding on 6 February 2020. 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 2018 was approved at the Annual General Meeting on 8 May 2019. The proposed dividend for 2019 will be presented for approval at the Annual General Meeting on 1 April 2020.

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 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**
Opening carrying amount 1 January 2019	**–173**	**–50**	**–223**	**–84**	**–308**
Adjustment[1)]	–44	41	–3	0	–3
Adjusted opening carrying amount	–217	–9	–226	–84	–311
Translation differences for the year	119		119	33	152
Translation differences attributable to discontinued operations	15		15	–13	1
Cash flow hedges					
– recognised in other comprehensive income		0	0	–2	–2
– tax attributable to change for the year		0	0	0	1
Closing carrying amount 31 December 2019	**–84**	**–9**	**–94**	**–66**	**–160**

1) SEK 41m pertains to a correction between the translation reserve and hedging reserve

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. Hedging of net investments in foreign currencies is also included. 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	2019	2018
Fair value reserve		
Opening balance		7
Remeasurement recognised in other comprehensive income		–7
Closing balance	**0**	**0**

Note 20 Non-controlling interests

2019 SEKm	NCS Invest	Bisnode	LEDiL	HENT	Individually insignificant non-controlling interests	Total
In their entirety, 100%						
Non-current assets	1,108	5,546	1,053	1,192		
Current assets	0	1,117	130	2,275		
Non-current liabilities	0	–2,126	–241	–237		
Current liabilities	–6	–1,459	–127	–2,630		
Net assets	**1,102**	**3,077**	**815**	**600**		
Carrying amount of non-controlling interests	**397**	**927**	**273**	**163**	**160**	**1,920**
Net sales		3,776	433	433		
Profit/loss for the year	135	248	57	15		
Other comprehensive income	20	–6	10	23		
Total comprehensive income	**155**	**242**	**67**	**38**		
Cash flow from operating activities	0	616	95	–82		
Cash flow from investing activities	–2	–203	–24	3		
Cash flow from financing activities	2	–244	–59	–172		
Cash flow for the year	**0**	**169**	**13**	**–251**		
Profit/loss for the year attributable to non-controlling interests	48	75	19	4	7	153
Other comprehensive income attributable to non-controlling interests	7	–2	4	6	–18	–2
Dividends paid to non-controlling interests		–75			0	–75
Non-controlling interests, share	**36%**	**30%**	**34%**	**27%**		

2018 SEKm	NCS Invest	Bisnode	LEDiL	HENT	Individually insignificant non-controlling interests	Total
In their entirety, 100%						
Non-current assets	951	5,161	1,021	979		
Current assets		1,087	102	2,102		
Non-current liabilities		–1,789	–275	–91		
Current liabilities	–6	–1,374	–100	–2,422		
Net assets	**945**	**3,085**	**748**	**568**		
Carrying amount of non-controlling interests	**340**	**929**	**252**	**156**	**251**	**1,929**
Net sales		3,690	439	439		
Profit/loss for the year	119	233	92	150		
Other comprehensive income	–13	92	27	13		
Total comprehensive income	**106**	**325**	**119**	**163**		
Cash flow from operating activities		508	110	92		
Cash flow from investing activities		–202	–20	87		
Cash flow from financing activities		–214	–73	–59		
Cash flow for the year		**92**	**16**	**119**		
Profit/loss for the year attributable to non-controlling interests	43	70	31	41	1	186
Other comprehensive income attributable to non-controlling interests	–5	28	9	3	11	46
Dividends paid to non-controlling interests				–42	–13	–55
Non-controlling interests, share	**36%**	**30%**	**34%**	**27%**		

Note 21 Earnings per share

Calculation of earnings per share is carried out as follows:

SEKm	2019	2018
Profit/loss for the year attributable to owners of the parent	673	–448
Used in calculating earnings per share before dilution	**673**	**–448**
Interest expense for convertible debentures, net	2	1
Used in calculating earnings per share after dilution	**675**	**–447**
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	–5,126,468
Weighted average number before dilution	**319,014,634**	**319,014,634**
Convertible debentures	1,151,778	724,528
Weighted average number after dilution	**320,166,412**	**319,424,669**
Basic earnings per share, SEK	2.11	–1.40
Diluted earnings per share, SEK	2.11	–1.40

Call options
At the close of 2019, Ratos AB had three outstanding call option programmes for which the exercise price was SEK 51.20, SEK 40.70 and SEK 42.80, 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
At the end of 2019, Ratos AB had two outstanding warrant programmes. The exercise prices for these programmes are SEK 36.22 and SEK 33.81, respectively, and exceed the average price for ordinary shares. These warrants are not included when calculating earnings per share after dilution as they have no dilution effect. The warrants are included in earnings per share after dilution when the exercise price of the warrants exceeds the average price for ordinary shares.

Convertible debentures
Convertible debentures issued during 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, it is therefore up to the board of each company to decide on pension solutions for the company.

Defined contribution pensions
Pension plans mainly comprise retirement pensions. Pension premiums are salary-related and expensed on a current basis.

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. The defined benefit plans are not the main solution for the subsidiaries and only constitute a complement to the defined contribution pension plans. Of Ratos's current subsidiaries, five have defined benefit pension plans. Bisnode has the largest defined benefit pension obligation in the Group in terms of amount. This obligation totals SEK 545m (446) and is divided among plans in five different countries. Diab has a pension obligation of SEK 87m (70). Together, Bisnode and Diab account for 98% (98) of the Group's defined benefit pension liability.

Pension obligations for salaried employees in Sweden (ITP) are partially secured through insurance with Alecta. The pension plan secured through Alecta is reported as a defined contribution plan, since there is insufficient data for Ratos to be able to report its share of the pension plan as defined benefit. Alecta's surplus can be distributed to policyholders and/or the insured. At year-end 2019, Alecta's surplus in the form of the collective funding ratio amounted to a preliminary 148% (142). 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. SEK 85m (84) was paid to Alecta in premiums for the year.

Group

Pension cost

SEKm	2019	2018
Cost regarding current service period	18	16
Past service cost	0	0
Net interest	10	9
Effects of curtailments and settlements	0	0
Pension costs for defined benefit pensions	**28**	**25**
Pension costs for defined contribution pensions, Alecta	85	85
Pension costs for defined contribution pensions, other	122	118
Pension costs for the year	**235**	**228**

Pension costs are included in the income statement on the line Employee benefit costs with the exception of net interest which is included in net financial items in the income statement. SEK 80m is expected to be paid in premiums to Alecta for 2020.

Note 22, cont.

Defined benefit pension plans

SEKm	2019	2018
Present value of funded obligations	499	432
Fair value of plan assets	–291	–274
	208	**158**
Present value of unfunded obligations	436	366
Effect of limitation rule for net assets	–3	–2
Net liability in the statement of financial position	**642**	**523**
Amount recognised in the balance sheet		
Provisions for pensions	642	524
Surplus in defined benefit plans recognised as non-current financial receivables		–1
Net liability in the statement of financial position	**642**	**523**

Changes in defined benefit pension obligations

SEKm	2019
Opening balance	773
Pensions earned during the year	23
Interest expense	12
Benefits paid	–10
Pension bligations in acquired/divested companies	0
Actuarial gains/losses:	
Financial assumptions	92
Demographic assumptions	0
Assumptions based on experience	1
Other	0
Exchange differences for the year	17
Defined benefit obligations, year-end	**908**

Changes in plan assets

SEKm	2019
Opening balance	274
Interest income	0
Contribution from employer	3
Contribution from employees	0
Benefits paid	0
Return on plan assets excl. the above interest income	2
Other	2
Exchange differences for the year	10
Plan assets, year-end	**291**

Specification of changes in the net liability recognised in the statement of financial position

SEKm	2018
Net liability at 1 January	485
Net cost recognised in income statement	25
Remeasurement of pension obligation recognised in other comprehensive income[1)]	4
Premiums and pensions paid	–9
Exchange differences on foreign plans	16
Net liability at 31 December	**523**

[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 is recognised.

Plan assets comprise the following:

SEKm	2019	2018
Equity instruments		2
Financial fixed-income assets		2
Properties		2
Assets held by insurance companies	291	268
	291	**274**

Of the plan assets, SEK 16m pertains to listed assets and SEK 274m to unlisted assets.

Key actuarial assumptions used at the end of the reporting period

	Bisnode		Diab	
	2019	**2018**	**2019**	**2018**
Net liability in the statement of financial position	545	446	87	70
Discount rate, %:				
First-class bonds, Sweden	1.6	2.4	2.0	3.0
First-class bonds, Germany	1.0	1.7		
First-class bonds, Switzerland	–0.2	0.9		
First-class bonds, Finland		1.6		
First-class bonds, Italy			0.3	1.0
First-class bonds, other	0.6	1.6		
Inflation, %	1.6	1.7	2.0	2.0
Anticipated rate of salary increase, %	2.3	1.6	3.0	3.0
Annual increase in pensions and paid-up policies, %	1.8	1.0	3.0	

Parent company

The parent company's pension costs for defined contribution pensions amounted to SEK 8 (12), of which SEK 0m (0) pertains to Alecta.

Note 23 Provisions

Group

Provisions, non-current

SEKm	2019	2018
Guarantee commitments		
At the beginning of the year	6	9
Provisions for the year	0	–3
Unutilised reversed provisions	–1	
Translation difference	0	0
At the end of the year	**6**	**6**
Other		
At the beginning of the year	15	53
Provisions for the year	2	2
Utilised provisions	–1	–1
Unutilised reversed provisions		0
Provisions in disposed company		–42
Translation difference	0	3
At the end of the year	**16**	**15**
Total non-current provisions	**21**	**21**

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.

Note 23, cont.

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	2019	2018
Guarantee commitments		
At the beginning of the year	551	496
Provisions for the year	174	188
Utilised provisions	–70	
Unutilised reversed provisions	–259	–74
Provisions in acquired companies	3	–69
Translation difference	20	11
At the end of the year	**419**	**551**
Other		
At the beginning of the year	155	161
Provisions for the year	35	104
Utilised provisions	–35	–91
Unutilised reversed provisions	–133	–22
Reclassifications	8	0
Translation difference	0	3
At the end of the year	**29**	**155**
Total current provisions	**448**	**705**

Parent company

Provisions, current

SEKm	2019	2018
Other		
At the beginning of the year	140	140
Provisions for the year	333	57
Utilised provisions	–28	–61
Unutilised reversed provisions	–132	0
Exchange effect	–2	3
Reclassifications	18	0
At the end of the year	**328**	**140**

Of the parent company's provisions SEK 317m (135) relates to provisions for subsidiaries and associates.

Note 24 Accrued expenses and deferred income

Group

SEKm	2019	2018
Personnel costs	801	529
Customer bonus	15	8
Sales commission	13	
Other	246	512
	1,076	**1,050**

Parent company

SEKm	2019	2018
Personnel costs	29	31
Other	15	15
	44	**45**

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 Group endeavours 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 for the 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 divestments. 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 2019, the Group's interest-bearing liabilities to credit institutions amounted to SEK 5,144m (5,536). Total unutilised credit facilities amounted to SEK 2,352m (2,007).

Loan agreements in subsidiaries normally contain financial key figures known as covenants. 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.

Maturity structure for financial liabilities

The following anticipated maturity structure is shown for the Group's financial liabilities at 31 December 2019, 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 (closing day rate).

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 2019, the Group's liabilities for synthetic options amounted to SEK 241m (183).

Maturity structure for financial liabilities

31 Dec 2019

SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	1,452	765	1,223	928	1,159	5,526
Financial lease liabilities	883	757	686	605	3,177	6,108
Other interest-bearing liabilities	17	1	1	123	8	150
Trade payables	2,818					2,818
Put options					500	500
Contingent considerations	7	7	13	1		28
Forward contracts						
– outflow	219					219
– inflow	–214					–214
Total	**5,182**	**1,530**	**1,924**	**1,656**	**4,844**	**15,136**

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
Financial lease liabilities	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 considerations	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**

Note 25, cont.

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 2019, cash and cash equivalents in the parent company amounted to SEK 1,607m (1,734).

At 31 December 2019, cash and cash equivalents in the Group amounted to SEK 3,219m (3,404). During 2019, 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.

Due to its industry spread, combined with its 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 for trade receivables and contract assets are based on the following:

31 Dec 2019

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	1,923	623	257	47	114	2,964
Expected loss level, %	0%	1%	4%	17%	14%	2%
Provisions for credit losses	**–6**	**–7**	**–10**	**–8**	**–16**	**–46**
Recognised contract assets – gross	548					
Expected loss level, %	0%					
Provisions for credit losses	**0**					

31 Dec 2018

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**					

Note 25, cont.

Changes to loss provisions during the year are specified below:

SEKm	Contract assets 2019	Contract assets 2018	Trade receivables 2019	Trade receivables 2018
Opening balance, 1 January	**0**	**0**	**–54**	**–67**
Changes to loss provisions recognised in profit or loss			–6	–9
Receivables written off during the year			3	3
Reversal of unutilised amount			12	18
Exchange differences			0	0
Loss provisions, divested companies				2
At 31 December	**0**	**0**	**–46**	**–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 15m (10).

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 are used.

Interest rate swaps correspond to 0% (7) of the Group's liabilities to credit institutions at 31 December 2019. The fair value of interest rate swaps amounted to SEK 0m (2). Of the Group's outstanding interest rate swaps, 0% (100) mature within 36 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 51m (51). 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 typically 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 3 (15) at 31 December 2019. Of this amount, SEK 2m (17) is recognised in the statement of financial position as assets and SEK 5m (2) as liabilities. The amount recognised on forward contracts that are hedge accounted amounted to SEK 3m, of which SEK 2 is recognised as an asset and SEK 5 as a liability. In the Group, hedges are used for net investments in foreign operations.

The Group's currency risk exposure at the close of the reporting period, expressed in SEK, is evident in the table below:

SEKm	EUR 2019	EUR 2018	NOK 2019	NOK 2018	DKK 2019	DKK 2018	GBP 2019	GBP 2018	USD 2019	USD 2018	SEK 2019	SEK 2018
Trade receivables	293	210	47	17	16	13	46	45	447	223	53	120
Other receivables	239	221		3	30	46	134	41	353	259	15	16
Liabilities to credit institutions	–692	–883	–98	–96	0	–1	–426	–171	–419	–289	–804	–488
Trade payables	–210	–192	–24	–11	–59	–42	–36	–47	–372	–264	–80	–134
Currency exposure financial assets and liabilities	**–370**	**–645**	**–75**	**–87**	**–13**	**16**	**–281**	**–131**	**10**	**–71**	**–816**	**–487**
Forward contracts	–14	–114			–2	109	110	152	–168	–168		–9
Exposure, net	**–384**	**–759**	**–75**	**–87**	**–14**	**125**	**–172**	**21**	**–159**	**–239**	**–816**	**–497**

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 80 (86). The greatest impact on profit, after net financial items, arises when liabilities to credit institutions are translated.

Note 26 Leases

Group

Up to and including the financial year 2018, leasing (rental) of property, vehicles, inventory and equipment are reported as operational or financial leases according to IAS 17. As of 1 January 2019, all leases are reported as right-of-use assets with associated liabilities, beginning when the asset is available for use by the lessee in accordance with IFRS 16.

Operating leases where the company is the lessee

Payments made during the financial year relating to leases amount to:

SEKm	2018
Minimum lease payments	866
Variable payments	3
Total leasing costs	**869**

Commitments for operating leases at 31 December:

SEKm	2018
Payments within 1 year	877
Between 1–5 years	2,545
>5 years	2,226
	5,648

Of total future payments for operating leases, SEK 5,283m pertained to Plantasjen. Most of Plantasjen's operating lease consists of commercial premises.

Financial leases where the company is the lessee

Payments made during the financial year relating to leases amount to:

SEKm	2018
Minimum lease payments	82
Total leasing costs	**82**

Present value of financial lease liabilities are distributed as follows:

SEKm	2018
Within 1 year	34
Between 1–5 years	135
>5 years	514
	683

Leases as of 31 December 2019

Of the total lease assets (right-of-use assets) of SEK 4,423m, 97% comprises land and buildings. Accordingly, only the terms and conditions of this type of lease asset is described. The Group's leases consist primarily of commercial premises, warehouse facilities and offices.

A property lease also normally includes one or several extension options. An extension option is included in the calculation if it is deemed likely that it will be exercised. Variable expenses as well as property taxes, value-added tax and other variable property expenses such as maintenance costs, electricity, heat and water etc. are excluded from lease liability calculations to the extent they can be separated from the cost of rent. To calculate the lease liability (current value of future lease payments) pertaining to property, the alternative rate/return on properties/average borrowing rate/model based on the company's interest rate for internal loans is used as the discount rate. The majority of leases include some form of indexing, normally the consumer price index. The companies have applied the exemption rule and thus not included low-value assets, meaning leases with a value under SEK 50,000 or USD 5,000 or the individual company's materiality level. The initial cost for right-of-use assets corresponds to the initial value of the lease liability less direct expenditure and obligations.

Refer to the table below for a further description of the companies with the highest-value lease assets, land and buildings.

The contracts have lengths that vary between 5 to 20 years, although most contracts have a length of 10 to 15 years. Most contracts give the companies a unilateral right to extend the contract length. Other contracts give the companies an indirect right of tenure. The right to contract extension can only be exercised by the company and not by the lessee. The contracts cannot be cancelled before the contracted end date. Contracts can be extended multiple times and don't necessarily have an end date, given the fact that there are no obstacles to repeatedly extending the contract length. The companies expect that the leasing contracts for a small number of properties will end prematurely, in which case the leasing debt / asset will be adjusted, when agreement is meet about premature move from some buildings. For 2019 the adjustment amounts are not material. Leasing contracts for certain properties and land are not expected to be extended. Extension options are not included in most leasing debt / asset contracts. Companies evaluate on a yearly basis whether or not it is likely that a leasing contract will be extended. Future changes in contract period length can occur in conjunction with the re-negotiation of a contract and / or in the event of a premature ending of a rental contract, in which case the leasing debt and the right of use asset value will be adjusted.

Group

Income statement

SEKm	2019	2018	Included in the following line
Income from sub-leasing	36	25	Other operating income
Depreciation/amortisation and impairment for the year[1]	−741		Depreciation/amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets
Costs pertaining to short-term leases[1]	−28		Other external costs
Costs pertaining to low-value leases[1]	−55		Other external costs
Costs pertaining to variable lease payments[1]	−31		Other external costs
Interest expenses	−251	−50	Financial expenses
Total impact on earnings, leases	**−1,070**	**−24**	

Statement of cash flows

SEKm	2019	2018	Included in the following line
Short-term leases, low-value leases and variable lease payments[1]	−113		Operating activities
Amortisation of financial lease liabilities	−665	−31	Financing activities
Interest paid on financial lease liabilities	−251	−50	Financing activities
Total impact on cash flow, leases[2]	**−1,029**	**−81**	

1) No comparative figures for 2018.
2) Excluding the impact from sub-leasing.

Note 26, cont.

Statement of financial position

SEKm	31 Dec 2019	31 Dec 2018
Non-current financial lease liability, interest-bearing	4,189	648
Current lease liability, interest-bearing	682	35
Reported according to statement of financial position	**4,871**	**683**

See Note 25 for the anticipated maturity date of the undiscounted financial lease liability value.

See Note 13 Right-of-use assets for right-of-use assets recognised in the statement of financial position.

Impact of IFRS 16

	Owned companies adjusted for holdings		Group, consolidated	
SEKm	Including IFRS 16	Excluding IFRS 16	Including IFRS 16	Excluding IFRS 16
EBITDA	2,290	1,474	2,850	2,045
EBITA	1,196	1,073	1,703	1,603
Profit/loss before tax	470	564	1,061	1,163
Interest-bearing net debt at end of period	9,394	5,128	7,826	3,623

The table above shows alternative performance measures APM, meaning financial information not defined in accordance with IFRS. See page 127 for reconciliations and page 128 for definitions.

Leases entered into with occupancy in 2020 or later
Bisnode signed a lease with access in 2021 and a term of five years with an estimated value of approximately SEK 80m. Speed Group signed leases for two properties. Occupancy in the properties will take place in the third quarter of 2020 and the terms of the leases is 15 and ten years, respectively, with the right to terminate the agreement after ten and 12 years. A preliminary forecast of the value in use is estimated at approximately SEK 285m and SEK 52m.

Sales and leasebacks
In 2019, Ratos AB sold its property, Lejonet 4, to the National Property Board of Sweden and entered into an agreement to lease back the office until 31 December 2021. The property is used as an office for Ratos. The sale and leaseback transaction provided Ratos with increased cash and cash equivalents in the form of the consideration received, while still retaining use of the office premises. The earnings from the transaction are included in Other operating income as a reduction in the capital gain.

Note 27 Pledged assets and contingent liabilities

Group

Pledged assets

SEKm	2019	2018
Real estate mortgages	24	25
Chattel mortgages	179	111
Shares in Group companies	7,043	7,277
Other pledged assets	3,402	3,286
	10,648	**10,698**
Contingent liabilities	3,000	2,953

Of other pledged assets amounting to SEK 3,402m, HENT accounts for SEK 3,332m. 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 3,000m, HENT accounts for SEK 2,406m, airteam for SEK 279m and Bisnode for SEK 142m. Of HENT's contingent liabilities, SEK 1,918m 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 488m 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 609m (603).

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 609m (603).

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
2019	0	6	535	175
2018	4	5	120	114

SEKm	Receivable	Provision	Liability	Contingent liability
31 Dec 2019	10	317	674	609
31 Dec 2018	10	135	606	603

During the year, Ratos provided a contribution of SEK 28m to LEDiL, SEK 34m to Oase Outdoors, SEK 47m to TFS, SEK 207m to Plantasjen and SEK 220m to Diab.

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	2019	2018
Accumulated cost opening balance at 1 January	11,936	13,180
Investments	843	157
Wound up	–420	–1,401
At the end of the year	**12,359**	**11,936**
Accumulated impairment opening balance	–5,005	–4,913
Wound up	416	744
Impairment for the year		–836
At the end of the year	**–4,589**	**–5,005**
Value according to balance sheet	**7,770**	**6,931**

Based on the impairment tests that Ratos does annually, see Note 11, the possible indication of impairment of the recognised carrying amount of participations in Group companies is evaluated. No impairment took place in 2019. In 2018, the parent company recognised an impairment loss on the carrying amounts of two companies: EMaint AB of SEK 26m and Blomster Intressenter AB of SEK 810m.

Subsidiary, corp. reg. no., registered office SEKm	**Number of shares**	**Owned share, %**	**31 Dec 2019**	**31 Dec 2018**	**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 holdings						
Blomster Intressenter AB, 559077–8675, Stockholm	50,000	100	1,103	576	Plantasjen4)	98
HL Intressenter AB, 556809–4402, Stockholm	50,000	100	566	566	HL Display4)	96
Kelly Intressenter 1 AB, 556826–5705, Stockholm	50,000	100	345	344	Kvdbil	100
Kompositkärnan Förvaltning AB, 556777–2271, Stockholm	100,000	100	910	710	Diab	96
Medcro Holding AB, 559026–2019, Stockholm	50,000	100	423	259	TFS3)	100
Miehdnort AB, 556801–4731, Stockholm	100,000	100	314	313	HENT	73
NCS Intressenter AB, 556801–8435, Stockholm	100,000	100	693	805	Aibel1)	32
Noiro Holding AB, 556993–7104, Stockholm	50,000	100	491	462	LEDiL	66
Outdoor Intressenter AB, 559067–2456, Stockholm	50,000	100	195	162	Oase Outdoors4)	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
Other companies						
EMaint AB, 556731–5378, Stockholm	100,000	100	23	23		
GS Intressenter AB, 559067–2415, Stockholm5)	50,000	100	160	160		
Kamin Intressenter AB, 556801–8427, Stockholm2)				4		
Quartzin Intressenter AB, 556835–3824, Stockholm	50,000	100	23	23		
Ratos Fastighets AB, 556308–3863, Stockholm	50,000	100	6	6		
			7,770	**6,931**		

1) 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%.
2) Wound up during the year.
3) Medcro Holding AB owns 100% of the shares in Medcro Interessenter AB which in turn owns 100% of the shares in TFS.
4) Owned share refers to ordinary shares.
5) The company is in liquidation.

Note 30 Cash flow statement

	Group		Parent company	
SEKm	2019	2018	2019	2018
Dividends received	14	2	176	117
Interest received	13	10	0	0
Interest paid	–465	–301	–4	–6

Adjustment for non-cash items

	Group		Parent company	
SEKm	2019	2018	2019	2018
Share of profit from investments recognised according to the equity method	–137	–133		
Dividend	14	2		0
Capital gains/losses	–488	–140	–506	–614
Depreciation/amortisation and impairment of assets	1,194	1,167	2	840
Unrealised exchange differences	5	–2	–1	–6
Provisions, etc.	–42	176	36	34
Adjustment for non-cash items	**547**	**1,069**	**–470**	**254**

Cash and cash equivalents

	Group		Parent company	
SEKm	2019	2018	2019	2018
Cash and bank balances	3,219	3,404	1,607	1,734
Cash and cash equivalents	**3,219**	**3,404**	**1,607**	**1,734**

Unutilised credit facilities

Unutilised credit facilities amount to SEK 2,352m (2,007) for the Group and SEK 1,000m (1,000) for the parent company.

Company disposals – Group

SEKm	2019	2018
Intangible assets	28	221
Property, plant and equipment	3	154
Financial assets	3	139
Deferred tax assets		1
Inventories	5	179
Current receivables	57	120
Cash and cash equivalents	–1	101
Total assets	**94**	**916**
Non-controlling interests		6
Non-current liabilities and provisions		629
Current liabilities and provisions	48	179
Total liabilities	**48**	**815**
Consideration transferred	114	195
Minus:		
Purchase promissory note	–18	
Contingent consideration	–4	–2
Cash and cash equivalents in the disposed operations	1	–101
Effect on Group's cash and cash equivalents	**94**	**92**

Acquired companies – Group

SEKm	2019	2018
Intangible assets	73	38
Property, plant and equipment	8	5
Financial assets		0
Deferred tax assets		0
Inventories		8
Current receivables	33	33
Cash and cash equivalents	4	12
Total assets	**117**	**97**
Non-controlling interests		0
Non-current liabilities and provisions	6	
Deferred tax liabilities	4	8
Current liabilities and provisions	88	43
Total liabilities	**98**	**51**
Net identifiable assets and liabilities	19	46
Goodwill	104	57
Consideration transferred	123	103
Minus:		
Promissory note		–5
Provision contingent consideration	–41	–10
Cash and cash equivalents in the acquired operations	–4	–12
Paid contingent consideration	14	6
Effect on Group's cash and cash equivalents	**93**	**82**

Note 30, cont.

Changes in liabilities attributable to financing activities – Group

		Cash flow				Non-cash effect changes				
SEKm	Opening balance 1 January 2019	Borrow-ings	Amorti-sation	Option premiums paid	Repur-chase/final settlement options	Acquired and divested companies	Reclassi-fications	Change in exchange rates	Other changes	Closing balance 31 December 2019
Liabilities to credit institutions, non-current	4,009	104	–299			66	–198	77	45	3,803
Liabilities to credit institutions, current	1,528	1,087	–1,500				198	22	5	1,341
Financial lease liabilities	683		–665					–79	4,932	4,871
Convertible debentures	16	20					–2		1	35
Other interest-bearing liabilities[1)]	285	103	–80	6	–27			4	81	371
Total liabilities from financing activities	**6,520**	**1,314**	**–2,544**	**6**	**–27**	**66**	**–2**	**24**	**5,064**	**10,422**

		Cash flow				Non-cash effect changes				
SEKm	Opening balance 1 January 2018	Borrow-ings	Amorti-sation	Option premiums paid	Repur-chase/final settlement options	Acquired and divested companies	Reclassi-fications	Change in exchange rates	Other changes	Closing balance 31 December 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
Financial lease liabilities	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 28m (9) are also included in other interest-bearing liabilities, which amount to a total of SEK 399m (294).

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.

Percentage of completion of projects

With respect to construction contracts, Ratos recognises revenue over time, applying the percentage of completion method. A basic condition for assessing the percentage of completion is that project revenue and project costs can be reliably determined. Reliability requires that the companies' project management systems are followed and their project management has the necessary qualities. The assessment of project revenue and project costs is based on a number of estimations and assessments that are dependent on the project management team's experience and knowledge regarding project management, education and previous project management experience. Due to the use of assessments, the final results may differ from the gradually accrued earnings.

Note 32 Contract assets and contract liabilities

SEKm	2019	2018
Contract assets		
Construction contracts	475	306
Other assets	73	232
Total current contract assets	**548**	**539**
Contract liabilities		
Other contract liabilities	15	24
Total non-current contract liabilities	**15**	**24**
Construction contracts	363	253
Other contract liabilities	867	1,015
Total current contract liabilities	**1,230**	**1,267**
Date for recognition of non-current contract liabilities		
Other contract liabilities		
Within 1–3 years	15	23
After 3 years		1
Total non-current contract liabilities	**15**	**24**
Contract liabilities included in the opening balance, recognised as income during the year		
Construction contracts	201	137
Other contract liabilities	631	610
Total contract liabilities recognised as income	**832**	**747**

Backlog of orders

Of Ratos's five largest subsidiaries in terms of sales, HENT had a backlog of orders amounting to NOK 15 billion at 31 December 2019 (NOK 13.4 billion at 31 December 2018). Approximately 50% of the backlog of orders is expected to be recognised in income in 2020 and the rest in 2021–2024. Bisnode had a backlog of orders of SEK 0.5 billion, of which SEK 0.3 billion is expected to be recognised in income in 2020 and the rest in 2021–2022. Diab had a backlog of orders of SEK 0.4 billion at 31 December 2019, which is expected to be fully recognised in income in 2020.

The backlog of orders relating to the other two subsidiaries (HL Display and Plantasjen) does not exceed 12 months.

Significant changes to contract assets and contract liabilities

The increase in current contract assets and contract liabilities attributable to construction contracts pertains mainly to HENT and is due to the company's growth. The decrease in other current contract assets and contract liabilities is mainly attributable to TFS and is due to a change in the company's presentation of contract assets and contract liabilities compared with earlier years.

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.

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 recognition.

Income statement

SEKm	2019	2018
Contract revenue	10,614	9,312
Net profit	854	877

Statement of financial position

Receivables from customers for assignments under a construction contract

SEKm	2019	2018
Contract revenue	15,118	10,243
Billing	–14,643	–9,937
Total receivables from customers	**475**	**306**
Of which current contract receivables	475	306

Liabilities to customers for assignments under a construction contract

SEKm	2019	2018
Billing	–15,893	–14,223
Contract revenue	14,972	13,458
Total liabilities to customers	**–921**	**–765**
Of which, current contract liabilities	–363	–253

Note 33 Events after the reporting period

No significant events have occurred since the end of the financial year that are expected to have a material impact on the consolidated financial statements.

Note 34 Exchange rates

Average rates

SEK	2019	2018
Danish kronor, DKK	1.418	1.376
Euro, EUR	10.589	10.257
Norwegian kronor, NOK	1.075	1.069

Closing day rates

SEK	31 Dec 2019	31 Dec 2018
Danish kronor, DKK	1.397	1.376
Euro, EUR	10.434	10.275
Norwegian kronor, NOK	1.058	1.024

Note 35 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 2019 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 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, 5 March 2020

Per-Olof Söderberg
Chairman

Ulla Litzén
Board member

Eva Karlsson
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 5 March 2020. 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 1 April 2020.

Our auditor's report was submitted 5 March 2020

Ernst & Young AB

Erik Sandström
Authorized 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) except for the corporate governance statement on pages 47–53 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 41–114 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 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 2019 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 47–53. 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 income statement and the statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden, and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Goodwill and shares in subsidiaries

Description	How our audit addressed this key audit matter
Goodwill amounts to SEK 11,610m in the consolidated statement of financial position and shares in subsidiaries amounts to SEK 7,770m in the parent company's balance sheet at year end. As disclosed in note 11, the goodwill value is tested annually, or as soon as indicators of impairment are identified, by calculating the recoverable amount and comparing it to the carrying value. Shares in subsidiaries are assessed for impairment indicators regularly and if indicators are identified the assets recoverable amount is calculated. The impairment tests for 2019 did not result in any impairment. As stated in note 11, the recoverable amount is determined as the value in use or the fair value less cost to sell. Significant estimates in the calculation of value in use are, amongst others, expected future earnings, growth and discount rate. Also valuation to fair value requires certain estimates and judgments depending on how the fair value is determined. Due to the estimates and judgments required to prepare the impairment test and due to the size of the carrying amounts we have assessed the valuation of goodwill in the group, and shares in subsidiaries in the parent company, to be a key audit matter.	In our 2019 audit we have evaluated the group's, and the parent company's, process to prepare impairment tests and to identify cash generating units. We have audited the significant estimates used in the impairment test by, among other procedures, comparing them to historical outcome, forecasts and to peer companies. We have also performed sensitivity analyses for changes in key estimates. We have involved internal valuations specialists in performing our audit procedures and to evaluate the valuations models that have been used. Finally, we have assessed the appropriateness of the disclosures in the annual report.

Revenues from construction contracts recognized over time

Description	How our audit addressed this key audit matter
In 2019 revenues from construction contracts recognized over time amounted to SEK 10,614m. Revenues from construction contracts are recognized based on percentage of completion, which is calculated as the cost incurred compared to total estimated cost for each project. The accounting principles are disclosed in note 3. Revenue recognition over time requires estimates and judgments in order to determine the total project cost and the value of the ongoing construction contracts. Key estimations and assessments are disclosed in note 31 Due to the estimates and judgments required in order to calculate the percentage of completion and the fact that revenues from construction contracts recognized over time is a significant part of the company's revenues, we have assessed that this constitutes a key audit matter.	In our 2019 audit we have evaluated the company's revenue recognition process for construction contracts. We have audited significant contracts and the revenue recognized based on the criteria in IFRS 15. In addition, we have for a sample of projects, and for significant projects, tested the company's estimate of each project's total cost, percentage of completion and revenue recognition. Finally, we have assessed the appropriateness of the disclosures in the annual report.

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 1–40 and 119–129. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 2019 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.

Other matters

The audit of the annual accounts for 2018 was performed by another auditor who submitted an auditor's report dated 2 April 2019, with unmodified opinions in the Report on the annual accounts.

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 47–53 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.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Ratos AB by the general meeting of the shareholders on the 8th of May 2019.

Stockholm, 5 March 2020

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Additional information

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Detailed information on sustainability

This section contains detailed information that complements the description of Ratos's sustainability efforts on pages 14–23. Ratos's materiality analysis and additional information about Ratos's sustainability efforts in the parent company are presented in this section. Finally, this section also includes a report on Ratos's investment process in the acquisition of new companies and a follow-up of the sustainability efforts of Ratos's companies.

Significant sustainability aspects and our stakeholders

Stakeholder dialogues

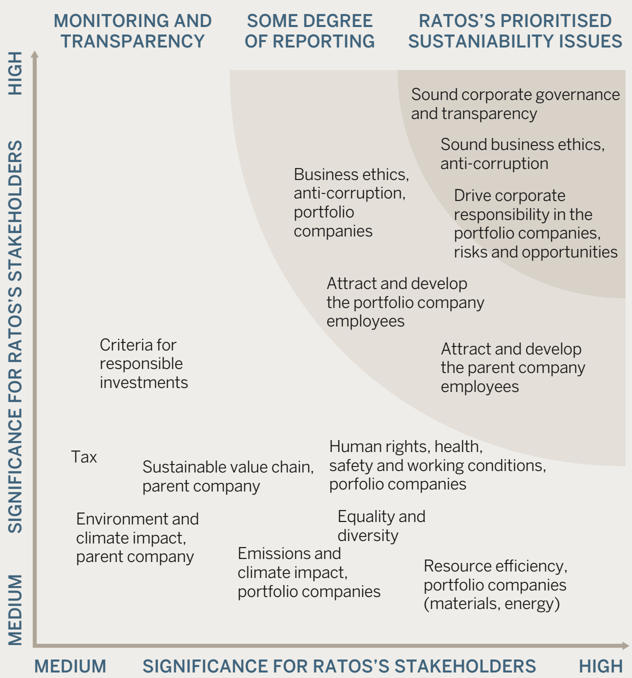
Ratos's most significant sustainability issues are identified through intelligence gathering, industry analysis, risk mapping and stakeholder dialogues. Combined, these analyses and dialogues form Ratos's materiality analysis. Based on the most significant aspects, Ratos defines goals and action plans to drive and develop the sustainability agenda and strengthen long-term value creation. Ratos's latest materiality analysis was carried out in 2016 and was discussed among Ratos's management group in 2018. Since 2018, we have defined climate and equal opportunities as material issues, leading to a prioritisation of these issues.

Stakeholder dialogues

STAKEHOLDERS	METHOD OF INTERACTION[1]
Employees at Ratos	• Interviews with representatives in connection with stakeholder dialogues in 2016 • Staff meetings, performance reviews • 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 • 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 • Group-wide assessment of the work of the boards
Owners and investors	• Interviews with representatives in connection with stakeholder dialogues in 2016 • Participation in surveys from/or dialogues with organisations such as CDP, RobecoSAM, Vigeo and Sustainalytics • General meetings • Dialogues and individual meetings
Experts	• Interviews in connection with stakeholder dialogues in 2016 • Discussions as needed

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

Materiality analysis (2016)*



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

About Ratos's sustainability report

Ratos reports in accordance with the Global Reporting Initiative (GRI), and this year's report follows the GRI Standards: Core option (see pages 123–124 for GRI index). The company's statutory sustainability report in accordance with the Swedish Annual Accounts Act is presented on pages 9–11, 14–23, 28–39 and 120–124. As of 2015, Ratos submits its sustainability report to the Global Compact as its Communication on Progress (COP).

Ratos's parent company

Employees
As a parent company, Ratos endeavours to promote a good work-life balance. For example, the option exists to adapt working hours to the requirements of the individual or to work from home. Ratos also invests in its employees' health by offering medical and health insurance, preventive health exams and fitness subsidies. Parental leave is encouraged, and provisions are in place to give those on parental leave a smooth transition when returning to work.

Ratos organises a number of activities each year in order to strengthen the sharing of experience and expertise in the Group. Talent development is addressed at annual performance reviews. In 2019, performance reviews were held with all of the employees in the parent company.

Work environment in the parent company
Ratos's systematic efforts to create a good work environment are based on the Group's Work Environment Policy. This extends to all physical and social conditions of significance in the work environment. Ratos's CEO has the ultimate responsibility for the work environment and the day-to-day work is carried out by the work environment team. Discussing the work environment is a standing item on the agenda of Ratos's monthly management group meetings. Issues concerning the psychosocial work environment of the employees (of the parent company) as well as discrimination and harassment are included in Ratos's annual employee satisfaction survey.

Sick leave is generally low and was under 0.18% (0.14) during the year.

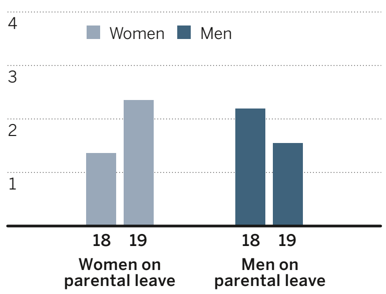
Employees, type and function at Ratos's head office as of 31 December 2019

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)	9	41	13	59	4	10	8
Management group	1	20	4	80		2	3
Organisation	8	47	9	53	4	8	5
Total	**9**		**13**				
Ratos's Board of Directors	2	33	4	67			6
Employees who have resigned	2		4			4	2
New employees	1		3		2	1	1

1) All full-time employees but one. During the year, Ratos had three interns with a fixed-term contract of around six months.

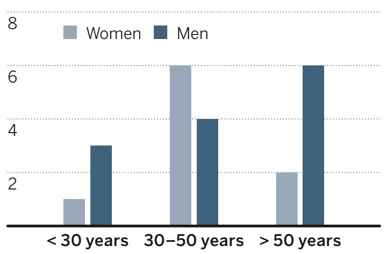
Average parental leave 2019

Number of months of parental leave (last 12-month period, average), Ratos's head office



Age distribution 2019

Number of permanent employees per age category, Ratos's head office



Ratos's investment process

Sustainability is a part of Ratos's thorough due diligence when acquiring companies. The due diligence process looks at the sustainability-related risks, opportunities, maturity and work of the company in question. The assessment forms part of Ratos's documentation ahead of the investment decision and provides a recommendation for continued corporate governance.

Ratos does not invest in companies that operate in the arms industry, contribute to environmental damage, produce or actively supply pornography, or manufacture tobacco products. When new investments are assessed, Ratos takes a stand against breaches of international conventions. The guiding principle at Ratos is to avoid investing in companies that systematically contribute to violating human rights, the fundamental rights of employees or corruption.

A follow-up of the companies' sustainability efforts

Ratos's requirements and expectations in terms of the companies' sustainability efforts are based on international conventions, relevant legislation as well as Ratos's Policy for Sustainability and Responsible Investments, the Environmental Policy and the Code of Conduct.

How Ratos's companies live up to Ratos's requirements and expectations is presented in the table below.

	Code of Conduct	Environmental Policy	External whistle-blowing system	CO_2 reporting	Sustainability reporting[1)]
Aibel	Yes	Yes	Yes	Yes	Yes
airteam	Yes	No	Yes	No	No
Bisnode	Yes	Yes	Yes	Yes	Yes
Diab	Yes	Yes	Yes	Yes	Yes
HENT	Yes	Yes	Yes	Yes	Yes
HL Display	Yes	Yes	Yes	Yes	Yes
Kvdbil	Yes	Yes	Yes	Yes	No
LEDiL	Yes	Yes	Yes	Yes	No
Oase Outdoors	Yes	No	Yes	No	No
Plantasjen	Yes	No	Yes	Yes	Yes
Speed Group	Yes	Yes	Yes	No	Yes
TFS	Yes	Yes	Yes	Yes	Yes

1) All companies issue a sustainability report, eight companies in accordance with the GRI Standards: Core option.

GRI Index

Ratos's sustainability reporting refers to the 2019 calendar year. The figures presented are from 1 January 2019 until 31 December 2019 unless otherwise specified. This report has been prepared in accordance with the GRI Standards: Core option. This is Ratos's fifth 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 2019 Annual Report. The reporting of Ratos's significant aspects and topic-specific disclosures are largely limited to Ratos's 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 2017 and 2019, 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.

GRI Standards Index with financial services sector disclosure

Compliance: ● Fully ● Partial

Standard & Title		Page	Comments	UNGC principles	Compliance
GRI 102: GENERAL DISCLOSURES 2016					
Organisational profile					
102-1	Name of the organisation	3, 129			● Fully
102-2	Activities, brands, products and services	3			● Fully
102-3	Location of headquarters	129			● Fully
102-4	Location of operations	1, 28–39, 129			● Fully
102-5	Ownership and legal form	24–25			● Fully
102-6	Markets served	1, 3, 28–39			● Fully
102-7	Scale of the organisation	2, 3, 14			● Fully
102-8	Information on employees and other workers	14, 22, 121	Only encompasses Ratos's headquarters.		● Fully
102-9	Supply chain	3–5, 26			● Fully
102-10	Significant changes to the organisation and its supply chain	3–5, 26			● Fully
102-11	Precautionary Principle or approach	123–124	We apply the precautionary principle by focusing on climate reporting and environmental policy in the companies.	7	● Fully
102-12	External initiatives	14–15			● Fully
102-13	Membership of associations	123	The Confederation of Swedish Enterprise, Swedish Leadership for Sustainable Development.		● Fully
Strategy					
102-14	Statement from senior decision-maker	6–7			● Partial
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	9, 11, 19			● Fully
Guidance					
102-18	Governance structure	6, 13, 17, 47–53			● Fully
Stakeholder engagement					
102-40	List of stakeholder groups	120			● Fully
102-41	Collective bargaining agreements	123	Ratos has not entered into any collective agreements.	3	● Fully
102-42	Identifying and selecting stakeholders	120			● Fully
102-43	Approach to stakeholder engagement	120			● Fully
102-44	Key topics and concerns raised	120	Omissions: Not possible to report results divided into each stakeholder group due to inadequate data collection by third-party provider.		● Partial

GRI Standards Index with financial services sector disclosure, cont.

Compliance: ● Fully ● Partial

Standard & Title		Page	Comments	UNGC principles	Compliance
Reporting practice					
102-45	Entities included in the consolidated financial statements	3, 4, 42, 110			Fully
102-46	Defining report content and topic Boundaries	120			Fully
102-47	List of material topics	120			Fully
102-48	Restatements of information	124	No changes.		Fully
102-49	Changes in reporting	124	No changes.		Fully
102-50	Reporting period	125	2019.		Fully
102-51	Date of most recent report	124	28 March 2018.		Fully
102-52	Reporting cycle	124	Yearly.		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	120, 124	Core Level.		Fully
102-55	GRI content index	123–124			Fully
102-56	External assurance	125			Fully

Material topics, guidance and topic-specific disclosures

Compliance: ● Fully ● Partial

Standard & Title		Page	Comments	UNGC principles	Compliance
GRI 200 ECONOMIC STANDARD SERIES					
GRI 103: Management Approach 2016	103-1 – 103-3 Management Approach	19		10	Fully
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	19		10	Fully
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	19		10	Fully
GRI 300 ENVIRONMANTAL STANDARD SERIES					
GRI 103: Management Approach 2016	103-1 – 103-3 Management Approach	20		8–9	Fully
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	20		8	Partial
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	20		8	Partial
GRI 400 SOCIAL STANDARD SERIES					
GRI 103: Management Approach 2016	103-1 – 103-3 Management Approach	19, 22, 121		1–6	Fully
GRI 401: Employment 2016	401-3 Parental leave	121	Omissions: Retention rates not reported due to limitations in the current system.	6	Partial
GRI 404: Training and Education 2016	404-2 Programmes for upgrading employee skills and transition assistance programmes	121		6	Fully
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	121		6	Fully
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	22, 121		6	Fully
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	19		6	Fully
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	19		1–6, 10	Fully
GRI G4 SECTOR DISCLOSURES					
GRI Financial Services	FS6 Percentage of portfolio divided into region, size and sector	3, 26–27		1–9	Fully
GRI Financial Services	FS10 Share of the portfolio companies that the organisation has interacted with on environmental or social issues	19–20, 122		1–9	Fully

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 2019 financial year unless otherwise stipulated. Refer also to the GRI Index on pages 123–124 for a description of the report and its principles.

Ratos's sustainability report includes a description of the strategy and model for company development (pages 9–11), 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 14–23. A brief account of each portfolio company's sustainability agenda is included in the company descriptions (pages 28–39). The sustainability indicators reported for the portfolio companies constitute a selection of the most important indexes concerning each company's significant sustainability issues. Additional information on the Parent Company's sustainability work can be found on pages 120–124.

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, HENT, 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 2020.

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 2019 on pages 9–11, 14–23, 28–39 and 120–124 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 March 5, 2020

Ernst & Young AB

Erik Sandström
Authorized public accountant

* 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.

Five-year summary, Group

	2019	2018	2017	2016	2015
Key figures [1]					
Basic earnings per share, SEK	2.11	–1.40	0.72	–1.79	1.29
Dividend per Class A and B share, SEK	0.65[2]	0.50	2.00	2.00	3.25
Dividend per Class C share (preference share), SEK				120	100
Dividend yield, %	1.9[2]	2.1	5.6	4.6	6.7
Total return, %	46	–30	–13	–6	9
Market price, year-end, SEK	33.42	23.28	35.84	43.14	48.83
Equity per share, 31 December, SEK [3]	29	27	30	31	36
Equity, SEKm [4]	9,298	8,701	9,660	11,283	12,882
Return on equity, %	7	–5	3	–4	4
Equity ratio, %	38	43	46	45	47
Average number of shares before dilution	319,014,634	319,014,634	319,014,634	319,014,428	319,012,617
Number of Class A, B and C shares outstanding [5]	319,014,634	319,014,634	319,014,634	319,722,042	319,753,436
Income statement, SEKm					
Profit/share of profit from companies	756	566	679	295	664
Capital gain from sale of Group companies	31	62	596	1,672	1,101
Impairment, companies and loss from bankruptcy		–600	–482	–2,504	–565
Profit/loss from companies	**787**	**28**	**792**	**–538**	**1,200**
Income and expenses in the parent company and central companies	383	–135	–134	–353	–308
IFRS 16-effect	–102				
Other/Eliminations	–7				
Consolidated profit/loss before tax	**1 061**	**–107**	**658**	**–890**	**892**
Income tax	–234	–155	–251	–180	–216
Consolidated profit/loss after tax	**827**	**–262**	**407**	**–1,071**	**676**
Profit/loss attributable to owners of the parent	673	–448	268	–500	496
Statement of financial position, SEKm					
Intangible assets	13,463	13,035	13,424	14,834	14,293
Property, plant and equipment and right-of-use-assets	5,596	1,586	1,827	1,970	1,789
Financial assets	1,213	1,213	1,323	2,372	2,522
Deferred tax assets	508	486	478	594	490
Current assets	8,625	8,483	8,270	10,034	13,529
Assets	**29,405**	**24,803**	**25,323**	**29,805**	**32,623**
Equity	11,218	10,630	11,546	13,286	15,302
Provisions	1,111	1,250	1,204	1,139	1,160
Deferred tax liabilities	464	429	500	501	392
Interest-bearing liabilities	10,450	6,529	6,838	8,181	8,232
Non-interest bearing liabilities	6,163	5,965	5,235	6,696	7,538
Equity and liabilities	**29,405**	**24,803**	**25,323**	**29,805**	**32,623**

[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 2015–2016 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.

Reconciliations of alternative performance measures (APM)

To facilitate a comparison between periods and enable follow-up of the ongoing earnings and performance of the companies, Ratos presents certain financial information that is not defined in accordance with IFRS – APM, i.e. alternative performance measures. This information is intended to give the reader a better opportunity to evaluate Ratos's development and should be regarded as a complement to financial information for the Group.

The following reconciliations and accounts pertain to components included in the alternative performance measures used in the annual report. For definitions please see page 128.

Net sales

SEKm	2019	2018
Net sales in the portfolio, Ratos's holding	**24,475**	**21,531**
Net sales in subsidiaries, holding not owned by Ratos	4,631	4,228
Subsidiaries divested during current year		70
Investments recognised according to the equity method	–4,019	–2,703
Eliminations	–26	
Consolidated net sales	**25,061**	**23,125**

EBITDA and EBITA

SEKm	2019	2018
EBITDA in the portfolio, excluding IFRS 16, Ratos's holding[1]	**1,474**	**1,300**
Depreciation and impairment, excluding IFRS 16	–401	–466
EBITA in the portfolio, excluding IFRS 16, Ratos's holding[1]	**1,073**	**835**
Change in holding	–1	1
EBITA from subsidiaries divested during the year		10
EBITA/Earnings in the company portfolio	**1,073**	**846**
IFRS 16 effect on EBITA, Ratos's holding	123	
EBITA in subsidiaries, holding not owned by Ratos	219	243
Exit gain from portfolio companies	31	62
Investments recognised according to the equity method	–102	–86
Income and expenses in the parent company and central companies	359	–114
Consolidated EBITA	**1,703**	**952**

1) Excluding IFRS 16 means that leases are reported according to the IFRS standards applicable up to and including 2018.

Cash flow from operations

SEKm	2019	2018
Cash flow from operations in portfolio, Ratos's holding	**1,839**	**341**
Cash flow from operations in subsidiaries, holding not owned by Ratos	235	180
Cash flow from operations in subsidiaries, holdings divested during current year		–22
Investments recognised according to the equity method	–480	32
Acquisitions and disposals, intangible assets/property, plant and equipment[1]	670	510
Income tax paid	–230	–147
Attributable to the parent company and central companies	43	–45
Eliminations	–167	–116
Cash flow from operating activities	**1,909**	**732**

1) Cash flow from sale of the Lejonet 4 property, a total of SEK 550m, not included in this item.

Interest-bearing net debt

SEKm	2019-12-31	2018-12-31
Total interest-bearing net debt in the portfolio, Ratos's holding excluding IFRS 16[1]	**5,128**	**5,650**
Interest-bearing net debt in subsidiaries, holding not owned by Ratos	538	487
Investments recognised according to the equity method	–544	–863
Attributable to the parent company and central companies	–1,521	–1,725
Other	22	
Consolidated interest-bearing net debt, excluding IFRS 16[1]	**3,623**	**3,549**
Increase in liability due to implementation of IFRS 16	4,203	
Consolidated interest-bearing net debt	**7,826**	**3,549**

Consolidated Interest-bearing net debt, SEKm	2019-12-31	2018-12-31
Non-current interest-bearing liabilities	8,399	4,938
Current interest-bearing liabilities	2,051	1,591
Provisions for pensions	642	524
Interest-bearing assets	–47	–100
Cash and cash equivalents	–3,219	–3,404
Consolidated interest-bearing net debt, IFRS	**7,826**	**3,549**

1) Excluding IFRS 16 means that leases are reported according to the IFRS standards applicable up to and including 2018.

Definitions

Return on equity
Profit for the year attributable to owners of the parent divided by average equity attributable to owners of the parent.

Dividend yield
Dividend on ordinary shares expressed as a percentage of the Class B share's market price.

EBITDA
(Earnings Before Interest, Tax, Depreciation and Amortisation). EBITA with depreciation, amortisation and impairment reversed.

EBITDA margin
EBITDA expressed as a percentage of net sales.

EBITA
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. (Earnings Before Interest, Tax and Amortisation).

EBITA margin
EBITA expressed as a percentage of net sales.

Equity per share
Equity attributable to owners of the parent divided by the number of outstanding ordinary shares at the end of the period.

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.

Organic growth
Net sales growth in comparable units, including currency fluctuations. The effects of acquisitions and divestments are excluded.

P/E ratio
Market share price for Class B share in relation to earnings per share.

Basic earnings per share
Profit for the period attributable to owners of the parent company divided by the average number of outstanding ordinary shares.

Diluted earnings per share
The calculation of diluted earnings per share 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 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 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.

Interest-bearing net debt
Interest-bearing liabilities and pension provisions minus fixed-income assets and cash and cash equivalents.

Equity ratio
Reported equity expressed as a percentage of total assets. Non-controlling interests are included in equity.

Total return
Price development of Class B shares including reinvested dividends on ordinary shares.

Company performance measures
The following performance measures are presented for Ratos's business areas – 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 companies* – Net sales for the entire current period and comparative periods in the companies owned at the end of the reporting period.
- *EBITDA in the companies* – Operating profit before depreciation and amortisation in the companies owned at the end of the reporting period.
- *EBITA in the companies* – Operating profit for the entire current period and comparative periods in the companies owned 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.
- *Earnings in the company portfolio* – Reported EBITA excluding IFRS 16 for the current company and period.
- *Profit/loss before tax in the companies* – Profit or loss before tax in the companies owned at the end of the reporting period.
- *Interest-bearing net debt in the companies* – Interest-bearing liabilities and pension provisions minus fixed-income assets and cash and cash equivalents in companies owned at the end of the reporting period.
- *Cash flow from operations* – Cash flow from operating activities, excluding paid tax, but including investments and divestments of intangible assets and property, plant and equipment, respectively.

Shareholder information

Annual General Meeting 1 April 2020
The Annual General Meeting of Ratos AB (publ) will be held at 2:00 p.m. CET on Wednesday, 1 April 2020 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, 26 March 2020,
- notify the company of their intention to attend no later than Thursday, 26 March 2020.

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 2020", Box 5267, SE-102 46 Stockholm.

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, 26 March 2020. 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 2019 financial year of SEK 0.65 (0.50) per Class A and Class B share. The record date for the right to receive dividends is proposed as 3 April 2020 and dividends are expected to be paid from Euroclear Sweden on 8 April 2020.

Calendar

1 April	2020 Annual General Meeting
28 April	Interim Report, January–March 2020
17 July	Interim Report, January–June 2020
22 October	Interim Report, January–September 2020

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.

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