

# Interim report January–September 2018



## RATOS

### July–September 2018

- Consolidated net sales SEK 5,425m (5,344)
- Profit before tax SEK 88m (741)
- Earnings per share before and after dilution SEK 0.00 (2.13)

### Development of the company portfolio, July–September 2018

- Net sales in the portfolio SEK 4,985m (4,582)
- EBITA in the portfolio SEK 117m (180)
- Adjusted EBITA in the portfolio SEK 173m (199)

### January–September 2018

- Consolidated net sales SEK 17,206m (17,647)
- Profit before tax SEK 678m (1,255)
- Earnings per share before and after dilution SEK 1.06 (2.73)
- Cash and cash equivalents in the parent company SEK 1,724m (2,405)

### Development of the company portfolio, January–September 2018

- Net sales in the portfolio SEK 15,835m (15,111)
- EBITA in the portfolio SEK 891m (1,002)
- Adjusted EBITA in the portfolio SEK 945 (1,037)

### Acquisitions and divestments, January–September 2018

- Gudrun Sjödén Group was divested in the third quarter, capital gain of SEK 36m
- Jøtul was divested in the first quarter, capital gain of SEK 26m

### Financial performance in the Group

MSEK	Q3	Q3	Q1-3	Q1-3	Full Year
	2018	2017	2018	2017	2017
Net sales	5,425	5,344	17,206	17,647	23,059
EBITA	207	842	1,047	1,660	1,741
Operating profit	194	816	1,002	1,577	1,081
Profit before tax	88	741	678	1,255	658
of which, Profit/share of profits in portfolio companies	82	90	745	725	679
Earnings per share before dilution, SEK	0.00	2.13	1.06	2.73	0.72
Earnings per share after dilution, SEK	0.00	2.13	1.06	2.73	0.72
Cash flow for the period from operating activities			300	284	1,299
Cash and cash equivalents in the parent company			1,724	2,405	2,226

Development of the company portfolio in comparison with year-earlier period pro forma. Adjusted EBITA excluding items affecting comparability. For a reconciliation of alternative performance measures, refer to Note 3.

## Continued focus on company portfolio

Earnings in the company portfolio for the third quarter deteriorated compared with the corresponding period in the preceding year due to weaker earnings in Diab and Plantasjen. Several portfolio companies continued to deliver a weak performance during the quarter and the company portfolio thus continues to face major challenges. Aibel, Bisnode and HL Display were among the companies that posted positive earnings trends.

During the quarter, Ratos divested all of its shares, corresponding to a holding of 30%, in the associated company Gudrun Sjöden Group to the company's founder and CEO Gudrun Sjöden. Ratos received SEK 225m in conjunction with the sale. The total investment in the company was SEK 160m.

### Earnings trend

For the third quarter of 2018, company portfolio sales increased by 9%, while EBITA declined from SEK 180m to SEK 117m, pro forma and adjusted for Ratos's holdings. The decline in earnings was due to the performance of Plantasjen and Diab. Plantasjen was negatively impacted by the warm weather during the important sales month of July. More normal weather in August and September resulted in somewhat better sales than in the year-earlier period, although these months were not seasonally sufficient to offset July. Diab reported a significant decrease in earnings due to ongoing restructuring, low internal efficiency and a weak wind power market, which nevertheless showed clear signs of improving during the quarter. Non-recurring costs in the quarter were mainly related to impairment and closures of production units. Tobias Hahn took office as the new CEO of Diab in September and additional measures will be required in the coming quarter for the company to return to profitability. HENT, Oase Outdoors and Speed Group also reported weaker earnings during the quarter.

I'm pleased to report that the positive earnings trend in Aibel and Bisnode is continuing as a result of the restructuring measures implemented and the ongoing change programme in growing markets.

The Ratos Group's EBITA for the quarter amounted to SEK 207m (842). The corresponding quarter in the preceding year included, among other, capital gains of SEK 662m from sales of portfolio companies.

Profit before tax for the quarter amounted to SEK 88m (741).

### Events in portfolio companies

In the quarter, Aibel secured a contract with Equinor for the construction of phase 2 of the land power facility that will supply the Johan Sverdrup field with electricity, with a contract value of NOK 500m. Aibel also secured a contract for the connection of the P1 process platform at the Johan Sverdrup field, with a contract value of NOK 200m. HENT secured various orders in the third quarter, including the construction of a hotel in Bodö and a nursing home in Trondheim. After the end of the quarter, an agreement was signed for the sale of Speed Group's subsidiary Speed Production. The sale will contribute to the streamlining of Speed Group's business, with a focus on logistics services.

### Other events in the quarter

During the quarter, Ratos sold all of its shares, corresponding to a holding of 30%, in the associated company Gudrun Sjöden Group to the company's founder and CEO Gudrun Sjöden. Ratos received SEK 225m in conjunction with the sale. The total investment in the company was SEK 160m. Average annual rate of return amounted to 18%.

Work involving the holding portfolio is continuing, with a primary focus on stability, followed by profitability and growth. Reversing the current profitability trend is our first priority.



Jonas Wiström, Chief Executive Officer

# Important events, July–September 2018

## Important events, July–September

- In September, Ratos divested all of its shares, corresponding to a holding of 30%, in the associated company Gudrun Sjödén Group to the company's founder and CEO Gudrun Sjödén. Ratos received SEK 225m in conjunction with the sale, corresponding to a capital gain of SEK 36m.

## Important events, January–June

- In the second quarter, Aibel secured an assignment for the engineering, procurement and construction of the deck for a process platform at the Johan Sverdrup field, valued at approximately NOK 8 billion, from Equinor. Planning has begun and construction will commence in the first quarter of 2019, with final delivery scheduled in 2022.
- Ratos's Annual General Meeting on 3 May approved a dividend of SEK 2.00 per ordinary share, totalling SEK 638m, which was paid in May.
- HENT divested its residential development operations, HENT Eiendomsinvest, to Fredensborg Bolig during the second quarter, which involved a capital gain of NOK 84m.
- In conjunction with its Capital Markets Day in June, Ratos presented new financial targets.
  1. The earnings of the company portfolio should increase each year
  2. A conservative leverage in the portfolio companies with an aggregate debt ratio including Ratos AB (Net debt / EBITDA) of less than 2.5x
  3. The total return on Ratos shares should, over time, outperform the average on Nasdaq Stockholm
- Ratos provided capital of SEK 100m to Kvdbil in the second quarter.
- HENT issued a dividend of NOK 150m, of which Ratos's share in the second quarter totalled NOK 106m.
- airteam acquired Luftkontroll Energy i Örebro AB during the first quarter. The company's sales in 2017 amounted to approximately SEK 80m. Ratos did not provide any capital in conjunction with the acquisition.
- Ratos divested all of its shares in Jøtul for NOK 364m (enterprise value) in the first quarter. The divestment generated a capital gain of SEK 26m.
- During the first quarter, Ratos implemented changes to its management group and investment organisation that meant a total of five people left their positions at Ratos.

## Important events after the end of the period

- HENT has signed a contract for a large project in Oslo. The company will build parts of new Livsvitenskapsbygget at Oslo University on commission for Statsbygg. The order value amounts to approximately NOK 1bn.

Refer to pages 6–11 for more information about significant events in the companies.

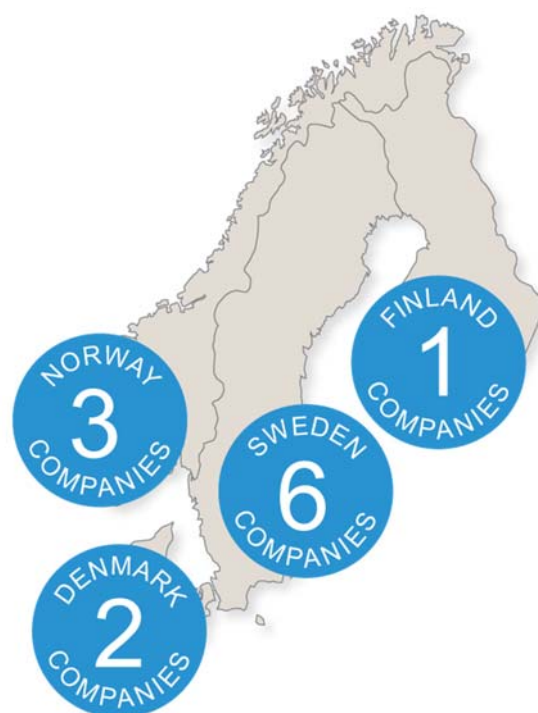
# Companies overview

The Ratos Group's net sales for the third quarter of 2018 amounted to SEK 5,425m (5,344). Operating profit for the same period totalled SEK 194m (816). To facilitate a comparison of the ongoing performance of Ratos's company portfolio, the section below presents certain financial information that is not defined in accordance with IFRS. For a reconciliation of the alternative performance measures used in this report with the most directly reconcilable IFRS measures, refer to Note 3.

Complete income statements, statements of financial position and statements of cash flows for all of the companies are available at [www.ratos.se](http://www.ratos.se).

## Ratos's company portfolio

Ratos invests mainly in unlisted medium-sized Nordic companies and has 12 companies in its portfolio. The largest industries in terms of sales are Construction, Industrials and Consumer goods/Commerce.

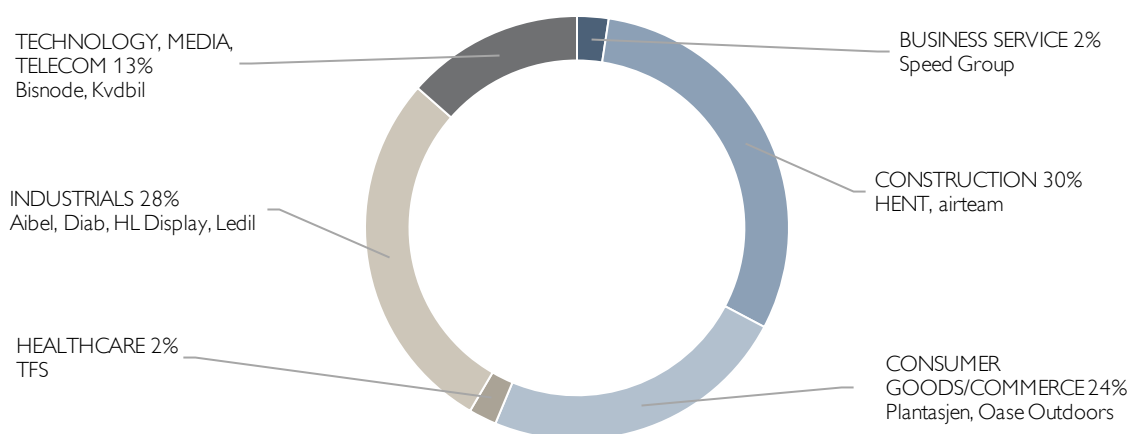


**12** companies with approximately

**12,300\*** employees

\* The number of employees is based on the average number of employees for full-year 2017 for the 12 companies.

Sales breakdown by segment\*\*



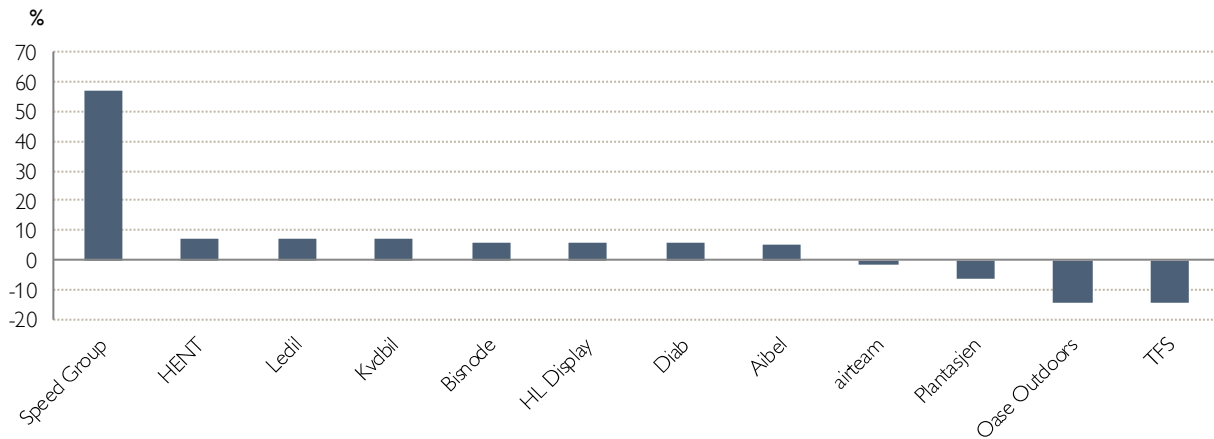
\*\* Adjusted for the size of Ratos's holdings.

# Ratos's companies

Q3 2018

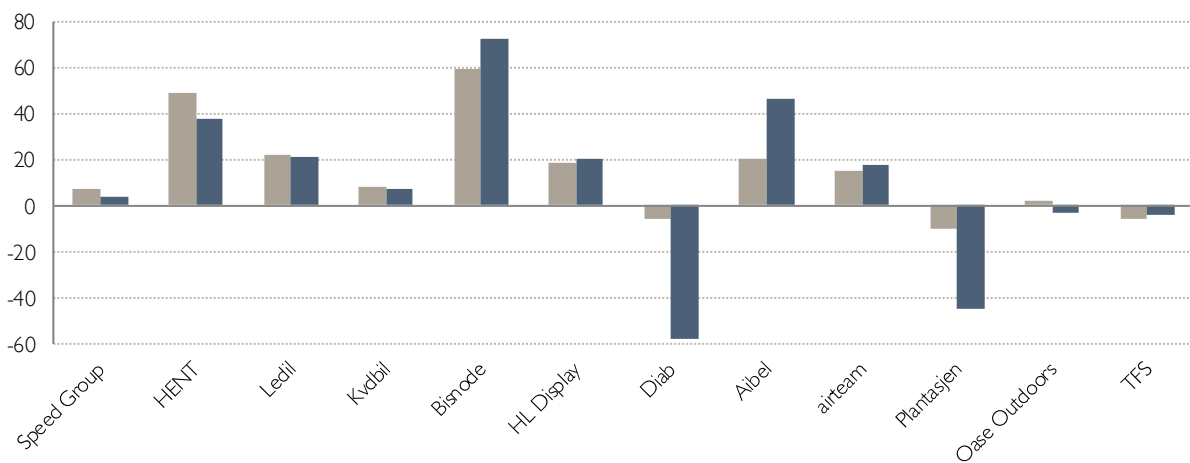
Sales trend, refers to the companies in its entirety

Local currency



EBITA, adjusted for the size of Ratos's holding

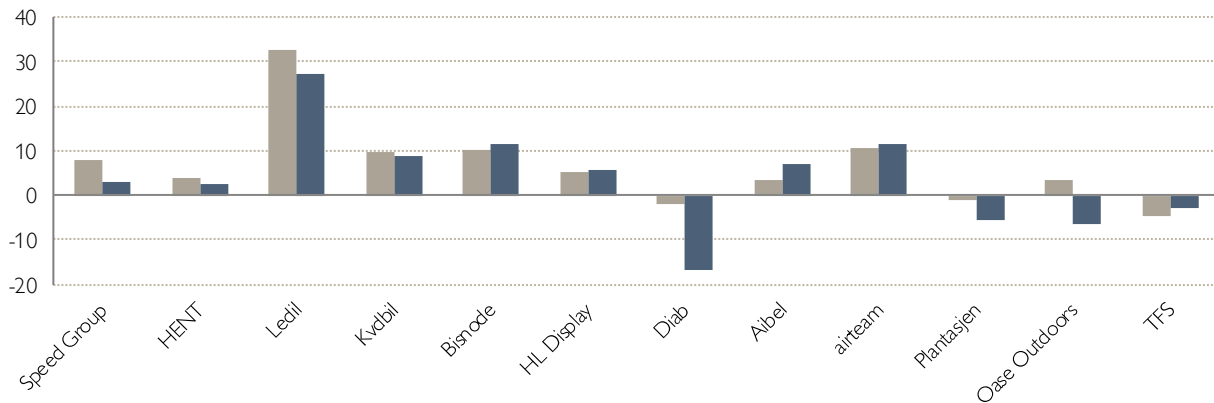
MSEK 2017 2018



EBITA margin, refers to the companies in its entirety

Local currency

% 2017 2018



The information presented for each company on pages 6–11 refers to the company in its entirety and has not been adjusted for the size of Ratos's holding.

# Consumer goods/Commerce

## Plantasjen

**PLANTASJEN®**

- Negative sales trend of 7% in the third quarter. The warm weather and drought during the important sales month of July had a significant negative impact on sales. In the subsequent months in the third quarter, August and September, weather conditions returned to normal and sales slightly improved compared with the year-earlier period.
- EBITA was negatively impacted by the lower sales in July and by non-recurring costs of NOK 15m related to personnel changes and a change of business systems.
- Efforts to further improve customer satisfaction continued.

MNOK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	815	872	3,224	3,127	3,978
EBITA	-45	-7	227	321	118
EBITA margin	-5.5%	-0.8%	7.0%	10.3%	3.0%
Cash flow from operations	-489	-215	-65	253	

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

Holding  
**99%**

## Oase Outdoors

**OASE**  
OUTDOORS

- Seasonally weak quarter with lower sales than in the year-earlier period, mainly due to more challenging market conditions in the UK. EBITA margin charged with ongoing investments in growth initiatives and additional sales campaigns.
- Positive trend in order intake for 2019 linked to new line of tents for the company's largest brand, Outwell.

MDKK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	58	68	298	306	308
EBITA	-4	2	42	57	26
EBITA margin	-6.4%	3.6%	14.1%	18.5%	8.6%
Cash flow from operations	55	74	62	70	

*Danish company that develops, designs and sells high-quality camping and outdoor equipment.*

Holding  
**78%**

# Construction

## HENT

**HENT**

- Sales growth of 7% driven by a strong order book. Order intake of about NOK 1.4 billion in the third quarter. New orders include construction of a hotel in Bodö and a nursing home in Trondheim. The order book at 30 September 2018 amounted to approximately NOK 12.6 billion.
- EBITA margin of 2.5% during the quarter, impacted negatively by project write-downs.
- A weak cash flow during the quarter, attributable to substantial payments after the end of the quarter due to calendar effects.

MNOK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	1,846	1,718	5,591	5,140	7,485
EBITA	46	65	248	184	317
EBITA margin	2.5%	3.8%	4.4%	3.6%	4.2%
Cash flow from operations	-135	-340	-10	-358	

Leading Norwegian construction contractor with projects in Norway, Sweden and Denmark. The company focuses on new builds of public and commercial real estate, and focuses its resources on project development, project management and procurement. The projects are largely carried out by a broad network of quality-assured subcontractors.

Holding  
**73%**

## airteam



**airteam**

- Lower sales in the third quarter due to project delays in Denmark. Favourable project execution strengthened the EBITA margin.
- The underlying markets remain strong and the company had an increasing orderbook at the end of the third quarter.

MDKK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	155	158	463	467	629
EBITA	18	17	39	39	60
EBITA margin	11.7%	10.8%	8.4%	8.3%	9.6%
Cash flow from operations	16	16	15	39	

Danish company that offers high-quality and effective ventilation solutions in Denmark and Sweden.

Holding  
**70%**

# Industrials

## Aibel



- Sales growth of 5% in the third quarter. Order intake of approximately NOK 2 billion in the third quarter and the order book at the end of the period amounted to approximately NOK 18 billion, up 23% compared with the same date in the preceding year.
- Improved profitability compared with the year-earlier period, fuelled by successful project deliveries and improved productivity.
- During the third quarter, Aibel entered two contracts with Equinor. One for the construction of phase 2 of the land power facility that will supply the Johan Sverdrup field with electricity. As well as one for the connection of the P1 process platform at the Johan Sverdrup field, including construction of a bridge linking the process platform and the residential platform.

MNOK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	1,912	1,823	5,957	6,657	8,381
EBITA	134	63	345	258	396
EBITA margin	7.0%	3.4%	5.8%	3.9%	4.7%
Cash flow from operations	9	-233	-351	346	

Leading Norwegian supplier of maintenance and modification services (Modification and Yard Services) for production platforms and onshore installations for oil and gas as well as new construction projects (Field Development) in oil and gas and renewable energy (Renewables). The company has operations along the Norwegian coast and in Asia. Customers are primarily the major oil companies operating on the Norwegian continental shelf.

Holding  
**32%**

## Diab



- Currency-adjusted sales amounted to -2%. Sales remained low in the wind power segment but increased toward the end of the quarter.
- EBITA was impacted by non-recurring costs of SEK 29m, partly related to the merger of production units in China. EBITA was also affected negatively by ongoing low production efficiency.
- The restructuring process is continuing and further measures will be required to achieve profitability.
- CEO Tobias Hahn took office in September. Tobias comes most recently from Atlas Copco.

MSEK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	361	342	1,086	1,140	1,385
EBITA	-60	-6	-74	34	-107
EBITA margin	-16.7%	-1.8%	-6.8%	3.0%	-7.7%
Cash flow from operations	-9	-8	-64	11	

Global company that develops, manufactures and sells core materials for sandwich composite structures including blades for wind turbines, hulls and decks for leisure boats, and components for aircraft, trains, industrial applications and buildings. The core materials have a unique combination of characteristics such as low weight, high strength, insulation properties and chemical resistance.

Holding  
**96%**



## HL Display



- Sales growth of 6% driven by positive currency effects. Improved market in the UK.
- EBITA was impacted positively by effects of ongoing profitability-enhancing initiatives and positive currency effects.
- Measures to strengthen long-term profitability continue.

MSEK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	374	353	1,157	1,087	1,514
EBITA	21	18	74	43	74
EBITA margin	5.6%	5.2%	6.4%	4.0%	4.9%
Cash flow from operations	30	15	20	-40	

International supplier of store solutions for improved customer experience, profitability and sustainability. Installations in nearly 295,000 stores in 50 markets. Manufacturing takes place in Poland, Sweden, China and the UK.

Holding  
**99%**

## Ledil



- Sales growth of 7% in the third quarter driven by a positive trend in Europe and Asia, while North America remained challenging.
- Lower EBITA compared with the year-earlier period due to increased costs for international market initiatives.

MEUR	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	11.5	10.8	33.4	31.1	42.6
EBITA	3.1	3.5	9.0	9.5	10.5
EBITA margin	27.1%	32.6%	26.8%	30.5%	24.7%
Cash flow from operations	2.7	3.9	7.6	6.9	

Finnish leading global player within secondary optics for LED lighting. The products are sold by the company's own sales force as well as via agents and distributors in Europe, North America and Asia. Production is carried out by subcontractors in Finland and China.

Holding  
**66%**

# Technology, Media, Telecom

## Bisnode



- Sales growth of 6% in the third quarter, primarily driven by currency effects.
- EBITA improved because of lower OPEX.
- Bisnode launched a new brand platform during the quarter and the development and launch of Group-wide products continues.

MSEK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	883	833	2,711	2,603	3,663
EBITA	103	85	283	254	426
EBITA margin	11.7%	10.2%	10.4%	9.8%	11.6%
Cash flow from operations	50	26	269	270	

Leading European data and analysis company. The customer base comprises companies and organisations in Europe which use Bisnode's services to convert data into knowledge for both day-to-day issues and major strategic decisions.

Holding  
**70%**

## Kvdbil



- Sales growth of 7% compared with the year-earlier period driven by growth in the Private Cars segment.
- EBITA was impacted negatively by SEK 3m in non-recurring costs due to personnel change. Improved adjusted EBITA, fuelled by higher sales and improved efficiency in the operations.

MSEK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	88	82	243	253	336
EBITA	8	8	3	25	8
EBITA margin	8.7%	9.6%	1.3%	9.9%	2.5%
Cash flow from operations	9	6	9	13	

Sweden's largest independent online marketplace offering broker services for second-hand vehicles. The company operates the auction sites kvd.se, kvdnorge.no, kvdpro.com and kvdcars.com, where cars, heavy vehicles and machines are offered for sale at weekly online auctions. The number of unique visitors totals approximately 200,000 per week. The company's service offering includes valuation portals for cars.

Holding  
**100%**

# Healthcare

## TFS



- Service sales\* in the third quarter amounted to EUR 12.4m (13.9). The negative trend is attributable to restructuring in the company and previous cancellations of projects.
- EBITA was negatively impacted by lower sales and project write-downs.
- TFS is continuing its restructuring process.

\* According to IFRS, TFS and other contract research organisations (CRO) generate two types of revenue: 1) service sales (actual revenue-generating sales) and 2) re-invoicing of expenditure (for example, travel expenses, laboratory costs and other overheads) at no or a very low margin. In all material respects, service sales are the most important when it comes to the company's performance and earnings.

MEUR	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	19.5	22.9	59.8	66.2	85.1
EBITA	-0.6	-1.0	-1.7	0.2	-2.7
EBITA margin	-3.0%	-4.5%	-2.9%	0.4%	-3.2%
Cash flow from operations	1.2	-0.4	-1.2	0.5	

*Performs clinical trials in the human phase on behalf of the pharmaceutical, biotechnology and medical device industries.*

Holding  
**60%**

# Business services

## Speed Group



- Sales growth of 57%, of which 20% organic. The acquisition of Samdistribution is proceeding well.
- Profitability in the quarter continued to be burdened with efficiency problems in new contracts.
- After the end of the quarter, Speed Production was divested due to the streamlining of Speed Group's service offering, with a future focus on logistics and staffing services. Sales are expected to result in a capital loss of approximately SEK 12m.

MSEK	Q3		Q1-3		LTM
	2018	2017	2018	2017	17/18
Sales	197	126	542	382	672
EBITA	6	10	7	24	8
EBITA margin	3.0%	8.1%	1.4%	6.3%	1.1%
Cash flow from operations	0	-70	-57	-10	

*Swedish provider of services that extend from staffing, recruitment and training to full-scale warehouse management.*

Holding  
**70%**

Ratos's companies, adjusted for the size of Ratos's holdings

	Net sales in portfolio						EBITA in portfolio					
	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017	LTM 17/18	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017	LTM 17/18
MSEK												
Aibel	664	591	2,028	2,203	2,992	2,816	46	20	117	85	102	134
airteam	150	141	443	418	570	594	17	15	37	35	54	57
Bisnode	617	582	1,895	1,819	2,484	2,560	72	60	198	178	277	297
Diab	346	328	1,043	1,095	1,382	1,330	-58	-6	-71	33	1	-103
HENT	1,464	1,280	4,352	3,891	5,300	5,762	37	49	193	139	190	245
HL Display	368	347	1,140	1,071	1,424	1,492	21	18	73	43	42	73
Kvdbil	88	82	243	253	346	336	8	8	3	25	30	8
Ledil	79	68	226	197	256	285	21	22	61	60	70	71
Oase Outdoors	65	68	321	309	321	333	-4	2	45	57	42	30
Plantasjen	883	876	3,400	3,207	3,963	4,157	-45	-10	239	329	217	127
Speed Group	138	88	379	267	359	471	4	7	5	17	17	5
TFS	122	131	366	380	529	515	-4	-6	-10	1	-4	-16
<b>Total adjusted for Ratos's holding</b>	<b>4,985</b>	<b>4,582</b>	<b>15,835</b>	<b>15,111</b>	<b>19,927</b>	<b>20,651</b>	<b>117</b>	<b>180</b>	<b>891</b>	<b>1,002</b>	<b>1,038</b>	<b>928</b>
<b>Change</b>	<b>+9%</b>		<b>+5%</b>				<b>-35%</b>		<b>-11%</b>			

	Adjusted EBITA in portfolio <sup>A)</sup>						Cash flow from operations in portfolio <sup>B)</sup>	Interest-bearing net debt in portfolio	Ratos's holding (%)
	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017	LTM 17/18			
MSEK									
Aibel	46	28	117	93	131	155	2	962	32
airteam	17	15	38	35	54	57	15	92	70
Bisnode	79	64	219	187	297	328	35	1,031	70
Diab	-30	-6	-31	33	1	-63	-9	854	96
HENT	36	49	128	139	184	173	-104	-470	73
HL Display	23	20	76	45	49	81	30	512	99
Kvdbil	11	8	7	27	42	22	9	48	100
Ledil	21	22	61	60	70	71	18	208	66
Oase Outdoors	-4	2	45	57	42	30	60	151	78
Plantasjen	-28	-8	284	339	229	174	-511	2,417	99
Speed Group	4	7	6	17	17	6	0	69	70
TFS	-4	-2	-4	6	2	-8	7	40	60
<b>Total adjusted for Ratos's holding</b>	<b>173</b>	<b>199</b>	<b>945</b>	<b>1,037</b>	<b>1,119</b>	<b>1,026</b>	<b>-449</b>	<b>5,913</b>	
<b>Change</b>	<b>-13%</b>		<b>-9%</b>						

<sup>A)</sup> EBITA, adjusted for items affecting comparability.

<sup>B)</sup> Cash flow from operations, excluding paid tax and interest, but including cash flow from investments and divestments of intangible assets and property, plant and equipment, respectively.

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

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# Financial information

## Ratos's results July–September

EBITA for the third quarter of 2018 amounted to SEK 207m (842). This result includes profit/a share of profits from the companies of SEK 186m (193). The decline in earnings was mainly attributable to Diab and Plantasjen, which reported weaker earnings compared with the year-earlier period. Aibel had an earnings improvement compared with the year-earlier period. The sale of shares in Gudrun Sjödén Group resulted in a capital gain of SEK 36m.

Profit before tax for the third quarter of 2018 amounted to SEK 88m (741). This result includes profit/a share of profits from the companies of SEK 82m (90).

Ratos's operating management costs amounted to SEK -16m (-31). The decline in costs was primarily attributable to lower personnel costs.

## Ratos's results January–September

EBITA for the first nine months of the year amounted to SEK 1,047m (1,660). This result includes profit/share of profits from the companies of SEK 1,085m (1,106). Diab and Plantasjen posted a year-on-year decline of SEK -108m and SEK -91m, respectively, while Aibel reported an earnings improvement of SEK 118m. Earnings included total capital gains of SEK 62m (596).

Profit before tax for the first nine months of 2018 totalled SEK 678m (1,255). This result includes profit/share of profits from the companies of SEK 745m (725). Bisnode was impacted by negative exchange rate changes in net financial items of SEK -51m (7).

Ratos's operating management costs amounted to SEK -99m (-115). Earnings for the period were charged with SEK 13m in personnel costs owing to organisational changes and expenses of SEK 2m for the new incentive programme.

## Cash flow

Cash flow for the period amounted to SEK -920m (-854), of which cash flow from operating activities accounted for SEK 300m (284), cash flow from investing activities for SEK -98m (1,251) and cash flow from financing activities for SEK -1,122m (-2,388). In addition to the conditions in the portfolio companies' operating activities, Ratos's cash flow was impacted by changes in the company portfolio. The portfolio companies owned in both periods posted a change in operating activities of SEK -65, with Plantasjen responsible for the largest negative change and HENT responsible for the largest positive change.

## Financial position and leverage

The Group's cash and cash equivalents at the end of the period amounted to SEK 3,072m (3,537) and interest-bearing net debt totalled SEK 3,770m (4,115).

The portfolio's aggregate debt ratio, including the parent company, amounted to 3.5x (2.8x). Ratos's aim is to have a conservative leverage in the portfolio companies with an aggregate debt ratio, including the parent company, that falls below 2.5x on a long-term basis (Net Debt/EBITDA).

## Ratos's equity

At 30 September 2018, Ratos's equity (attributable to owners of the parent) amounted to SEK 9,654m (SEK 9,660m at 31 December 2017), corresponding to SEK 30 per share outstanding (SEK 30 at 31 December 2017).

## Parent company

The parent company posted an operating loss of SEK -92m (-116). The parent company's profit before tax amounted to SEK 548m (1,101). The parent company's cash and cash equivalents totalled SEK 1,724m (2,405).

## Ratos's Class B share

Earnings per share before dilution totalled SEK 1.06 (2.73). At 28 September 2018, the closing price for Ratos's Class B shares was SEK 32.40. The total return on Class B shares for the first nine months of 2018 amounted to -3%, compared with the performance for the SIX Return Index, which was 11%.

## Incentive programmes

During the period, the parent company issued warrants and a convertible debt instrument in accordance with the Annual General Meeting (AGM) decision of 3 May 2018. In total, 515,472 warrants and 724,528 convertibles were issued.

## Treasury shares and number of shares

No Class B shares were repurchased. At 30 September, Ratos owned 5,126,262 Class B shares (corresponding to 1.6% of the total number of shares), repurchased at an average price of SEK 68. The 2018 Annual General Meeting (AGM) renewed the mandate for the company to acquire treasury shares. The holding of treasury shares may not exceed 7% of all shares.

At 30 September 2018, the total number of shares in Ratos (Class A and B shares) amounted to 324,140,896 and the number of votes to 108,587,444. The number of outstanding Class A and B shares was 319,014,634. The average number of Class B treasury shares in Ratos during the first nine months of 2018 was 5,126,262 (5,126,262 in full-year 2017).

## Credit facilities and new issue mandate

The parent company has a credit facility of SEK 1 billion including a bank overdraft facility. The purpose of the facility is to be able to use it when bridge financing is

required for acquisitions and to be able to finance dividends and day-to-day running costs in periods with few or no exits. The parent company should normally be unleveraged. The credit facility was unutilised at the end of the period. In addition, there is also a mandate from the 2018 Annual General Meeting (AGM) to issue a maximum of 35 million Ratos Class B shares in conjunction with agreements on acquisitions.

## Other

In accordance with a policy for the appointment of a Nomination Committee adopted by Ratos's Annual General Meeting (AGM) in 2016, the company's major shareholders/owners appointed, from among their

number, a Nomination Committee with the Chairman of the Board Per-Olof Söderberg as convener. Ragnar Söderberg (Ragnar Söderberg Foundation and related parties' holdings) was appointed Chairman. Other members are: Jan Söderberg (own and related parties' holdings), Maria Söderberg (Torsten Söderberg Foundation and own holding), Erik Brändström (Spiltan Fonder AB), Håkan Roos (Roosgruppen AB) and Per-Olof Söderberg (Chairman of Ratos's Board). Ratos's Annual General Meeting will be held on 8 May 2019 at Skandiascenen, Cirkus, in Stockholm, Sweden.

## Key figures for Ratos's share

MSEK	Q1-3 2018	Q1-3 2017	Full Year 2017
<b>Key figures per share <sup>1)</sup></b>			
Total return, %	-3	-3	-13
Dividend yield, %			5.6
Market price, SEK	32.40	39.86	35.84
Dividend, SEK			2.00
Equity attributable to owners of the parent, SEK <sup>2)</sup>	30	32	30
Earnings per share before dilution, SEK <sup>3)</sup>	1.06	2.73	0.72
Earnings per share after dilution, SEK <sup>3)</sup>	1.06	2.73	0.72
Average number of ordinary shares outstanding:			
– before dilution	319,014,634	319,014,634	319,014,634
– after dilution	319,318,296	319,014,634	319,014,634
Total number of registered shares	324,140,896	324,140,896	324,140,896
Number of shares outstanding	319,014,634	319,014,634	319,014,634
– of which, Class A shares	84,637,060	84,637,060	84,637,060
– of which, Class B shares	234,377,574	234,377,574	234,377,574

<sup>1)</sup> Relates to Class B shares unless specified otherwise.

<sup>2)</sup> Equity attributable to owners of the parent divided by the number of outstanding ordinary shares at the end of the period. Comparison periods have been adjusted for outstanding preference share capital. All preference shares were redeemed by the end of the second quarter 2017.

<sup>3)</sup> See definition at website [www.ratos.se](http://www.ratos.se)

# Financial statements

## Consolidated income statement

MSEK	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017
Net sales	5,425	5,344	17,206	17,647	23,059
Other operating income	17	30	75	70	79
Change in inventories of products in progress, finished goods and work in progress	-2	-17	-3	12	-16
Work performed by the company for its own use and capitalised	31	14	93	46	70
Raw materials and consumables	-3,062	-2,878	-9,468	-9,267	-12,123
Employee benefit costs	-1,478	-1,394	-4,566	-4,570	-6,098
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	-133	-143	-383	-456	-1,163
Other costs	-697	-773	-2,218	-2,586	-3,467
Capital gain/loss from group companies	1	583	116	559	559
Impairment and capital gain from investments recognised according to the equity method	36	79	44	112	161
Share of pre-tax profit/loss from investments recognised according to the equity method <sup>1)</sup>	56	-29	106	11	19
<b>Operating profit</b>	<b>194</b>	<b>816</b>	<b>1,002</b>	<b>1,577</b>	<b>1,081</b>
Financial income	6	15	26	56	77
Financial expenses	-112	-89	-350	-378	-500
<b>Net financial items</b>	<b>-106</b>	<b>-74</b>	<b>-324</b>	<b>-322</b>	<b>-423</b>
<b>Profit before tax</b>	<b>88</b>	<b>741</b>	<b>678</b>	<b>1,255</b>	<b>658</b>
Tax	-23	-46	-151	-218	-234
Share of tax from investments recognised according to the equity method <sup>1)</sup>	-10	8	-20	-4	-17
<b>Profit for the period</b>	<b>55</b>	<b>703</b>	<b>507</b>	<b>1,032</b>	<b>407</b>
<i>Profit for the period attributable to:</i>					
Owners of the parent	0	681	339	910	268
Non-controlling interests	54	22	168	123	139
Earnings per share, SEK					
– before dilution	0.00	2.13	1.06	2.73	0.72
– after dilution	0.00	2.13	1.06	2.73	0.72

<sup>1)</sup> Tax attributable to shares of profit/loss before tax from investments recognised according to the equity method are presented on a separate line.

## Consolidated statement of comprehensive income

MSEK	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017
<b>Profit for the period</b>	<b>55</b>	<b>703</b>	<b>507</b>	<b>1,032</b>	<b>407</b>
<b>Other comprehensive income</b>					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit pension obligations, net					8
Tax attributable to items that will not be reclassified to profit or loss	-0		-0		2
	<b>-0</b>		<b>-0</b>		<b>10</b>
Items that may be reclassified subsequently to profit or loss:					
Translation differences for the period	-88	19	425	-103	-29
Change in hedging reserve for the period	5	-12	2	-25	-1
Tax attributable to items that may be reclassified subsequently to profit or loss	-1	2	-1	5	0
	<b>-83</b>	<b>9</b>	<b>426</b>	<b>-123</b>	<b>-30</b>
<b>Other comprehensive income for the period</b>	<b>-83</b>	<b>9</b>	<b>426</b>	<b>-123</b>	<b>-20</b>
<b>Total comprehensive income for the period</b>	<b>-29</b>	<b>712</b>	<b>933</b>	<b>910</b>	<b>387</b>
<i>Total comprehensive income for the period attributable to:</i>					
Owners of the parent	-69	674	674	809	248
Non-controlling interest	40	39	259	101	139



## Summary consolidated statement of financial position

MSEK	2018-09-30	2017-09-30	2017-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	12,074	12,061	11,583
Other intangible non-current assets	1,787	1,855	1,841
Property, plant and equipment	1,681	1,773	1,827
Financial assets	1,286	1,387	1,323
Deferred tax assets	494	466	478
<b>Total non-current assets</b>	<b>17,321</b>	<b>17,543</b>	<b>17,053</b>
<b>Current assets</b>			
Inventories	1,121	1,140	1,136
Current receivables	3,812	3,931	3,253
Cash and cash equivalents	3,072	3,537	3,881
<b>Total current assets</b>	<b>8,005</b>	<b>8,608</b>	<b>8,270</b>
<b>Total assets</b>	<b>25,326</b>	<b>26,151</b>	<b>25,323</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity including non-controlling interests</b>	<b>11,569</b>	<b>12,069</b>	<b>11,546</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	5,461	5,639	5,819
Non-interest bearing liabilities	572	373	356
Pension provisions	516	494	486
Other provisions	22	79	61
Deferred tax liabilities	598	542	500
<b>Total non-current liabilities</b>	<b>7,169</b>	<b>7,126</b>	<b>7,222</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	962	1,637	1,019
Non-interest bearing liabilities	4,903	4,641	4,880
Provisions	722	678	656
<b>Total current liabilities</b>	<b>6,588</b>	<b>6,956</b>	<b>6,555</b>
<b>Total equity and liabilities</b>	<b>25,326</b>	<b>26,151</b>	<b>25,323</b>

## Summary statement of changes in consolidated equity

MSEK	2018-09-30			2017-09-30			2017-12-31		
	Owners of the parent	Non-controlling interest	Total equity	Owners of the parent	Non-controlling interest	Total equity	Owners of the parent	Non-controlling interest	Total equity
<b>Opening equity</b>	<b>9,660</b>	<b>1,886</b>	<b>11,546</b>	<b>11,283</b>	<b>2,003</b>	<b>13,286</b>	<b>11,283</b>	<b>2,003</b>	<b>13,286</b>
Adjustment							0	0	-0
<b>Adjusted equity</b>	<b>9,660</b>	<b>1,886</b>	<b>11,546</b>	<b>11,283</b>	<b>2,003</b>	<b>13,286</b>	<b>11,283</b>	<b>2,004</b>	<b>13,286</b>
Total comprehensive income for the period	674	259	933	809	101	910	248	139	387
Dividends	-638	-42	-680	-659	-90	-749	-659	-90	-749
Non-controlling interests' share of capital contribution and new issue		9	9		28	28		27	27
Purchase/redemption of treasury shares, net effect				-1,300		-1,300	-1,300		-1,300
The value of the conversion option of the convertible	2		2						
Option premiums	2		2	1		1	1		1
Put options, future acquisitions from non-controlling interests	-49	-181	-230		-6	-6	-3	-2	-5
Acquisition of shares in subsidiaries from non-controlling interests	2	-15	-12	1	-5	-5	-1	-6	-6
Disposal of shares in subsidiaries to non-controlling interests	1	4	5	0	4	4	1	6	6
Non-controlling interests at acquisition		0	0						
Non-controlling interests in disposals		-6	-6		-102	-102		-101	-101
Adjusted non-controlling interests				91	-91		91	-91	
<b>Closing equity</b>	<b>9,654</b>	<b>1,915</b>	<b>11,569</b>	<b>10,225</b>	<b>1,843</b>	<b>12,069</b>	<b>9,660</b>	<b>1,886</b>	<b>11,546</b>

## Consolidated statement of cash flows

MSEK	Q1-3 2018	Q1-3 2017	Full Year 2017
<b>Operating activities</b>			
Operating profit	1,002	1,577	1,081
Adjustment for non-cash items	186	-114	522
	1,188	1,463	1,602
Income tax paid	-142	-126	-251
<b>Cash flow from operating activities before change in working capital</b>	<b>1,046</b>	<b>1,337</b>	<b>1,351</b>
Cash flow from change in working capital			
Increase (-)/Decrease (+) in inventories	-101	-42	-26
Increase (-)/Decrease (+) in operating receivables	-397	-443	232
Increase (+)/Decrease (-) in operating liabilities	-249	-568	-258
<b>Cash flow from operating activities</b>	<b>300</b>	<b>284</b>	<b>1,299</b>
<b>Investing activities</b>			
Acquisition, group companies	-74	-353	-365
Disposal, group companies	95	707	709
Acquisitions, investments recognised according to the equity method	-0	-16	-16
Disposals, investments recognised according to the equity method	233	1,005	1,065
Investments and disposal, intangible assets/property, plant and equipment	-362	-372	-572
Investments and disposal, financial assets	1	272	288
Received interest	10	8	25
<b>Cash flow from investing activities</b>	<b>-98</b>	<b>1,251</b>	<b>1,135</b>
<b>Financing activities</b>			
Non-controlling interests' share of issue/capital contribution	9	41	41
Repurchase/redemption of treasury shares		-1,300	-1,300
Option premiums paid	3	18	19
Repurchase/final settlements options	-8	-5	-24
Acquisition and disposal of shares in subsidiaries from non-controlling interests	-11	0	0
Dividends paid	-638	-677	-677
Dividends paid, non-controlling interests	-42	-90	-90
Borrowings	2,059	624	662
Amortisation of loans	-2,246	-722	-1,199
Paid interest	-228	-254	-330
Amortisation of financial lease liabilities	-21	-22	-30
<b>Cash flow from financing activities</b>	<b>-1,122</b>	<b>-2,388</b>	<b>-2,928</b>
<b>Cash flow for the period</b>	<b>-920</b>	<b>-854</b>	<b>-494</b>
Cash and cash equivalents at the beginning of the year	3,881	4,389	4,389
Exchange differences in cash and cash equivalents	110	-30	-46
Increase (-)/Decrease (+) of cash and cash equivalents classified as Assets held for sale		32	32
Cash and cash equivalents at the end of the period	3,072	3,537	3,881

## Parent company income statement

MSEK	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017
Other operating income	1	12	15	14	10
Other external costs	-11	-16	-42	-54	-81
Personnel costs	-5	-18	-62	-73	-98
Depreciation of property, plant and equipment	-1	-1	-3	-2	-3
<b>Operating loss</b>	<b>-15</b>	<b>-23</b>	<b>-92</b>	<b>-116</b>	<b>-172</b>
Gain from sale of participating interests in group companies		-3	576	-3	844
Dividends from group companies			114	572	572
Impairment of shares in group companies			-26	-123	-533
Gain from sale of interests in associates				778	778
Result from other securities and receivables accounted for as non-current assets			2	2	2
Other interest income and similar profit/loss items	3	7	11	13	22
Interest expenses and similar profit/loss items	-19	-3	-37	-22	-21
<b>Profit/loss after financial items</b>	<b>-32</b>	<b>-22</b>	<b>548</b>	<b>1,101</b>	<b>1,491</b>
Tax					
<b>Profit/loss for the period</b>	<b>-32</b>	<b>-22</b>	<b>548</b>	<b>1,101</b>	<b>1,491</b>

## Parent company statement of comprehensive income

MSEK	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017
<b>Profit/loss for the period</b>	<b>-32</b>	<b>-22</b>	<b>548</b>	<b>1,101</b>	<b>1,491</b>
<b>Other comprehensive income</b>					
Change in fair value reserve for the period			-7		
<b>Other comprehensive income for the period</b>			<b>-7</b>		
<b>Total comprehensive income for the period</b>	<b>-32</b>	<b>-22</b>	<b>541</b>	<b>1,101</b>	<b>1,491</b>

## Summary parent company balance sheet

MSEK	2018-09-30	2017-09-30	2017-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	59	62	61
Financial assets	7,772	9,254	8,267
Receivables from group companies	2	28	12
<b>Total non-current assets</b>	<b>7,834</b>	<b>9,344</b>	<b>8,340</b>
<b>Current assets</b>			
Current receivables	25	7	12
Receivables from group companies	3	21	2
Cash and cash equivalents	1,724	2,405	2,226
<b>Total current assets</b>	<b>1,751</b>	<b>2,433</b>	<b>2,240</b>
<b>Total assets</b>	<b>9,585</b>	<b>11,776</b>	<b>10,581</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>8,671</b>	<b>8,375</b>	<b>8,765</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities, group companies	575	818	306
Non-interest bearing liabilities	8	19	18
Other financial liabilities	57	41	30
Convertible debentures	16		
<b>Total non-current liabilities</b>	<b>656</b>	<b>878</b>	<b>354</b>
<b>Current provisions</b>	<b>168</b>	<b>124</b>	<b>140</b>
<b>Current liabilities</b>			
Interest-bearing liabilities, group companies	2	743	13
Non-interest bearing liabilities, group companies	33	1,581	1,250
Non-interest bearing liabilities	53	75	59
<b>Total current liabilities</b>	<b>88</b>	<b>2,399</b>	<b>1,322</b>
<b>Total equity and liabilities</b>	<b>9,585</b>	<b>11,776</b>	<b>10,581</b>

## Summary statement of changes in parent company's equity

MSEK	2018-09-30	2017-09-30	2017-12-31
<b>Opening equity</b>	<b>8,765</b>	<b>9,232</b>	<b>9,232</b>
Comprehensive income for the period	541	1,101	1,491
Dividends	-638	-659	-659
Purchase/redemption of treasury shares, net effect		-1,300	-1,300
The value of the conversion option of the convertible debentures	2		
Option premiums	2	1	1
<b>Closing equity</b>	<b>8,671</b>	<b>8,375</b>	<b>8,765</b>

## Parent company cash flow statement

MSEK	Q1-3 2018	Q1-3 2017	Full Year 2017
<b>Operating activities</b>			
Profit before tax	548	1,101	1,491
Adjustment for non-cash items	-513	-1,025	-1,463
	35	76	27
Income tax paid			
<b>Cash flow from operating activities before change in working capital</b>	<b>35</b>	<b>76</b>	<b>27</b>
Cash flow from change in working capital:			
Increase (-)/Decrease (+) in operating receivables	-2	-11	-19
Increase (+)/Decrease (-) in operating liabilities	-50	-72	-69
<b>Cash flow from operating activities</b>	<b>-17</b>	<b>-7</b>	<b>-61</b>
<b>Investing activities</b>			
Investment, shares in subsidiaries	-100	-292	-422
Liabilities to group companies <sup>1)</sup>	236	1,228	1,228
Disposal, shares in associates		781	781
Acquisition, property, plant and equipment	-1	0	-0
Investments and disposals, financial assets		-20	
<b>Cash flow from investing activities</b>	<b>135</b>	<b>1,697</b>	<b>1,587</b>
<b>Financing activities</b>			
Repurchase/redemption of treasury shares		-1,300	-1,300
Option premiums paid		3	4
Repurchase/final settlements options	-1		-16
Convertible debentures	18		0
Dividends paid	-638	-677	-677
<b>Cash flow from financing activities</b>	<b>-621</b>	<b>-1,974</b>	<b>-1,989</b>
<b>Cash flow for the period</b>	<b>-503</b>	<b>-284</b>	<b>-463</b>
Cash and cash equivalents at the beginning of the year	2,226	2,677	2,677
Exchange differences in cash and cash equivalents	2	11	12
Cash and cash equivalents at the end of the period	1,724	2,405	2,226

<sup>1)</sup> Liability to centrally administrated group company that arose in conjunction with divestment of group company.

## Note 1 Accounting principles

Ratos's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and associated interpretations (IFRIC), as endorsed by the EU. This interim report was prepared in accordance with IAS 34, Interim Financial Reporting, and applicable provisions in the Swedish Annual Accounts Act. The parent company also applies RFR 2 Accounting for Legal Entities.

### Changed accounting principles due to new IFRS

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

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 is to be applied from 2018 and addresses the recognition of revenue from contracts with customers and the sale of certain non-financial assets. It has replaced IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. The new standard introduces a new model for revenue recognition based on the core principle that revenue is to be recognised when control over goods or services has been passed to the customer and in an amount that reflects the consideration to which the company is entitled in exchange for those goods or services. The transition to IFRS 15 has not had any material impact on the Ratos Group's financial earnings or position.

Ratos has chosen to apply the full retrospective approach during the transition, using the practical solutions provided in the standard. All of Ratos's portfolio companies concluded that the application of IFRS 15 will not have any material impact on revenue recognition in the individual company and thus will not have any material impact on Ratos's consolidated financial statements. Since the transition to IFRS 15 has not had any material impact on the Ratos Group, no comparative figures have been restated and the Group has therefore not presented any disclosures regarding the transition.

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

Revenue classification according to the aforementioned categories is in line with IFRS 8 Operating Segments, where segment reporting is based on recognition and measurement in accordance with IFRS 15.

#### IFRS 9 Financial Instruments

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

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

Under IFRS 9, the impairment requirement for receivables is to be determined based on expected credit losses, which for the Ratos Group mainly impacts the recognition of bad debts. The Group's bad debts have been non-material, and remain so after the transition to the new standard. Each portfolio company applies its own impairment model for trade receivables based on assumptions and historical information. Most portfolio companies have chosen to apply a simplified impairment model. Three portfolio companies apply factoring for invoices to a small number of customers, which are regarded as separate business models since they can be distinguished from the other receivables.

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

Refer to Note 16 Financial instruments and Note 26 Financial risks and risk policy in Ratos's 2017 Annual Report for a description of the hedges within the Ratos Group.

#### Convertible debt instrument and warrants

The parent company has issued a convertible debt instrument to personnel, who paid market value. Recognition of the convertible debt instrument 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 debt instrument 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 debt instrument issued entails no personnel costs. In the event of any future conversion of the debt instrument, new shares will be issued that increase equity at the same time as the debt portion is transferred to equity. If conversion does not take place, the debt will be repaid to the participants on the due date.

The parent company has also issued warrants to personnel. The warrants are offered free of charge, which means that the participants retain a benefit equivalent to the market value. The market value in connection with allotment was calculated using the Black-Scholes model. The associated benefit and social security contributions are recognised in their entirety as personnel costs upon issuance. 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.

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

IFRS 16 Leases replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease and related rules. The standard is effective from 2019. Under the new standard, the lessee is required to recognise all contracts that meet the definition of a lease (except leases of 12 months or less and leases of low-value assets) as a right-of-use asset and financial liability in the statement of financial position. Leases that currently comprise operating leases will subsequently be recognised in the balance sheet, which entails that the current operating expense, corresponding to the leasing charges for the period, will be replaced by amortisation and interest expense in the income statement. Ratos's financial statements will largely be impacted as follows: improved operating profit, weaker net financial items, increased total assets, cash

flow from leases moved from operating activities to financing activities (amortisation and interest paid).

IFRS 16 will impact Ratos's portfolio companies to varying degrees and the companies are following the transition plan drawn up at year-end

2017, including an inventory and analysis of existing leases and other factors concerning materiality, discount rates and the need for system support.

## Note 2 Risks and uncertainties

Ratos is an investment company that acquires, develops and divests unlisted companies in the Nordic countries.

These operations include inherent risks attributable to both Ratos and the companies. These mainly comprise market, operational and transaction risks and can include both general risks, such as external factors and macroeconomic development as well as company and sector-specific risks. Ratos's future earnings development is dependent to a large extent on the success and returns of the underlying companies which is also dependent, among other things, on how successful those responsible for the investments and each company's management group and board are at developing and implementing value-enhancing initiatives.

Ratos is also exposed to various types of financial risks, primarily related to loans, trade receivables, trade payables and derivative instruments. The financial risks consist of financing risk, interest rate risk, credit risk and currency risk.

It is also essential that Ratos has the ability to attract and retain employees with the right skills and experience.

A more detailed description of the material risks and uncertainties to which the Group and the parent company are exposed is provided in the Directors' report and in Notes 26 and 33 in the 2017 Annual Report.

## Note 3 Alternative performance measures

Due to the nature of Ratos's operations – acquisition, development and divestment of companies – differences may arise in the structure of the Group between periods. Accordingly, consolidated sales, earnings, cash flow and financial position may vary significantly from period to period as a result of differences in the composition of the company portfolio. Moreover, earnings from company divestments normally arise at irregular intervals, generating significant non-recurrent effects. To facilitate a comparison between periods and enable follow-up of the ongoing earnings and performance of the

company portfolio, Ratos presents certain financial information that is not defined in accordance with IFRS.

This information is intended to give the reader a better opportunity to evaluate Ratos's investments 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 this report. Definitions are available at [www.ratos.se](http://www.ratos.se).

### Net sales

MSEK	Q1-3 2018	Q1-3 2017	Change	Full Year 2017
<b>Net sales in the portfolio, Ratos's holding</b>	<b>15,835</b>	<b>15,111</b>	<b>5%</b>	<b>19,927</b>
Net sales in subsidiaries, holding not owned by Ratos	3,329	3,063		4,137
Subsidiaries divested during current year	70	1,676		1,987
Investments recognised according to the equity method	-2,028	-2,203		-2,992
<b>Consolidated net sales</b>	<b>17,206</b>	<b>17,647</b>	<b>-2%</b>	<b>23,059</b>

### Adjusted EBITA, EBITA and operating profit

MSEK	Q1-3 2018	Q1-3 2017	Change	Full Year 2017
<b>Adjusted EBITA in the portfolio, Ratos's holding</b>	<b>945</b>	<b>1,037</b>	<b>-9%</b>	<b>1,119</b>
Items affecting comparability, Ratos's holding	-54	-35		-81
<b>EBITA in the portfolio, Ratos's holding</b>	<b>891</b>	<b>1,002</b>	<b>-11%</b>	<b>1,038</b>
EBITA in subsidiaries, holding not owned by Ratos	207	207		272
Subsidiaries divested during current year	0	-29		-30
Exit gain/loss from portfolio companies	62	663		663
Investments recognised according to the equity method	-13	-74		-85
Income and expenses in the parent company and central companies	-101	-110		-119
<b>Consolidated EBITA</b>	<b>1,047</b>	<b>1,660</b>	<b>-37%</b>	<b>1,741</b>
Amortisation and impairment of intangible assets in connection with company acquisitions	-45	-83		-660
<b>Consolidated operating profit</b>	<b>1,002</b>	<b>1,577</b>	<b>-36%</b>	<b>1,081</b>



## Cash flow from operations

MSEK	Q1-3 2018
<b>Cash flow from operations in portfolio Q3, Ratos's holding</b>	<b>-449</b>
Cash flow from operations in portfolio Q1-2, Ratos's holding	494
<b>Cash flow from operations in portfolio Q1-3, Ratos's holding</b>	<b>46</b>
Cash flow from operations, holding not owned by Ratos	104
Cash flow from operations, holdings divested during current year	-22
Investments recognised according to the equity method	119
Acquisitions and disposals, intangible assets/property, plant and equipment	362
Income tax paid	-142
Attributable to the parent company	-17
Eliminations	-152
<b>Cash flow from operating activities</b>	<b>300</b>

## Interest-bearing net debt

MSEK	2018-09-30		
<b>Total interest-bearing net debt in the portfolio, Ratos's holding</b>	<b>5,913</b>		
Interest-bearing net debt in subsidiaries, holding not owned by Ratos	585		
Investments recognised according to the equity method	-962		
Attributable to the parent company and central companies	-1,767		
<b>Consolidated interest-bearing net debt</b>	<b>3,770</b>		
	<b>2018-09-30</b>	<b>2017-09-30</b>	<b>2017-12-31</b>
Non-current interest-bearing liabilities	5,461	5,639	5,819
Current interest-bearing liabilities	962	1,637	1,019
Provisions for pensions	516	494	486
Interest-bearing assets	-97	-118	-118
Cash and cash equivalents	-3,072	-3,537	-3,881
<b>Consolidated interest-bearing net debt</b>	<b>3,770</b>	<b>4,115</b>	<b>3,324</b>

## Note 4 Acquired and divested businesses

### Divestment of Gudrun Sjödén Group

In September, Ratos divested its entire holding of 30% in Gudrun Sjödén Group. The selling price amounted to SEK 225m and the total capital gain was SEK 36m.

### Divestment of Jøtul

In February 2018, Ratos divested all of its shares in the subsidiary Jøtul A/S (Jøtul) for NOK 364m (enterprise value). The sale was completed in February.

### Divestments within subsidiaries

HENT has divested its subsidiary, HENT Eiendomsinvest, to Fredensborg Bolig. The agreement includes a contingent consideration linked to an option regarding the expansion of a project outside Oslo. The divestment of the operation yielded a capital gain of approximately NOK 84m, including an additional contingent consideration.

### Acquisitions within subsidiaries

Speed Group acquired Samdistribution Logistik Sverige AB during the period. Samdistribution Logistik Sverige AB is currently the leading logistics partner for the Swedish book market and conducts its operations from its 22,000-square-metre premises in Rosersberg in northern Stockholm.

airteam completed the acquisition of Luftkontroll Energy i Örebro AB, a leading installer of ventilation solutions in the Mälardalen region. Luftkontroll Energy has approximately 35 employees and offices in Örebro. Sales for 2017 amounted to about SEK 80m. The company offers efficient ventilation and energy solutions, including after-sales and maintenance services. Through the acquisition of Luftkontroll Energy, airteam is taking its first, strategically important steps into Sweden.

In addition to the transactions reported above, a small number of minor add-on acquisitions took place in the portfolio companies during the period.

## Note 5 Operating segments

	Sales					EBT <sup>1)</sup>				
	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017
<b>MSEK</b>										
Aibel						51	-38	95	-23	-24
airteam	216	202	637	602	820	25	12	51	20	37
Bisnode	883	833	2,705	2,603	3,555	86	70	145	182	280
Diab	361	342	1,086	1,140	1,439	-79	-23	-93	-6	-41
HENT	2,007	1,755	5,966	5,333	7,266	53	63	265	180	250
HL Display	374	353	1,157	1,087	1,445	17	13	50	26	17
Kvdbil	88	82	243	253	346	7	7	0	23	27
Ledil	120	103	342	298	388	30	43	84	80	93
Oase Outdoors	83	87	409	394	409	-7	0	50	63	40
Plantasjen	893	886	3,440	3,245	4,009	-96	-52	115	202	51
Speed Group	197	126	542	382	513	-1	6	-11	13	10
TFS	204	219	612	635	882	-9	-16	-26	-16	-30
<b>Total companies in portfolio all reported periods</b>	<b>5,425</b>	<b>4,986</b>	<b>17,136</b>	<b>15,971</b>	<b>21,072</b>	<b>78</b>	<b>87</b>	<b>725</b>	<b>743</b>	<b>709</b>
AH Industries				265	265				-2	-2
Arcus									-0	-0
GS-Hydro		126		542	542		-28		-79	-79
Gudrun Sjødén Group						4	9	10	16	23
Jøtul		234	70	633	944		19	10	-27	-46
Nebula				177	177				40	40
Serena Properties							5		33	33
<b>Total companies divested during reported periods</b>		<b>360</b>	<b>70</b>	<b>1,618</b>	<b>1,929</b>	<b>4</b>	<b>5</b>	<b>20</b>	<b>-18</b>	<b>-30</b>
<b>Total companies in portfolio</b>	<b>5,425</b>	<b>5,346</b>	<b>17,206</b>	<b>17,589</b>	<b>23,001</b>	<b>82</b>	<b>90</b>	<b>745</b>	<b>725</b>	<b>679</b>
AH Industries									-32	-32
Gudrun Sjødén Group						36		36		
Arcus									33	33
Jøtul								26		
Nebula							515		515	515
Serena Properties							79		79	79
<b>Total exit gains</b>						<b>36</b>	<b>594</b>	<b>62</b>	<b>596</b>	<b>596</b>
Impairment Diab										-200
Impairment and result from bankruptcy GS-Hydro							68		68	68
Impairment HL Display										-350
<b>Companies total</b>	<b>5,425</b>	<b>5,346</b>	<b>17,206</b>	<b>17,589</b>	<b>23,001</b>	<b>118</b>	<b>752</b>	<b>807</b>	<b>1,389</b>	<b>792</b>
<b>Income and expenses in the parent company and central companies</b>										
Operating management costs						-16	-31	-99	-115	-153
Other income and expenses, incl. transaction costs		-1		58	58	1	18	-4	4	34
Costs which will be charged to portfolio companies						-0	2	2	2	0
Financial items						-16	1	-29	-25	-16
<b>Group total</b>	<b>5,425</b>	<b>5,344</b>	<b>17,206</b>	<b>17,647</b>	<b>23,059</b>	<b>88</b>	<b>741</b>	<b>678</b>	<b>1,255</b>	<b>658</b>

1) Subsidiaries are included with 100% in consolidated profit. Investments recognised according to the equity method are included with holding percentage of pre-tax profit/loss.

MSEK	EBITA <sup>1)</sup>				
	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017
Aibel	51	-38	95	-23	-24
airteam	25	22	54	50	77
Bisnode	103	85	277	254	397
Diab	-60	-6	-74	34	1
HENT	51	67	265	191	261
HL Display	21	18	74	43	43
Kvdbil	8	8	3	25	30
Ledil	33	47	92	91	107
Oase Outdoors	-5	3	58	73	53
Plantasjen	-45	-10	242	333	220
Speed Group	6	10	7	24	24
TFS	-6	-10	-17	6	-4
<b>Total companies in portfolio all reported periods</b>	<b>182</b>	<b>197</b>	<b>1,075</b>	<b>1,101</b>	<b>1,185</b>
AH Industries				3	3
Arcus				0	0
GS-Hydro		-27		-70	-70
Gudrun Sjødén Group	4	9	10	16	23
Jøtul		14		-15	-17
Nebula				54	54
Serena Properties				18	18
<b>Total companies divested during reported periods</b>	<b>4</b>	<b>-4</b>	<b>10</b>	<b>5</b>	<b>11</b>
<b>Total companies in portfolio</b>	<b>186</b>	<b>193</b>	<b>1,085</b>	<b>1,106</b>	<b>1,196</b>
AH Industries				-32	-32
Gudrun Sjødén Group	36		36		
Arcus				33	33
Jøtul			26		
Nebula		515		515	515
Serena Properties		79		79	79
<b>Total exit gains</b>	<b>36</b>	<b>594</b>	<b>62</b>	<b>596</b>	<b>596</b>
Impairment and result from bankruptcy GS-Hydro		68		68	68
<b>Companies total</b>	<b>222</b>	<b>854</b>	<b>1,148</b>	<b>1,769</b>	<b>1,860</b>
<b>Income and expenses in the parent company and central companies</b>					
Operating management costs	-16	-31	-99	-115	-153
Other income and expenses, incl. transaction costs	1	18	-4	4	34
Costs which will be charged to portfolio companies	-0	2	2	2	0
<b>Group total</b>	<b>207</b>	<b>842</b>	<b>1,047</b>	<b>1,660</b>	<b>1,741</b>

1) Subsidiaries are included with 100% in consolidated profit. Investments recognised according to the equity method are included with holding percentage of pre-tax profit/loss.

Sales breakdown by segment <sup>1)</sup>

	Q3 2018	Q3 2017	Q1-3 2018	Q1-3 2017	Full Year 2017
<b>MSEK</b>					
<b>Construction</b>					
airteam	216	202	637	602	820
HENT	2,007	1,755	5,966	5,333	7,266
	<b>2,223</b>	<b>1,957</b>	<b>6,602</b>	<b>5,935</b>	<b>8,086</b>
<b>Technology, Media, Telecom</b>					
Bisnode	883	833	2,705	2,603	3,555
Kvdbil	88	82	243	253	346
Nebula <sup>2)</sup>				177	177
	<b>971</b>	<b>915</b>	<b>2,948</b>	<b>3,033</b>	<b>4,078</b>
<b>Industrials</b>					
AH Industries <sup>3)</sup>				265	265
Diab	361	342	1,086	1,140	1,439
GS-Hydro <sup>4)</sup>		126		542	542
HL Display	374	353	1,157	1,087	1,445
Ledil	120	103	342	298	388
	<b>855</b>	<b>924</b>	<b>2,584</b>	<b>3,332</b>	<b>4,079</b>
<b>Consumer goods/Commerce</b>					
Jøtul <sup>5)</sup>		234	70	633	944
Plantasjen	893	886	3,440	3,245	4,009
Oase Outdoors	83	87	409	394	409
	<b>976</b>	<b>1,206</b>	<b>3,919</b>	<b>4,272</b>	<b>5,363</b>
<b>Healthcare</b>					
TFS	204	219	612	635	882
	<b>204</b>	<b>219</b>	<b>612</b>	<b>635</b>	<b>882</b>
<b>Business service</b>					
Speed Group	197	126	542	382	513
	<b>197</b>	<b>126</b>	<b>542</b>	<b>382</b>	<b>513</b>
Sales in central companies				58	58
<b>Total</b>	<b>5,425</b>	<b>5,344</b>	<b>17,206</b>	<b>17,647</b>	<b>23,059</b>

<sup>1)</sup> Breakdown of sales according to the table above is in line with IFRS 8 Operating Segments where segment reporting is based on recognition and measurement in accordance with IFRS 15. For description of transition to IFRS 15, refer to note 1. Note 5 Operating segments includes sales from subsidiaries. Associates are recognized according to the equity method.

<sup>2)</sup> Nebula was divested in July 2017

<sup>3)</sup> AH Industries was divested in March 2017

<sup>4)</sup> GS-Hydro was declared bankrupt in September 2017

<sup>5)</sup> Jøtul was divested in February 2018

MSEK	Consolidated value <sup>1)</sup>		
	2018-09-30	2017-09-30	2017-12-31
Aibel	773	702	679
airteam	427	367	383
Bisnode	2,086	1,841	1,929
Diab	527	717	623
Gudrun Sjödén Group		177	183
HENT	498	386	410
HL Display	618	926	566
Jøtul		-23	-34
Kvdbil	477	373	376
Ledil	488	399	418
Oase Outdoors	204	163	155
Plantasjen	1,448	1,390	1,275
Speed Group	292	298	297
TFS	218	235	239
<b>Total</b>	<b>8,056</b>	<b>7,950</b>	<b>7,497</b>
Other net assets in the parent company and central companies <sup>2)</sup>	1,598	2,775	2,163
<b>Equity (attributable to owners of the parent)</b>	<b>9,654</b>	<b>10,225</b>	<b>9,660</b>

<sup>1)</sup> 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.

<sup>2)</sup> Of which, cash and cash equivalents in the parent company account for SEK 1,724m (2,405)

## Note 6 Financial instruments

Ratos applies fair value measurements to a limited extent and mainly for derivatives, synthetic options, contingent considerations and put options. These items are measured according to levels two and three, respectively, in the fair value hierarchy.

For a description of IFRS 9, refer to Note 1. The transition to the new standard did not result in any changes to the company's measurement techniques during the period.

In the statement of financial position at 30 September 2018, the total value of financial instruments measured at fair value in accordance with level three was SEK 603m (340 at 31 December 2017). This change was attributable to the remeasurement of synthetic options as well as additional put options and additional contingent considerations.

In the statement of financial position at 30 September 2018, the net value of derivatives amounted to SEK 12m (-1), of which SEK 19m (29) was recognised as an asset and SEK 7m (30) as a liability.

## Note 7 Goodwill

Goodwill changed during the period as shown below.

MSEK	Accumulated cost	Accumulated impairment	Total
<b>Opening balance 1 January 2018</b>	13,172	-1,589	11,583
Business combinations	58		58
Divested companies	-496	486	-10
Translation differences for the year	459	-16	443
<b>Closing balance 30 September 2018</b>	<b>13,193</b>	<b>-1,119</b>	<b>12,074</b>

## Note 8 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 in the 2017 Annual Report. The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 285m (321). The parent company provided a capital guarantee for borrowing in TFS. In addition, the parent company guarantees that Medcro Intressenter AB and Outdoor Intressenter AB will fulfil their obligations in connection with the acquisition of TFS and Oase Outdoors, respectively. The parent company also guarantees that Sophion Holding AB and EMaint AB will fulfil their obligations in connection with the divestment of Sophion Bioscience and Euromaint, respectively.

The parent company's transactions with subsidiaries and associates for the period and the parent company's balance sheet items in relation to its subsidiaries and associates at the end of the period are presented below.

MSEK	Interest income	Capital contribution	Dividend	
2018 Q1-3	2	100	114	
2017 Q1-3		185	572	
2017 full year		316	572	

MSEK	Receivable	Provision	Liability	Contingent liability
2018-09-30	5	162	609	285
2017-09-30	50	114	3,142	321
2017-12-31	15	112	1,569	358

Earlier in the year, Ratos provided contributions of SEK 100m to Kvdbil.

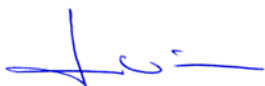
## Telephone conference

25 October at 11:00 a.m.      SWE: +46 8 566 426 99  
US: +1 855 831 5948  
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## Financial calendar

<b>2019</b>	
Year-end report 2018	15 February 2019
Annual General Meeting	8 May 2019

Stockholm 24 October 2018  
Ratos AB (publ)



Jonas Wiström  
CEO

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This report has not been reviewed by Ratos's auditors.

This is information that Ratos AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 25 October 2018 at 8:00 a.m. CET.

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*Ratos owns and develops unlisted medium-sized companies in the Nordic countries. Our goal as an active owner is to contribute to long-term and sustainable business development in the companies we invest in and to make value-generating transactions. Ratos's portfolio consists of 12 medium-sized Nordic companies, with the largest segments in terms of sales being Industrials, Construction and Consumer goods/Commerce. Ratos is listed on Nasdaq Stockholm and has approximately 12,300 employees.*